Resources Department
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Report of: Corporate Director Resources

Meeting of:	**Date:**	**Ward(s):**
Policy and Performance Scrutiny Committee	17 September 2020	All

Delete as appropriate	~~Exempt~~	Non-exempt

SUBJECT: UPDATE ON UNIVERSAL CREDIT

1. Synopsis

1.1 Universal Credit Full Service was rolled out in Islington from June 2018. Over the past two years, the council has been monitoring the impact – on residents and services – and working with partners to support those who are struggling to make the transition to Universal Credit. In 2018-19 the Policy and Performance Scrutiny Committee undertook a scrutiny of the impacts of Universal Credit in Islington and produced a set of recommendations, mostly aimed at the government, which were adopted in full by the Executive in September 2019.

1.2 This report provides an update on Universal Credit in Islington, in the light of COVID-19, together with an update on the government response to the scrutiny recommendations.

2. Recommendations

2.1 To note latest policy changes relating to Universal Credit, including measures in response to COVID-19

2.2 To note the latest position on Universal Credit claimants in Islington

2.3 To note the financial support in place to help those in financial hardship as a result of COVID-19

2.4 To note the government response to recommendations from Islington’s scrutiny of Universal Credit, and a number of other reports which have looked in detail at Universal Credit.

3. Background

3.1 Universal Credit is a single monthly payment that replaces six existing working age ('legacy') benefits: Housing Benefit, Child Tax Credit, Working Tax Credit, Income Support, Income-based Job Seeker's Allowance (JSA), Income-related Employment and Support Allowance (ESA).

3.2 Universal Credit Full Service has been rolled out across the country. All new claimants, and existing benefit claimants who have had a change of circumstances, are now required to make a claim for Universal Credit. All remaining residents on 'legacy benefits' will be transitioned to UC by September 2024 through a 'managed migration' process. The exact timetable is yet to be confirmed and the final deadline, which has been repeatedly put back, is likely to be further delayed as a result of COVID-19. A DWP pilot in Harrogate testing full migration to UC which started on the 24 July 2019, was progressing very slowly pre-COVID-19, this was originally due to complete in October 2020, but has been put on hold due to lockdown. It is unlikely that the government will progress any further without evaluating the results of the pilot, when it finally resumes.

3.3 Universal Credit has had / or will have a significant impact on Islington residents. Around 21,000 working age residents claim one or more of the legacy benefits and will at some point transition to UC – many already have. In addition to this, Islington, alongside the rest of the country, has seen a significant increase in the number of UC claimants during the COVID-19 period.

4. Universal Credit Policy update

4.1 There have been a number of changes to Universal Credit policy over the past few months, some pre-planned, and others in response to the coronavirus outbreak and the subsequent lockdown.

Pre-planned changes

4.2 Pre COVID-19 in late 2019 the Government announced that working-age benefits such as Universal Credit and Jobseeker's Allowance would rise by 1.7% from April 2020. This brought to an end a four-year benefit freeze on working age benefits that started in April 2016.

4.3 From July 2020, Income Support, Jobseeker's Allowance (Income-Based), and Employment and Support Allowance (Income-Related) claimants will receive a two week run-on of those benefits during their transition to Universal Credit. This means the benefit will be paid for an additional two week period beyond the actual end date that the benefit ends and they move to Universal Credit. The two week run-on of Housing Benefits for claimants who naturally migrate to UC has been in place since April 2018.

Changes to support those impacted by COVID-19

4.4 A number of additional measures were announced by the government at the start of lockdown to help mitigate the financial impacts of COVID-19.

4.5 The standard rate for Universal Credit and Tax Credits was further increased by £20 a week for one year from 6 April 2020 in response to COVID-19. The UC standard allowances for 2020/21 are set out below. These amounts include the 1.7% inflation boost and the COVID-19 £20 per week increase.

Circumstances	Monthly standard allowance 2020/21	Monthly standard allowance 2019/20
Single under 25	£342.72	£251.77
Single 25 or over	£409.89	£317.82
Couple both under 25	£488.59	£395.20
Couple and either 25 or over	£594.04	£498.89

4.6 It is important to note that the benefit cap has not been increased. The increase in standard allowances mean that more residents will be impacted by the benefit cap. Those residents already capped will not see any reward from the increase in the standard allowance, whilst those close to the benefit cap might not see the full benefit increase. The benefit cap inside Greater London is:

- £442.31 per week (£23,000 a year) if you are in a couple
- £442.31 per week (£23,000 a year) if you are a single parent and your children live with you
- £296.35 per week (£15,410 a year) if you are a single adult

4.7 In Islington there are currently 153 households on Housing Benefit subject to the benefit cap and 146 households in receipt of Universal Credit benefit capped that are in receipt of a Discretionary Housing Payment.

4.8 From 1 April 2020 Local Housing Allowance figures increased to cover at least 30 per cent of market rent in the area. Local Housing Allowance rates are used to calculate Housing Benefit or the Housing Costs part of UC for tenants renting from private landlords.

The change in LHA rates in Islington is summarised below.

2019 LHA weekly rates

Area	Shared	1 bed	2 bed	3 bed	4 bed
Central London	£144.84	£276.51	£320.74	£376.04	£442.42
Inner East London	£108.30	£273.02	£320.74	£376.04	£442.42
Inner North London	£106.89	£276.51	£320.74	£376.04	£442.42
Outer North London	£90.64	£211.84	£263.00	£324.57	£388.65

2020 LHA weekly rates

Area	Shared	1 bed	2 bed	3 bed	4 bed
Central London	£154.19	£295.49	£365.92	£441.86	£593.75
Inner East London	£136.30	£295.49	£365.92	£441.86	£585.70
Inner North London	£147.29	£295.49	£365.92	£441.86	£593.75
Outer North London	£113.11	£241.64	£299.18	£356.71	£414.25

4.9 In response to COVID-19 the Department for Work and Pensions (DWP) made several changes to process that will impact those claiming or already on UC:

