FINANCIAL RESILIENCE AND THE TRANSITION TO UNIVERSAL CREDIT

A report by Policy in Practice

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Project brief

There has been considerable debate surrounding the detrimental impact that moving onto Universal Credit (UC) has on households' financial resilience. There have been ongoing concerns that this move - which should be a lifeline that helps people to keep their heads above water when they are struggling - is adversely affecting the financial security of claimants, and may also be acting as a barrier to the adoption of Universal Credit (UC).

While the focus has been on the initial five week wait for payment under Universal Credit, there are a range of compounding factors that can affect how a household experiences a move onto Universal Credit. These can trigger or exacerbate issues with the five week wait, and can pull people into poverty. These include but are not limited to:

- their initial level of savings (or debts) as they move onto Universal Credit
- the time it takes them to make a claim, and their experience of moving onto Universal Credit
- the initial five week wait, the impact of the Universal Credit advance and subsequent repayments
- other deductions from their Universal Credit award (e.g. to recover overpayments)
- the impact of a different award amount under Universal Credit than under legacy benefits
- the impact of moving into work under Universal Credit

The Joseph Rowntree Foundation (JRF), alongside a number of other organisations including the Trussell Trust and Policy in Practice have called for changes to ease the transition onto Universal Credit[1]. In response to widespread public concern around the five week wait, the government has announced a number of changes to Universal Credit to ease the transition onto the new benefit. These include but are not limited to:

- the Universal Credit advance has been made available at the start of a Universal Credit claim, allowing people to borrow up to 100% of their maximum Universal Credit award
- the seven day waiting period for Universal Credit was abolished in February 2018
- a two-week run-on for people in receipt of Housing Benefit was introduced in April 2018
- Universal Credit work allowances were increased for households with children and those with limited capability for work in April 2019 by £1,000 per year
- the maximum deduction rate from Universal Credit will be reduced from 40% of the standard allowance to 30% of the standard allowance from October 2019
- a two-week run-on for people in receipt of DWP benefits (JSA, ESA, IS) will be introduced in July 2020
- the repayment of Universal Credit advance payments will be extended from twelve to 16 months in October 2021

This report takes into account the range of challenges people face alongside these recent improvements to identify how many people are likely to continue to struggle with the transition onto Universal Credit.

We speak with people in receipt of Universal Credit to understand their biggest challenges, and what could help them to stay afloat. We then go onto model the transition onto Universal Credit across the population. This analysis focuses on the short-term financial impact as a result of the initial transition onto Universal Credit, as well as the longer-term impact of repayments of the UC advance and other deductions to determine what causes people to struggle, and where changes to the system can have the greatest impact.

We then go on to model a range of policy options to ease the transition onto Universal Credit before making recommendations for the government to consider.

[1] Policy in Practice briefing papers: Options to reduce the six-week wait & Additional options to improve Universal Credit, November 2017, available here.

Background and context

Universal Credit represents a fundamental overhaul of the benefit system, affecting an estimated 6.7 million households when it is fully rolled out by 2023. It has been designed to simplify the benefit system and ease the transition into work by bringing together six separate means-tested benefits and credits, administered by three separate government departments, into a single award paid monthly in arrears.

There are widespread concerns that monthly payment in arrears, intended to mimic and thereby ease the transition into work, is instead eroding people's financial security as they transition to Universal Credit, and that this may also be a barrier to claiming Universal Credit.

There are now over two million people in receipt of Universal Credit; it has been the default across the country for new claims since January 2019, with 100,000 people moving to the benefit each month. The growing scale and pace of the rollout is in itself a considerable achievement.

It will be fully rolled out across the UK by 2023, reaching a further 4.7m households. However, people are expected to adapt to the changes brought about by Universal Credit while the welfare system is becoming less generous overall, putting low income households under increasing pressure.

There are still a significant number of households that we know continue to struggle as they transition to Universal Credit. To ease the mounting pressure on these households, improvements that smooth the transition to Universal Credit need to be made now.

Direct experiences of problems with Universal Credit
We held focus groups and spoke with people in receipt of Universal Credit about their experiences of moving to Universal Credit, to get their thoughts on the new measures announced to ease the transition to Universal Credit, and to ask them what changes would have helped them.

Their experiences of moving to Universal Credit

- A minority of participants were paid after five weeks, but others had to wait more than two months.
- A majority of participants cited frustrations with the digital nature of the application process and the inflexibilities of the system.
- However, a minority said that they appreciated only needing to make one application for all of their benefits.

"I don't feel like there was a lot of help, and it wasn't really explained to me."
"Even the advance was not enough to pay all the backed-up bills, five weeks is quite a long time to wait, it's too long."

The impact of the measures announced by DWP

- While most took advantage of the advance loan and found it had helped them with the transition to Universal Credit, it seemed wrong that they should have to take out a loan at all.
- The run-ons would have been appreciated had they been available to them, however most people with children would need both the run-on and the loan option, and those who had left employment would have needed an alternative arrangement to cover the five week wait.

"Why would you end it knowing that someone's not working... why is there a gap?"
"It would have made it easier, but I feel like I would still take the advance... Getting that extra two weeks would be helpful but it's not the extra four, five weeks, is it?"

Their solutions to ease the transition to Universal Credit

- There should be more flexibility and support to help people at the application stage.
- Advance repayments should be more flexible or delayed until claimants were earning enough money
- Universal Credit should be paid every two weeks, from the beginning of the claim.

"It suits certain people if you get your money every two weeks and it suits other people getting paid monthly."

Some of the focus group participants had claimed Universal Credit before some of the measures (payment timeliness, awareness of the advance and the run-on of Housing Benefit) had been introduced, but their experiences help to highlight the challenges and pressures quantified through the analysis of this report.

Universal Credit has improved, but there are still significant issues

Universal Credit payment statistics April 2019 (vs 12 months earlier)[2]

- 83% of new claims to Universal Credit received full payment on time (vs 71%)
- 89% of new claims to Universal Credit received some payment on time (vs 84%)
- 94% of households on Universal Credit received their full Universal Credit payment on time (vs 84%)

By comparison, legacy style means-tested DWP benefits (JSA, ESA, IS) were paid on time in 90% of cases between 2014-15 and 2015-16.[3] This means that 90% of claimants received a payment within two weeks of their initial claim. However, DWP paid legacy benefits fell to 78% for new claims in 2018-19 as resources shifted to Universal Credit.

Despite the welcome improvements to the speed of processing for Universal Credit, it is clear that many people continue to face difficulties with the transition to Universal Credit. The statistics above suggest that:

- Around 17,000 households who are trying to move to Universal Credit each month are not paid in full on time.
- Around 11,000 households receive no payment even after five weeks.
- Around 6,000 people already on Universal Credit were not paid in full on time last month, rising to 400,000 households once Universal Credit is fully rolled out (assuming the same standard for processing claims).

The impact of not having any 'Income After Costs'

The human impact of households represented by these statistics is brought to life through the focus groups and in reports by the Trussell Trust, Citizens Advice and other organisations that help those people who are struggling most with the transition to Universal Credit[4].

"I had to let my childminders know that, "I haven't been paid, I can't pay you this month but I still have to go to work and I still have to bring my child here," so I had to open up my Universal Credit claim and show it to them to say zero…"

Building on the technically rigorous Social Metrics Commission poverty metric, recently adopted as an experimental statistic by DWP, we use an indicator called '**Income After Costs'** to determine financial vulnerability. This measure

[2] DWP Universal Credit Statistics 11 July 2019 (published 13 August 2019, available here. 'Payment on time' means paid within 7 days of the end of the first 'Assessment Period', essentially five weeks after the initial claim. Note this therefore excludes delays arising from the difficulties in that initial submission.
[3] DWP Annual Report 2018-19 available here
[4] The Trussell Trust: Why we need to end the wait for Universal Credit, September 2019

compares reported income to estimated costs, where cost estimates are based on the ONS Living Costs and Food Survey, adjusted for household size. Living costs used are those reported by households in the bottom 30% of the income distribution. This provides an estimate of the number of households expected to cope, to struggle or to be at risk because of each of these factors.

Faced with an income shortfall, households are forced to grapple with a number of options to make ends meet. Household members may seek to increase their earnings through work, dip into savings, take out loans, or reduce their living costs. Each of these options places additional strain on the household, meaning the transition to Universal Credit can create hardship.

Some households will have savings that they can use to mitigate against the income shortfall. Where this is the case, the financial shock of the five week wait dramatically reduces their savings and in most cases completely exhausts them.

Most households in poverty do not have savings to fall back on. Households with no or insufficient savings may be forced to take on debt to cover their costs. The Universal Credit advance is an example of such a loan, albeit interest free. The option to offset the shortfall through loans is particularly problematic for those who continue to face a shortfall after the five week wait. These households are less likely to be able to pay off any debts incurred during the transition. Where debts to DWP (such as advance repayments) are deducted at source, these households face a deeper shortfall in their income.

Such households may reduce their expenditure on 'non-essential' items in order to avoid debt, preserve savings, or ensure that unavoidable costs (such as rent or council tax) are met. This means that although expenditure can sometimes be reduced while continuing to meet ongoing commitments, this cost reduction is likely to result in a substantial drop in living standards. For example, a significant reduction in grocery expenditure places households at an increased risk of destitution, and is relevant to the rise in food bank usage that has been linked to the rollout of Universal Credit.

The analysis below seeks to understand the scale of each of the different types of challenges people face with the transition to Universal Credit, to help determine where investment and changes in policy can have the greatest impact.

Household level financial profiles

We looked at six different factors that may affect an individual's transition to Universal Credit:

- their initial level of savings (or debts) as they move to Universal Credit
- the time it takes them to make a claim, and their experience of moving to Universal Credit
- the initial five week wait, and mitigation in place, including the Universal Credit advance (and subsequent repayments) alongside legacy benefit run-ons
- other deductions from their Universal Credit award (e.g. to recover overpayments)
- the impact of a different award amount under Universal Credit than under legacy benefits
- the impact of moving into work under Universal Credit

We use data from the Family Resources Survey (FRS), the Office of Budget Responsibility (OBR) and other publicly available data, combined with our own modelling, which takes into account the changes to Universal Credit already announced, including those yet to come in.

A detailed technical explanation of our methodology is available in the appendix to this report.

Seven factors determining financial resilience

- **Savings and Debts:** 14% of people yet to move to Universal Credit have insufficient savings to cover the five week wait and are already in debt or struggling to pay their bills before they move to Universal Credit. This represents 700,000 households yet to move to Universal Credit.

