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Rt Hon Frank Field MP

1st March 2017

Dear Frank

Thank you for your letters dated 30 January and 13th February. This note responds to the issues raised in both these pieces of correspondence.

Universal Credit Claimants and Rent Arrears

1. There are multiple factors driving rent arrears levels on UC claims and isolating these to understand what is going on, behind the headlines, is not a simple task.
2. First, we know from our data and from data shared by others that a large number of cases entering UC have pre-existing arrears. As the recent study from the Arms-Length Management Organisations noted, some 76% of the UC claims they considered had rent arrears before they went on UC. We should not be surprised - the approach in the Social Rented Sector of paying Housing Benefit (HB) directly to the landlord when someone is out of work, and then direct to the claimants when in work, can generate confusion. This is particularly problematic in a flexible labour market when people move in and out of work. This is something we initially discovered during our Direct Payments demonstration projects, where 59% of the claimants we worked with had pre-existing arrears. UC seeks to resolve this issue by paying claimants all of their UC payment, including their housing element, and only resorting to payments direct to landlords where people are unable to take responsibility for paying rent.
3. Second, we know that some landlords charge rent in advance, when benefits and wages are paid in arrears. In essence this creates a problem we have termed as 'book' arrears. Claimants would appear to be in arrears most of the time but in practice rent is being paid to landlords regularly.
4. Third, we know from the design of UC, which mimics the cycle of salary payments, can create small amounts of arrears. We took steps in designing UC

to manage this through facilitating a faster recovery of rent arrears by increasing the maximum amount recoverable from 5%, in HB, to 20% in UC.

5. We believe that any arrears of rent associated with UC are likely to be of a short duration, cleared relatively quickly and should not present an insurmountable obstacle to landlords over the lifetime of a tenancy. The early evidence from UC backs up this hypothesis. In 2015 we found that 48% of UC claimants with housing costs were in arrears in the first month of a claim (compared to 31% in JSA), but by month 3 the UC cases in rent arrears had fallen to 33% - very close to the historic JSA position.

Housing in the Universal Credit Full Service

6. Given the importance of getting housing right we have been engaging with landlords and local authorities throughout the design process of UC. The Committee will know that whilst we are in the design phase, where we test and learn, we have deliberately kept the numbers of people on UC relatively small so that we can resolve problems without affecting large numbers of people.
7. As you might expect with a new system there have been issues regarding housing payments, particularly in the social rented sector where the provision of rent direct to landlords in HB has meant many claimants are unaware they have a rent liability, or what the liability is. In UC it is the claimant's responsibility to notify DWP of their housing costs. In many of the cases where the Committee has been informed of delays and arrears DWP was not provided with this information at the start of the claim and in many cases where the claimant does notify us that they pay rent they underestimate what the amount of their rent is. When we verify the rent with the landlord we get a mismatch in the information provided which has to be reconciled, adding to the time taken for the full claim to be paid and assessed.
8. We have been working hard to improve the situation, taking additional steps to explain to claimants what they need to let us know, creating a facility and email in-box for landlords to communicate information to us and advising our staff to ask more questions of claimants about their housing status.
9. These actions will improve the situation in the short-term but we know we need to improve our ways of communicating with landlords to verify information to run the system at scale. As the Committee is aware, we are developing a landlord portal which will allow social sector landlords to input rent data directly into a claim. It will also allow the DWP to communicate directly with landlords on issues relating to Managed Payments to Landlord. Developing a portal is not without its challenges, most notably relating to security, but we are making progress. We are working closely with landlords and a prototype will be ready for this spring. We are confident that we will have a scalable national version ready for the end of the year, striking the right balance between pace and security.

Explicit Consent

10. You will know that for many years, prior to the introduction of the Universal Credit full (digital) service, the Department has run a system of implicit consent for MPs in cases of benefit enquiries on behalf of constituents. We operated this system because of the time delays associated in getting explicit written consent between

the claimant and DWP. This means MPs can, often from their constituency surgeries, deal direct with DWP on their constituents behalf without their written permission.