- All face-to-face assessments for health and disability-related benefits were temporarily suspended
- Payments for Personal Independence Payment, ESA, UC or Industrials Injury Disability Benefit will continue to be made as normal
- Those unable to attend jobcentre appointments because they were self-isolating in line with Government advice or had been diagnosed with COVID-19 will not be sanctioned if they tell DWP in good time
- UC Claimant commitments will be reviewed to make sure they are still reasonable. Those staying at home due to coronavirus will have the mandatory work search and work availability requirements removed to account for a period of sickness
- UC claimants that have or may have been affected by coronavirus must contact their work coach as soon as possible by using the online journal or calling the UC helpline. The online journal is the UC account that the claimant has a login and password for, DWP communicate with the claimant via the online journal
- UC claimants who are working and staying at home on Government advice should report this in the usual way via their online journal
- The amount of UC received will be amended as earnings change if a person is now working fewer hours including furloughed or self-employment
- Self-employed UC claimants who are required to stay at home or ill as a result of coronavirus will not have the minimum income floor applied whilst they are affected

4.10 Claimant commitments have now re-commenced and DWP work coaches are in the process of contacting all new and previous UC claimants. New staff are being recruited to increase capacity for processing paying claims and in jobcentres where the focus is on helping people into work.

5. Universal Credit – impacts of COVID-19

Support for claimants

5.1 During the first six weeks of lockdown, almost 2 million new claims for Universal Credit were made nationally. As DWP struggled to cope with this unprecedented demand, work coaches and telephony staff across the country were diverted to help UC Processing Teams to get new claims up and running. Jobcentres, including the two Islington jobcentres were closed for all but emergency contacts and the requirements around attending in person to verify a new claim, and to agree a claimant commitment were temporarily suspended.

5.2 Employment support through work coaches was temporarily withdrawn as staff were focused on the claims process. Here in Islington, DWP used the claimant journal for all new claimants to include a message on the employment support available through iWork and our wider Islington Working partnership.

5.3 Help to Claim services provided through Citizens' Advice, were forced to halt their face to face offer and move to telephone support. Islington Citizen's Advice runs Help to Claim sessions in both Islington jobcentres and these are temporarily suspended. Feedback from CA and other Islington advice agencies was that the anticipated increase in phone calls for help with UC claims did not materialise. This could be because a large proportion of the new cohort claiming UC during COVID-19 have been able to make the claim themselves. We will keep this under review with CA and other Islington advice agencies.

Payment timelines

5.4 The DWP policy to focus staff resources away from employment support to getting claims set up and paid had positive results, with 95% or more new claims in Islington receiving their first payment in full and on time. This was crucial at a time when so many people were facing severe financial hardship as earnings fell or disappeared due to lockdown. Pre-COVID, the average proportion of new claims paid in full and on time was around 90%. However, now that work coaches / telephony staff are returning to their core role, payment timelines have fallen again to around 90%. This is something we will be keeping an eye on in regular meetings with DWP.

Number of UC claimants in Islington

5.5 DWP publish data on Universal Credit claims on their public website – Stat-Xplore, normally 2-6 months in arrears of real time depending on the dataset. Latest data (to end May 2020) on the number of households claiming Universal Credit indicates that, as of May 2020, there were 17,847 Islington households claiming Universal Credit – a significant increase on the 9,881 at the end of February 2020 before COVID-19. The majority of these households (12,033) were single, with no dependent children. Around 5,000 households had dependent children, the majority of which (3,814) were single parent households.

5.6 A separate DWP dataset provides slightly more recent data on the number of people claiming Universal Credit, broken down by employment status and gender. Latest data, to end of June 2020, indicates that there were:

- 21,275 Islington residents claiming UC
- 14,521 (68%) of these were not in employment. This split between those in employment and those not in employment is similar to the position pre-COVID
- There are more women than men claiming UC
- But men claiming UC are far more likely to be not in employment (73%) compared to women (64%)

June 2020	Not in employment	In employment	Total
Men	7,569	2,802	10,374
Women	6,948	3,956	10,898

5.7 In Islington, we have a strong working relationship with both our local DWP colleagues in the two Islington jobcentres and with the DWP processing centre in Belfast which has responsibility for all London claims. They have been able to share more local intelligence on Universal Credit claimants in Islington. Our Belfast lead has been providing us with up-to-date figures on the number of Islington claimants on a weekly-fortnightly basis. Claimant caseload numbers since mid-March 2020 are as follows:

Jobcentre	11 Mar 20	1 Apr 20	10 Apr 20	17 Apr 20	23 Apr 20	4 May 20	11 May 20	18 May 20	25 May 20
Barnsbury	7,947	11,092	12,134	11,694	13,113	12,724	13,646	14,015	14,284
Finsbury Park	5,409	8,108	8,821	9,180	9,625	9,973	10,203	10,560	10,729
Total	**13,356**	**19,200**	**20,955**	**20,894**	**22,501**	**22,697**	**23,849**	**24,575**	**25,013**

Jobcentre	1 Jun 20	8 Jun 20	12 Jun 20	22 Jun 20	29 Jun 20	13 Jul 20	3 Aug 20	14 Aug 20	21 Aug 20	4 Sep 20
Barnsbury	14,282	15,430	16,956	15,924	15,523	16,288	15,900	16,001	16,186	16,467
Finsbury Park	10,911	10,041	11,156	11,354	11,368	11,677	11,701	11,794	11,950	12,112
Total	**25,193**	**25,471**	**28,112**	**27,278**	**26,891**	**27,965**	**27,601**	**27,795**	**28,136**	**28,579**

5.8 These figures indicate a significant increase in the number of UC claimants between mid-March (pre-COVID) and mid-June, with numbers more than doubling in just three months, (compared with a steady 350-450 new claims per month in the period June 2018 to February 2020).

5.9 The figures show that Barnsbury Jobcentre has a higher UC caseload than Finsbury Park. This has been the case consistently since UC was rolled out in Islington in 2018, and is largely due to the fact that Barnsbury has a larger catchment area. However, if we look at the impacts on claimant numbers since the outbreak of COVID, Finsbury Park has seen a 123% increase in its caseload since March 2020, compared with a 107% increase for Barnsbury, and a 105% increase across North London (which is currently the highest percentage increase in any DWP district nationally). This suggests that residents in the north of the borough have been disproportionately economically affected by COVID-19.

