Universal Credit: Personal Budgeting Support

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Simplifying a complex system

Current system

- Income related JSA
- Income related ESA
- Income Support (including SMI)
- Working Tax Credits
- Child Tax Credits
- Housing Benefit

- Disability Living Allowance

- Pension Credit

Universal Credit

- Personal Independence Payment

- Child Benefit, Carer’s Allowance (will remain)

- Council Tax Benefit (Localised Council Tax Schemes)

- Contributory JSA and ESA (conditionality rules changing)

... to include support for housing and children
A simpler system with clear work incentives

Universal Credit: lone parent with two children

- Universal Credit payment
- Total in-pocket income

[Graph showing the income levels and Universal Credit payments for a lone parent with two children.]
We want to help people to be able to manage their own finances successfully, whether they are in or out of work.

Context - Claimant Preparation

Requirement for a personal budgeting strategy is driven by these changes:

- Housing costs direct to tenant
- Single payment to household
- Monthly Payment
Personal Budgeting Support – Overview

Alternative Payment Arrangements

Claimants managing their money

Money advice

Financial products
Alternative Payment Arrangements

• For a minority of claimants, alternative payment arrangements may be required; these might include
  – paying the rent directly to the landlord
  – making more frequent than monthly payments
  – splitting the payment within the household
• We will also have the option to make rent payments direct to the landlord if a claimant reaches a certain level of rent arrears.
• These alternative payment arrangements will be considered on a case by case basis and assessed on their individual merits.
• When considering alternative payment arrangements, a series of Tier 1 and Tier 2 factors indicating potential support needs will be used to help to decide if these arrangements are appropriate to an individual.
• The decision about whether an alternative payment arrangement is suitable will be made by a UC adviser through the PBS process. Information from a third party i.e. the claimants’ representative, their caseworker and / or their landlord can be used to inform a decision.
**Alternative Payment Arrangements – Consideration Factors**

<table>
<thead>
<tr>
<th>Tier One factors – Highly likely / probable need for alternative payment arrangements</th>
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<tbody>
<tr>
<td>Drug / alcohol and / or other addiction problems e.g. gambling</td>
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<tr>
<td>Learning difficulties including problems with literacy and/or numeracy</td>
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<td>Severe / multiple debt problems</td>
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<td>In Temporary and / or Supported accommodation</td>
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<td>Homeless</td>
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<td>Domestic violence / abuse</td>
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<td>Mental Health Condition</td>
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<td>Currently in rent arrears / threat of eviction / repossession</td>
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<td>Claimant is young either a 16/17 year old and / or a Care leaver</td>
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<td>Families with multiple and complex needs</td>
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<th>Tier Two factors - Less likely / possible need for alternative payment arrangements</th>
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<tr>
<td>No bank account</td>
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<td>Third party deductions in place (e.g. for fines, utility arrears etc)</td>
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<td>Claimant is a Refugees / asylum seeker</td>
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<td>History of rent arrears</td>
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<td>Previously homeless and / or in supported accommodation</td>
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<td>Other disability (e.g. physical disability, sensory impairment etc)</td>
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<td>Claimant has just left prison</td>
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<td>Claimant has just left hospital</td>
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<td>Recently bereaved</td>
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<td>Language skills (e.g. English not spoken as the ‘first language’).</td>
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<td>Ex Service personnel</td>
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<td>NEETs - Not in Education, Employment or Training</td>
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Money advice

- **Money advice** will include:
  - Online budgeting tools for claimants who can help themselves - such as those offered by Money Advice Service and Citizens Advice.
  - Advice services offered by external organisations for those who need more support with, for example, getting a bank account or doing a monthly budget plan.

- Advice will be delivered through online, telephone and face-to-face channels by expert providers at a national and local level through the Local Support Services framework.

- A personal planner is available on [gov.uk](http://gov.uk) to help claimants understand and prepare for financial changes arising from the introduction of Universal Credit. It asks claimants a set of questions about their readiness for claiming Universal Credit and, depending on the answers given, sets out an individual action plan.