11. This system of implicit consent remains in place for all the legacy benefits and for the Universal Credit Live Service. The Universal Credit full service, which is currently in 49 of our jobcentres, is the Department's first fully digital service. Claimants contact the Department on-line through their journal and we respond via the journal too.
12. An on-line UC account gives claimants the 'key' to managing their own medical, financial and other personal data. Running a system of implied consent under the full service would significantly increase the risk of release of this personal data to third parties, and would undermine some the security features we have built in to the system. The Department faces regular attempts by organisations and individuals to access the sensitive information we hold on behalf of our claimants and it is important that we take all reasonable steps to protect this information.
13. We do recognise that MPs and their staff do need to be able to communicate with DWP regarding their constituents' cases and so have developed, as an alternative, a system of explicit consent which will allow advisors to represent claimants in their dealings with us. Through the use of new digital channels we believe that we can provide this service in a convenient manner while still requiring this extra level of security. Full details are set out in Annex A.

Managed Payments to Landlords (MPTL)

14. Managed Payments to landlords (MPTLs) are intended to help those claimants who have been identified as having difficulty managing their finances. They provide reassurance for both the claimant and the landlord that the rent will be paid and they are reviewed regularly with a view to being removed when claimants are more confident in managing their own money.
15. Although there was some expectation that MPTLs would be applied to a large number of cases, this has not proved to be the case. The Programme published an Ad Hoc Statistical Report on Alternative Payment Arrangements (APAs) in July 2016. This report showed that, in May 2016, 36% of UC awards included support for housing, while 7% have a Managed Payment to Landlord in place. This means that 20% of awards that include support for housing are paid through an MPTL. The proportion of UC awards that included support for housing and that have a managed payment to landlord in place remained consistent over time, for 9 months, prior to May 2016.
16. We have already put some process improvements in place in the full service to facilitate APAs. This includes an automated acknowledgement of receipt of a request for an APA; merging the APA and rent verification processes for Social Rented Sector (SRS) landlords; timely relaying of the decision to landlords and a streamlining of the process to handle inbound emails from landlords.
17. You also asked about mandating the use of MPTLs in a wider range of circumstances. The risk factors to consider when putting in place a MPTL are

already fairly broad. There are no plans to expand their use to a wider range of circumstances.

Universal Credit and Short Term Temporary Accommodation Charges

18. UC is calculated on a monthly basis and this does not easily align with Local Authority (LA) provision of emergency and temporary accommodation. This has caused some difficulties for LAs, and for tenants who find themselves in emergency or short term accommodation, as Croydon Council has pointed out to you in their correspondence.

19. The recent consultation on supported accommodation, which closed on 13th February, asked whether the approach of devolving the extra costs for shared accommodation to LAs might also work for temporary accommodation, given the issues any system of monthly assessment will cause. We are currently considering the responses to the consultation.

Advances and Time to First Payment

20. The Programme is currently focussing on improving the numbers of claims we are able to put in payment by the end of the first assessment period. This includes refining the customer journey, improving the efficiency and effectiveness of the payment of housing costs, looking at improving communications to landlords and local authorities and streamlining verification.

21. Throughout the history of the welfare state there have always been claimants in pressing need who cannot wait for their first payment of benefit to accrue and be paid. This is why UC includes an option of advance payments.

22. We are currently looking at some analysis around the time it takes to first payment and the number and types of advances that are paid. This is not easy data to construct as it requires a matching of payments to claims and removing the significant number of withdrawn claims (which can be withdrawn at any time in the relevant time period). Once we have produced this data I would be happy to share this with the Committee.

Real Time Information

23. The Real Time Information (RTI) system has been helping to ensure that we get UC claims right by providing us with accurate and timely details of earnings payments from Her Majesty's Revenue and Customs (HMRC). The system is working well with over 99% of individual employment records now being reported in real time. This transfer occurs 4 times a day and the link has not suffered any issues that would have affected claimants in the 6 months prior to December 2016.