5.10 Numbers over recent weeks have stabilised but, as yet, show no sign of reducing as lockdown eases and people return to work. There is a real risk that the end of the government's furlough scheme in October may see a further spike in numbers of claimants out of work and claiming Universal Credit. We are monitoring the position closely with regular meetings with DWP.

<u>Profile of new claimants</u>

5.11 Whilst we have a clear sense of the numbers of new UC claimants, DWP data does not provide any insight into whether these are newly unemployed, or furloughed, of gig economy / self-employed. However, work coaches in the two Islington jobcentres have now started to make contact with all new claimants to assess their current employment position and future needs and have shared their insight with us.

5.12 *Key sectors new claimants have come from*

- High proportion from the **Creative sectors** – TV, photography, script writing – declared themselves to be self-employed – so it is feasible that they may naturally return to their sectors once things pick up
- Also large numbers from the **Retail, Hospitality and Construction sectors** – however, with many retailers e.g. John Lewis, closing stores, retail may not be a viable sector in the longer term and these people may need support to retrain for another sector
- Small numbers with high level **Technical** skills sectors e.g. Engineering, Architects – these will hopefully navigate their way back into work as lockdown eases

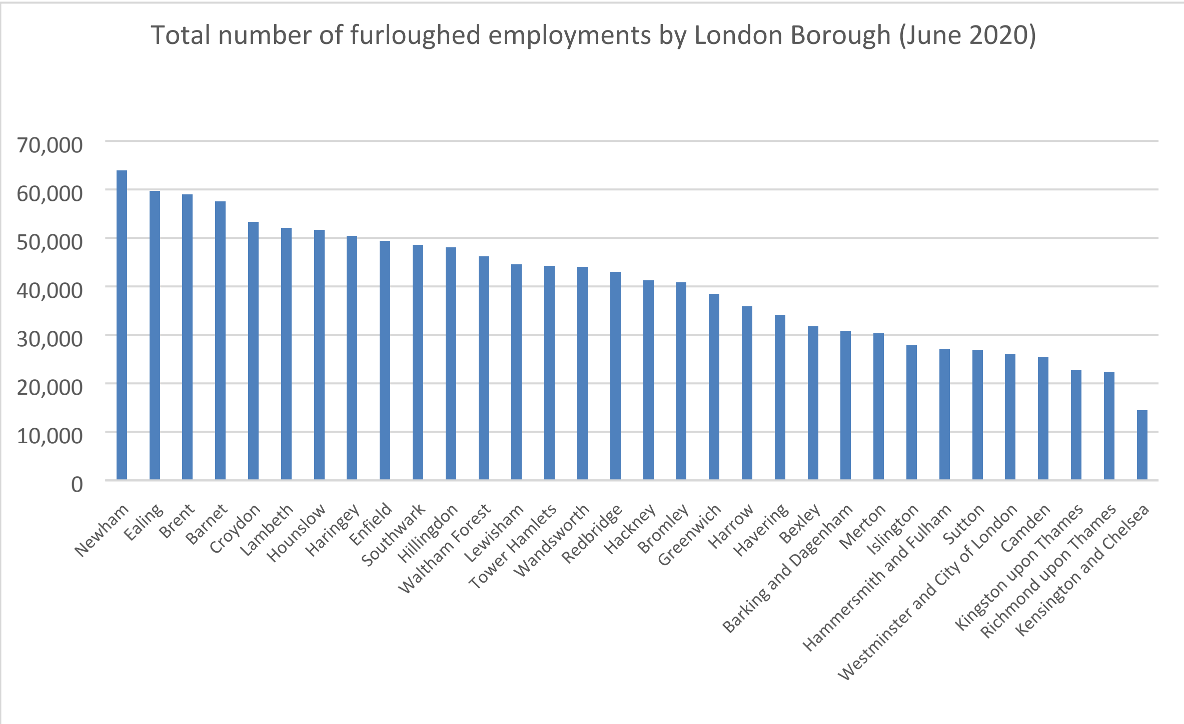
- Quite a number of claimants in the **Beauty industry**: massage therapists, hairdressers and beauty therapists – these sectors are now reopening so the claimant may well be able to move back into work – though those who deliver mobile services (e.g. to people's homes) may struggle
- **Music sector** – this could prove difficult to move back into as events are still largely closed

5.13 *Other points of interest*

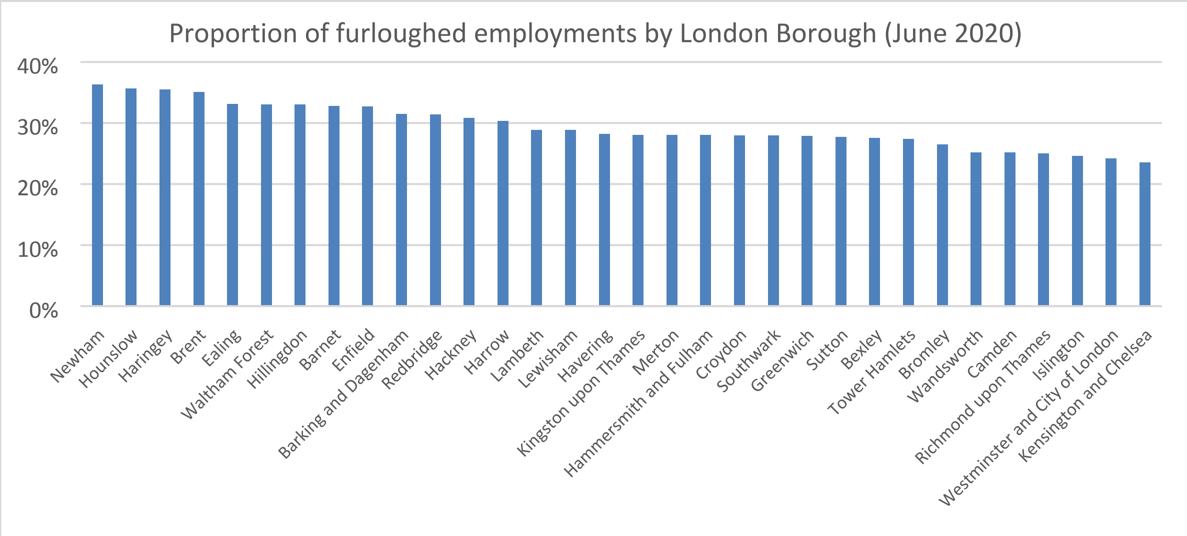
- Work coaches reported low interest in apprenticeships (seen as 'something for kids') – but these do provide an opportunity to retrain, particularly with government incentive schemes so we may need to find a way to 'rebadge' these to make them appeal to adults
- Low numbers of claimants who declare themselves as furloughed
- Initially there was an increase in the numbers of **private sector tenants** claiming UC in Islington – however, further exploration found **a link to fraud** – people from other areas of the country giving a London address to claim higher housing element and advance payments. These claims are suspended whilst DWP looks into them

