

Meeting of:	<b>Homes and Safe Communities Scrutiny Committee</b>
Date of Meeting:	<b>Wednesday, 10 February 2021</b>
Relevant Scrutiny Committee:	Homes and Safe Communities
Report Title:	<b>Universal Credit - Impact on Council Housing Tenants and the Council</b>
Purpose of Report:	To examine the impact of the roll out of Universal Credit on Council housing tenants and the Council.
Report Owner:	Director of Environment and Housing
Responsible Officer:	Nick Jones, Housing and Strategic Projects Team Leader
Elected Member and Officer Consultation:	This report will affect all Council tenants and therefore no individual ward member consultation has been undertaken. The report has been reviewed by Officers from the Legal and Finance teams
Policy Framework:	This report is within the Policy Framework and Budget.
Executive Summary:	<ul style="list-style-type: none"> <li>The report sets out the impact of Universal Credit (UC) on Council tenants and the Council and details some of the work being undertaken to mitigate any negative impact.</li> </ul>

## **Recommendation**

1. That Scrutiny examine the report highlighting the impact of Universal Credit.

## **Reason for Recommendation**

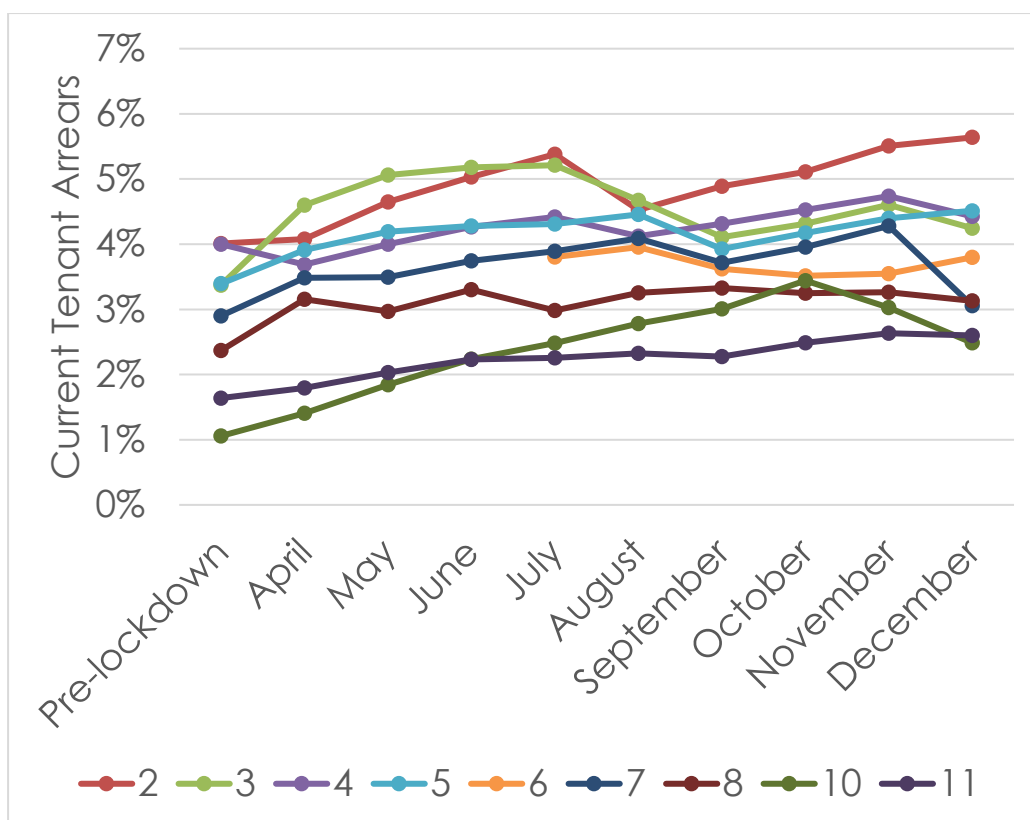
1. To ensure that the local impact of Universal Credit is understood, and to detail the range of responses which are in place to help to mitigate any adverse impact on Council housing tenants and the Council.

