



REPORT TO: COMMUNITIES COMMITTEE ON 28 MAY 2019

SUBJECT: UNIVERSAL CREDIT IMPACT ON RENT ARREARS

**BY: CORPORATE DIRECTOR (ECONOMIC DEVELOPMENT,
PLANNING AND INFRASTRUCTURE)**

1. REASON FOR REPORT

1.1 To inform the Committee of the impact of Universal Credit (UC) on the Council house rent account.

1.2 This report is submitted to Committee in terms of Section III (G) (1c) of the Council's Scheme of Administration relating to the levy, collection, payment and recovery of Council house rents.

2. RECOMMENDATION

2.1 It is recommended that the Communities Committee considers and notes:

(i) the impact UC is having on mainstream Council house rent collection; and

(ii) the actions being taken by the Housing Service to manage the impact.

3. BACKGROUND

3.1 The Welfare Reform Act 2012 introduced by the UK Government aims to tackle poverty and welfare dependency through a simplified welfare system that encourages and incentivises people to find work. UC is at the heart of the Act and the Government's reforms.

3.2 Since the introduction of the welfare reforms programme Members have been provided with update reports on progress regarding the implications of the changes and how the services are responding. The latest report was considered by the Policy and Resources Committee on 7 June 2016 (paragraph 7 of the minute refers).

3.3 UC aims to make the welfare system simpler by replacing six benefits/tax credits with a single monthly payment. It is administered by the Department for Work and Pensions (DWP). It is a working age benefit and replaces:

- Housing Benefit
- Income Support
- Income-Based Job Seekers Allowance
- Income-related Employment & Support Allowance
- Child Tax Credits
- Working Tax Credits

Tenants of pensionable age still apply for housing benefit assistance through local authorities.

3.4 UC has been introduced by the DWP, across the UK, in stages to different groups of claimants over the past six years. At 31 March 2019, 1.8 million people were receiving UC.

3.5 On 16 November 2015, UC “Live Service” was introduced in Moray. The volumes were relatively small with only a limited number of single claimants without children moving onto UC. The Area Housing Teams monitor rent arrears on a weekly basis and the evidence suggested that the impact of Universal Credit “Live Service” was negligible.

3.6 On 27 June 2018, UC “Full Service” (UCFS) commenced in Moray with the gateway conditions being extended to include not only single claimants but couples and families with and without children. UCFS is digital by default, which means claimants must apply and manage their claim online. Claimants can manage their claim using an internet enabled device such as a smartphone, tablet or PC. As expected there has been a rapid increase in claims across all areas of Moray.

3.7 In Moray, there were 2,378 people receiving UC as at 31 March 2019. The breakdown by Jobcentre is shown below:

- Buckie 769
- Elgin 1,216
- Forres 396

4. HOUSING COSTS AND UNIVERSAL CREDIT

4.1 Prior to the introduction of UC, housing benefit was paid direct to rent accounts from Moray Council’s Benefits team on a weekly basis. The first payment of UC takes 5 weeks to be paid thereafter the claimant is paid monthly in arrears. Under UC, Moray Council’s Area Housing Teams and Rent Administration Team will collect rent directly from Council house tenants receiving UC. It can be assumed that some tenants will have little or no experience of paying their own housing costs. UC claimants receive their payment monthly, on any day of the month, depending on the date their claim was made.

- 4.2 The claimant may be offered recoverable advanced payments to help them during the period they have to wait for their first payment. Advance payments can pay up to 100% of the claimant's estimated Universal Credit payment.
- 4.3 Alternative Payment Arrangements (APA's) can be set up under UC whereby a managed payment of the UC housing cost element is paid direct to the landlord. APA's can be requested for a variety of reasons including where tenants are in rent arrears by 8 weeks or more. The Department of Work and Pensions consider APA requests on a case-by-case basis. APA's are a resource intensive payment method to manage but there are plans to automate this process in the future.
- 4.4 On 29 June 2017, the Scottish Government laid regulations in the Scottish Parliament to make UC payments more flexible. The regulations commenced on 4 October 2017 and gave new UC claimants in Scotland, in full service areas, the option of having their housing costs paid direct to their landlord and/or if they want their UC paid twice monthly rather than monthly. These choices are offered to claimants via their journal on their online account after their first UC payment has been made. Claimants can choose to take up or stop either of these options at any time.