24. You asked about inaccurate RTI information. The UC system takes the RTI data as provided to HMRC by employers. From this we derive the earnings for each Assessment Period. There are processes to adjust our calculation in the very small number of cases where the employer has made a mistake and a claimant disputes the earnings but we do not correct the RTI - it remains a record of what the employer has reported.

25. We have experienced small numbers of late or missing data from RTI. We have been working closely with employers, software providers and HMRC and we've seen year on year improvements in this area. There are a small number of cases where employers fail to log information on time or miss data, but in general our colleagues in HMRC are confident the RTI system is working well.

Overpayments and Underpayments

26. 2015/16 was the first year that fraud and error were measured in Universal Credit. In the official statistics for Fraud and Error in the Benefit System, published in December 2016, the official error rate in UC was 1.2%. This amounted to £6m. Jobseeker's Allowance error rates were at 1.3%. The largest cause of official error overpayments in UC was housing costs (0.3%) and household composition (0.2%), which amounted to £2m overpaid.
27. Given the Jobseeker's Allowance figures exclude housing, and rates of loss in HB are at 6%, this suggests that UC is performing well in this area compared to the legacy system.
28. Official error underpayments amount to 1.2%, compared to 0.6% for Jobseeker's Allowance, and, again, is largely down to housing costs - something that doesn't feature in JSA.
29. This fraud and error information has not been broken down to identify the number of claimants impacted, nor have we published the number of claims where recovery has been made at the maximum rate.

Claimants with Complicated Circumstances

30. With the roll out of the UC full service, we are seeing all claimant types and circumstances.
31. The structure and design of UC, with its personalised work coach support, means that it is tailored to particular household circumstances, including those experiencing complicated issues. That tailored support takes into account many day-to-day family matters, such as affordability of childcare, caring commitments and health conditions.
32. We ensure our Work Coaches have the flexibility to tailor support for individuals in difficult circumstances – they can adjust the work search requirements and conditionality to allow claimants to prioritise solutions to their issues (e.g. homelessness, addiction, etc.). We are also working with our partners so that resources can be used appropriately to tailor and integrate pathways of support.

New Deal and Universal Support

33. The New Deal Programme, implemented in the late 1990's, was designed to target certain types in the claimant population. Starting with New Deal for Young People, it expanded in to different age ranges and claimant types. Part of the Programme trialled specialist Work Coaches and training provision for these claimant types. This proved not to be replicable in smaller offices and those with a less diverse claimant base and could not be sustained. However, the concept

of specialist advisers was taken up later as part of Lord Freud's plans for UC in certain specified circumstances. Generally Work Coaches provide tailored support for their entire claimant base, but specialist Work Coaches, for example, for self-employed claimants, have been tested. Universal Support uses the expertise of local authority staff and third party providers to support those claimants that have certain barriers to work, like difficulty in budgeting and digital awareness. This support will continue with the roll out of the full service.

Publication of Research and Analysis

34. There is a continuing programme of research and analysis of UC and its effectiveness in moving claimants into work. This includes the economic impact analysis of UC and a raft of other research and analysis products, including large scale claimant surveys and detailed qualitative analysis of the claimant experience. My Department will ensure that you are provided with a copy of the statistics and research we will be publishing in the near future.

Yours ever

Damian

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Minister for Employment



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20th January 2017

Dear Colleagues working in the welfare advice sector,

**UNIVERSAL CREDIT FULL SERVICE – INFORMATION FOR WELFARE
ADVISORS ON EXPLICIT CONSENT AND PERSONAL DATA**

We have received a number of enquiries about the issue of disclosure of personal information to third parties, representatives and advisers within the Universal Credit full service. These arrangements are different to those that many advisers have been familiar with over an extended period of time for existing benefits. I promised to write to set out the position and explain why the changes have taken place.

