

Reducing Poverty and Improving Financial Inclusion- Including an update on Universal Credit

Date: 20th January 2022

Report of: **Chief Officer Customer Access and Welfare**

Report to: **Scrutiny Board Environment, Housing & Communities**

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- As requested by the Environment, Housing and Communities Scrutiny Board this report provides an update on the work undertaken by Leeds City Council and partners to reduce poverty and improve financial inclusion, with particular focus on the ongoing impact of COVID-19 pandemic. The report also provides an update on Universal Credit in the City.
- **A full and detailed account of the activity undertaken over the past year, including a review of evidence and the consideration of the issues emerging is attached as an appendix to this report.** A summary of the key points is presented below;

Background Information

- Prior to the COVID-19 pandemic, the combined impact of austerity with sustained public sector funding cuts, welfare reform, and an increase in low paid and insecure employment all contributed to increasing and deepening levels of poverty in Leeds and across the UK. Research undertaken in Leeds had concluded that in 2018 residents were less resilient and worse prepared for an external shock or crisis than in 2004, with significantly lower propensity to save and higher likelihood of being in debt.
- The onset of the COVID-19 pandemic in 2020 proved to be such a crisis, increasing pressures on low-income households and the most vulnerable in our society, as well as pushing many additional households to experience financial uncertainty and hardship for the first time.
- 2021 has seen this pressure intensify, particularly for low-income households, many of whom are now experiencing a reduction in income due to job losses, furlough ending and removal of the £20 uplift, alongside increasing costs due to the energy crisis, rising bills and supply issues.
 - 22% of the Leeds population is living in relative poverty after housing costs are deducted from income. This equates to 174,000 people in Leeds.
 - Between April 2020 and March 2021, 153,335 food parcels were given out informally via food aid providers which equates to an 860% increase since 2019/20.
 - DWP data revealed that, in February 2020, pre- pandemic, 33,715 people were claiming Universal Credit in Leeds, but by February 2021, this had increased to 74,155 (120% increase).
 - In October 2021 (latest available data), there were 70,892 UC claimants in Leeds. 42,226 were not in work (60%) and 28,670 were in work (40%). The overall situation has remained static since 2020, and closely reflects the national picture.
 - Research by Joseph Rowntree Foundation has found 3.8 million low-income households across the UK are in arrears, and 4.4 million have had to take on new or increased borrowing through the pandemic. Many of these households weren't in arrears before the pandemic and have faced income loss and increases in their expenses.

- The Disability Benefits Consortium has highlighted that during the pandemic; 67% of disabled claimants at some point had to go without essential items and 44% of disabled claimants were unable to meet financial commitments such as rent and household bills.
- Three quarters of households on UC will still be worse off as a result of the removal of the £20 uplift, despite the reduction in the taper rate and increase to work allowances. (The Resolution Foundation)

Financial Inclusion Initiatives

- The Council's Financial Inclusion Team continues to lead and work on a wide range of strategies and projects aiming to tackle poverty in the city through increasing access to affordable financial services, access to free, independent and accredited advice and improving financial wellbeing. Work undertaken is based on a strong evidence base, collaboration and partnership working and includes building relationships with other council services and partner organisations.
- A main focus of work over the last year has been the continued delivery of short term national funding programmes which have been established to mitigate the impact of COVID-19 for low income families, these have included the Department for Education Holiday Activity and Food Funding- Healthy Holidays, the Department for Work and Pensions COVID Winter Grants Scheme and Local Support Grant, and Household Support Scheme, and the Department of Health and Social Care's Self Isolation Practical Support.
- Examples of other key projects include.
 - Coordinating and facilitating the city's Financial Inclusion Steering Group.
 - Working alongside key partners including the Leeds Food Aid Network, FareShare Yorkshire, Public Health and third sector organisations on a range of food insecurity projects.
 - Coordination Healthy Holidays projects and the Leeds School Uniform Exchange.
 - Reviewing the Local Welfare Support Scheme and services across the city and piloting a cash first option.
 - Coordinating the city's response to HM Treasury's Debt Respite Scheme 'Breathing Space' and working alongside local partners to raise issues and concerns with national bodies.
 - Raising awareness and increasing support for Gambling Related Harm, including focus in 2021 on young people and gambling.
 - Supporting and working with Leeds Credit Union.
 - Co-ordinating financial support services through the Money Information Centre resources.