- **Delays in payments:** 11% of people yet to move onto Universal Credit, based on the current Universal Credit processing times, are likely to receive no payment at five weeks from their initial claim date. This represents 500,000 households yet to move to Universal Credit.

- **Income after costs:** 16% of households are unable to meet their outgoings both during the five week wait, and while repaying the Universal Credit advance. This represents 740,000 households. A further 25% of households face an income shortfall during the five week wait and return to surplus afterwards, this represents 1.3 million households.

- **Run-on support:** Households will not get run-on support for their children through Child Tax Credit, this represents 1.9m families and 3.8m children. A further 8% of households will receive no run-on support at all as they make new claims for Universal Credit.

- **Deductions from UC:** 25% of the current cohort face deductions greater than 20% of the standard allowance, this affects 500,000 families today, and will affect a further 1.2 million households as Universal Credit rolls out.

- **A lower award amount under UC:** 28% of households who will move onto Universal Credit are eligible for a lower award than under legacy benefits. This represents 1.3 million households. Of these, 700,000 households moving to Universal Credit through natural migration will be immediately impacted, while 600,000 households expected to move to Universal Credit through managed migration will initially receive transitional protection.

- **Work ready:** 44% of the Universal Credit cohort are not expected to look for work due to illness or caring responsibilities, meaning that work is unlikely to be a route out of any of the financial difficulties they may face.

The multiple stages in the journey to Universal Credit can often interact and overlap to affect the same household in several different ways. The analysis shows that it is possible to identify these pressure points, and to act proactively to prevent hardship and ease the transition to Universal Credit. Based on the pressure points captured by the FRS dataset (savings and debts, income after costs, changes in award levels and expectation to work) we can estimate that a minimum of:

- 3.3 million households, or 71% of the cohort yet to move to Universal Credit, will face at least one of these challenges.

- 1.2 million low-income households, around 26% of the cohort yet to move onto Universal Credit, will face two or more of these challenges.

- 150,000 low-income households, around 3% of the cohort yet to move onto Universal Credit will face three or more of these challenges.

In addition:

- 1.2 million households yet to move onto Universal Credit will have award deductions greater than 20%. Even assuming no relationship between deduction amounts and the likelihood of other challenges (e.g. pre-existing debts), this would mean 800,000 households experience high deductions in addition to at least one other pressure point.

- 400,000 households who have not yet moved to Universal Credit will have had no prior legacy claim. This is around 8% of the remaining 4.7m to migrate by the close of 2023.[5] Again, assuming no relationship between prior claim type and other challenges (e.g. changes in award levels), 300,000 households will experience at least one other pressure point without the benefit of legacy run-ons or final payments.

- 500,000 new Universal Credit claims will not receive their payment on time. Even if we assume no relationship between a payment delay and other challenges, 400,000 households will have their delayed claim compounded by other pressure points.

Recovery of overpayments under legacy benefits

The maximum recovery rate of overpayments under legacy benefits is £11.10 per week. This is equivalent to 15% of a single persons standard allowance, or 10% of the standard allowance for a couple.

Under Universal Credit, the maximum recovery rate for overpayments is 15% of the standard allowance for those without earnings, or 25% for those who are earning. In addition, if they have an advance loan the maximum recovery rate rises to 40%, considerably more than legacy benefits.

The maximum recovery rate is set to fall to 30% of the standard allowance in October 2019, this suggests there may be scope for it to fall further still.

We know that a significant number of people are likely to struggle, even when planned reforms are taken into account. Equipped with this knowledge, the Government must find ways to further ease the transition to Universal Credit, and make it the lifeline it was intended to be, particularly for those who are fighting to stay afloat.

Policy options to ease the transition onto Universal Credit

There have been many changes proposed to improve Universal Credit. Some of the key recommendations from our earlier briefing papers continue to have meritand could still be implemented.[6] These recommendations seek to improve the general administration of Universal Credit, and to ensure it does not have an adverse and unjust impact on the people it was designed to support.

Two previous recommendations Policy in Practice have made that could help to ease the transition to Universal Credit include allowing **backdating** of Universal Credit for one month prior to the start of the claim under any reasonable circumstances and **writing off tax credit debt** that is more than three years old.

Recognising the continuing validity of many of these recommendations, we identify through our analysis three separate options to help ease the transition to Universal Credit. The options below were selected because they are simple and

[5] See technical appendix page and OBR welfare trends report 2018 available here.
[6] Policy in Practice briefing papers: Options to reduce the six-week wait & Additional options to improve Universal Credit, November 2017, available here.

clear for recipients to understand, have been shown to be feasible for DWP to rollout while large numbers are yet to move onto Universal Credit, and can be targeted to those that most need support.

- A targeted grant in place of an advance would help people cope as they move to Universal Credit
- An extension to the two-week run on to include Child Tax Credit would help families with children
- Greater flexibility as called for by claimants will help people to manage the transition to Universal Credit

"They really need to look into the processes and people's situations stringently and give support to those who really need it."

Targeted grant based on needs

We believe that a targeted grant can help with the challenges identified during the transition to Universal Credit. A targeted grant is perhaps the simplest and most direct option to help vulnerable people as they move to Universal Credit. It has a number of distinct advantages:

- It provides immediate financial support to people facing delayed payments, for recipients unable to sustain repayment of an advance, particularly alongside other deductions, and for those whose Universal Credit award is lower than their expected outgoings once repayments are taken into account.

- It can soften the blow of a lower award amount upon moving to Universal Credit and offers direct support to those struggling who are not expected to look for work due to illness or caring responsibilities.

- It may be a powerful way to engage the managed migration cohort, many of whom may not have engaged directly with DWP for a number of years, and

- While we think the DWP should allow for more generous backdating, it offers a flexible alternative when delays in making a claim are for understandable reasons, or due to administrative errors

There used to be an array of non-repayable grants, for example in 2010-11 the department spent £141m on community care grants. Other grants were abolished at around the same time, and replaced with loans[7]. The introduction of a targeted grant is simply a return to previous approaches. To illustrate the potential (and flexibility) of needs-based targeting, we have modeled the costs and impacts of grants targeted to households experiencing pressure points throughout their transition to Universal Credit. Table 1 shows each of these options compared to a grant applied to the whole upcoming Universal Credit cohort, the total number of households targeted, the average grant award (based on an amount equivalent to the personal element, housing element and child element of Universal Credit), and the total cost of the measure during migration.

Option	Cohort	Households impacted	% of total cohort impacted	Average grant amount	Cost during migration
Baseline	All households	4.7m	100%	£919	£4.3b
Option A	Households with one or more serious issues with the transition to Universal Credit	3.4m	72%	£801	£2.7b

[7] DWP, Annual report on the Social Fund 2010/11 available here.

Option B	Households with two or more serious issues with the transition to Universal Credit	1.2m	27%	£654	£816m
Option C	Households with three or more serious issues with the transition to Universal Credit	0.2m	3%	£746	£116m

Table 1. Options for needs-based targeted grants based on number of pressure points during transition to Universal Credit; ongoing costs after transition are estimated to be £168m per annum if applied to all households.

This modelling illustrates that it is not only possible to identify households that are likely to experience challenges transitioning onto Universal Credit, but it is also possible to use this identification process as a means of targeting support.

The approach outlined in Table 1 leverages the rich data available in the FRS (which has equivalent detail to the administrative datasets held by DWP) to target households based on combined vulnerability levels, regardless of specific challenge type.

In Table 2, we have modeled more specific targeting approaches based on the individual challenge types identifiable through FRS/administrative data. This shows the flexibility of needs-based targeting using administrative data, meaning it can be adjusted to meet specific policy objectives, or to complement individual support systems.

Option	Cohort	Households impacted	% of total cohort impacted	Average grant amount	Total cost
Baseline	All households	4.7m	100%	£919	£4.3b
Option D	Households in ongoing shortfall	0.8m	18%	£410[8]	£0.3b
Option E	Households in shortfall during the five week wait	1.2m	25%	£860	£1.0b
Option F	Households worse off under Universal Credit	1.3m	28%	£981	£1.3b

Table 2. Options for needs-based targeted grants based on specific pressure points during transition to Universal Credit, ongoing costs can be estimated by applying the percentages shown to the £168m cost for support to all households.

Some of the concerns we would anticipate around a targeted approach would include the accuracy of any assessment, the arbitrary and subjective nature of distinguishing who needs help, raising awareness of the support and the feasibility of making the necessary legislative and administrative changes for this to be a possibility.

We have shown through our analysis that targeting using these relevant criteria is possible. We also know through our work with councils that they are able to use benefits administration data to determine accurate assessments of which households are more likely to be vulnerable, and can use it to target financial support such as Discretionary Housing Payments. For councils, targeting offers an indication of who might need support, supporting the effective targeting of discretionary funds, instead of replacing a rights-based approach. It could be applied similarly by DWP.

Many local authorities are using their administrative data, including benefits data on Housing Benefit and Council Tax support, alongside the 'Income after Costs' measure of financial vulnerability in order to better target support. They use similar approaches to raise awareness of Discretionary Housing Payments. However, relying on individuals knowing

[8] The average grant amount for this group is lower than for other subgroups due to demographic differences. Further explanation is available in the Technical Appendix of this report.

their eligibility for additional support is not enough - our work with local authorities has identified that on average, only 1 in 5 households eligible for DHPs actually apply for one. Discretionary awards can be improved through better targeting. You can see how this might work in a case study at the end of this report. The approach to targeting could include a rights-based element, e.g. for those experiencing three or more challenges with the transition to Universal Credit, and a discretionary element for those facing fewer challenges.

One legislative approach to implement targeted grants could be an amendment to the Social Security (Payments on Account) Regulations 2013, which states that in certain circumstances the payment on account would not normally be recovered or would be deferred indefinitely. An amendment of this nature would not be controversial, with cross party support there should not be an issue getting it enacted.

Two-week run-on of tax credits

Having accepted legacy benefit run-ons as a tool to help ease the transition to Universal Credit, focus group participants were surprised that Child Tax Credit was not included.

A two-week run-on of Child Tax Credit would cost an estimated £430m during migration and help families with children. There is a strong case for additional support. 22% of families have young children and are not expected to look for work, and 40% of families with children will be worse off under Universal Credit, losing £181 per month on average[9]. Combining these two factors, 8% of families with children will be worse off under Universal Credit and have parents who are not expected to look for work. This represents 200,000 households or 400,000 children who are yet to move onto Universal Credit.