### **1. Background**

- 1.1 The Welfare Reform Act introduced a wide-ranging programme of welfare reforms designed to reduce dependency on welfare benefits and support working families. In response, a Scrutiny Task and Finish Group was established and drafted a report to Cabinet in 2013. Subsequently, the Head of Finance has submitted regular detailed reports for Corporate Performance and Resources Scrutiny Committee, highlighting emerging themes and the impact on residents in the Vale of Glamorgan.
- 1.2 In addition, the Homes and Safe Communities Scrutiny Committee has received regular reports and presentations on the impact of the changes to the benefit system, outlining the effects on tenants and the Council, in particular its rental income.
- 1.3 This report details the impact of the Universal Credit roll out on Council tenants specifically, taking in account their financial capability, ability to pay rent, eviction rates etc.
- 1.4 By way of background, it is also worth noting the impact of the Covid-19 Pandemic which has had significant impact by adversely affecting tenants' ability to work and expedited an increase in the number of claimants moving over to UC. During the pandemic, the Welsh Government introduced new regulations under the Coronavirus Act 2020 - that extended the notice period required in respect of secure tenants. There is now an extended notice period of six months before Court applications can be made for possession on grounds of non-payment of rent. The aim of the extended notice period (6 months) is to delay evictions during the current public health emergency and reduce pressures on Local Authority Homeless teams.
- 1.5 Also worthy of note - there is currently a moratorium on County Court Possession claims by landlords except in very limited circumstances. This means the Council is unable to issue a claim for possession of a property or to seek warrants for eviction. This has meant that no new possession claims have been brought for around 10 months and no evictions have taken place in that time.

## **2. Key Issues for Consideration**

- 2.1** The introduction of Universal Credit (UC) is having a significant impact on Council Housing tenants and rental income received by the Council. UC claims are made on-line and paid monthly in arrears, directly into tenants' bank accounts. This is a major change for a lot of tenants who did not use the internet or have email accounts previously and for people who used cash rather than a current account from a bank or building society - to manage their money. The other major change was the default position for the housing cost element of UC to be paid directly to the tenant (rather than sent to direct to their landlord).
- 2.2** To date, 862 tenants are in receipt of UC and the combined rent arrears of those tenants is £442,550. This is 76% of the total rent arrears (and is owed by 23% of all Council Housing tenants). The average arrear per tenant on UC of £513 is significantly higher than tenants who are in receipt of Housing Benefit (HB), whose average arrears are £150.
- 2.3** Traditionally, the Vale of Glamorgan is one of the top performing local authorities in respect of collecting rent. Prior to Covid-19, rent arrears were around 1.7% of the rent roll, which equated to £367,000 in rent owed by current tenants.
- 2.4** A robust approach has long been advocated to protect a vital income stream to support the Housing Business Plan- which sets out our investment and funding requirements. This has enabled the Council to make significant investments in the housing stock and environmental improvements on estates. The income also supports the aspiration to build new Council homes.
- 2.5** The approach taken is also effective in minimising tenant debt and supporting vulnerable people. Research shows that when debts increase beyond a point, it is unlikely the tenant will ever be able to recover the situation. A preventative approach and one where staff engage with a tenant at the earliest opportunity, has meant that arrears do not escalate and are more likely to be managed by the tenant.
- 2.6** Since the lockdown, rent arrears have increased significantly, as many households' income and employment has been affected, by reduced hours, furlough or redundancy. There are now 300 additional tenants who are behind with their rent and rent arrears have increased to just over £580,000 which equates to 2.8% of the total rent roll.
- 2.7** The arrears level however remain one of the lowest amongst Welsh Local Authorities which have retained their social housing stock. On the graph below the Vale Council arrears are shown as Council number 11 (the dark blue line at the bottom of the cluster).



2.8

2.9 The rent arrears for UC claimants is driving up the overall rent arrears. The table below shows the total rent arrears for current tenants over the last three years. As more tenants are migrated across to UC, it is anticipated that arrears will continue to increase but at a slower rate. Forecasts prepared as part of the Housing business planning process have been tweaked to take account of this trend and it is anticipated that bad debt could potentially rise to 6% of income in 2021/22 as a result of the impact of UC and Covid-19.