<u>Residents who have been furloughed</u>

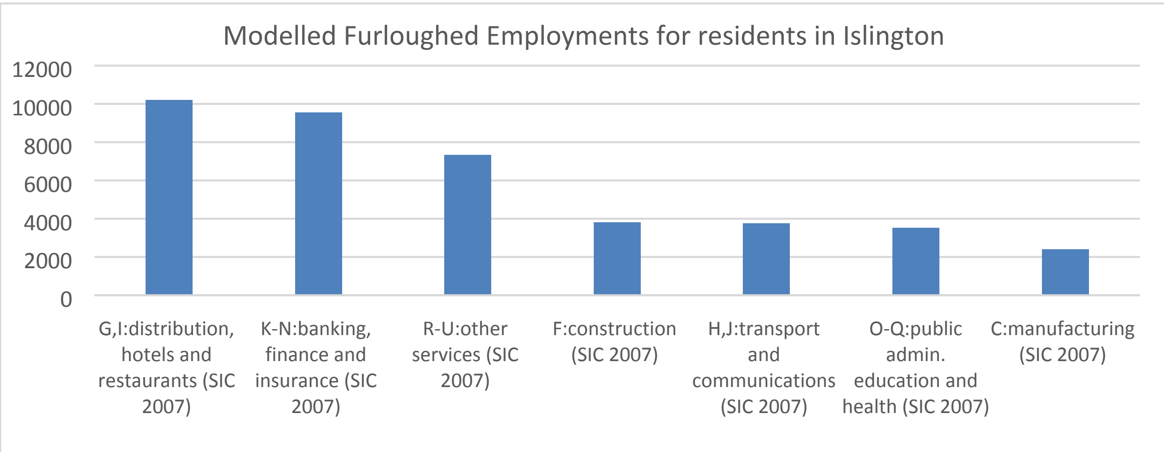
5.14 HMRC data on the Coronavirus Job Retention Scheme for each local authority indicates that 27,800 'employments' have been furloughed in Islington. This refers to the address of the person (i.e. Islington residents) rather than where the job is.



5.15 Islington has had the third lowest proportion of employments furloughed of all London boroughs, at 24.6%, and is in the lowest 15 nationally.



5.16 HMRC data on furloughed employments also includes modelling of the key sectors where employments have been furloughed. For Islington residents, the highest number of jobs furloughed have been in 'Distribution, Hotels and Restaurants', largely due to the major impact on the visitor economy and the wider sector. The Banking, Finance and Insurance sector has also seen a large number of furloughed residents.



5.17 It is not possible to cross-refer data on furloughed employments with DWP data on UC claimants to establish how many fall within both groups. Anecdotal evidence from DWP is that relatively few of new claimants have been furloughed.

5.18 There is real concern that we may see a further spike in UC claims when the Coronavirus Job Retention Scheme ends in October if not all 27,800 furloughed jobs are continued. We are forecasting into our financial planning for 2020/21 a further increase in benefit claimants as the furlough scheme ends. This will likely see an increase in UC claimants, leading to more Council Tax Support claimants and increased demand on the Residents Support Scheme. We are keeping a close eye on this with regular meetings with DWP colleagues.

6. Universal Credit and Housing

6.1 The pandemic has seen a significant increase in the numbers of Islington tenants moving to Universal Credit. Since March 2020, a further 1,352 tenants have made a claim for UC, most of these within the first two months, bringing the total to 5,340 council tenants now claiming UC.

Impacts of COVID-19 on rent arrears

6.2 Total rent arrears across all council properties has increased significantly since COVID-19, with the current total (as of 11 August 2020) sitting at a record high of £8.51million, up £1.9million since 15 March 2020 (compared to an increase of £690,000 in the same period last year).

6.3 The government introduced a temporary ban on evictions at the start of lockdown to prevent landlords taking eviction action against private or social sector tenants who ran up arrears as a result of any loss in earnings as a result of the pandemic. This was due to end on 23 August 2020 but has now been extended by the government for a further four weeks. Whilst the ban offers some breathing space for renters, there is a real risk that they will build up significant levels of debt which will be difficult or impossible to pay back, causing stress and anxiety for residents, and presenting a financial risk for landlords, including the council.

6.4 UC tenants account for the majority of the total arrears – their combined level of arrears was £5.2m (end July 2020). This is because:

- UC tenants are more likely to be in arrears: 67% of all tenant households on UC are in arrears compared to 37% of those on Housing Benefit
- Of those accounts in arrears, UC tenants have a higher average arrears (£1,464) compared to Housing Benefits tenants (£335).

As more tenants move over the UC, the position is expected to worsen.

6.5 There are currently 25% of council tenants on UC on an Alternative Payment Arrangement (APA), this means the housing element of the UC is paid directly to the council as the landlord. The APA figure increases to 33% for UC cases in arrears.

London Councils research on the impact of Universal Credit on rent arrears

6.6 Recent research, commissioned by London Councils and undertaken by The Smith Institute, looked at the impact of Universal Credit on rent arrears across 12 London boroughs (including Islington). The report – *'Falling Behind: the impact of Universal Credit on rent arrears for council tenants in London'* – found that:

- Tenants' rental balance worsens for the majority after they claim UC
- Rent arrears are high in the initial weeks as tenants move on to UC and are not repaid
- On average tenants build-up £240 of rental arrears after they make a UC claim
- In the initial week the majority of accounts are in arrears - suggesting payment issues are not confined to a minority but are widespread
- A minority of larger under payers contribute significantly to the total level of arrears
- Alternative Payment Arrangements (APAs) slow the growth of such large arrears and their early use does so faster.