It is possible for DWP to identify families affected by each of these pressures through the administrative data given when they make their Universal Credit claim.

In addition to the proposed run-on of Child Tax Credit, given that 183,000 new claims are expected to move onto Universal Credit each year in steady state, and would not qualify for any run-ons, there is also a case for a run-on of Working Tax Credit. This would cost around £183m a year in steady state.

Some of the concerns around expanding the run-ons to include Child Tax Credit are likely to include the fact that run-ons for housing already exist. Run-ons have also already been announced for Jobseeker's Allowance, Income Support and Employment and Support Allowance. However, without Child Tax Credit being included, the run-ons that have been announced explicitly exclude support for children. This is difficult to justify, particularly for parents facing multiple challenges with the transition to Universal Credit.

Tax credit run-ons would be a costly administrative change for HMRC to deliver. However, the system need not be administered by HMRC: it could be administered in a similar manner to the Universal Credit advance loan, calculated on the basis of dependent children in the household, adjusted for two weeks. This would be payable in a similar manner to the targeted grant, outlined above.

Greater flexibility to help people as they transition onto Universal Credit

Claimants that took part in the focus groups called for a number of different forms of flexibility. These included a more straightforward approach to verification, more knowledgeable advisors able to offer support and identify issues with the

[9] Policy in Practice: The impact of welfare reform on child vulnerability, May 2019, available here.

claim, the option to delay repayments for short periods to deal with unexpected outgoings, and the option to choose twice-monthly payments.

Greater flexibility around:

- **Backdating** to limit the loss of entitlement amongst claimants who did not claim Universal Credit at the point of eligibility, because of turbulence due to the change in their circumstances or other challenges in making a claim, including mental illness, learning difficulties or an inability to get online.

- **Debt repayments** to help people to cope with unexpected costs when they already have an advance, or are having additional deductions from their Universal Credit award, particularly when deductions relate to unexpected amounts, including overpayments. Greater flexibility around debt repayments would also help people with lower Universal Credit awards to cope with the transition to a lower monthly income.

- **Verification** to help minimise delays to payments and ease the transition onto Universal Credit. It may also mean fewer people have to rely on the Universal Credit advance.

- **Fortnightly payments** to put choice back into a benefit system that sets out to promote independence and recognise those households who are paid weekly or fortnightly today.

Wider welfare reforms, in particular the benefit freeze, also need to be tackled to ease the burden on low income households more generally. Action here would also help ease the transition to Universal Credit.

When proposing changes to Universal Credit, we must first recognise changes already made, and planned changes that have been announced. For example, the Universal Credit advance is greatly valued by people on Universal Credit. Focus group participants said that it gave them flexibility to cope with unexpected costs. They appreciated that it was interest free and could be repaid directly from their Universal Credit. They simply couldn't understand how it was right that they *had* to take out an advance to cope with the initial waiting period.

In addition, the government has already announced changes to the maximum amount that can be deducted from Universal Credit, and over what period the advance is recovered. The proposed date for lengthening the advance repayment period to 16 months is October 2021. We believe the Government should move this forward if technically feasible, and give work coaches guidance on which households are financially vulnerable. Our recommendation is that they use the criteria outlined in this report, so that claimants have the ability to make flexible repayments, and work coaches are equipped with information on when they ought to offer to restructure payment plans. Making repayments flexible, so that they can be paused, adjusted, or even increased where that suits the claimant, should be deliverable.

More broadly, there needs to be recognition that one size doesn't fit all. We believe that the government should allow backdating prior to the start of the claim under any reasonable circumstances and without the overly burdensome and sometimes inappropriate evidence currently required. It's unreasonable to expect people to prioritise making a Universal Credit claim if they have lost their job, been made homeless, split up with their partner or had a baby. Indeed, some circumstances such as domestic abuse are very difficult to prove and attempts to provide evidence may cause considerable trauma to individuals at a time of heightened stress. Backdating is present within many legacy benefit assessments for just these reasons, with benefits backdated to the point the change occurred.

Everyone in Scotland already has the option of fortnightly payments, as part of Scottish Choices, but these are only available after the first assessment period, and in arrears. This could be extended to claimants within England and Wales (twice-monthly payments are the default in Northern Ireland). An alternative raised with the DWP would involve an interim payment at two weeks from the start of the claim, separating payments from the calculation of the award, retaining the monthly assessment period at the heart of Universal Credit. In this instance, the DWP would estimate the

Universal Credit award, along the lines of the advance and pay 50% after two weeks. The award would be calculated as now, with the remainder paid after five weeks.

Under this option, it would be possible to continue the process on an ongoing basis, with ongoing monthly reconciliation were people are overpaid. This would have the added benefit of giving people greater certainty over the amount they would receive and when, allowing them to focus on job search. It could also help to reduce the volatility of payments where multiple payments are received in a given assessment period.

Conclusions and recommendations

Universal Credit is undoubtedly a major change to the benefit system, involving both those gaining and losing support and introducing a significant change to how benefits are paid. As such, it is bound to throw up challenges for many claimants as they seek to adjust to the new system. However, many of these challenges, most notably the five week wait for their first payment, are because of how the system has been designed. DWP have ultimately had to respond, albeit belatedly, to these problems by providing financial support to claimants, and giving people more support through the transition.

We fully recognise that many of the encouraging changes and improvements to Universal Credit, those already in place or planned, have been hard won by the department. There is also growing evidence that administrative delays are being addressed. Against this generally encouraging background, our analysis clearly shows that the transition to Universal Credit presents major problems for a significant number of claimants.

These households tend to be in debt before making their Universal Credit claim, compounding their need for an advance payment which they then need to repay; they often experience a delay of longer than five weeks before receiving their first Universal Credit payment; and they find that their Universal Credit entitlement is lower than the support they were used to receiving under legacy benefits. Many are not expected to look for work, which means that they have limited ability to increase their income to escape the difficulties caused by the transition to Universal Credit.

Of these challenges we have shown that deductions, a lower award amount, and an inability to increase their income through work affect the greatest number of people. We also show that it's possible for DWP to identify households affected by multiple challenges in advance of their transition to Universal Credit, and how this can be the basis for targeted interventions. We have also drawn out the flexibilities requested by people already on Universal Credit.

In these circumstances,certain features of Universal Credit need to be redesigned to focus available help and resources on supporting these households to steer clear of poverty.

We therefore recommend that as a matter of priority the Government should now introduce:

- A targeted grant in place of the Universal Credit advance payment for those households clearly struggling because of the transition to Universal Credit;
- A two-week run-on of Child Tax Credit, paid through the Universal Credit system, to help families with children;
- Fortnightly payments of Universal Credit, starting with an initial payment at two weeks based on the estimated monthly award amount.
- Greater flexibility in processes such as recovery of overpayments and advances, claim verification and backdating, as called for by claimants, to help people to manage the transition to Universal Credit.

Case study - How councils use administrative data to target support

How support is targeted to people in financial need is being revolutionised using administrative data already held by DWP, alongside advanced analytics. Local authorities use this approach to understand the financial resilience of households, and segment support according to financial vulnerability and the likely impact of additional support.

Many local authorities use their administrative data, including benefits data on Housing Benefit and Council Tax support, alongside the 'Income after Costs' measure of financial vulnerability, to better target support. They use data to:

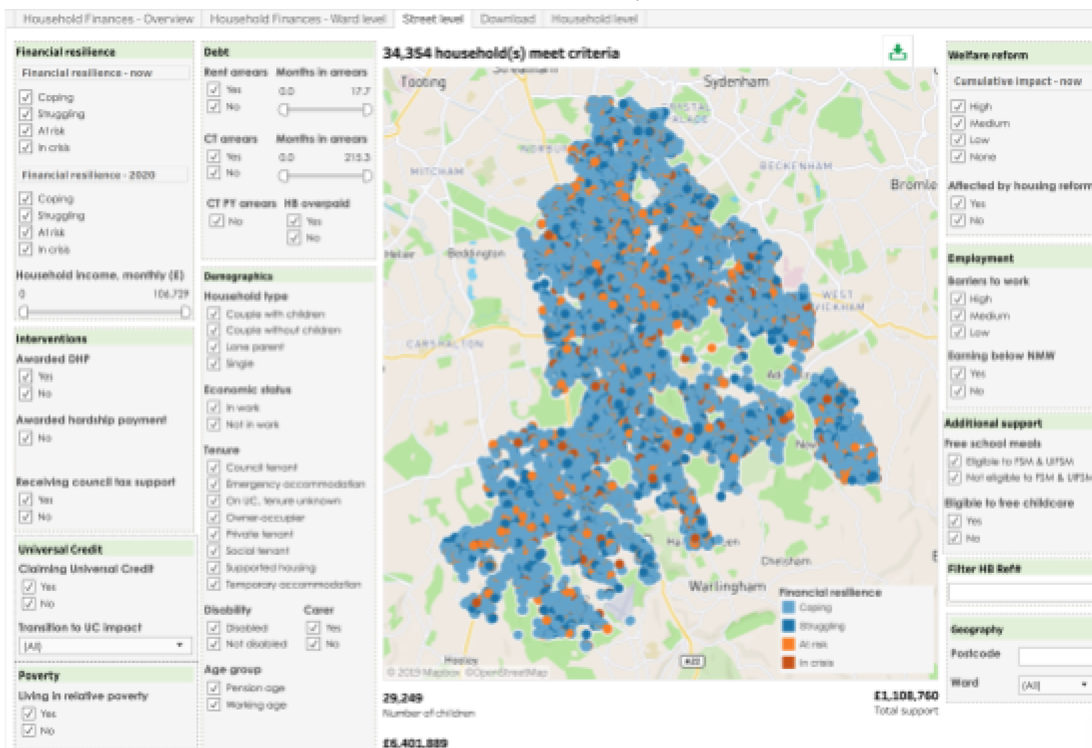
- **Provide context of overall financial resilience at the household level**: Pooling data on benefit eligibility and debt allows users to identify those at risk now, and combined with advanced analytics, can identify those who will be at risk in the future.

- **Target relevant cohorts and tailor collections**: By combining underlying levels of vulnerability with a consolidated debt picture, debt collection policies and operational practices can be tailored to suit specific cohorts, and even individual households.