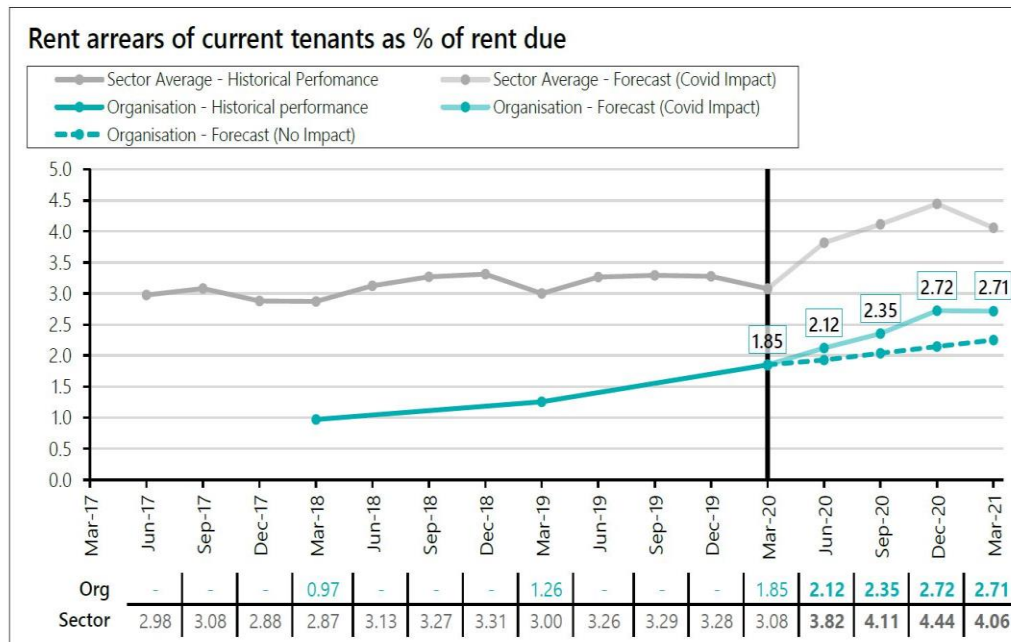
	Dec 17	Dec 18	Dec 19	Dec 20
Current arrears (£)	161,159	213,198	367,740	582,859
%	0.82	1.04	1.73	2.8

2.10 There is evidence from claimants who went onto UC previously that rent arrears plateau as tenants become more adept at managing their money and get used to making regular monthly payments to cover their rent. This is borne out by the results of studies of pilot organisations who were early adopters of Universal Credit - who report that overall arrears are now fairly static, although albeit at a higher level than prior to the changes.

2.11 The impact of UC is being managed by the Council and whilst there are a range of interventions and actions being employed by the Housing Income team, it has not translated into an increased number of evictions (even before the moratorium on possession action was introduced by Welsh Government).

**2.12** The experience in the Vale (of increasing tenant arrears) is also mirrored by other housing organisations outside of Wales. A recent benchmarking exercise carried out with several other landlords shows the upward trend being mirrored across the social housing sector.

**2.13**



**2.14**

Impact on tenants

**2.15** The roll out of UC has resulted in a considerable impact on tenants. The switch to online claims has required claimants to improve their 'digital' skills and to gain access the internet in order to complete their employment journal, update details, respond to emails from the Department of Work and Pensions (DWP) etc. A range of interventions assisted them prior to lockdown, including digital drop in sessions run from Community buildings across the Vale, access to computers in public locations including Job Centres, Libraries etc. There has also been 1-1 support and assistance available via the Council initially and then by Citizens Advice Bureau (CAB), funded by the DWP in order to improve digital literacy. Coupled with the increased use of smart phones, tablets and digital devices - this may have mitigated some of the negative impact of the changes on individuals, however there are still instances when claimants have not been able to maintain their claims due to lack of digital skills or access to ICT.