6.7 The main findings suggest:

- The level or likelihood of new rent arrears after a claim for UC cannot be predicted from the level of arrears at the time the claim is made.
- The high level of arrears in initial weeks suggest that efforts to reduce the wait between a successful claim and a tenant receiving payment would help reduce arrears, which appear hard to pay down.
- Advances are available for those making new claims for UC and who need money urgently. While advances are not identified in the report, the availability of advances seems not to prevent significant and lasting new arrears from occurring.
- New arrears may be hard to pay down due to other features of the UC system. First, UC is paid one month in arrears which effectively creates a cash-flow loss for claimants and social landlords compared with the legacy system – especially for council tenants. Second, that loss may be compounded by the very high levels of deductions from ongoing benefit that are a feature of UC that are known to affect large numbers of claimants.
- The impact that APAs suggests that greater freedoms for tenants and landlords to have UC payments made directly from DWP to landlords should be considered as a way of reducing arrears. One option would be to direct payment to the landlord as the default option, as in Northern Ireland.

Detailed findings

6.8 *How rent arrears change*

- Arrears are high as tenants move onto UC. Two-thirds of tenants underpay in the first week with 30% of rent owed in the first week going unpaid.
- Weekly arrears decline to around 5% of rent owed in week 9 and decline to being in balance by week 20.

6.9 *What impact could this have on councils?*

- The rent arrears that accumulate in the initial weeks are not found to be paid back.
- The results show that on average rent arrears by the end of the period (week 27) are around £240.
- This equates to around 8% of rent owed. Rent arrears for councils across their stock are around 3%.
- On this basis, moving working age council tenants from housing benefit to UC in London could cost around £23m.

6.10 *Large underpayments and underpayers are important to the level of arrears*

- One in three (35%) of accounts in the first week on UC underpay by 75% or more. This drops to around one in ten by week 20.
- These larger underpayments contribute to two thirds of the value of total underpayments.
- Larger underpayers disproportionately contribute to arrears. Those with the highest 20% of arrears contribute to half of the total arrears.
- Those accounts that consistently underpay contribute most to arrears. The 15% of accounts that underpay three quarters of the time amass 62% of total arrears.

6.11 *Arrears build up before the UC Rent Verification date*

- The analysis shows that arrears start to accumulate before the UC Rent Verification (UCRV) date.
- Arrears rise from around 2%-4% four months prior to the UCRV date to around 6% by two months before, rapidly rising to 17% a week before the UCRV date after which they increase to over 30% on the week of UCRV date.
- On average this results in a rise of just under £400 between eight weeks before the UCRV date and 12 weeks after (for those accounts that data is available).
- These arrears that build up are not paid down.

6.12 *Alternative Payment Arrangements (APAs) make a significant difference*

- One in five (20%) of accounts had an alternative payment in place, which means their housing element of UC is paid directly to their landlord.
- APAs appear to have a significant impact on limiting further arrears.
- For those accounts, arrears average 48% before the APA was in place. At a similar point arrears totalled 18% for non-APA accounts. After that point arrears average around 10% for both APA and non-APA accounts.
- For accounts with two-months of arrears, those with APAs saw arrears rise by £279 but those without APAs saw a larger rise – averaging £640.
- Early use of APAs also matters, those with APAs within four weeks of the UCRV date had £337 of arrears by week 13. However, arrears rose to £692 for those whose APA was in place eight weeks after the UCRV date.

6.13 The report makes three recommendations:

1. Reduce the five-week wait to help prevent the build-up of large arrears in the period. While this change is being implemented advance payments should be replaced with a non-repayable grant to provide immediate support to claimants.
2. Greater use of APAs by social landlords to reduce the number of tenants with large arrears.
3. Direct payment to landlords as the default to more fully reduce the number of tenants with large arrears.

6.14 The government has listened to local authorities and made a change to the timetable for paying Alternative Payment Arrangements. We will now get APAs paid at the same time the claimant gets their UC payment. Previously there were delays which made it difficult to reconcile payments. However the arrears part of APAs will continue to be four weekly. Hopefully this will change in the future.

7. Financial assistance

7.1 <u>Hardship Funding</u>

As part of its package of measures to tackle the economic impacts of COVID-19, the Government allocated a £500 million Hardship fund to Local Authorities to support vulnerable people and households. Islington received £3,879,455 for 2020/21. The primary aim of the fund is to provide council tax relief to working age residents who are in receipt of Council Tax Support, in the form of a further rebate of up to £150, on top of their Council Tax Support.

7.2 Hardship payments were made to around 17,000 existing Council Tax Support claimants in May 2020 totalling £2.1million. All new CTS claimants of working age are also being awarded the up to £150 rebate on their Council Tax bill for 2020/21. Total spend to date on the Hardship Fund is over £2.38million. Any surplus remaining from the grant could be used to top up our Resident Support Fund.

Resident Support Scheme

7.3 Islington's Resident Support Scheme, introduced in 2013, provides a financial safety blanket for residents facing severe financial hardship. It offers four different categories of support:

- Crisis Provision: food and fuel vouchers to cover basic necessities
- Community Care: grants to purchase essential household items
- Discretionary Housing Payment: DWP funding to mitigate impact of housing welfare reforms
- Council Tax Welfare Provision: Council Tax reduction in exceptional personal circumstances or exceptional hardship

7.4 At the start of lockdown, we urgently reviewed the criteria and processes relating to Crisis Provision to meet the increased demand from those facing severe financial hardship as a result of COVID-19. Key changes were as follows:

- Eligibility extended to include residents making a claim to Universal Credit and facing severe hardship whilst awaiting their first payment. This includes those made redundant due to COVID-19, those facing a reduction in income due to being furloughed, self-employed or on zero hours contracts (previous eligibility was restricted to those facing a crisis e.g. fleeing a fire, flood or domestic violence)
- Amount of Crisis awards (in the form of grocery vouchers) doubled for UC claimants to reflect the fact that they will have little or no income until their first payment is made
- Revised amounts are £50 for a single person, £90 for a couple, £180 for a family of four, and £88 duel fuel voucher
- Households on UC will be able to apply for a second award later in the year in exceptional circumstances e.g. further delays to their payments
- Additional £25k contribution from Islington Giving to add to Resident Support Scheme funds for 2020/21. Additional £5k secured from Cloudesley (one of our RSS funding partners) to provide Crisis support to families who have No Recourse to Public Funds (NRPF)
- Application process extended to accept self-referrals from residents (emailing the RSS team, contacting We Are Islington, or through a volunteer), as well as referrals from trusted partners
- Processing and decision making speeded up to provide rapid response and, as well as the option for vouchers to be posted, households can opt to collect them in person or have them delivered to their home

7.5 There has been a significant increase in the number of Crisis awards since the outbreak of COVID-19, particularly in the immediate weeks after lockdown. In April, grants awarded spiralled to 650, reflecting the level of demand as Islington residents started to feel the impact of lockdown on their jobs and income.

