# Universal Credit: Options to smooth the implementation for claimants

An options paper for the Rt Hon David Gauke MP by Policy in Practice 6th November 2017

Dear David,

As one of the architects of Universal Credit, I want to see it become as great a success as possible.

I founded Policy in Practice to make the welfare system simple to understand, and to help people toward independence. Earlier this month, we brought together leading welfare practitioners and the DWP at the House of Lords to discuss constructive ways to improve Universal Credit implementation.

Introducing a major reform to the benefit system, while simultaneously making cuts to working-age welfare, was always going to pose challenges. The briefing paper that follows offers a range of suggestions that would ease the transition for the seven million households who will be receiving Universal Credit in the coming years.

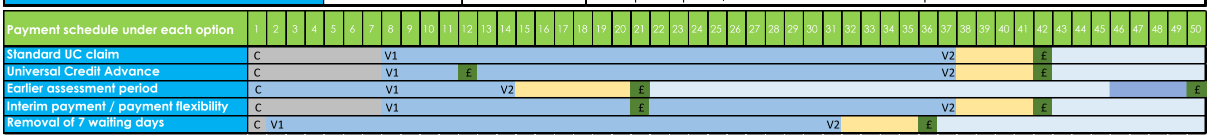
Practitioners to whom we have spoken are particularly concerned about the challenges faced by claimants during the initial waiting period for new customers moving onto Universal Credit (the 'six-week wait'). The perception is that we are asking too much of the most vulnerable households in the UK, by emphasising employment over social security, and by asking them to wait several weeks for their first payment. Universal Credit includes many people not expected to work at all, who don't have final salaries to rely on. Payment in arrears brings into the social security system some of the financial uncertainty that people currently face when moving into work.

The Treasury makes a significant one-off saving of £5.2bn, or £1bn for each week of the six-week wait. These savings shift the burden of austerity directly onto the UK's lowest earning households, and jeopardise a long-term reform in order to make a short-term capital saving.

The range of options that we assess below and in the attached briefing note show that the six-week wait is not a necessary part of Universal Credit. Each takes into account the policy intent of Universal Credit - to minimise barriers to work and promote independence - alongside the current policy issue of making payments quickly while considering the costs and administrative changes required:

- **Universal Credit advance payments,** the current option available to UC claimants
- **Earlier assessment period** is used to calculate the UC award
- **An interim payment**, made at two weeks (or mid-monthly) balanced out at the end of the month, with **payment flexibility**, giving claimants the option of twice-monthly payments
- **Removal of waiting days**, removing the first seven days where two-thirds of claimants are not eligible for Universal Credit

| Comparative costs and advantages for each option | First UC payment on day | Additional one-off cost (£m) | Comments |
|---|---|---|---|
| Standard UC claim | 42 | £ - | - |
| Universal Credit Advance | 12 | £ 324 | Fast payment at low cost, but lower future payments to claimants |
| Earlier assessment period | 21 | £ 2,703 | Single monthly payment, re-enforcing social security, highest one-off cost |
| Interim payment / payment flexibility | 21 | £ 1,351 | Fast payment at moderate cost, resolves concerns over monthly budgeting |
| Removal of 7 waiting days | 35 | £ 189 | Cheapest option, but does not resolve the problem for the most vulnerable |




| Key | | |
|---|---|---|
| C | | Claim made |
| V1 | | Verification process starts/Claimant commitment signed |
| V2 | | Verification process ends |
| | | First assesment period |
| | | Second assessment period |
| | | Third assessment period |
| | | Processing time for payment |
| £ | | UC is awarded |

Universal Credit advance payments were introduced and enhanced because they mean a fast payment, at a low cost. However, the need for advances at scale suggests that there is an underlying problem, and the requirement to pay back the award means that many more will start their claim in debt. The recent reforms do not appear to have turned the tide toward a fundamentally positive and a well-intentioned reform.