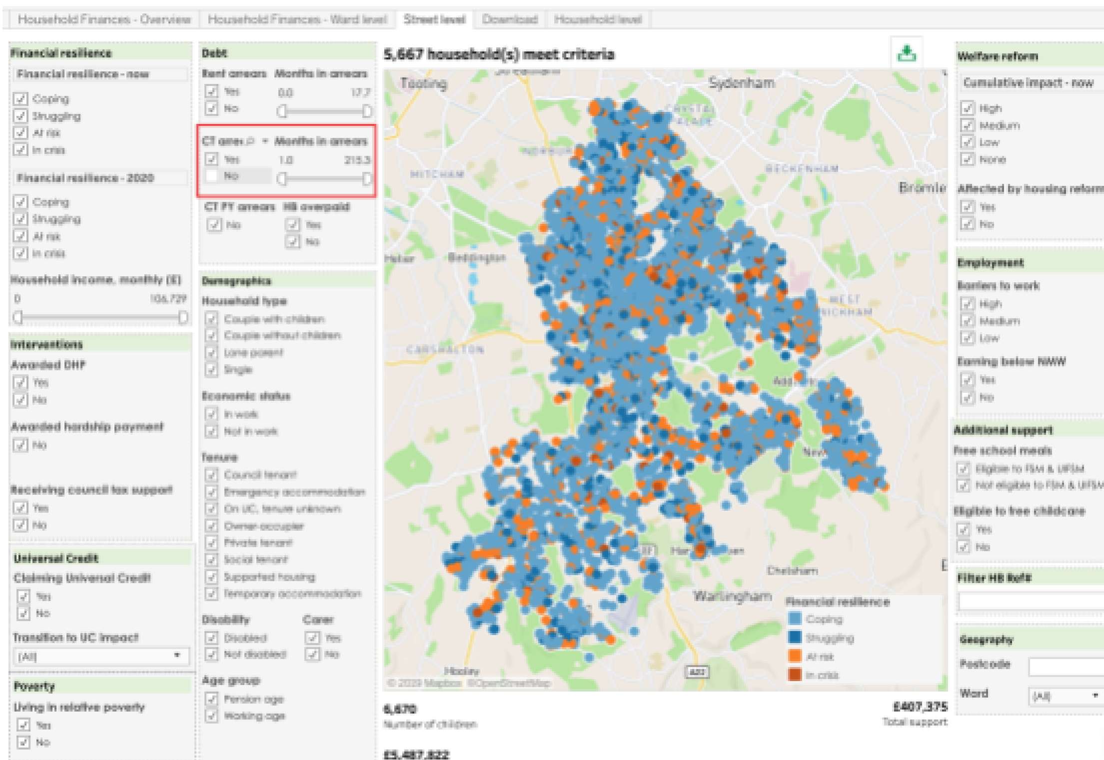
DWP could use similar datasets, including Universal Credit data, to target support. The images below show how councils are using data alongside powerful analytics to identify claimants who are in debt, who are likely to face income shortfall during and after the five week wait, and who will receive a lower award amount under Universal Credit.

This deep and granular level of assessment can be used to target tailored support in advance to households who are struggling, see our illustrative case study, below. A similar approach could be used to target the non-repayable grant proposed in this paper.

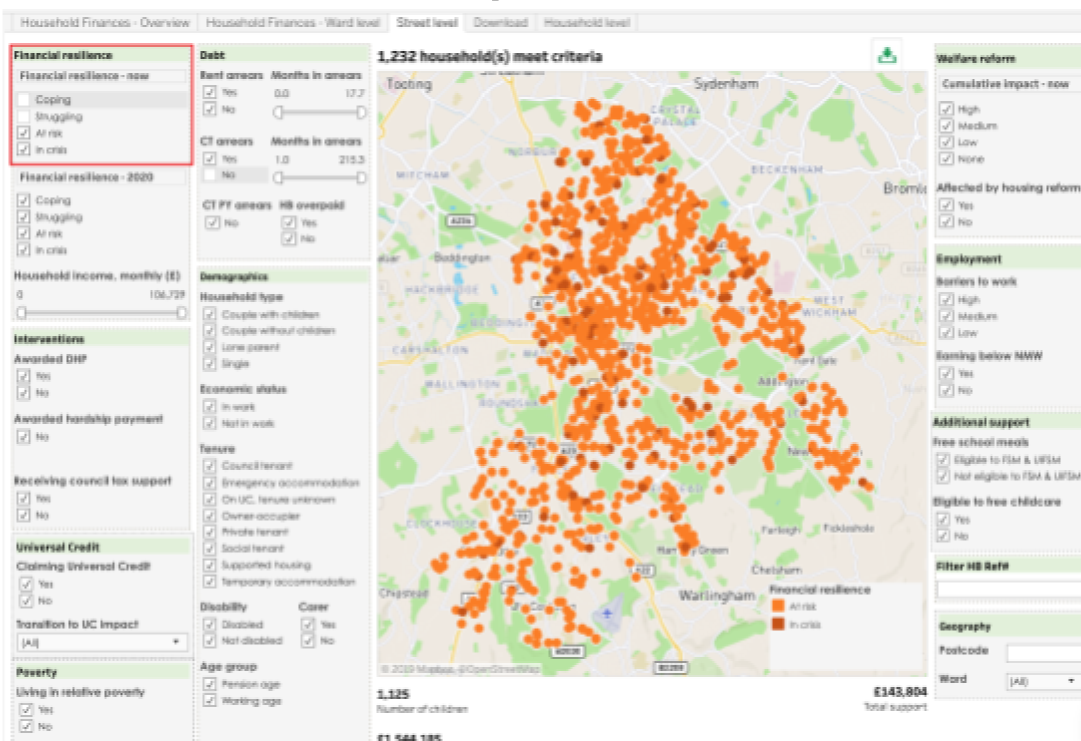
1. There are 34,354 low income households in Croydon



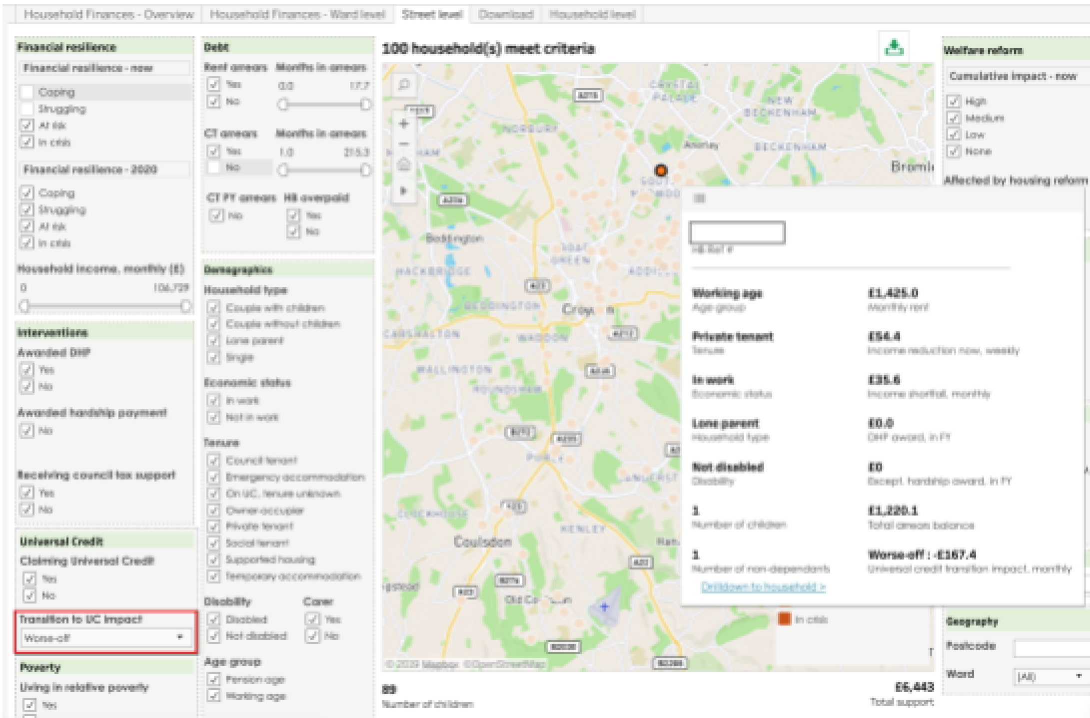
2. 5,667 of these households are more than one month behind in paying their council tax



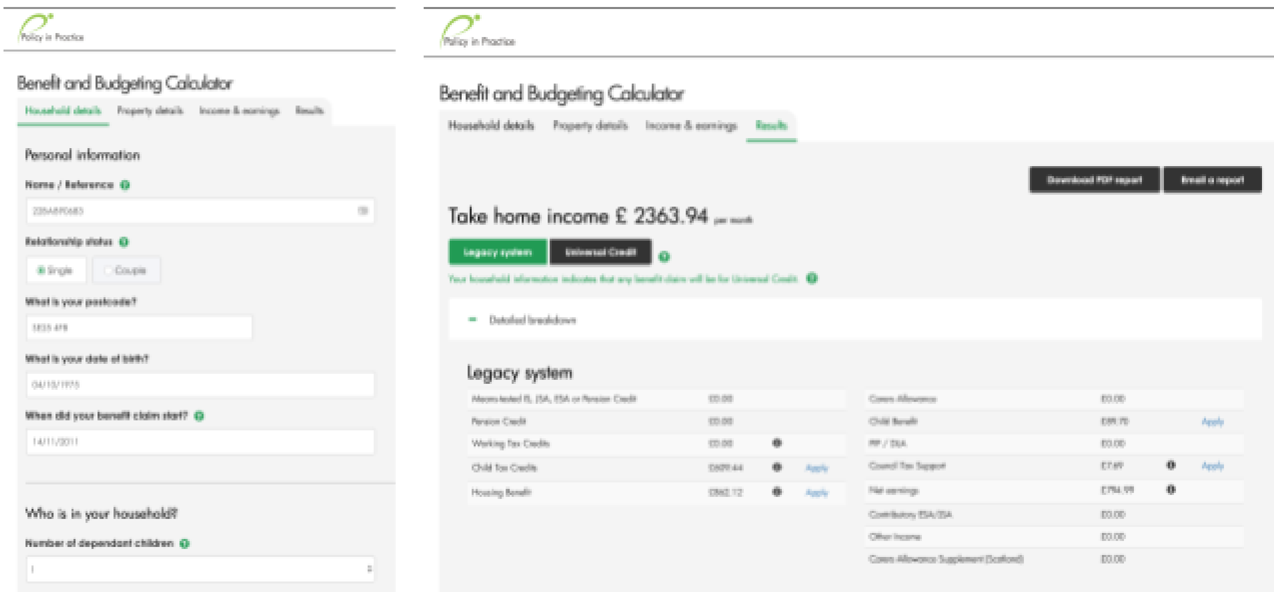
3. 1,232 of these households are facing a cash shortfall now