**2.16** The waiting period for UC claims has now been discontinued and it is possible for all claimants to request 'advance' payments. These payments ensure individuals do not have to be left without any money at the start of their claim period., However as advances are recovered from subsequent payments over a twelve-month period it means claimants receive lower payments thereafter (up to 30% less). There has also been an issue where some tenants do not realise their advance payment includes their housing costs so they have not paid their rent, leaving rent arrears to build up.

- 2.17** Direct payments to claimants are a significant change for many UC claimants who are expected to take more responsibility for managing their income and make appropriate payments. The promotion of greater financial responsibility prepares people for work and encourages claimants to take more ownership of their finances, however this has proved a big step for some people. Some tenants who are under severe financial pressure and often have existing debts, face tough choices about how to prioritise their money. In some instances, tenants fail to realise rent is a priority debt.
- 2.18** There is a requirement to have a bank account to receive UC payments. Initially there was concern that many people did not have a current account and there would be difficulties opening one e.g. if they were not promoted properly by banks or if tenants did not have the required identification needed. There was also confusion regarding post office accounts, which many people believed to be current accounts, but are not. Feedback from front line Officers however has indicated that lack of a bank account is rarely an issue and assistance provided means that tenants are able to open an account relatively easily.
- 2.19** There has been a reduction in the volume of applications for the Council Tax Reduction Scheme and there appears to be an issue with UC claimants. This is likely to be because claimants do not realise, they are required to make a separate application to the Council for Council Tax Reduction. The Welsh Government has recently commissioned research into the issue and a detailed report has been published. The report's findings will now be considered in more detail by Welsh Government in order to inform the next stage of research and policy development.
- 2.20** Feedback received indicates that very few tenants are being sanctioned by the DWP (for non-engagement or failure to fulfil the claimant's commitments). This is positive and means that vulnerable people are not having their payments reduced or stopped and a range of interventions and support is being put in place for them.
- 2.21** The Money Advisors working within Housing Income team provide essential assistance and advice to Council tenants, helping households to maximise their income and budget carefully. Over the last year the Money Advisors made 955 interventions and helped tenants secure £397,502 in additional income. This came from a variety of sources including written off debt, additional benefits, backdates, grants/loans and preferential tariffs for utilities. All new tenants receive an appointment with a Money Advisor prior to moving in and referrals are offered when people fall behind with their rent. Assistance can also be provided at short notice, helping to address crisis situations and assisting households to sustain their tenancies.

**2.22** In addition, if ongoing housing related support is required to assist a tenant to maintain their tenancy, this can be provided through the Council's Supporting People Team.