Universal Credit is intended to stand the test of time, a long-term reform that delivers significant and ongoing revenue savings by creating a system that provides social security, while removing the insecurity that many face when moving into work. Taking these and all other factors into account, Policy in Practice recommends that the **DWP introduce further changes to Universal Credit with a view to making the first payment within 21 days of the claim.**

We believe payment within 21 days of the claim can be achieved by starting the first assessment period around 2 weeks, or 15 days, before the date of claim. This means that the first assessment period ends about two weeks after the date of claim and payment can be made up to 7 days after that.

This approach holds true to the original principles of Universal Credit, ensuring income from benefits mirrors income from work, while emphasising the social security element of Universal Credit that too many people currently believe is missing by paying people within three weeks after making a claim:

- It simply requires the dates of the first assessment period to be moved back two weeks.
- It means payments are made relatively quickly and in line with the current benefit system - Housing Benefit claims are currently paid within 21 days on average.
- It introduces a clear driver for claimants to verify claims quickly, improving assessment times.
- People leaving higher paid jobs with earnings to fall back on would not receive their first payment until month two. People on low or no earnings would receive either a partial or a full Universal Credit award within three weeks of making a claim.
- There would be a smooth transition for those transferring to Universal Credit from legacy benefits, minimising both the risk of overpayments and income gaps.

We believe that making Universal Credit payments within three weeks of the claim in this way is deliverable, affordable, keeps Universal Credit simple, and maintains and reinforces the original principles of Universal Credit.

Alternatively, payment within 21 days can be achieved by making an interim payment after 2 to 3 weeks. This would be similar to an advance payment (i.e. based on an estimated 50% of Universal Credit entitlement). The balance of the first month's entitlement would be paid at the end of the month so in effect this option introduces a twice-monthly payment frequency.

Both these options can be implemented alongside other suggestions, such as introducing payment flexibility and removing waiting days. On their own, these options do not resolve the problem facing vulnerable households. The preferred approach may well be a hybrid of several different approaches.

The second briefing note that follows introduces a range of other options for the DWP to consider. Each is a constructive idea that has come directly from practitioners working on the frontline, and that Policy in Practice believes has the potential to smooth the introduction of Universal Credit.

Thank you for taking the time to consider these proposals, each of which has been discussed with officials in your department. We hope this helps you with your decision-making in the coming weeks.

If you need any further information, please do not hesitate to contact me.

Yours sincerely,
Deven Ghelani
07863 560677

# Summary of recommendations to tackle the six-week wait

Universal Credit is intended to be a long-term reform that stands the test of time, and delivers significant and ongoing revenue savings by creating a system that provides social security, while removing the insecurity that many face when moving into work. Taking these and all other factors into account, **Policy in Practice recommends that the DWP introduce further changes to Universal Credit with a view to making the first payment within 21 days of the claim.**

- **Further promote Universal Credit advance payments,** the current option available to UC claimants
- **Earlier assessment period** is used to calculate the UC award, so that the first assessment period starts before the claim is made
- **An interim payment**, made at two weeks, balanced out at the end of the month, with **payment flexibility**, giving claimants the option of fortnightly payments
- **Removal of waiting days**, removing first seven days where you are not eligible for Universal Credit

We believe each of these options is deliverable, without requiring a pause to the programme and they do not require primary legislation to be implemented. The tables below summarise when a payment would be made to the claimant, the overall one-off cost of implementing the measure, and this cost broken down into each year of Universal Credit migration.

## Options analysis

| Comparative costs and advantages for each option | First UC payment on day | Additional one-off cost (£m) | Comments |
|---|---|---|---|
| Standard UC claim | 42 | £ - | - |
| Universal Credit Advance | 12 | £ 324 | Fast payment at low cost, but lower future payments to claimants |
| Earlier assessment period | 21 | £ 2,703 | Single monthly payment, re-enforcing social security, highest one-off cost |
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| Removal of 7 waiting days | 35 | £ 189 | Cheapest option, but does not resolve the problem for the most vulnerable |