Crisis awards:	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Total	

16.03.20 - 28.08.20	147	650	132	46	21	45	1,041	

7.6 Total spend on Crisis awards since March currently stands at £152,949, of which £100,000 was paid out in April. In an average year total spend on Crisis Provision is £12,000 to £14,000.

7.7 Levels of demand have stabilised in recent weeks but are still higher than experienced in previous years. It is possible that we will see a further spike in demand when the furlough scheme ends in October. Cripplegate Foundation have already provided a further £25,000 to the RSS pot to help meet the additional demand for Crisis. We are also looking at the potential for any residual funding from the Hardship Fund to top up the Crisis Provision funding pot if required.

7.8 The data collected as part of the application for a Crisis Grant provides insight into key groups who have been most economically impacted by COVID-19. Key messages are that:

- The main reasons for requesting a grant are due to job loss / furlough, additional expenses of self-isolation / lockdown, and additional expenses due to school closures
- The vast majority of applicants live in social housing
- 66% of all applicants were women
- 33% were Black (Black British, African or Caribbean) and 27% were White British

8. Scrutiny of Universal Credit – update on letters to Minister

Recommendations from PPSC Scrutiny of Universal Credit

8.1 On the 10 March 2020, the Executive Member for Finance and Performance wrote to the Secretary of State for Work and Pensions setting out the recommendations that resulted from the Policy and Performance Scrutiny Committee's (PPSC) review of Universal Credit.

8.2 This was followed up with a letter dated 27 April 2020 from the Executive Member for Finance and Performance to the Secretary of State for Work and Pensions, which acknowledged the challenges faced by the DWP during COVID-19. The letter focused on one key change to universal credit, the minimum five week wait for first payment.

8.3 A response was received from government in a letter dated 18 July 2020 from Will Quince MP – Minister for Welfare Delivery. The response is split into four topic areas below.

The Initial Assessment Period

8.4 Nobody has to wait five weeks for a payment under Universal Credit. Advances allow new claimants to request additional support during the first assessment period. Advances can be repaid over a year, allowing new claimants to receive 13 payments during that period instead of 12. Universal Credit is assessed and paid monthly. It is paid in arrears for each calendar month and the amount will not vary to reflect the number of days in the month. Universal Credit is usually paid in a single monthly sum to households. The way in which payment dates are assigned in Universal Credit is determined by the date of entitlement. The assessment period runs for a full calendar month from the date of entitlement and the Universal Credit pay date will be seven calendar days after the end of the initial assessment period. Subsequent pay dates will be the same each month. The claimant should receive their first Universal Credit payment after five weeks. It is not possible to award a Universal Credit payment as soon as a claim is made as the first assessment period must run its course before entitlement to Universal Credit can be calculated. Budgeting support is also available for anyone who needs extra help. Advances are generally recovered over the following 12 months and, from October 2021, the maximum repayment period will be extended to 24 months. Claimants can ask for repayments to be delayed for up to 3 months if they can't afford them. We know that many tenants are arriving on Universal Credit with pre-existing rent arrears, which Universal Credit actually appears to be helping to clear over time. We have previously introduced a package of support to help prevent rent arrears, including additional payments of two weeks of Housing Benefit to support claimants as they transition onto Universal Credit, and removing the 7-day waiting period for new claims.

Childcare costs

8.5 Childcare is essential in enabling parents to work, although we recognise that this can cause additional financial difficulty. Universal Credit claimants are therefore able to claim up to 85 per cent of their childcare costs, compared to 70 per cent on the legacy system. There is also help with upfront childcare costs for starting work that is available through a non-repayable Flexible Support Fund award for eligible claimants and assistance is available through Budgeting Advances, subject to eligibility conditions. The Universal Credit childcare policy aligns with the wider Government childcare offer, which includes free childcare hours for children between two and four years and tax free childcare. Eligibility for children aged two requires household income to be less than £15,400 a year after tax, not including benefit payments. Claimants can utilise both the free childcare entitlement and Universal Credit childcare costs in conjunction with each other for the relevant hours. This helps to alleviate reasonable childcare costs as a barrier to work.

Habitual Residence Test

8.6 Access to benefits for non-UK nationals depends on their immigration status. All non-UK Nationals are permitted to claim income-related benefits if they are legally and habitually resident in the UK and satisfy the eligibility conditions. Those that are required to provide evidence of their right to reside are subject to the Habitual Residence Test. This contains two elements: an assessment of the legal right of residence and an assessment of factual habitual residence. All of our Decision Makers go through specific training on making decisions on the Habitual Residence Test. They are fully supported by mentors and must pass rigorous training standards. EU citizens who are exercising a qualifying right to reside, such as worker or self-employed status, and are habitually resident in the UK will pass the Habitual Residence Test and be eligible to access benefits. This is in line with UK and EU law. However, the Department has no powers to award taxpayer-funded benefits to an individual whose Home Office immigration status specifies no recourse to public funds. Non-UK nationals and family members who are issued with a residence permit with a 'no recourse to public funds' condition are not eligible to access taxpayer-funded benefits such as Universal Credit. Due to changes introduced in response to the COVID-19 pandemic, claimants will not need to attend a Jobcentre Plus office with their documentary evidence and this will continue until further notice. They will however, be advised that we might need to see their documents in future to support their eligibility to receive benefit. Decision Makers will of course, need to verify as far as possible what the claimant has told us and will seek to do this by, for example, liaising with the Home Office.