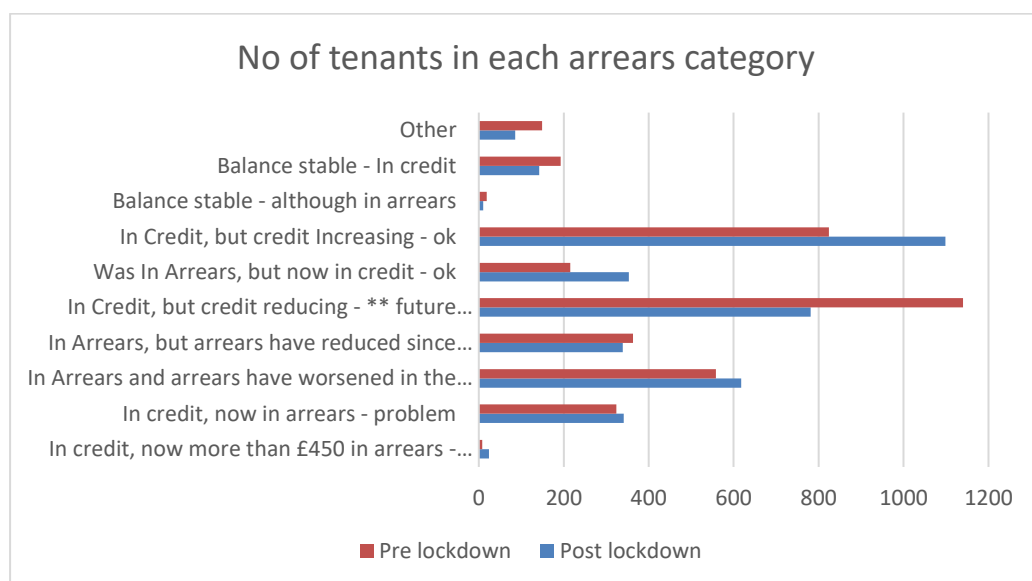
Impacts on the Council

**2.23** The increase in rent arrears has an effect on the Council’s ability to deliver services to Council tenants. Less than a quarter of tenants have already migrated onto Universal Credit, but the rent arrears have almost doubled. The debt currently owed by the 862 UC claimants is higher than the total rent arrears figure prior to UC being introduced. This financial impact may worsen as more tenants migrate across to UC.

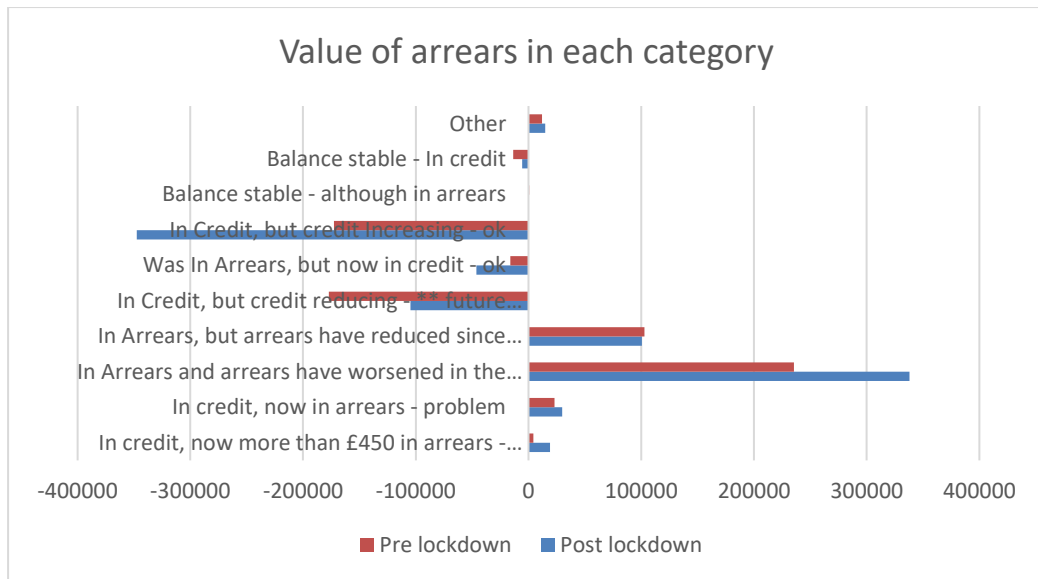
**2.24** The Housing Business Plan assumptions take into account the likelihood of increased rent arrears and the impact will be monitored closely; however, it is likely that the increased bad debt provision necessary will have an impact on the range and type of housing services provided in future.

**2.25** Detailed analysis of rent arrears has been undertaken to understand what is driving the increases in arrears in the Vale. The graphs below show the contrast before and after the lockdown period started, specifically in terms of the number of tenants who are in arrears, and the value of arrears.

**2.26** The graphs categorise tenants into groups by contrasting their rent account balance before lockdown to their current rent account balance. The first graph shows the number of tenants in each category and the second shows the value of the rent account balance.



**2.27**



**2.28**

**2.29** There are a significant number of tenants who previously had a credit balance on their rent account, but this has now reduced. Effectively the arrears information disguises this but it gives a clue about those people who are struggling and likely to fall into arrears in future.

**2.30** The biggest area of concern is perhaps, tenants who were in arrears previously, but their arrears have now increased. Whilst there are only 60 extra tenants in this category the value of the debt has grown by just over £100,000 which equates to 20% of the total arrears, indicating that a lot more tenants are finding it difficult to pay their rent.