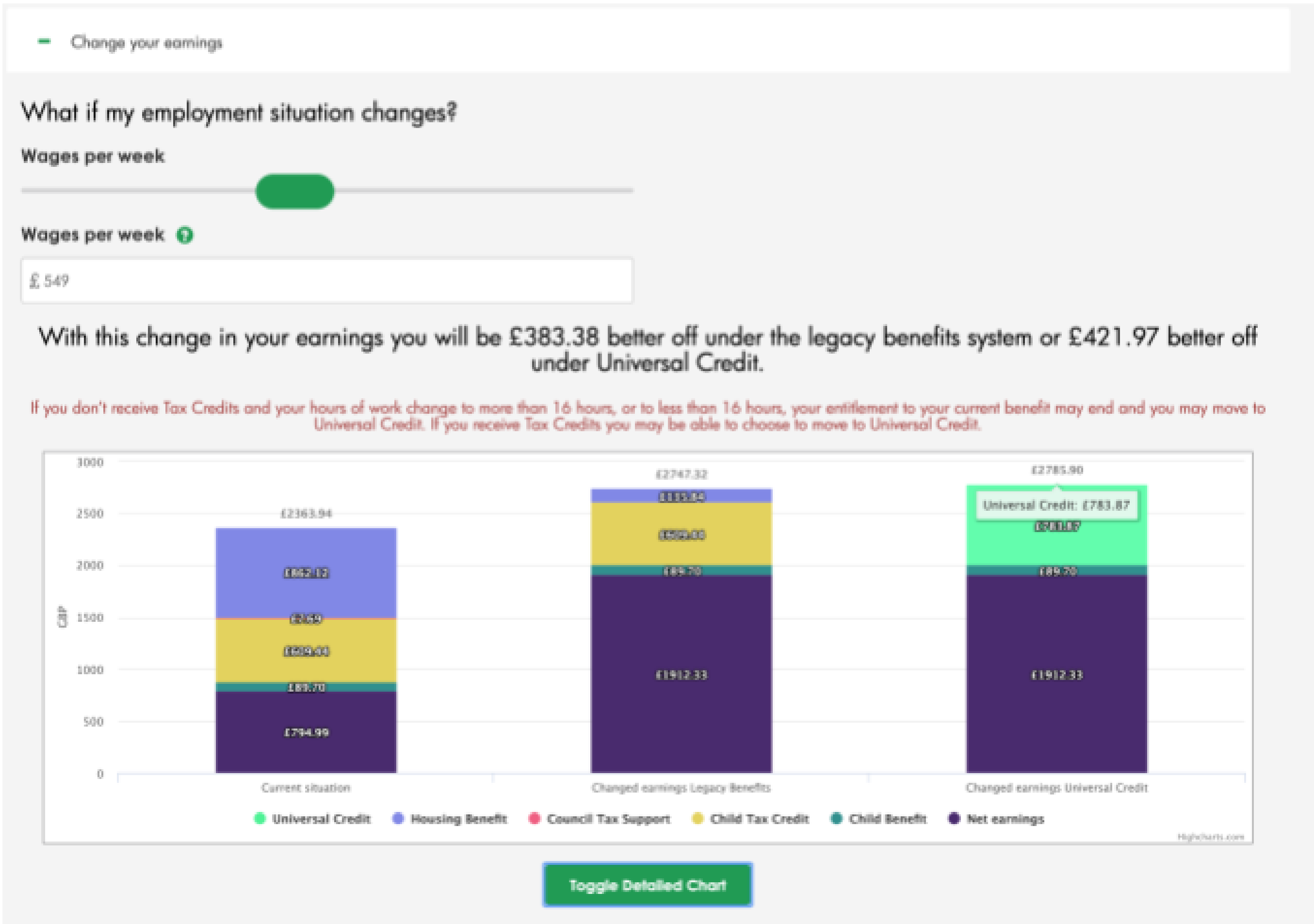
4. 100 of these households will be worse off when they transition to Universal Credit



5. The underlying data can be used to give individual households targeted income and budgeting support, tailored to their circumstances



6. And households can see the impact of moving into work, or of moving onto Universal Credit



Technical appendix

This appendix outlines the data sources and methodology used in this analysis.

Data sources

In order to estimate the proportions of Universal Credit (UC) claimants experiencing each type of challenge identified in this report, we made use of data from a number of different sources.

- Data from four of the seven challenge types were derived from the Family Resources Survey (FRS), which we processed using Policy in Practice's micro-simulation engine - the Benefit and Budgeting Calculator.
- For the remaining three challenge types, (and to supplement some of the FRS-derived data) we used a combination of Office of Budget Responsibility (OBR) caseload statistics and official Department of Work and Pensions (DWP) data obtained from various parliamentary research briefings and Parliamentary Questions.

We set out our data sources and general approach before detailing our estimates for each of the seven challenges people face as they move onto UC. Supplementary sources are referenced in the relevant methodological sections below.

The Family Resources Survey

The FRS dataset includes rich information on household demographic and financial circumstances. Crucially, this richness means that the FRS can be processed through the Benefit and Budgeting Calculator. By adjusting the parameters of our engine, we can model benefit entitlement, household costs and take home income for the nationally representative sample of households present in the FRS under a variety of hypothetical policy scenarios.

In this project, we have identified a sub-sample of all households in the FRS whose circumstances make them eligible for UC, but who were not claiming UC at the time of recording. We have then adjusted their benefit income to create a simulated transition to UC. Using this adjusted benefit income, we can identify households whose financial circumstances would be improved (or worsened) were they to migrate onto UC. The granularity of simulation provided by the Benefit and Budgeting calculator means that we can calculate household's financial status at specific points during the transition to UC (for example, during the 5 week wait, with or without an advance payment, and during subsequent months in which the household's UC award is, or is not, subject to an advance repayment deduction).

Finally, by adjusting fundamental mechanical elements of the UC calculation within instances of the Benefit and Budgeting calculator, we can model the impact of potential policy alternatives to the current transition process. For example, we can extend the run-on of additional legacy benefits into the five week wait, convert the UC advance into a non-repayable grant, or adjust the payment frequency and consequent date of the first UC payment. In this way, our analysis aims to capture both the financial pressures associated with the current UC transition process, and how these pressures might be relieved through policy adjustment.

The micro-simulation engine

The Benefit and Budgeting Calculator is a tool used to understand and analyse the financial circumstances of low-income households. Developed in-house by Policy in Practice, the Calculator is designed to capture all mechanical interactions of the welfare system. If factors in policy from multiple government departments, local benefits including

council tax support, and expected macroeconomic change. In this way, the Benefit and Budgeting Calculator can accurately models individual households' financial circumstances in both actual and hypothetical policy scenarios.

The Calculator is used as a 'front-end' tool for individuals, for example to convey the impact that UC is expected to have on a particular family's take-home income. Alongside this, when fed with household-level data on the circumstances of a larger population (such as SHBE data), the 'back-end' of the Calculator can be used as a powerful micro-simulation model for analysis at the local, regional or national scale. We have taken this approach to carry out local authority level analysis for over 80 authorities in England and Wales, as well as for the purposes of national-level policy analysis (for example, our research into the national impact of welfare reforms for the Local Government Association). The calculations made by the model are highly accurate and routinely checked against actual benefit awards available within the raw datasets. For example, the UC award levels generated by the Calculator match the actual awards recorded in the data in 99.6% of cases.

Sample

The sample of households in this analysis are drawn from the 2017/18 FRS dataset, with their financial circumstances uprated to a 2019 scenario based on CPI, rent inflation and wage inflation. Our analysis includes only those households whose circumstances render them eligible for UC, but who were not claiming UC at that time. In particular, this excludes all pension age households. These filters produced a final sample size of 4,545 households, weighted to represent 5.8m households.

Translation to the UC cohort

For each financial pressure point modeled for this report, we identified a set of risk groups based on the level of challenge experienced by claimants of different types. In each case, we identified the proportion of the UC caseload likely to fall in to high, medium and low risk categories. The definitions of high, medium and low risk differed for each challenge type (see methodological details below).

Having identified the proportions of households in each risk category, we then applied these proportions to the projected incoming UC caseload (4.7 million households)that is expected by the point of full rollout in 2022/23 (according to OBR data).

Caveats and qualifications

The FRS data does not allow us to extrapolate longitudinal profiles, as the data itself is taken at a single point in time. As such, the longitudinal profiles presented here should be viewed as projections of household outcomes in the absence of a household's behavioural response or receipt of external mitigation.

For the analyses in this report, we have assumed that the circumstances of all households in the dataset remain stable prior to the point of recording. That is, when projecting households through the transition to UC, we assume that this transition has not been triggered by a change of circumstances. As such, any conclusions drawn (particularly regarding policy alternatives that interact with a household's circumstances prior to their date of claim) should be qualified by this assumption. Unfortunately, the cross-sectional nature of FRS data limits our ability to model dynamic household circumstances prior to (or during) the claim period. A potential extension of this methodology in future could apply the projection modeling to longitudinal data (such as administrative benefits extracts) or to consider random allocation of households to 'change of circumstances' conditions according to national statistics on new UC claim types.

In this interim report, all our longitudinal modelling has used a monthly cycle for earnings and UC payments, in accordance with UC itself. The modelling also assumes that there is no link between the assessment period and the

payment cycle, we assume earnings are paid on the same day as the UC award, to more clearly show the total income in a given month. However, many of the specific impacts associated with the five week wait (and so similarly with proposed policy alternatives) play out over a shorter timescale. We know that weekly, fortnightly or four-weekly pay, along with variable self-employed income or irregular earnings, can cause UC awards and overall income to fluctuate from month to month. The future scenario modelling method we have applied could be adjusted to reflect this, for example modelling income after costs (IAC) on a weekly basis for the first two months following transition.

Assumptions

To assess the financial impact of the current process for transitioning to UC, we have used a set of assumptions intended to reflect the policy mechanisms and practical reality of UC as closely as possible, at the time of writing (July 2019). These assumptions are as follows;

- The five week wait includes a two week run-on of Housing Benefit (we have included the upcoming run-on of DWP benefits, alongside a prospective run-on of Tax Credits in our alternative policy modelling)
- Households opting for an advance will receive an amount equivalent to their personal element, plus the child and housing elements (if applicable)
- Claims are modelled as occurring on the first day of the month. All households are modelled as having earnings (and UC awards) on a monthly payment cycle (except in the case of the two-week modelled policy alternative for an optional ongoing two-week payment cycle)
- While a change of circumstances is required to trigger a move to UC, the lack of longitudinal data on household circumstances means that we have to assume that their circumstances when on UC are the same

Savings and debt: Findings

14% of people yet to move to UC have insufficient savings and are already in debt or struggling to pay their bills before they move to UC. This represents 700,000 households yet to move to UC.