## Timing of assessment periods, payment dates and verification under each option

| Payment schedule under each option | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Standard UC claim | C | | | | | | | V1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | V2 | | | | | £ | | | | | | | | |
| Universal Credit Advance | C | | | | | | | V1 | | | | £ | | | | | | | | | | | | | | | | | | | | | | | | | V2 | | | | | £ | | | | | | | | |
| Earlier assessment period | C | | | | | | | V1 | | | | | | V2 | | | | | | | £ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | £ |
| Interim payment / payment flexibility | C | | | | | | | V1 | | | | | | | | | | | | | £ | | | | | | | | | | | | | | | | V2 | | | | | £ | | | | | | | | |
| Removal of 7 waiting days | C | V1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | V2 | | | | | £ | | | | | | | | | | | | | | |

## Working capital cost of each option

| Year | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Total (£m) | Steady State cost |
|---|---|---|---|---|---|---|
| Number of households moving onto UC | 1,600,000 | 2,100,000 | 1,400,000 | 1,790,000 | 6,890,000 | 200,000 |
| Standard UC claim | £ - | £ - | £ - | £ - | £ - | £ - |
| Universal Credit Advance | £ 51 | £ 108 | £ 72 | £ 92 | **£ 324** | £ 45 |
| Earlier assessment period | £ 426 | £ 904 | £ 603 | £ 770 | **£ 2,703** | £ 86 |
| Interim payment / payment flexibility | £ 213 | £ 452 | £ 301 | £ 385 | **£ 1,351** | £ 43 |
| Removal of 7 waiting days | £ 30 | £ 63 | £ 42 | £ 54 | **£ 189** | £ 6 |

There will be a small cost in steady state for each option as all new claims would be paid a little earlier than now.

Policy in Practice recommends that the DWP assess claimants against an earlier assessment period and remove the seven waiting days. This would require one-off capital spending of around £2.9bn, moving forward the benefit payment by three weeks. This working capital expense will be far easier borne by the state, borrowing at 1%, compared with low income households that often have to borrow at rates of more than 30%.

Policy in Practice

## About Policy in Practice

Policy in Practice was founded by one of the architects of Universal Credit to make the benefit system simple for people to understand and organisations to administer.

Our social policy software and analytical services are being used by over fifty local authorities to show the combined current and future impacts of changes in government policy, to track the impact of policy changes on behaviour and outcomes, and to target support to individual households in a fast and engaging way.

We recently brought together 'leading lights' in the field of welfare policy and practice to discuss constructive ways in which the DWP and local organisations could improve the implementation of Universal Credit.

## Context for current Universal Credit issues

Universal Credit is intended to:

- simplify the benefit system, making it easier to for people to understand and more efficient for government to administer;
- smooth the transition into and out of work by creating clear work incentives; and
- promote behavioural change - the intention is for recipients to become more self-reliant and, where possible, to enter or re-enter the labour market, and to progress in work.

The DWP is currently rolling-out Universal Credit full service, accepting new claims from all claimants (not just straightforward claims as previously). About 8% of the roll-out has taken place so far, and the intention is that every Jobcentre will be full service by the end of 2018.

There is general consensus that the underlying principles behind Universal Credit are sound. Bringing together six separate benefits/credits is a very worthwhile proposition. But it is not surprising that innovation of such magnitude and complexity presents real challenges for all involved in the implementation of Universal Credit: for DWP, for local organisations and interest groups, for landlords and not least for the recipients themselves. Policy in Practice believes that it is important to build on the consensus around the underlying principles and address, as soon as they arise, any issues which might derail successful implementation.

An immediate concern about Universal Credit currently is that, by design, claimants have to wait for six weeks (actually between 38 and 45 days[1]) before receiving their first payment. The policy rationale for monthly payment in arrears is to make Universal Credit payments

[1] See letter from Neil Couling to local authority Chief Executives dated 2nd October 2017. The 38 to 45 days comprise the 7 waiting days (if they apply), 31 days maximum for the number of days in the month, and up to 7 days to actually process the payment.

more like income from work, and to help overcome barriers to work for some claimants under the current benefit system, caused by a move to monthly payments when in work.

Under Universal Credit, claimants are expected to budget on a monthly basis, to mimic work, and generally to take responsibility for payment of all their outgoings, including rent. Monthly payments can also help households overcome the 'poverty premium' by providing the opportunity to make bulk purchases or pay bills monthly. A single payment rather than multiple payments at different times and intervals throughout the month can make budgeting easier for some households. Direct payment of the housing element of Universal Credit is intended to encourage personal responsibility and make recipients aware of their rent liability.