Landlord Portal

8.7 The Landlord Portal has been rolled out to 771 landlords who collectively manage around 96 per cent of the total Social Rented Sector housing stock. Our Trusted Partner scheme also allows social landlords to play a key role in engaging with their tenants who are on Universal Credit, helping those who cannot manage their housing payments to access the support available and to request that managed payments are in place where appropriate. This process makes managed payments as quick and easy as possible. Social landlords have told us that receiving their payment at the same time as their tenant does where a Managed Payment to Landlord (MPTL) exists, and being able to access a schedule of payments on the Landlord Portal, would greatly improve their ability to manage payments and reconcile Universal Credit Housing Costs. Currently, payments to social landlords are made using the Third Party Deductions Scheme which has a fixed four weekly payment cycle. Where a landlord has multiple properties with MPTLs, they will receive a single aggregated payment for all their tenants on a 28-day cycle and a schedule will be sent to them with a breakdown of all payments. We have designed and tested a feature to align the payment of the Universal Credit housing element to a social landlord with a claimant's Universal Credit payment date. We have introduced this feature with a few landlords and will look to introduce across the sector once we have managed the impact of Covid-19 which is our current focus. As soon as we are able to, we will work with landlords to develop a timetable for introduction. Additionally, it may be of interest that the Department is improving the way in which tenants of social rented sector landlords record rent increases and will be continuing to improve this process for future rent change exercises.

Letter relating to 53 week rent year

8.8 On the 4 March 2020 the Executive Member for Finance and Performance wrote to the Secretary of State for Work and Pensions setting out the councils concerns regarding the 53 week rent year.

8.9 A response was received from the government in a letter dated 18 March 2020 from Robert Watling – Head of the Ministerial Correspondence Team. The response disputed that there is a problem with a 53 week year, but acknowledged that the Department is considering whether the formulation around weekly rents should be amended.

9. Recent reports of interest on Universal Credit

9.1 In addition to our own scrutiny of Universal Credit, we have commissioned detailed research on the impacts of the Habitual Residency Test and have also closely followed other reviews of Universal Credit. Below is a summary of recent reports on Universal Credit that may be of interest to the committee.

Testing Times: Universal Credit and the Habitual Residency Test

9.2 An Islington Council commissioned report was published in July 2020 by the Institute for Public Policy Research (IPPR). The main conclusions of the report are as follows:

9.3 In the last 12 months of available data, over 400,000 claims to UC were associated with a Habitual Residency Test (HRT). Those who fail the test will in many cases be unable to access UC or any other financial support. Disputing a decision by the DWP is a long and drawn-out process, driven by considerable tribunal waiting times, where claimants have zero entitlement throughout.

9.4 Despite the pivotal role that the HRT plays in the outcomes for these claimants, evidence suggests that the government has a poor understanding of how the test functions, given the large number of rejected requests for information from parliamentarians and the public. This is a basic transparency issue; there is no published data available to understand the extent to which HRT decisions are overturned at tribunal. As such, although we know that around 45,000 claims to UC were closed due to the failure of a HRT in the past 12 months of data, we cannot determine how many of these could be in error. As the HRT will likely continue to be relevant for years to come, the DWP should invest to gain a better understanding of how it functions.

9.5 Decisions can be incredibly complex, particularly with respect to the "right to reside" condition for EEA citizens. Claimants have difficulty navigating this and vulnerable claimants in particular face challenges retrieving evidence to prove that they meet the criteria. The system does not provide any support for this group and claimants are worse off as a result. There are wider issues from assumptions around digital literacy to poor communications.

9.6 The EU settlement scheme will in many cases make issues simpler for claimants – but this is not a silver bullet as there are millions of claimants with pre-settled status who could need to access the welfare system, for whom the HRT will remain relevant.

9.7 In the context of the COVID-19, IPPR believes that such restrictions on the benefit system for migrants are not appropriate and that the HRT should be suspended for at least the duration of the crisis. People unable to access the benefit system at this time will have great difficulty accessing employment and it is unlikely they would be able to take the potentially drastic option of leaving the UK to access the benefit system in their own country, leaving them with no options. This will also place further huge burdens on stretched local governments and exacerbate the human cost of the crisis. This is at odds with the chancellor's commitment to do "whatever it takes" in the wake of the pandemic.

9.8 However, even if the HRT is not suspended, there are a number of necessary urgent reforms to improve its operation for now and in future. This includes clearer communication of HRT decisions, fast-tracking of HRT decisions through the tribunal process, and improved guidance on how decision-makers should classify 'genuine and effective' work.

9.9 COVID-19 highlights the importance of an effective and universal welfare system. The HRT, as it currently operates, creates a series of major barriers for claimants, particularly affecting EEA citizens. Without changes to the current HRT process, many who are facing hardship as a result of the current crisis will be left with no social safety net altogether.

9.10 Stephen Timms MP, Chair of the Work and Pensions Committee, said "Over three million people have claimed Universal Credit since the beginning of March, because their work has stopped and they are not eligible for one of the Government schemes. But a surprisingly large number of people – who expected to be entitled to help – have been refused it. One of the reasons has been failing the Habitual Residence Test. I welcome this research, which shines an invaluable light on this little known and poorly defined feature of the benefit system. I hope the research will strengthen the case to reform it."

9.11 The report received a good range of coverage, including articles in the Guardian, Independent, I Paper, New European and the Polish Express. It was also reported on locally by the Islington Gazette and Islington Tribune.

National Audit Office

9.12 The National Audit Office published its latest report on Universal Credit entitled *'Getting to first payment'* on 10 July 2020. Link to report https://www.nao.org.uk/report/universal-credit-getting-to-first-payment/

9.12 The recommendations were that the Department for Works & Pensions should:

a) Work in partnership with organisations that support Universal Credit claimants to:

- Develop a more evidence-based understanding of why some people delay their claim for Universal Credit
- Develop communications and other proposals to encourage people to claim earlier when it is in their interest to do so
- Develop a better data-based understanding of the numbers of vulnerable claimants – and any direct or indirect diversity impact of its payment performance – and use this to support the needs of people who continue to struggle with making a claim for Universal Credit and
- Deliver significant improvements in the clarity of its claimant communications, ensuring these are clear, appropriately tailored, and contain all necessary information.

b) Develop detailed plans to reduce fraud and error in Universal Credit

c) Prioritise improvements to the Universal Credit digital system to help front-line staff identify and support claimants who need more help

d) Assess the delivery and funding model for its Help to Claim service based on results from its planned evaluation and explore ways to use data to assess the impact of the service on outcomes including payment timeliness and

e) Ensure that it continues to monitor variances in the whole-life cost of its major programmes against their business case and updates Parliament on major changes when they are identified.