Condition	Definition	%	Number
Low risk	Sufficient savings	8%	0.4M
Medium risk	Insufficient savings but not in debt	78%	3.6M
High risk	Insufficient savings and in debt	14%	0.7M

Table 1: Risk group for savings and debt

Method

The FRS includes information on households savings as a pounds and pence amount. We judged this savings amount as 'Sufficient' to buffer the financial shock of the five week if it met or exceeded the amount the household would receive from a UC advance (personal allowance + child element + housing element, as calculated by the Benefit and Budgeting Calculator).

The FRS does not include a quantified amount of household debt. Therefore, to identify households likely to experience pressure from outstanding debts, we used question *AdDbtBl*: "Do you (and your partner) keep up with bills and any regular debt repayments?". We categorised households that responded 'no' to this question as being in debt.

We assigned all households with sufficient savings (greater than their estimated advance amount) to the Low Risk category. We assigned households to the Medium Risk category if they had insufficient savings but were not in debt. The High Risk category was reserved for households that were both in debt and lacking sufficient savings.

Delays to payment: Findings

11% of people yet to move onto UC, based on the current UC processing times, are likely to receive no payment at five weeks from their initial claim. This represents 500,000 households yet to move to UC.

Condition	Definition	%	Number
Low risk	Full payment on time	83%	3.9M
Medium risk	Partial payment on time	7%	0.3M
High risk	No payment on time	11%	0.5M

Table 2: Risk groups for payment delays

Method

To capture the financial pressure introduced by delays to UC payments, we used Stat-Xplore data from the latest published DWP statistics on payment timeliness. These can be found in Table 6: Payment Timeliness New Claims, Households on UC dataset, April 2019 release[10].

We assigned the three delay levels for the April 2019 dataset directly to risk categories:

- Low Risk for claims receiving the full payment on time
- Medium Risk for partial payment on time
- High Risk for no payment on time

Results

17% (6.5% Medium Risk + 10.9% High Risk) of new claims made in April 2019 did not receive their full UC payment on time. Were this distribution to remain throughout the rollout of UC, 800,000 new claims would experience delays to their payments.

Financial shortfall during and after the five week wait: Findings

16% of households are unable to meet their outgoings both during the five-week wait and while repaying the UC advance. This represents 740,000 households.

Condition	Definition	%	Number
Low risk	No shortfall during or after the five week wait	59%	2.7M
Medium risk	A shortfall during the five week wait, requiring an advance	25%	1.2M
High risk	A shortfall during the five week wait, and ongoing while on UC	16%	0.7M

Table 3: Risk groups for Income After Costs

Method: Income After Costs

To assess the household-level impact of transition to UC, we use our own measure of household living standards, referred to in this report as 'Income After Costs' (IAC).

[10] https://stat-xplore.dwp.gov.uk/webapi/openinfopage?tableId=Table+6+-+Payment+Timeliness+New+Claims

IAC compares reported income to estimated costs, where cost estimates are based on the ONS Living Costs and Food Survey, adjusted for household size. Living costs used are those reported by households in the bottom 30% of the income distribution. This provides an estimate of the number of households expected to cope, to struggle or to be at risk because of each of these factors.

This approach builds on the work of the Social Metrics Commission, which has proposed a poverty measure of Total Resources Available (TRA) that takes into account unavoidable household costs (e.g., rent), and is being considered for adoption by DWP. Our measure of financial resilience extends this TRA principle by also estimating avoidable costs (energy bills, travel costs etc) to create a more granular metric of living standards.

Income/cost element	Amount
Earnings	+713.40
Benefit income	+185.00
Housing costs	-483.31
Household costs	-274.36
Income after costs (monthly)	140.73
IAC (5 weeks net)	**161.94**

Table 1: Example Income After Costs (IAC) calculation

To calculate IAC, we compare total monthly household income (earnings + benefits) to total monthly household needs (housing costs + estimated household expenditure at the 3rd decile of gross income according to ONS family spending figures when adjusted for family size).

We typically calculate IAC over a month-long period, to match the longest common payment frequency of benefits and earnings. However, given that the transition period between the legacy system and UC currently plays out over a five week period, we adjusted our normal monthly calculation to reflect a 5-weekly net value (based on the average of 4.345 weeks per month) for IAC during the transition period itself.

Financial Profiles: Income After Costs (IAC) before, during and after transition to Universal Credit

By calculating IAC before, during and after transition to UC, we can describe the impact of transition on households' ability to make ends meet. We have to make certain assumptions about income and expenditure when on legacy benefits, during the five week wait, and under Universal Credit. These assumptions are as follows:

- **IAC under legacy system**: We estimated IAC before transition to UC using earnings and housing costs from FRS, benefit income as calculated by the Benefit and Budgeting Calculator for the legacy system, and household costs as per ONS figures.

- **IAC during the 5 week wait**: To estimate IAC during the five week wait, we modeled the loss of all replaced benefits (Housing Benefit, JSA/ESA/IS and Tax Credits). To this we applied the current scenario of a two week run-on of Housing benefit (for tenants as part of our analysis of policy alternatives, we also modelled the effects of the proposed run-on of JSA/ESA and IS, as well as a hypothetical run-on of Tax Credits). We also accounted for the fact that households migrating from a legacy claim will receive their final benefit payments at some point during the five week period. We assumed a UC claim date halfway through the legacy payment cycle, based on fortnightly payments of Housing Benefit and DWP benefits, and a four-weekly payment cycle of Tax Credits. Finally, we also assumed that households with savings would dip into this resource to help avoid shortfall during the five week wait.

- **IAC under UC**: We estimated IAC following transition to UC using earnings and housing costs from FRS, benefit income as calculated by the Benefit and Budgeting Calculator for UC, and household costs as per ONS figures.

The extent of income shortfall (measured as income below costs) associated with the five week wait differs dramatically across the FRS sample. To reflect these distinct financial experiences of transition to UC, we have established a set of IAC subgroups, each with different combinations of immediate and ongoing income shortfall.

Figure 1 shows the base FRS cohort categorised according to impact subgroups.

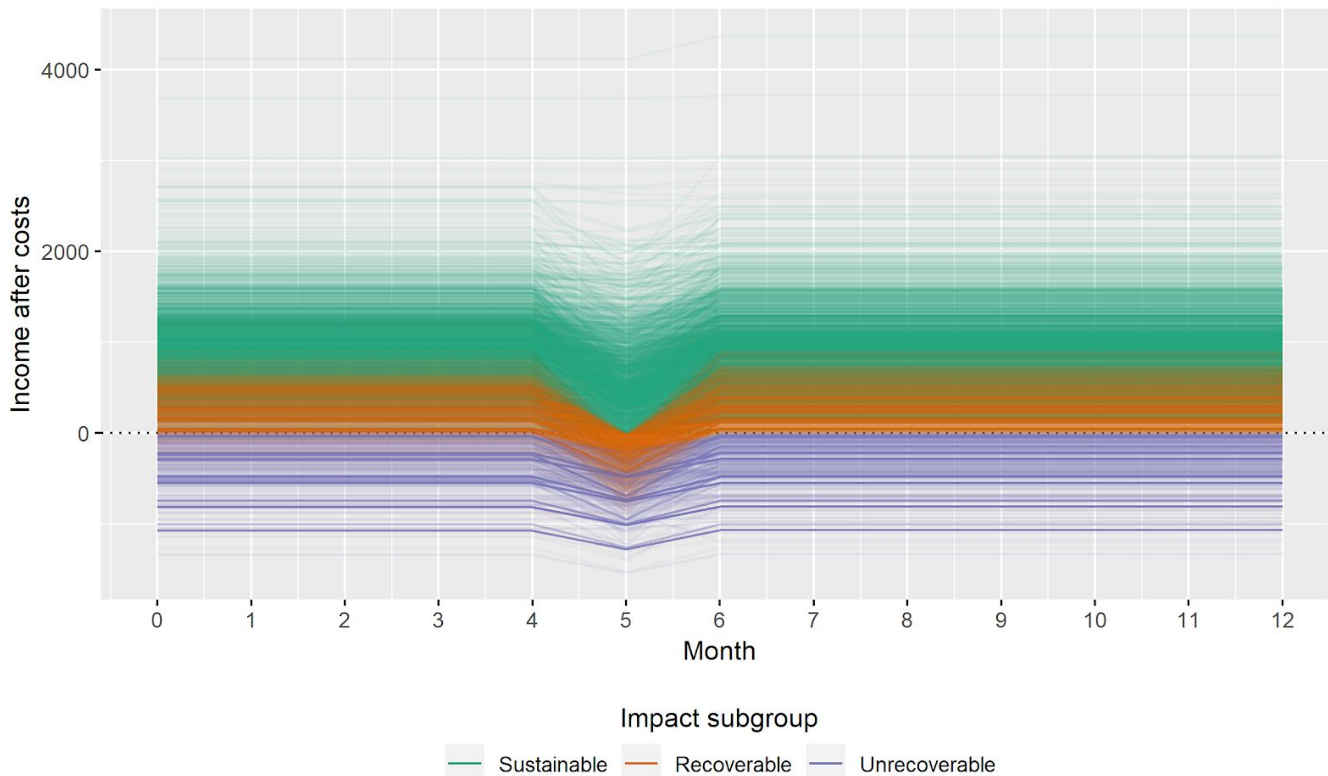


Figure 1: Income after costs across transition to UC, by impact subgroup

These impact subgroups are defined as follows:

Sustainable	Households that do not fall into shortfall at any point during the transition process)X%)
Recoverable	Households that dip into shortfall during the five week wait, but return to surplus in the following months (Y%)
Unrecoverable	Households that are in shortfall during the five week wait, and remain in shortfall after transition (Z%)

In order to determine the prevalence of each subgroup across the eventual UC cohort, we categorised each household according to their IAC. We then applied the population weightings included in FRS to find the estimated national distribution of impact subgroups. Finally, we applied the weighted distribution of impact subgroups to the Universal Credit caseload forecast taken from the OBR.