5. IMPACT OF UC ON COUNCIL TENANTS IN MORAY

- 5.1 Rent Arrears comparison as at 31 March over the last four years:

Balance Date	Total tenancies	Number in arrears	% in Arrears	Total arrears (£)	Average arrears (£)
31/03/2016	5,947	953	16	264,820	278
31/03/2017	5,895	942	16	281,031	298
31/03/2018	5,894	989	17	275,508	279
31/03/2019	5,926	1,091	18	347,110	318

- 5.2 It would appear the introduction of UCFS on 27 June 2018 has had a significant impact on Council house rent collection as there has been a substantial increase in rent arrears. During 2018/19, current tenant rent arrears increased by £71,602 (26%) from £275,508 to £347,110. This figure should be taken in the context that other variable factors have contributed to this increase, e.g. a 4% rent increase was applied at the start of the year and there were 32 additional tenancies at the end of year due to Council's new build programme.

Although evidence hasn't been gathered nationally, from discussion with peers at the Scottish Rent Forum and North Welfare Reform Forum, it appears that many other local authorities across Scotland have been experiencing higher rent arrears as result of UC.

- 5.3 It is difficult to collate accurate statistical information relating to UC. For example, a tenant that is in receipt of UC and has rent arrears may have accumulated some or all of these arrears prior to being awarded UC. It is also not possible to accurately calculate the number of tenants that are receiving UC. Social landlords are notified by the DWP when a tenant makes a claim for UC but are not informed whether the claim is successful. Furthermore, if a

tenant stops receiving UC, the social landlord is not informed by the DWP. This requires the Area Housing Teams to have a far greater amount of contact with their tenants.

- 5.4 The table below provides rent arrears data on Council tenants in Moray known to be in receipt of UC as at 7 May 2019.

Tenants on UC	No. in arrears	% in arrears	Total UC arrears (£)	Average arrears (£)
717	502	70.01	224,590	447.39

- 5.5 Rent arrears for tenants known to be on UC are higher than those that are not. The average rent arrears owed by a UC claimant as at 7 May 2019 was £447.39. By way of comparison, the average rent arrears owed by tenants not claiming UC as at 7 May 2019 was £240.54. The five week waiting period at the start of the claim and the fact UC is paid in arrears is a contributing factor.
- 5.6 The amount of additional rent to be collected, direct from tenants claiming UC, is having a significant impact on staff resource in the Area Housing Teams and Rent Administration Team. Working with these tenants to ensure they have a secure provision in place for paying rent themselves, on time and in full and on a sustained basis, is extremely resource intensive, with a great deal of additional contact being required.
- 5.7 Despite the roll-out of UCFS in Moray the Housing Service has still managed to achieve their annual rent collection targets at year end. Further detail will be provided in the Housing Performance Report that will be presented to the Communities Committee on 27 August 2019. The targets were achieved through the commitment of staff and collaborative working with our partners and stakeholders to deliver the actions detailed in the next section.

6. ACTIONS TAKEN BY COUNCIL TO MITIGATE RISKS FROM UC

- 6.1 Listed below are a range of actions that have been taken by the Council to mitigate the risk of higher rents arrears from UC:
- (i) the Area Housing Teams were subject to a change management plan in October 2015 which took into consideration the additional resources and operational focus that UC would require.
 - (ii) Landlord Portal – Implemented DWP system that asks us to verify our tenants rent to enable UC Housing element to be paid to tenant. This is a paperless system and has assisted with ensuring correct information is sent to DWP to allow claims to be processed quickly and without error.
 - (iii) Northgate Housing System – fields added to allow us to record tenant is on UC and how payments are being received.
 - (iv) Area Housing Officers aim to contact each tenant when we are made aware of UC Full Service Claim and ensure they are aware of all processes relating to UC and paying their rent. Discussions include information such as when they expect their first payment to be received, the frequency of payment, how to apply for an advance payment and how to pay rent directly to the landlord so that they do not

fall into rent arrears. Pursuing an APA or encouraging a tenant to have their housing costs paid direct to us will be considered on a case by case basis. The tenant is also asked if they require any financial advice or assistance and will signpost them to any additional agencies (e.g. Council's Revenue Service, Money Advice & Citizen's Advice Bureau) as requested.