Food Insecurity

- The COVID-19 pandemic has exacerbated levels of household food insecurity across the UK. Estimates suggest one in ten adults and one in five children in the UK experience food insecurity, to the detriment of their dignity, wellbeing and health.
- The significant increase in food aid is directly attributable to the impact of the COVID-19 pandemic. In order to respond to the unprecedented levels of need, new citywide emergency food processes were established in 2020, operating alongside and in cooperation with the pre-existing citywide network of food aid providers and distributors and in conjunction with advice and support agencies, cross Council and Public Health services.
- In 2021, in line with the changing needs of Leeds residents, alternative food support projects and provisions aiming to help residents transition back to food independence through building capacity to address the root causes of food insecurity, have been established. These provisions sit alongside existing crisis food support services and include the Building Food Resilience Toolkit, Community Pantries, Food Clubs and Community Care Hub Network.
- Given the increased activity around food insecurity, the Leeds Food Insecurity Task Force will be established in 2022 to provide a forum to aid development of strategic approaches to tackling food insecurity in Leeds. Meetings will be attended by representatives from cross council services and key partner organisations.

Welfare and Benefits

- In September 2020 the Government announced a Test and Trace Support Payment of £500 for those on low incomes to support those that cannot work during their self-isolation period. Leeds Benefits Service has administered over 17,000 applications for this scheme, with 50% of applications being successful. This scheme has been funded until March 2022.

- The Council receive a subsidy each year to cover the cost of Housing Benefit administration. For 2021/22 the subsidy is £2.44 million for Leeds, which is £150k less than the allocation for 2020/21. The administration budget is being reduced to reflect the declining Housing Benefit caseload.
- As of September 2021, Housing Benefit claims in Leeds have reduced by 22,466 since the rollout of Universal Credit full Service in Leeds in October 2018. The current Housing Benefit caseload as of September 2021 is 36,824 of which 22,326 recipients are working age and 14,498 are pension age.
- Leeds Benefits Service currently operate two Council Tax Support schemes, referred to as the legacy scheme and the Universal Credit Council Tax Support Scheme. In total as of November 2021 there were 64,767 people receiving Council Tax Support. Council Tax Support schemes are no longer fully funded by central government which, coupled with the reduced Housing Benefit subsidy means that the Council faces financial pressure to ensure that the administration of the scheme is as streamlined and efficient as possible.
- The free school meal caseload continues to grow because of the changes made by DfE and the proactive work carried out by LCC. The number of pupils eligible in Leeds for free school meals as of November 2021 is 32,713 children which is an increase of nearly 10% from last year and represents and increased (improved) take up trend of 82.7%.