Run-on of legacy benefit claims: Findings

8% of UC cases as being new claims with no prior legacy claim. By the point of complete UC rollout in 2022/23, this will mean 400,000 new households claiming without protection from final legacy payments or run-ons.

Condition	Definition	%	Number
Low risk	legacy benefits, no children with all planned run-ons	54%	2.5M
Medium risk	legacy benefits, children without child tax credit run-ons	41%	1.9M
High risk	New claims without any run-ons	8%	0.4M

Table 4: Risk groups for legacy benefit status

Method

To identify those groups likely to experience particular financial pressure as a result of their previous legacy benefit status, we categorised households into new claims (with no contiguous legacy benefit payments) versus those migrating from the legacy system. Specifically, we categorised new claims as High Risk, because they would not receive the buffer of final legacy payments or run-ons during the five week wait. The impact of this new claim condition is illustrated in Fig. 3, showing an example of weekly household balance for a claimant who's UC award is equal to their earnings prior to the qualifying change of circumstances (job loss).

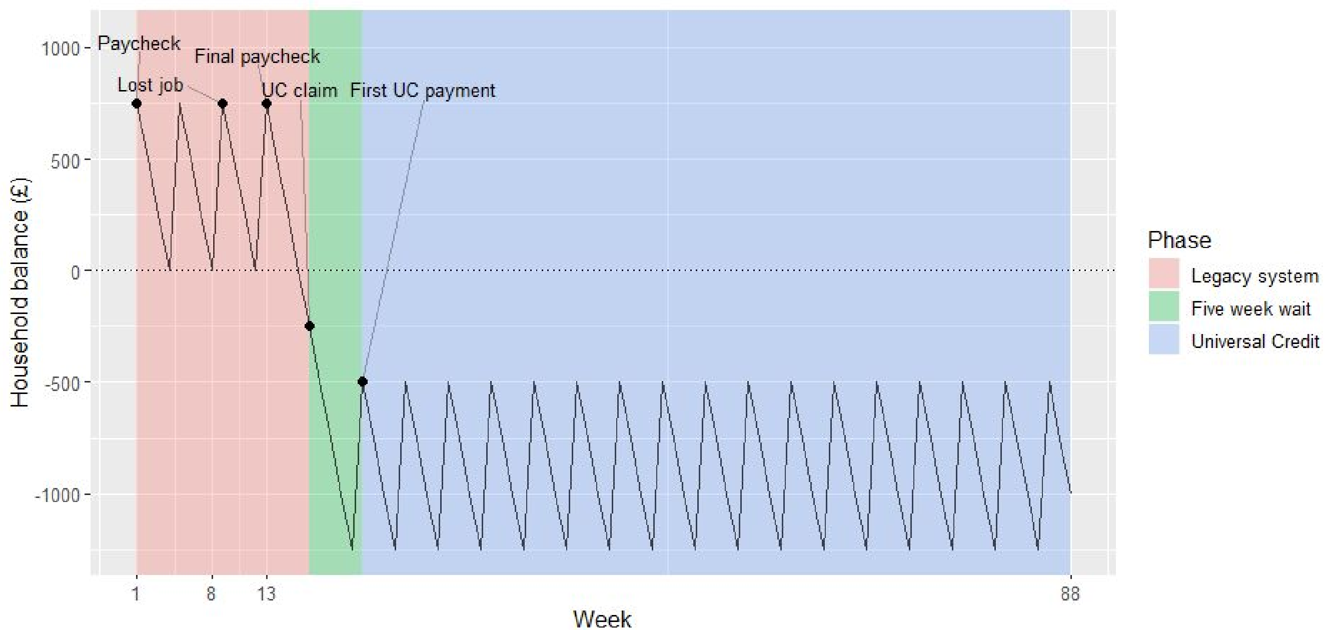


Figure 3: Weekly balance profile for hypothetical new claim case

For comparison, Figure 4 shows the same hypothetical case with the claimant opting to take out a Universal Credit advance.

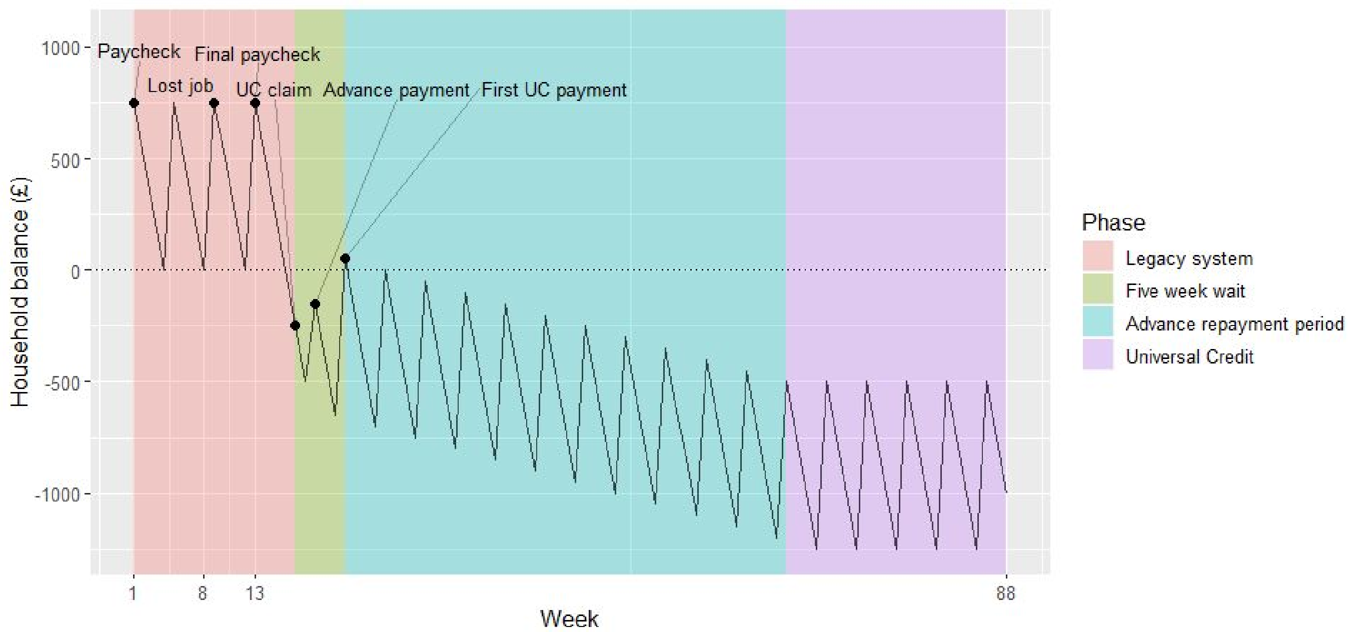


Figure 4: Weekly balance profile for hypothetical new claim case, with UC advance

We categorised families with contiguous legacy benefit claims as Medium Risk, because although such cases would receive the buffer of final legacy payments, they would not receive run-ons of Child Tax Credits. To illustrate this risk type, a hypothetical case receiving only Child Tax Credits is shown in Figure. 5.

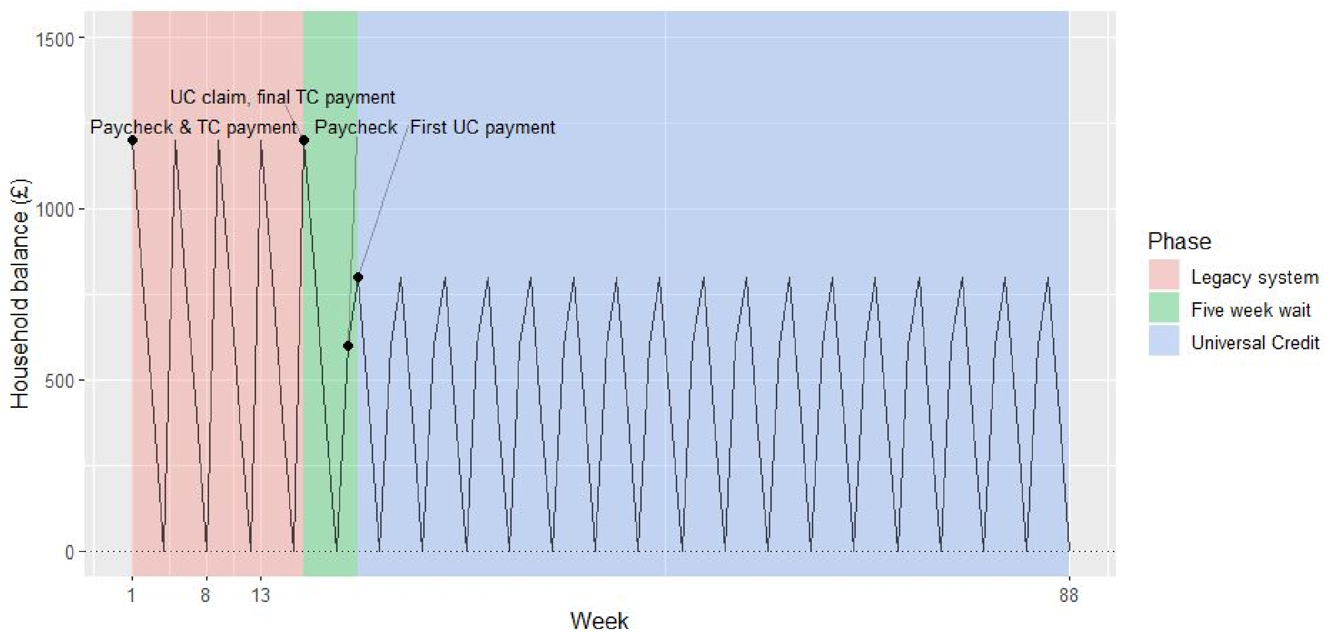


Figure 5: Weekly balance profile for hypothetical legacy Child Tax Credit case

Finally, we categorised households with contiguous legacy benefit claims excluding Child Tax Credits as Low Risk, because such cases would receive the buffer of final legacy payments in addition to run-ons of Housing Benefit (and soon JSA/ESA/IS too). To illustrate this risk type, a hypothetical case receiving onlyHousing Benefit is shown in Figure 6.