**2.31** Several factors have been identified for the increased arrears:

- Tenants whose employment status has been directly affected by Covid-19 including an increased number of tenants moving over to Universal Credit. There has been a 24% increase in tenants in receipt of UC since the start of March 2020;
- Tenants including some older tenants who have experienced difficulties because they have not been able to go out and pay their rent during the lockdown;
- Households whose employment has not been directly affected by Covid-19 but who have fallen behind with their rent;
- A small number of tenants who have resisted all attempts at engagement with staff and now have very high arrears.



- 2.32** There appears to be about 25 tenants with very high arrears who have not engaged with Income team staff during the lockdown period and who have not made any payments towards their rent. Together these tenants have £45,000 rent arrears and may have been using the moratorium on evictions to their advantage.
- 2.33** The introduction of UC has also had a significant impact on the workload of the Housing Income team. Rent arrears have increased but also the number of tenants in arrears. This means that each Officer's case load has grown significantly as individual rent accounts are monitored weekly. In response, a number of measures have been adopted to increase automation and promote smarter working. An example of this is an automatic email which is sent to tenants the day they receive their UC payment, which prompts them to pay the rent. Since all claimants have different payment dates, emails are sent out most days and require no staff intervention. Team Managers will continue to review the functionality of the Rents Software to introduce more automation to reduce the need for manual actions by staff.
- 2.34** Managed payments are requested for tenants who are vulnerable or at risk; this means the housing costs can be paid directly to the landlord. These are also referred to as alternative payments arrangements (APA's). APA's are in place for around 20% of tenants currently receiving UC and minimise the possibility for rent arrears to increase. There are some issues for the Council in dealing with APA's which relate to the way they are administered by the DWP. The monthly APA for each tenant is currently paid to the Council 4 weekly on one schedule. This means there can be a delay in the Council receiving payments (even though claimants have already had the rent element deducted from their benefit) and also skipped payments (as the monthly payments are received 4 weekly). This makes it difficult to give accurate rent balances to tenants and makes the task of monitoring individual rent accounts more complex.
- 2.35** There are plans to change the way the managed payments are made so monthly payments are sent to the landlord at the same time as tenants receive their money. This will resolve both of the issues identified in the previous paragraph. Pilot testing is currently being undertaken by the DWP and a start date is expected shortly.

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

Long term

- 3.1** The Council is continuing to support individuals and families to maintain their homes, to receive financial support that is due to them, and help people remain within their communities.

#### Prevention

- 3.2** The need to protect tenants and minimise tenancy failure is a key part of the Housing Service Plan. Consequently, a significant amount of resources are allocated to early intervention and money advice - to ensure arrears do not build up and tenancies put at risk.

#### Integration

- 3.3** The support for residents impacted by Welfare Reform changes is being achieved by services across the Council working together to ensure that assistance is targeted to areas where it is most needed.

#### Collaboration

- 3.4** The Council's approach to supporting individuals is based on close working with a range of agencies, including Citizens Advice Bureau, Department of Work and Pensions, Support Providers and others.

#### Involvement

- 3.5** Feedback from individual tenants and Tenants Groups is used to inform services delivered by the Housing Income team.

## **4. Resources and Legal Considerations**

### **Financial**

- 4.1** The financial impact of Universal Credit to the Council is significant and has led to a remodelling of the Housing Business Plan. An increased bad debt provision potentially impacts on the range of services available to Council housing tenancies in future.
- 4.2** The Council has allocated a sum of £23,500 to top up the Discretionary Housing Payment (DHP) allocation for the Vale, bringing the total to £263,242. All of the money is forecast to be spent this financial year.

### **Employment**

- 4.3** There will be staffing implications for those employed within the Housing Benefit team in the Finance Directorate as more claimants migrate away from Housing Benefit. The effect to date has been minimal, however this may change when existing legacy claims are moved across to UC.

### **Legal (Including Equalities)**

- 4.4** There are no direct legal implications arising from this report.

## **5. Background Papers**

None.