As the roll-out of Universal Credit full service progresses, it is already apparent that many claimants are finding it very difficult to manage during the initial period before their first payment.

This is because claimants generally have low levels of financial resilience:

- Eight in ten households due to receive Universal Credit have savings below £100[2].

| Savings of households eligible to move to UC | | | |
|---|---|---|---|
| Level of savings | No. households | % | % (cumulative) |
| No savings | 3,680,201 | 52.6% | 52.6% |
| 0-100 | 1,945,052 | 27.8% | 80.5% |
| 101-250 | 457,069 | 6.5% | 87.0% |
| 251-500 | 343,761 | 4.9% | 91.9% |
| 500-1000 | 203,572 | 2.9% | 94.8% |
| 1001-6000 | 298,944 | 4.3% | 99.1% |
| Above 6000 | 62,684 | 0.8% | 100.0% |
| ***TOTAL*** | ***6,991,283*** | | |

- 17% of households on Universal Credit have very low financial resilience, defined as their income falling short of their expected expenditure by more than £100 per month[3].
- Half of all households earning below £10,000 are paid monthly in arrears[4], suggesting that a significant minority of claimants are paid weekly or fortnightly, and therefore do not have a sizeable sum of money available to them on leaving work.
- Many claimants do not have the experience, skills or cashflow required to budget over a month or more[5]. In a survey of frontline organisations, more than half of

[2] Policy in Practice 2017, analysis on the Family Resources Survey
[3] Policy in Practice analysis using the Family Resources Survey 15/16. We compared households' income to expected expenditure for the lowest third of households, using data from the Living costs and Food Survey, adjusted for household size.
[4] DWP 2012, Universal Credit Policy Briefing Note 2
[5] 60 frontline advisers from different organisations were asked the question: "Of all your clients moving onto Universal Credit what proportion are at risk* of falling into crisis within the first two months of a UC claim?" At risk was defined as borrowing from sources other than DWP, friends and family or with significant and unrecoverable arrears and / or significant impact on their wellbeing. 22 organisations responded. 14 said that 25% or more of their clients would struggle.

them said that 25% or more of their residents were at risk of falling into crisis within the first two months of a UC claim.

The department argues that payment in arrears, following a full month assessment period after the claim is made, is intended to mirror work, and that it is necessary to allow time for verification, and to establish any earnings during the first assessment period.

The drawback of payment at the end of the first month's assessment period is that mirroring work in this way brings forward into the social security system many of the budgeting challenges people face when moving into work, into the social security system[6]. People moving into work do not face as long a wait for their first payment, making it difficult to justify.

It also delivers a significant one-off cost saving to the Treasury, estimated at £5.2bn, or around £1bn per week[7].

**Budget 2017: How much does the money matter?**

Policy in Practice believes the policy costings shown in this paper should not form any significant part in the assessment of these policy options. These costs represent 'working-capital', meaning that they have a short-term cashflow impact, but incur only minor ongoing costs. The cost of borrowing to meet this requirement is far easier borne by the state (borrowing at 1%), than by low income households, often borrowing at interest rates of more than 30%.

Policy-making on the basis of these capital savings is unjustifiable. They simply shift the burden of austerity directly onto the UK's lowest earning households, and jeopardise a long-term reform for a short-term capital saving.

## Options to address the 6 week wait

It is clear that, even with an improved system of advance payments, the six-week period is causing hardship in some cases and is difficult to justify. It generates short term savings on the backs of the poorest households, those least likely to be able to cope. It is therefore worth considering what measures could be taken to alleviate some of the difficulties, without introducing new barriers to work.

This briefing note focuses on the original rationale behind payment in arrears, and identifies options for the DWP to consider that mitigate legitimate concerns, are deliverable, and are aligned with the overall aims of Universal Credit. We also look at a range of suggestions

[6] Dynamic Benefits, Centre for Social Justice, 2009

[7] The overall savings are based on Policy in Practice estimates, based on modelling carried out on the Family Resources Survey. We estimate there will be a total of 6.89m households on Universal Credit, with an average weekly award of £143.47 per week. The government is paying people five weeks in arrears, and 21% of households on Universal Credit face an additional seven-day wait.

raised by frontline advisers that we believe can avoid negative outcomes, and improve the implementation of Universal Credit.