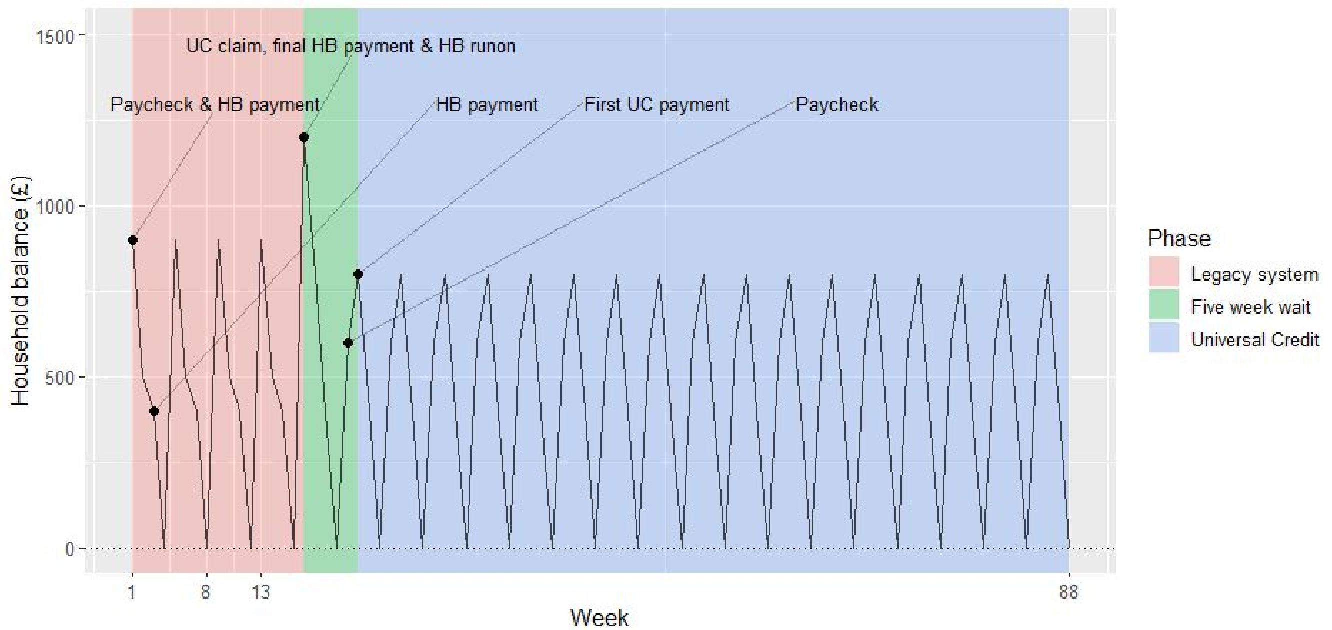


Figure 6: Weekly balance profile for hypothetical Housing Benefit case

We used a combination of the FRS and OBR caseload data to identify the proportions of each risk group. We first calculated the proportion of legacy benefit claimants eligible for Child Tax Credits in the FRS cohort, to capture the relative proportions of the Low and Medium risk categories. We then applied these proportions to the cohort of migrated legacy claims reported in the OBR caseload statistics, leaving the remaining percentage of new claims to be categorised as High Risk.

It should be noted that this approach cannot capture legacy benefit cases who experience a break in their claim prior to their application for Universal Credit. Unfortunately, we were unable to source data on the prevalence and delay length for disjointed legacy migration cases.

Deductions from UC awards: Findings

25% of eligible claims will have ward deductions of 20% or higher. Were deduction rates to remain at this level until the completed rollout of UC, this would result in 1.2 million households with high levels of ongoing deductions to their UC awards.

Condition	Definition	%	Number
Low risk	No deductions	48%	2.2M
Medium risk	Deductions up to 20%	28%	1.3M
High risk	Deductions greater than 20%	25%	1.2M

Table 5: Risk groups for UC award deductions

Method

To capture the financial pressure experienced by households with deductions to their UC awards following transition, we referred to the parliamentary research briefing UC and Debt[11]. This paper includes the DWP's response to a PQ from March 2019 on the prevalence of different levels of UC award deductions amongst eligible Full Service UC claims[12] from October 2018 . Based on this information, we assigned three levels of risk: Low risk for claims with no deductions, Medium Risk for claims with deductions up to 20% of the standard allowance, and High Risk for claims with deductions of 20% or more.

It should be noted that from October 2019, the maximum permissible level of award deduction will be reduced from 40% of the standard allowance to 30%. We would not expect this to substantially alter the proportion of households in our High Risk category (since those moving from 40% to 30% deductions would still be categorised as High Risk). It should also be noted that 1% of households in the October 2018 data had deductions greater than the technical maximum of 40%.

Change in award level from legacy to UC: Findings

8% of claimants would see their benefit eligibility reduced after moving onto UC. By the full rollout of UC in 2022/23, this would mean 1.3 million worse-off households.

Condition	Definition	%	Number
Low risk	Better off on UC	41%	1.9M
Medium risk	No change (change less than £5 per month)	31%	1.5M
High risk	Worse off on UC	28%	1.3M

Table 6: Risk groups for change in benefit award levels

Method

To assess change in benefit eligibility as households move from the legacy system onto UC, we compared benefit income under the two systems as calculated by the Benefit and Budgeting Calculator. We categorised households as Low Risk if their total benefit eligibility under the UC would be higher than under the legacy system, Medium Risk if benefit eligibility remained the same (within a £5/month tolerance), or High Risk if their eligibility was lower under UC.

Employment expectations following transition: Findings

44% of the weighted FRS cohort were classified as being not expected to look for work, and thus unlikely to benefit from any boost to employment trajectory produced by the move to UC. At the point of projected full rollout in 2022/23, this would correspond to 2.1 million households moving onto UC without the potential boost of subsequent movement into work.

[11] https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CDP-2019-0131

[12] Eligible claims are defined as those that have provided the necessary evidence to substantiate their claim, signed their claimant commitment, and have received their first payment.

Condition	Definition	%	Number
Low risk	In work	47%	2.2M
Medium risk	Expected to look for work	8%	0.4M
High risk	Not expected to look for work	44%	2.1M

Table 7: Risk groups for employment expectations after transition

Method

In order to evaluate households potential for financial improvement through movement into work following transition to UC, we categorised households in the FRS cohort according to their expectation to look for work (according to the policies of UC). We categorised households as Low Risk if they were already in work according to the FRS. We categorised households as High Risk if they were out of work and not expected to seek work according to the policies of UC, specifically households eligible for income-based ESA or IS, households with carers, or lone parents with children under 5. We classed such households as High Risk because they would be unlikely to benefit from the stated policy aim of UC to help claimants to improve their situation by moving into work. Finally, we categorised all remaining households as Medium Risk, as they would ,given their current circumstances, plausibly be able to benefit from UC's policy intention of helping more claimants move into work.

Combined vulnerability: Findings

We estimate that 71% of households (3.1 million households by 2022/23) would face one or more serious financial challenge during the transition to UC.

When combined with vulnerability data from non-FRS sources:

- **800,000 households with one or more risk factors identified through the FRS would also experience UC award deductions of 20% or more.**
- **300,000 households with one or more FRS risk factors would also be new claims without the buffer of final legacy benefit claims or run-ons.**
- **400,000 households with one or more FRS risk factors would also experience delays to their first UC payment.**

Condition	Definition	%	Number
All low risk	No issues with transition to UC	1%	0.1M
No high risk	No serious issues with transition to UC	28%	1.3M
One or more high risk	One or more serious issues	71%	3.3M
Two or more high risk	Two or more serious issues	26%	1.2M
Three or more high risk	Three or more serious issues	3%	0.2M

Table 8: Combined risk groups for vulnerabilities identified using FRS data

Method

Having categorised households into High, Medium and Low Risk groups for each of the seven financial pressure points of transition to UC, we were also able to identify households (and cohorts) with combined vulnerability based on multiple pressure points.

For the main combined risk analysis, we used the four pressure points identified using FRS data to determine combined vulnerability on a per-household basis. We categorised households according to the number of High, Medium and Low Risk factors they experienced for savings and debt, financial shortfall during and after transition, changes in award level, and employment expectations following transition. We distinguished households that were categorised as Low Risk for all four pressure points, households that had no High Risk factors, and those with one or more, two or more, and three or more High Risk factors.

In order to capture some element of all seven risk types, we applied the proportions of the combined risk groupings described above to the numbers of High Risk cases from the three challenge types identified using non-FRS data.

Risk type	Number of households	Number likely to have other serious issues (FRS)	3 Issues (2 x FRS + 1 other)
Deductions greater than 20%	1.2M	0.8M	819,262
New claims without any run-ons	0.4M	0.3M	254,044
No payment on time	0.5M	0.4M	364,339

Table 9: Combined risk groups for vulnerabilities identified using using non FRS data

For example, the third row of Table 9 shows how we took the 500,000 households projected to have delayed payments, based on data from Stat-Xplore, and applied the combined vulnerability distribution to identify how many of those 500,000 claimants were likely to have one or more additional risk factors (based on the FRS data). This provided estimated figures for the number of households identified as having one or more vulnerability factors through FRS, who would be likely to have an additional vulnerability factor (e.g., delayed payments) not captured in the FRS data.

The fourth column shows how these can be combined to determine what proportion face each of the different combinations across each of the different challenges with the transition to Universal Credit. As this combines data from multiple sources, these figures are only reliable if we assume there is no correlation across each of the challenges. In fact, this is a highly conservative assumption. For example, a claimant facing a payment delay is more likely to need an advance. This increases their likelihood of being in shortfall after costs, and of facing deductions greater than 20%.

About Policy in Practice

Government policy is complex, confusing and changing all of the time. Policy in Practice was founded to make government policy easy for people to understand.

The policy engine we built drives our award winning Benefit and Budgeting Calculator which helps 10,000 people daily via GOV.UK. It also supports frontline advisors in their work to explain changes in government policy, including Universal Credit. By looking at the interaction of policies from multiple government departments, the engine can identify the impact on people with certainty and highlight what actions they can take to be better off. It also shows people on low incomes what extra help they could get with, for example, low cost utility tariffs and council tax support.

Our policy engine also drives our Low Income Family Tracker which analyses household level administrative data and visualises the insights gained. The LIFT Dashboard is used by councils across the UK to **identify** households with low financial resilience; showing how future policies will affect them allows limited support resources to be targeted effectively. Then, using the built in Benefit and Budgeting Calculator, frontline advisors can **engage** people what the impact of taking steps such as reviewing household spend or moving into work could have on their financial resilience. Over time, the LIFT Dashboard can **track the impact** of interventions through low-cost case-controlled evaluations, in order to improve effectiveness.

We believe administrative data is the future of social policy analysis, and we want to work with partners to help them and their residents to navigate government policy and make active decisions that improve lives.