Universal Credit

- In the initial stages of 2021, the majority of local DWP delivery was remote due to the restrictions in place, however face to face provision was maintained throughout the city, for the most vulnerable residents. As the restrictions have eased, most of the workforce is now back in local Jobcentres seeing individuals face to face.
- Locally cooperative and partnership working between agencies such as the DWP (including Social Justice Team), Citizens Advice, Housing Leeds, and Leeds Benefit Service has been maintained throughout the pandemic, with the Leeds DWP partnership team documenting that the level of service provided, could not have been maintained without the wider support of all external welfare & training partners across the city.
- Through this successful partnership working, locally the DWP has been able to utilise additional funding to establish additional provisions for customers experiencing domestic abuse, prison leavers, substance misuse and mental health support.
- Additionally, under the Kickstart scheme, approximately 1563 young people in Leeds are now in employment.
- The Universal Credit (UC) system responded to significant demand and pressure caused by the COVID-19 pandemic, and this should be recognised. What was previously considered as an 'inflexible system', was rapidly adjusted, and amended throughout the pandemic, showing capacity and potential within the UC system for change where required.
- Universal Credit remains a source of controversy, concern, and is host to numerous longstanding issues, raised both nationally and by local support organisations and partners;
 - **Risks for vulnerable claimants and their capacity to access benefits and support.** Many long-standing barriers such as digital access, have been exacerbated by the pandemic and COVID-19 related restrictions. Cases of individuals being wrongfully advised they are not entitled to UC, particularly young vulnerable people and individuals who have failed the habitual residence test, despite legal entitlement also continue to be highlighted by partners.
 - **The initial 5 week wait for payment and deductions policies (including debts and sanctions)** remain ongoing concerns, with partners continuing to report the pattern of affected claimants falling into debt and relying on food and/or fuel vouchers. 62% of severely food insecure people are claiming benefits according to research by the Welfare at a Social Distance Project.
 - **Immigration related issues** continue to represent a significant and particularly complex proportion of UC related queries, with both Brexit and changes to the EU settlement scheme further compounding the situation.
 - **Benefits levels do not accurately reflect the cost of living**, which has been frequently highlighted at a national and local level. Most recently, low-income households are facing increasing pressure from reduced income due to removal of the UC uplift (and other temporary measures) alongside mounting energy bills and rising household costs.
 - While many welfare reform policies, particularly **under occupancy and the benefit cap** were introduced with an aim of steering low-income households towards meeting specific targets – incentivising work, they have done little to reduce poverty and inequality, and on some levels, may have exacerbated it.

- Despite widespread concern from multiple organisations, the **£20 UC uplift was removed on 6th October 2021**, disproportionately affecting families, with approximately 60% of all single parent households experiencing the cut.
- Despite positive changes to the UC income taper and work allowance levels, which mean eligible working households can earn more before their UC award is reduced, **not all UC claimants will benefit, and they will not offset the impact of the removal of the £20 uplift.**

Advice Services

- At the peak of the COVID-19 pandemic and national lockdown, most advice services initially reported an overall decrease in demand for advice at this time, largely attributable to the impact of Government schemes and policies such as benefit uplifts, eviction bans, forbearance, and furlough which all played a considerable role in providing temporary relief and alleviating household financial pressures to some degree, (rather than a decrease in overall need).
- In line with COVID-19 measures reducing in 2021, and in response to the increasing/changing demand, many services have begun to gradually reinstate face to face provisions and increase service capacity.
- Close partnership working, collaboration and regular strategic meetings between statutory/local authority, third sector and advice organisations such as Leeds Benefit Service, Housing Leeds, DWP teams, Ebor Gardens Advice Centre, Citizens Advice, Gipsil and Food Aid Providers has been maintained in the city throughout the pandemic, facilitating a holistic approach which is inclusive of wrap around services, enabling organisations to provide comprehensive support particularly for vulnerable residents.
- Evidence suggests that in Leeds, the strength of this local partnership approach means that many residents utilise local organisations to access help and support.
- Partners have highlighted key issues affecting services:
 - Growing numbers of people presenting at services, **unable to manage or cover basic living costs**, even after receiving support and advice.
 - **Rising demand**, particularly in respect of **complex casework**, requires considerable capacity and is difficult to manage and resolve remotely.
 - Local partners have consistently reported **rises in enquiries from clients with long term health conditions/disability, as well as working households and those with dependent children**, compared to before the pandemic.
 - The worsening situation is also demonstrated **by rising levels of safeguarding issues** reported by local partners.
 - There are concerns that **increased emphasis on digital and remote channels, combined with reduced capacity for face-to-face services** will create further barriers for vulnerable and excluded customers – arguably the same demographic who are most likely to require the help and support of advice services.
 - In terms of debt advice, the **Money and Pension Service planned recommissioning** of regional funding for the North represents a reduction of approximately 50% compared to previous contracts and will reduce availability of face-to-face services overall. There is also likely to be a citywide gap in advice provisions while new services are implemented, which could see long delays for services and potentially result in demand for debt advice and casework to exceed capacity in the coming months. Local partners have also raised significant concerns relating to debt advisor redundancies and increased barriers for vulnerable people as result of this exercise.
 - The National DWP Help to Claim contract (UC) with the Citizens Advice service is due to finish on 31st March 2022. The new tender (announcement due December 2021) for services 2022/23 is for digital and telephony support only.