House of Lords Economic Affairs Committee

9.13 The Economic Affairs Committee published its report titled *'Universal Credit isn't working: Proposals for reform'*, on 31 July 2020, which calls on the Government to make substantial changes to Universal Credit in order to protect the most vulnerable. Link to report https://publications.parliament.uk/pa/ld5801/ldselect/ldeconaf/105/10502.htm

Background

9.14 Universal Credit is failing millions of people, particularly the most vulnerable. The Economic Affairs Committee agrees with the original aim of Universal Credit but blames the scheme's design for soaring rent arrears and the use of food banks.

9.15 Cuts to social security budgets over the last decade is causing widespread poverty and hardship. Universal Credit needs urgent investment to catch up and provide claimants with adequate income. The temporary increase in the standard allowance in response to the Covid-19 pandemic shows that the previous level of awards was too low. The increase should be made permanent.

9.16 The Government is using Universal Credit to recover debt, mostly £6 billion of historic tax credit debt. Deductions of up to 30% of the standard allowance, and in some cases more, can be taken from claimants. This has left many households with less money than they are entitled, often at no fault of their own. Tax credit debt should be written off as it is unlikely to be repaid.

9.17 The five-week wait for the first Universal Credit payment is the main cause of insecurity. This wait entrenches debt, increases extreme poverty and harms vulnerable groups disproportionately. The Government should introduce a non-repayable two-week grant to all claimants.

9.18 The way payments are calculated can result in large fluctuations in income month-to-month, making it extremely difficult for claimants to budget. The level of awards should be fixed at the same level for three months. There should be a mechanism to enable claimants to have an early reassessment if their circumstances change.

Chair's comments

9.19 Lord Forsyth of Drumlean, Chair of the Economic Affairs Committee, said:

"Most people, including our Committee, broadly agree with the original aims and objectives of Universal Credit. However, in its current form it fails to provide a dependable safety net. It has led to an unprecedented number of people relying on foodbanks and not being able to pay their rent.

"The mechanics of Universal Credit do not reflect the reality of people's lives. It is designed around an idealised claimant and rigid, inflexible features of the system are harming a range of claimant groups, including women, disabled people and the vulnerable.

"Universal Credit needs more money to catch up after 10 years of cuts to the social security budget. It requires substantial reform to its design and implementation, the adequacy of its awards, and how it supports claimants to navigate the system and find work.

"The five-week wait for a first payment must be replaced by a non-repayable two-week grant to all claimants. The monthly payment calculations which can result in big fluctuations to claimants' incomes should be fixed for three months. Historical tax credit debt needs to be written off.

"The punitive nature of Universal Credit has not worked. It punishes the poorest by taking away their sole source of income for minor infractions. It needs rebalancing, with more carrot and less stick, particularly as large numbers of claimants will have ended up on it because of events completely out of their control."

Other findings

9.20 The Committee's other key findings and recommendations include:

- The Government must prioritise helping people into work, particularly with the increase in unemployment that the COVID-19 pandemic is causing. All claimants should have a work allowance, at a higher rate than now, to allow them to keep more of their award as they move into work.
- The Government should consider reducing the taper rate to ensure that the poorest in society do not pay higher marginal effective tax rates compared to the richest in society.
- The conditionality requirements on claimants who can look for, or prepare for work, has been increased significantly over recent years. Less emphasis should be placed on obligations and sanctions. Instead, there should be more support to help coach and

train claimants to find jobs or to progress in their current roles. Conditionality should be adapted to accommodate changing labour market conditions, including at the local level, particularly in the light of the economic impact of the COVID-19 pandemic.

- The UK has some of the most punitive sanctions in the world, but there is limited evidence that they have a positive effect. Removing people's main source of support for extended periods risks pushing them further into poverty, indebtedness and reliance on food banks. There is a substantial body of evidence which shows that sanctions harm people's mental health. The Government should evaluate the current length and level of sanctions. It should also expedite its work on introducing a written warning system before the application of a sanction. Sanctions must be a last resort.
- The Government is doubling the number of work coaches in response to potential levels of high unemployment. This may not be enough to support people to find work in a stagnant labour market with high levels of competition for jobs. A cap should be introduced on the number of cases for which each work coach can be responsible.
- Paying awards on a monthly basis does not reflect the way many claimants live. It causes unnecessary budget and cash flow problems. All claimants should be able to choose whether to have Universal Credit paid monthly or twice monthly.
- Including childcare support in Universal Credit was a mistake. Paying costs in arrears has been a barrier to in-work progression and in some cases, it has been a disincentive to work. The Government should remove childcare support from Universal Credit and be made into a new standalone benefit paid in advance.

10. Implications

Financial Implications

10.1 Financial implications are detailed in the body of the report.

Legal Implications

10.2 There are no legal implications resulting from this report.

Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

10.3 There are no environmental implications relevant to this report.

Resident Impact Assessment

10.4 The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

11. Conclusion

11.1 Universal Credit will impact thousands of Islington residents who are on low income and claiming working age benefits. Prior to March 2020, as more residents moved to UC, we were already starting to see growing numbers struggling to make a claim, delays in payments, rising rent arrears, and an increasing number of households needing to rely on food banks.

11.2 There are numerous pieces of research concluding that changes need to be made to Universal Credit to improve the life chances of people who rely on the welfare safety net in times of need. It is hoped that government will listen to the weight of opinion for change and act to make improvements to Universal Credit.

11.3 Since the outbreak of COVID-19 and the resulting lockdown, the number of Islington residents claiming UC has more than doubled. The full impact of COVID-19 on the number of unemployed residents will not become clear until the end of the furlough scheme, when we will have a clearer picture of how many residents are able to return to work, and how many will need employment and skills support to move back into employment. The Council's new Economic Wellbeing Programme will focus on improving the economic position of residents on low income, providing support to help households become financially stable and employment support to help them secure and progress in good quality work.

Signed by:

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