We have considered some of the reasons why the six-week wait is in place, and examined alternative options. We take account of the challenges of introducing different arrangements, including the need to properly verify claims, the cost implications, the technical deliverability and the impact on barriers into work. Based on this, we recommend that DWP consider the following options:

- **Further promote Universal Credit advance payments,** the current option available to UC claimants
- **Earlier assessment period** is used to calculate the UC award, so that the first assessment period begins two weeks before the claim is made[8]
- **An interim payment**, made at two weeks, balanced out at the end of the month, with **payment flexibility**, giving claimants the option of fortnightly payments
- **Removal of waiting days**, removing first seven days where you are not eligible for Universal Credit

## Evaluation of options to tackle the six-week wait

### Universal Credit Advance

This is the current option put in place by DWP, and is included as one of the assessed options here for comparison. DWP recognised from the outset that a six-week period before first payment would not be manageable for some claimants. Therefore, advance payments (or rather loans) have always been available on request, but have not always been actively promoted. They have relied on the claimant being aware of the option of an advance payment, with a clear reason to claim stating how much they wanted and how quickly they would pay it back. In many cases, it also took a long time to process the advance.

DWP have addressed these points by recently[9] announcing that anyone can ask for an advance payment, payment will generally be made within 5 working days, and the default will be to award a payment. For new claims, the payment will normally be a maximum of 50% of a household's Universal Credit entitlement and the repayment period will be 6 months[10].

[8] In other words, Universal Credit is paid in arrears at the outset of the claim, with the first assessment period being the month before the claim is made.

[9] David Gauke speech to the Conservative Party Conference – 2nd October 2017.

[10] An advance payment is calculated as the lower of either a) 40% of the Universal Credit base element over six months, or b) half of the full monthly Universal Credit entitlement (if likely to be verified).

The new approach will cost an estimated £320m over the next four years, as people transition onto Universal Credit[11]. If implemented effectively, it means a fast payment, targeted to those that need it – but also means lower future Universal Credit payments to claimants. This is particularly onerous to those households subjected to the seven-day wait as they will be required to use reduced ongoing awards to meet rental and other costs for the additional seven days.

**Case Study: Advance payment recovery**

A claimant with 2 children, no income and renting a private tenancy at £500/month has a Universal Credit award of £1,326.57. Before her first UC award she receives an advance payment of £663.

- If she moving to UC from other benefits, this is repaid over 12 months at £55.27 per month. Her income after her housing is paid falls from £826.57 to £771.30 a fall of 7%. If we take other essentials like utilities and groceries into account, it falls further, by 19%[12], from £65.77 to £53.00 per week.

- If she is not transferring from other benefits, her advance is paid back over six months at £110.55 per month. Her income after her housing is paid falls from £826.57 to £716.03, a fall of 13%. If we take other essentials into account, her remaining income falls by 39%[13], from £65.77 to £40.24 per week.

If her housing costs are not fully covered by Housing Benefit, then in each case the income she has available to cover incidentals and emergencies falls further.

The costs are based on the current 48% take-up rate of advance payments. This figure is likely to increase as more people who are not in work move onto Universal Credit, and the recent reforms make the option of a Universal Credit Advance better known.

**Earlier assessment period**

Moving the payment to earlier in the claim, but still basing the award on a full month's circumstances, sticks to the original principles of Universal Credit, mirroring monthly payments and easing the transition into work, while, importantly, ensuring the social security aspects of the system remain in place.

This option involves making the first payment (if there is entitlement) within 21 days after the

[11] This is based on the current take-up rate of Universal Credit advance payments (48%), with an average award estimated at 50% of the average UC claim, and assuming advances are paid off over nine months on average.

[12] Rent used is £500/month. Other expenditure based on ONS Household Expenditure Survey with expenditure figures based on 3rd decile by household income, adjusted for household size. Outgoings used in this example are rent, water, gas, electricity, home phone & internet and groceries.