Conclusion

- For Leeds the strong partnership approach which has been cemented into the city's ethos and principles has been instrumental in the city's response to COVID-19 and continues to be the underpinning strategy to tackling poverty.
- Much of the work, projects and services detailed in this report (and in full in the attached appendix report) are well established and pre-date the pandemic and have been the foundation for the delivery

of additional measures and substantial short term funding streams which have been allocated from Central Government.

- However, despite the combined impact of national COVID-19 response and recovery measures, funding allocated to the local authority and the strong, well established supportive infrastructure in Leeds, the actions undertaken have not been enough to prevent increasing numbers of households falling into poverty and hardship.
- Advice and support organisations across the city continue to report an increasing demand for their services, with the complexity of the issues people are presenting with increasing and more clients presenting with not enough money to cover basic living costs. This is coupled with the longstanding concerns around Universal Credit and its ability to protect the most vulnerable in society.
- The issues raised in this report (and in full in the attached appendix report) are understood by all parties involved due to continued communications and partnership work. The work being undertaken in the city is reported to regional and national bodies through the local DWP, Citizens Advice, Welfare Rights and Food Insecurity groups.
- The work set out in this report contributes to the Best Council Plan focus on tackling poverty and reducing inequalities and achieving the Council's ambition for a strong economy and compassionate city.
- The activities set out in this report support the Best City Priorities of Safe, Strong Communities, Inclusive Growth, Health & Wellbeing, Child Friendly City, Age-Friendly Leeds and Housing. All of which have a strong focus on addressing poverty, unmanageable debt, and maximising incomes.

Recommendations

- a) Environments, Housing and Communities Scrutiny Board are asked to note and comment on the content of this report and the full report in appendix one.

Why is the proposal being put forward?

- 1 As requested by Scrutiny Board this report provides an update on the work undertaken by Leeds City Council and partners to reduce poverty and improve financial inclusion, with particular focus on the ongoing impact of COVID-19.

What impact will this proposal have?

Wards affected:

Have ward members been consulted?

Yes

No

What consultation and engagement has taken place?

- 2 This report provides an update on the impacts and activity related to Financial Inclusion, including Universal Credit. A wide range of organisations involved in the delivery of Universal Credit or that provide advice and guidance have been consulted.

What are the resource implications?

- 3 All projects and services are being undertaken within current budgets and there are no additional resource implications arising from this report.

What are the legal implications?

- 4 There are no specific legal implications or access to information issues with the report.

What are the key risks and how are they being managed?

- 5 As a result of the issues raised in this report, and despite the work undertaken by the Council and partners to mitigate these issues, the risk is that more people in Leeds (and around the UK) are falling into poverty and financial hardship.

- 6 The economic effects of COVID-19 such as job losses, business closures and reduced incomes are impacting on local authority budgets across the country, leading to risks in being able to maintain essential support services.
- 7 Both Universal Credit and the impact of COVID-19 are associated with increased risks of rent arrears and Council Tax arrears. By ensuring all staff are fully equipped with the relevant knowledge of UC and the support tools available to them, the risks continue to be mitigated.
- 8 Universal Credit is part of a wider welfare reform programme that is already covered by the Corporate Risk on welfare reform, which is reviewed on a regular basis and which looks at risks around rent arrears and other housing issues.

Does this proposal support the council's three Key Pillars?

Inclusive Growth

Health and Wellbeing

Climate Emergency

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Options, timescales and measuring success

What other options were considered?

- 9 This report was requested by Scrutiny Board to update on the work being undertaken to reduce poverty and improve financial inclusion, and to include an update on Universal Credit. It is therefore not a decision making report and so the consideration of options is not required.

How will success be measured?

- 10 As above.

What is the timetable for implementation?

- 11 As above.

Appendices

- 12 Reducing Poverty and Improving Financial Inclusion- Including update on UC

Background papers

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