- (v) weekly rent arrears reports are published including a report identifying tenants known to be on UC and in rent arrears.
- (vi) the housing service continues to meet and work closely with DWP and advice agencies (e.g. Money Advice & Citizen's Advice Bureau) to ensure any issues are addressed.
- (vii) Council representation at the Scottish Rent Forum and North Welfare Reform Forum to share knowledge, experience and good practice.
- (viii) UC articles in the "Tenants' Voice" newsletter.
- (ix) the Housing Service produced an information leaflet for tenants "Universal credit –a Guide for Moray Council tenants".
- (x) Moray Council website provides information on claiming UC, paying your rent and where to get support.
- (xi) members of the housing service have visited Highland Council to learn from their experience given they were a pilot authority.

7. MANAGED MIGRATION TO UC

7.1 The UK Government's current plan is that existing benefit claimants will be moved over to Universal Credit by December 2023. From July 2019, DWP will commence test and learn on managed migration at Harrogate Jobcentre for a period of 18 months. Following this, managed migration will commence from 2021 – 2023 across the UK. During this phase, DWP will start to migrate all legacy benefits (Housing Benefit, Income Support, Income-Based Job Seekers Allowance, Income-related Employment & Support Allowance, and Child Tax Credits & Working Tax Credits) on to UC. This will include existing Housing Benefit claims from working age claimants. There are no details yet regarding when this will commence in Moray.

7.2 As an indication of the number of claims that will be moved across to UC, there were 2,632 Housing Benefit claims in Moray from working age claimants as at 5 April 2019. The breakdown by tenancy type is shown below:

- Local Authority 1,444
- Housing Association 658
- Private 530

Claimants who are moved across to UC under managed migration are eligible for transitional protection. This ensures the amount of UC a person receives is not less than they would have received on previous benefits. The transitional protection remains in payments until such time the normal UC payment catches up over time. Claimants are only eligible for transitional protection when they are moved across to UC by DWP.

7.3 The continuing roll-out of UC will put pressure on rent collection in years to come and this will be monitored closely as a key service priority and

appropriate mitigation action will be taken, including the allocation of staff resources if required.

8. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The revenue generated by rental income enables the Council to maintain and improve its housing services and provide the best outcomes for tenants and other customers. It also enables the Council to invest in its existing housing stock and deliver new affordable housing. This supports the priorities identified in the Corporate Plan and the Housing and Property Service Plan.

(b) Policy and Legal

The rent arrears policy will require to be reviewed to integrate UC. The Council has a duty to ensure that tenants receive a consistency of service therefore the approach to income collection cannot be varied for tenants paying and those receiving assistance with rent payments.

(c) Financial implications

Increased rent arrears resulting from the roll-out of UC would impact on the level of income generated by the Housing Revenue Account to deliver and improve services and invest in the Council's housing stock.

(d) Risk Implications

Rising rent arrears as a result of the roll-out of UC in Moray could have a detrimental impact on the Council's Housing Revenue Account. The delivery of the Council house building programme and investment in existing properties is dependent upon a stable rental income stream.

(e) Staffing Implications

The Housing Service has allocated additional staffing resources to manage the risks of increasing rent arrears arising from UC. The level of resources required will be monitored closely as the number of tenants moving on to Universal Credit increases during the coming years. Staff resources will be allocated to this area as required.

(f) Property

There are no property implications arising from this report.

(g) Equalities/Socio Economic Impact

Universal Credit will impact on households who are socio-economically disadvantaged. Households claiming Universal Credit will be at risk of financial hardship when awaiting claims to be processed as payments are made monthly in arrears. Households experiencing financial hardship or budgeting difficulties are referred to the Council's Money Advice/Income Maximisation teams for advice and assistance. Claims for Universal Credit are made online and this could disadvantage those who do not have access to digital communication or who do not have the skills to make online applications. The Housing Service will make referrals to the Citizen's Advice Bureau for tenants that require support to make a UC claim.

(h) Consultations

Consultations have taken place with the Corporate Director (Economic Development, Planning and Infrastructure), Acting Head of Housing and Property, Deborah O'Shea (Principal Accountant), Kathryn Macpherson (Senior Solicitor), Norma Matheson (Benefits Manager), Senior Managers within Housing Service and Tracey Sutherland (Committee Services Officer) and any comments received have been incorporated into the report.

9. CONCLUSION

- 9.1 This report provides the Communities Committee with an overview of the impact of Universal Credit on mainstream Council house rent collection. The report details actions by the Housing Service to manage the impact.**

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Background Papers:
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