[13] Ibid.

claim is made, as long as identity, income and rent are verified quickly, and would also provide an incentive to claimants to provide evidence to verify their claims quickly.

This option would be delivered by moving the first assessment period back to 14 days before the date of claim and running for a month (and monthly thereafter). We believe this would be a fairly minor change, which would not interfere with the overall structure of Universal Credit. We would take into account any earnings received in the first assessment period (e.g. Statutory Sick Pay, Statutory Maternity Pay) and treat them as earnings. Payments of legacy benefit (i.e. any payments of the benefits and credits that UC is replacing, and contributory ESA) could be deducted from Universal Credit before earnings were taken into account, to avoid double payment. Legacy benefits could also be ignored, or treated as earnings in order to taper Universal Credit. The DWP should go for the option that is technically the most feasible, given the limited impact on costs.

In practice this would cover half a month of earnings and half a month of no earnings. The key advantage is that those who were receiving low weekly income, or those that have not received earnings or other income in the month prior to claim, would be paid more quickly than under current arrangements. Those who have received a substantial sum of earnings (or other income) during this period might not be entitled but would theoretically have that sum of money available to last until their next payment is due.

This option would carry a one-off cost, estimated at £2.7bn spread over four years[14]. This is because all new Universal Credit claims, and those transferring onto Universal Credit, would potentially receive an earlier payment of benefit over the current position. It retains the current structure of Universal Credit, while incurring a one-off capital cost to the Treasury.

### Interim payments with choice over payment frequency

This option involves making an interim payment two weeks into the first assessment period (or three weeks if the 7 waiting day provision applies), to all new claimants. The interim payment would be an estimated 'safe' amount, broadly half the monthly entitlement. The monthly assessment period would be retained as now but the interim payment essentially means that a payment is made after approximately a fortnight and this arrangement could continue, if requested, into the second and subsequent assessment periods. Payments would be made as long as identity is verified and the claimant commitment signed, but potentially before all income is verified. Overpayments are unlikely, since the DWP has indicated that it is possible to estimate payments reasonably in most circumstances,[15] and only an overestimate of more than 100% would be difficult to recover at the end of the month. Payments made against unverified claims may be necessary to avoid hardship. These might lead to some overpayments (which could be recovered subsequently) and potentially some additional fraudulent claims (which can be dealt with in the usual way).

[14] This is based on bring the Universal Credit payment forward by three weeks, multiplied by the average weekly award and the number of people moving onto Universal Credit.
[15] David Gauke stated this in his oral evidence to the DWP Select Committee on Wednesday 18th October 2017

Allowing more choice in how Universal Credit payments are made helps claimants to manage payments and their frequency. Ideally, a new financial service provider would have developed a budgeting account that met these needs for people both in and out of work. This option recognises the failure of the market to provide financially inclusive services for all, and that the fundamental shift in behaviour demanded by Universal Credit is going too far too soon for some claimants. A long term solution would be for the Treasury to apply pressure on the banks to provide more financially inclusive services. In the short-term, the option of fortnightly payment is already available to a minority of claimants through alternative payment arrangements, this would in effect become freely available to everyone on Universal Credit. It would become possible to request fortnightly payments, for the housing element to be paid direct to the landlord, and possibly even for the payments to be split and paid to two bank accounts rather than one. Currently the default is to pay Universal Credit monthly, direct to the claimant, and to one nominated member of the household.

This option would involve estimating the Universal Credit award, and paying roughly half this amount two-weeks after the claim date. Splitting monthly payments is a facility already available to claimants in Scotland and Northern Ireland, and could presumably be made available to claimants in England at little expense. It would cost around £1.35bn, because half of the monthly award would be brought forward by three weeks[16], for all claimants. If claimants opted to be paid monthly, as opposed to fortnightly, then the cost would fall.

