

**NFA and ARCH Submission:  
Economic Affairs Committee call for evidence into the economics of Universal Credit  
February 2020**

## **Introduction**

1. The NFA (National Federation of ALMOs) is the membership body representing 30 housing ALMOs (arms-length management organisations) across England. ARCH (Association of Retained Council Housing) is the membership body representing 68 stock-retaining local authorities. Together our members manage over a million council homes and are heavily involved in managing the impact of the roll-out of Universal Credit on social housing tenants.
2. The NFA and ARCH have undertaken an annual survey for the last 5 years and have tracked the impact of Universal Credit (UC) on landlords and tenants from its initial piloting through to roll-out. This submission to the Committee uses evidence from last year's annual UC survey, *Patching the Safety Net* (published July 2019) alongside ongoing feedback from our members<sup>1</sup>. Last year's survey analysed data from 39 local authorities and ALMOs which together manage over half a million social and affordable homes. It is the only survey that provides a comprehensive view of the impact of UC on local authorities and their tenants.
3. Within our submission we have provided responses to the two relevant committee questions.

## **What has been the positive and negative economic effects of Universal Credit?**

4. Our evidence shows the economic effects of the introduction of UC on social landlords' rent accounts and, by extension, tenants. The move from housing benefit (HB) which was paid to landlords as a single monthly payment, to UC which is collected from individual tenants, has had a considerable impact on tenants and the risk profile of landlords in terms of arrears debt. Our survey has repeatedly shown that tenants on

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<sup>1</sup> *Patching the Safety Net, Measuring the impact of Universal Credit on tenants and landlords* (July 2019) <http://almos.org.uk/include/getDoc.php?did=8394&fid=9958>

Universal Credit are considerably more likely to be in arrears, and to owe more, than households on HB. In March 2019, 21% of households on HB had arrears owing approximately 3 weeks rent (£221); 67% of households on UC had arrears owing 7 weeks' rent (£564).

5. For the 24 organisations which we tracked between 2017 and 2019, total arrears debt rose from £34.4 million to £39 million. Considering the other pressures on local authority housing revenue accounts, this is not a sustainable increase.
6. Feedback from local authority staff shows that the reasons for increased arrears for UC claimants are complex, but to a large extent are linked to both the design and implementation of UC:
  - a. The 5-week wait for UC is hitting people who are already likely to be in challenging circumstances and is not designed for the type of work and life circumstances of people who are claiming UC.
  - b. Since the roll-out of UC is designed around moving people after a change in circumstances (and it is more likely to be a negative change such as bereavement or loss of job), tenants are often delaying making a UC application and are accruing housing debt before they make the claim, which causes further hardship.
  - c. Whilst we recognise that tenants can receive their full UC payment as an advance on day one, calling it 'an advance' hides the reality of the fact that it is a loan which requires repayment, often along with other debts. Our research also shows, for a variety of reasons, that advances are not always being used to pay rent which further exacerbates the situation, putting people's housing at risk.
  - d. Whilst we recognise the value of the Landlord Portal, our members still report considerable frustrations around how it works. This includes delays to payments, difficulties with how APAs work and payment schedules, and sometimes poor communication from DWP. We list these frustrations in our report as well as the action that needs to be taken to resolve them. As yet, we have not seen progress on several issues which would make the administration of UC easier, for example the ability to do a bulk upload of rent changes.
  - e. Our research shows concerns with the provision of Universal Support which is patchy and only covers the initial UC claim. Members are finding that there are often no longer the advice and support services locally to signpost people into, especially in more rural areas.

7. Our research shows that ALMOs and councils are doing a considerable amount of the heavy lifting to support tenants to be able to manage UC: financial inclusion work, debt management, budgeting support, digital literacy, signposting, accessing additional benefits, employability schemes. Intensive resources are being directed at tenants who have a high risk of defaulting on their tenancy agreements. Whilst as a sector we are proud of the work our members are doing, this should not be seen as a success of UC, but rather as a way of filling gaps in the design and rollout. It is also to a large extent dependent on geographical area, which risks creating inequalities with how claimants are treated.
8. Our evidence suggests that the local authorities and ALMOs which responded to our survey have started to get a hold on the increasing debt without increasing evictions – for example, the percentage of households on UC in arrears had fallen from 76% in 2017 to 66% in 2019, although the average amount owed remained broadly the same. However, our members still have concerns about the impact of the planned Move to UC while the problems with the Landlord Portal, APAs and Universal Support remain unresolved.

**If Universal Credit does not adequately reflect the lived experiences of low paid workers, how should it be reformed?**

9. It is clear that there are a number of areas where UC was not designed for the lived experiences of low paid workers, and these have been evidenced across many pieces of research. They include the payment in arrears which presumes that people will have savings or redundancy payments to tide them over the first month; the decision to pay UC monthly, which does not match many people's weekly or bi-weekly payment schedules; feedback that the UC system works better for those on permanent, fixed incomes rather than seasonal or zero hours workers; and the payment of a single household payment which does not reflect modern working patterns in families. If anything, UC more adequately reflects the lived experiences of those who designed it, and this has led to a number of fixes and bolt-ons to try and rectify the issues without changing the policy assumptions.
10. From the point of view of our members and their tenants, there are a few areas where UC should be reformed to make it work better for low paid workers:
  - a. The 5-week wait should be removed and UC should be paid at the beginning of the claim. Considering that it is possible to access a 100% advance from day one of the claim, it is not clear why UC could not be paid on day one, with any

reconciliation undertaken at the end of the first payment period based on actual income;

- b. The functionality of the Landlord Portal should be improved, and improvements made to the APA system (particularly before the Move to UC starts);
- c. Digital literacy among tenants is an ongoing concern among local authority and ALMO staff who responded to our survey. Clearly digital literacy should be a core part of the continued natural migration and the planned managed migration.
- d. It is not clear what DWP plans with Universal Support from April this year, yet on-going support for claimants, including personal budgeting and debt management advice, are vital for supporting low paid workers; support which stretches beyond the initial claim.
- e. The monthly UC amounts should be aligned with a weekly rent cycle so that tenants receive their full housing entitlement; due to payment schedules, tenants are currently missing out on money that they are entitled to.

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