In the case of a person who cannot manage their own affairs because of incapacity, the existing and well established process where that person has an 'appointee' who acts on their behalf will apply in Universal Credit as it does in other benefits. That person is treated as though they were the claimant and therefore disclosure is not an issue. The same applies if other legal instruments such as an enduring power of attorney are in place.

This note therefore focuses on those people who need some help and advice to navigate the system, but whose affairs are not being completely 'run' by another person.

Data protection and claimant access to on-line data

Even under implied consent which operates in the existing benefits, including Universal Credit live service, the DWP will never disclose:

- Address;
- Dates of birth;
- National Insurance number;
- Bank details;
- Telephone number;
- Names of household members;
- Names of employers, or former employers.

So implicit consent, in practice, operates a limited form of disclosure to protect personal information.

The online digital account, which is fundamental to the design of the full service, allows claimants access to all their personal, medical, financial and other data. As a result the claimant 'holds the key' to that account at all times. So I hope you can see that running a system of implied consent means that the risks of the disclosure of this material to third parties is heightened beyond an acceptable level under the data protection rules and might also undermine some of the other security features we have built into the system through personal accreditation.

I realise that as bona fide advisers this may seem unduly cautious, but we face regular attempts by unscrupulous organisations and individuals to access information from us and we need to take all reasonable steps to protect the position of claimants and their data which we hold.

We recognise, however, that some claimants will seek advice from third parties about their claim. The DWP in no way wants to undermine that but in moving to a digital service it does necessitate some changes in working practices that have long been in place.

What we have now put in place is a system of "explicit consent". Under this approach, a claimant can give **explicit** consent at any time in one of three ways: either via their account, on the phone or in person, with the third party, in a jobcentre. Under this explicit consent system the claimant holds the 'key' to their account and unless appointee action has been taken, they retain that key and control over their information but can 'invite' others in to support them at that instant.

Online Explicit Consent

A claimant can use their online account to provide explicit consent to disclose information. They can do this via their Journal. Consent must be given freely, unambiguously and in an informed way. The claimant must be clear on the information that they want to be disclosed and who the information can be disclosed to – e.g. "I give consent for the DWP to discuss my childcare costs with Jane Brown of xx organisation". Consent does not last indefinitely, but covers a particular query or piece of business. A separate authority is required for an appeal, unless the existing authority specifically covers the appeals process.

When a claimant provides consent over the telephone

If the claimant is with the representative/landlord when they call DWP, staff will verify the claimant's identity privately. If the claimant is not present with the third party a three way phone conversation with the claimant will be arranged. This is not a wholly new concept as it is similar to the more familiar practice of three way conversations when using 'thebigword' for interpreter services.

The claimant must also confirm:

- the caller is their representative/landlord;
- the representative/landlord is acting on their behalf; and,

- they consent to their information being disclosed and understand the purposes for which it will be used.

Rural communities

In situations where it is neither straightforward nor affordable for customers to keep revisiting advice offices in person for support, the claimant can make/arrange a three way call between themselves, a representative and the DWP to verify their ID and provide wider consent to discuss their claim. In this situation, the claimant and their representative do not have to physically be in the same building/room/office. We are also exploring other technologies that may assist claimants and their advisers in remote and rural areas, such as Skype for Business, which is being trialled in the Highlands of Scotland where claimants may be over 100 miles from their nearest office.

Long-term / Terminal illness – Appointee Process

Support workers in hospices can be given explicit consent as described above. However, depending on the nature of the illness, it is likely that appointee action will be required. The DWP visiting team will see the claimant and the proposed appointee within 10 days.

I hope this is helpful by way of explanation. I appreciate that for many advisers this will seem like a departure from a process which is working well. But I hope, as you see more of the new full service, with access, for the first time, to all of the information held by DWP on the claim, you will see the opportunities for enhancing the important service you provide. We are also, as you know, testing and learning as we develop the new service so as we get into this system of explicit consent please do share any feedback or suggestions for improvements.



Neil Couling
Director General, Universal Credit Programme