### Removal of waiting days

This option has been suggested by some commentators (and by a significant proportion of the clients we consulted) as a way of alleviating the 6 week wait before payment of Universal Credit. But of course it only mitigates the problem to an extent. Waiting days were introduced originally to help prevent short-term claims for benefit when people were changing jobs (though the increase from 3 to 7 days from August 2015 was effectively a savings measure). Whilst it might be helpful to abolish or reduce waiting days as part of another option, it would not in itself be the answer. 79% of Universal Credit claimants, typically those on the lowest incomes transferring from the legacy benefit system do not face waiting days, and would not benefit from this measure.

Therefore, if a more effective, workable solution can be found for the six week wait, abolition of waiting days could be part of it but doesn't have to be. However, if waiting days are retained, practitioners feel there is a good case for considering more exceptions, for example people who are homeless, or who have experienced homelessness.

This would cost an estimated £189m spread over four years, likely to be weighted toward earlier years[17].

[16] The cost estimate is based on half of the average weekly Universal Credit award being brought forward by three weeks, for all claimants.
[17] The cost estimate is based on 21% of households moving onto Universal Credit with waiting days, multiplied by the average weekly award.

**Combining options**

The DWP may want to consider a range of the suggestions above.

Implementing multiple options would deal with the many and varied concerns raised by practitioners, and smooth the transition onto Universal Credit.

Implementing multiple measures would cost the government more, but given that these largely represent one-off costs, and would effectively be a working capital transfer from poor households to the government, they are relatively easy to justify.

The removal of waiting days, introducing choice to allow some claimants to be paid twice-monthly, and shifting to an earlier assessment period would help to ensure Universal Credit is perceived by all as a positive reform.

# Options analysis

The tables below show a summary of each of the options. We believe each is straightforward to deliver from both a software and a legislative perspective. The technical changes required appear minimal, and would not we believe require a pause to the programme. The Welfare Reform Act 2012 states that the regulations 'may make provision for when an assessment period is to start'[18], and there is already a provision in the regulations[19] for an earlier assessment period (when a claim is backdated). Interim payments are already possible through the UC advance. There would be a good deal of parliamentary support for measures that address concerns around Universal Credit so a suitable package of regulations should find favour.

The tables below summarise when a payment would be made to the claimant and the costs of implementing the measure. These costs represent a shift in working capital from low earning households to the state, and should not form any significant part in decision-making.

| Comparative costs and advantages for each option | First UC payment on day | Additional one-off cost (£m) | Comments |
|---|---|---|---|
| Standard UC claim | 42 | £ - | - |
| Universal Credit Advance | 12 | £ 324 | Fast payment at low cost, but lower future payments to claimants |
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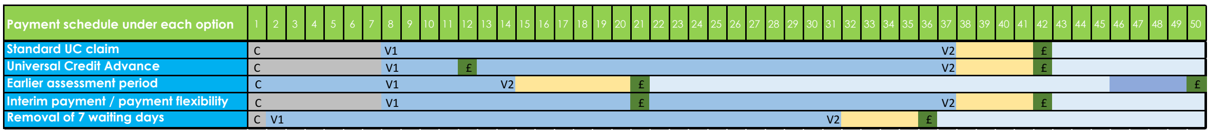


| Year | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Total (£m) | Steady State cost |
|---|---|---|---|---|---|---|
| Number of households moving onto UC | 1,600,000 | 2,100,000 | 1,400,000 | 1,790,000 | 6,890,000 | 200,000 |
| Standard UC claim | £ - | £ - | £ - | £ - | £ - | £ - |
| Universal Credit Advance | £ 51 | £ 108 | £ 72 | £ 92 | **£ 324** | £ 45 |
| Earlier assessment period | £ 426 | £ 904 | £ 603 | £ 770 | **£ 2,703** | £ 86 |
| Interim payment / payment flexibility | £ 213 | £ 452 | £ 301 | £ 385 | **£ 1,351** | £ 43 |
| Removal of 7 waiting days | £ 30 | £ 63 | £ 42 | £ 54 | **£ 189** | £ 6 |

[18] Welfare Reform Act 2012, Section 7(3)(a) legislation.gov.uk/ukpga/2012/5/pdfs/ukpga_20120005_310317_en.pdf
[19] Regulation 21(5) of the Universal Credit Regulations 2013