- We are also trialing the new concept of a Budgeting Club for new and existing claimants. This will provide face to face practical help to claimants, initially in a group setting and subsequently on a one to one basis if needed.
We are keen to use local partners (LAs, RSLs, Charities) because…

• They already have support systems in place for claimants/tenants/service users;

• Staff have a wealth of experience in providing support; often including online access, financial inclusion and budgeting support;

• Smaller organisations can flex and adapt to changing needs more easily than larger ones (the greatest need for support will be early on, rising as ESA claims are migrated and falling back as we get into a steady state (2017/18), so we need a flexible, evolving solution);

• They can ensure that local employment initiatives and DWP labour market support mesh together effectively; and

• Working together with local partners we can create a joined up, holistic, service to claimants – A “single claimant journey” from welfare dependency to work readiness.
How additional support will be provided: The Delivery Partnerships Approach

Under the Delivery Partnerships Approach existing local planning forums will be developed into Local Delivery Groups for UC local claimant support services.

These should include DWP and Local Authority representatives but can also include other service providers. They should have the flexibility to plan support services and engage different suppliers according to local circumstances.

The Local Support Services Framework is available on gov.uk:

https://www.gov.uk/government/publications/universal-credit-local-support-services-framework
Financial Products
Background

• 75% of people are paid earnings monthly in arrears. Monthly payment of benefit will prepare households for the reality of budgeting on a monthly income, will ease the transition into work, and will make it easier for households to take advantage of cheaper tariffs for essential costs such as utility bills.

• The majority of Universal Credit claimants will continue to be paid through mainstream current or basic accounts.

• Having access to a transactional account will enable claimants to make electronic payments out of the account – such as Direct Debits or standing orders – for bills such as rent, gas and electricity.

• Up to 1.3 million potential UC claimants currently do not use a transactional bank account to manage their benefit payments. Most of these individuals currently use a Post Office Card account (POCa) which does not offer transactional facilities.

• We are looking at ways to make accounts with budgeting functionality, such as ‘jam jar’ accounts, more widely available. We are consulting with financial providers across the private, social and third sectors and considering the best ways to make these types of products more available.
Basic Bank Accounts

- Are a useful facility for those without access to mainstream current accounts. BUT – do they offer the minimum standards required to support UC claimants to manage their money?
- Are some banks appear to be making their basic account less attractive to avoid increasing their market share in a ‘race to the bottom’?
- We are working with HMT to explore these issues.
- What do you think would be helpful:
  - Reasonable and transparent penalty charges?
  - Accounts universally available to un-discharged bankrupts?
  - Improved information about basic accounts?
  - Proactive SMS message alerts on balances and activity?
- However, any improvements to basic bank accounts would still not offer budgeting support or protection of key payments such as rent and utilities so we are also looking at developing budgeting accounts.
Budgeting Accounts

• The majority of Universal Credit claimants will continue to be paid through mainstream current or basic accounts and will be able to adjust to the monthly payment regime either with some additional support such as Money advice or alternative payment arrangements.

• However we have recognised that in the short term at least, some claimants may need additional support, over and above the PBS standard offering to manage their monthly payment of UC.

• DWP believes that having access to a transactional account may enable claimant to manage their money more effectively as they can make electronic payments out of the account – such as Direct Debits or standing orders – for bills such as rent, gas and electricity.
Budgeting account features

Budgeting accounts:

• Usually incur a monthly charge- currently between £5.00- £22.00
• Have the facility to allow claimant to ring fence some of their money so that it cannot be accidentally spent. Eg bills or housing costs can be held separate form money for food shopping.
• Allow customers to make decision about how they budget their monthly income
• Jam jarring helps to avoid customers incurring penalties for returned direct debits and standing orders
• Are available through a few providers (Thinkbank, Secure trust), but are not currently offered to new customers by high street banks

We are continuing to investigate how Budgeting accounts may be able to support some Universal Credit claimants and hope to make announcement about this shortly.
Any questions?