

**HOUSING, PLANNING AND REGENERATION, AND REGULATORY SERVICES
SCRUTINY COMMITTEE - 3RD MARCH 2020**

**Report of the Head of Landlord Services
Lead Member: Councillor Paul Mercer**

ITEM 10 UPDATE ON UNIVERSAL CREDIT IMPLEMENTATION

1. Purpose of Report

To advise the Committee of the progress of the implementation of universal credit for the Council and its tenants.

2. Recommendation

That the Committee consider and comment on the position set out in the update.

3. Reason

To provide the Committee with the opportunity to influence the delivery of the Council's landlord services in respect of universal credit.

4. Background

4.1 Universal credit (UC) was introduced as part of a range of changes to welfare benefits through the Welfare Reform Act 2012. It brings together several working-age benefits (including housing benefit) into a single payment. UC is a significant change to the way the benefits system for working age people operates.

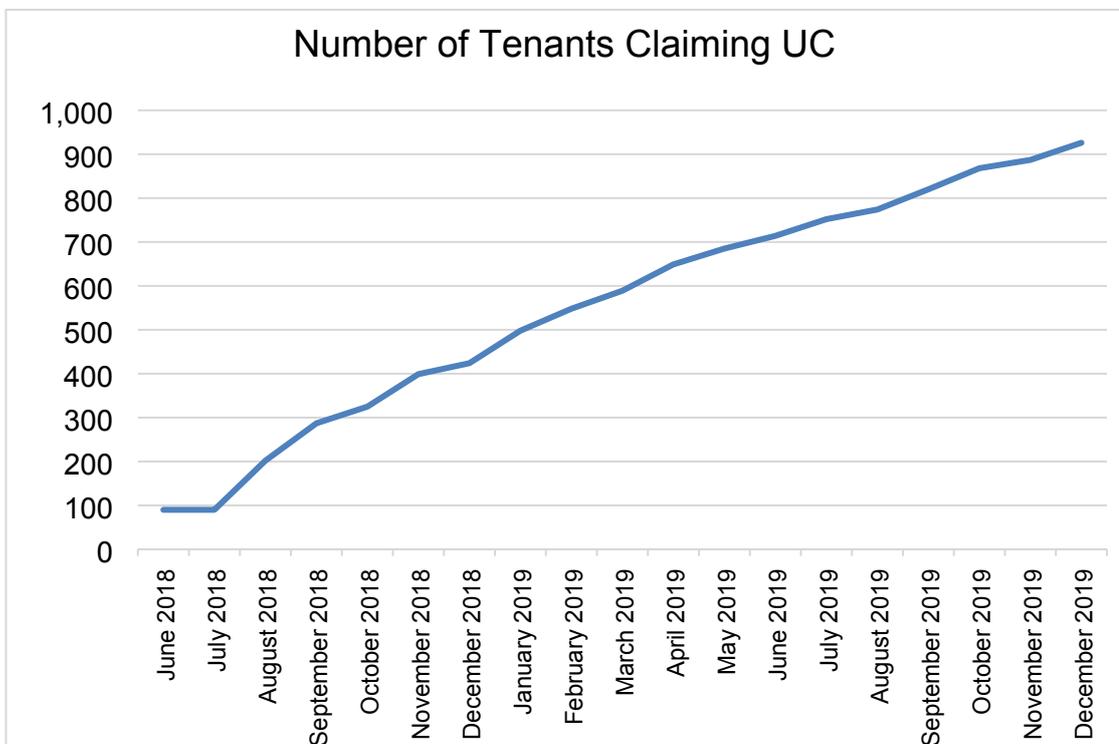
4.2 Some of the main differences between UC and the old welfare system (which includes housing benefit) relate to the way in which benefits are claimed and paid.

These include:

| Old Welfare System | Universal Credit |
|---|---|
| <p>For Council tenants, housing benefit is a distinct benefit, paid weekly, directly to the Council in advance to cover all or part of the rent for a Council home, without it ever touching the tenant /claimant.</p> <p>Other benefits are paid to the claimant separately.</p> | <p>Claimants receive just one monthly UC payment (combining several benefits, including those relating to housing costs), one month in arrears, paid into a bank account in the same way as a monthly salary.</p> <p>Support with housing costs goes direct to the claimant as part of their monthly payment. The</p> |

| | |
|---|---|
| | tenant then must pay rent to the Council. |
| Many applications for housing benefit are made using paper-based application forms. | <p>Most people apply online and manage their claim through an online account.</p> <p>There are extremely limited circumstances in which claims can be made via paper forms or on the telephone.</p> |

- 4.3 In July 2018 the Department For Work and Pensions implemented its UC 'full service' throughout the borough. Under this arrangement, if claimants on a range of benefits (including housing benefit) have a change in circumstances, they then must claim UC (with some exceptions, such as moving home within the borough or from another full-service area).
- 4.4 Prior to July 2018 the only (fewer than one hundred) tenants in receipt of UC were those single people eligible for job seekers allowance who were part of the UC 'live service', which was effectively a non-digital, trial version of the full service.
- 4.5 There has therefore been a steady increase in the number of council tenants claiming UC. At the end of December 2019 926 tenants were known to be receiving UC as the below graph illustrates:



5. Actions Taken in Preparation for the Introduction of UC

The introduction of UC full service was known well in advance. Actions taken to prepare tenants and the Council in this respect include:

- The development of an excellent working relationship with the co-located DWP through the establishment of monthly liaison meetings. These meetings started nine months before the introduction of the full service. Accredited 'trusted partner' status was also obtained, allowing the Council to access the DWP through what is called the 'landlord portal', enabling the Council to manage and verify rent for new UC claims.
- Increasing the size of the Council's Financial Inclusion and Income Team, to provide additional capacity to provide advice and support to tenants, and where necessary to undertake enforcement activity for non-payment of rent.
- The recruitment of a specialist Universal Credit Officer in the housing income team whose role is to:
 - manage and administer the internal systems developed above, especially monitoring and recording the transition of tenants onto universal credit; and
 - provide specialist support to tenants in applying for universal credit and maintaining their claim.
- Delivering comprehensive training on UC for staff.
- Publishing articles in the tenants magazine to advise of the changes to benefits and where support can be obtained.
- Development of internal systems and procedures to manage, monitor, record and report on the introduction of UC and its effect on rental income.
- An officer from the housing income, tenancy support or financial inclusion team attends all new tenant sign-ups in order that claims for UC can be made immediately and to provide advice, support and guidance to new tenants on universal credit.

6. Performance

6.1 Rent arrears and collection rates have behaved in line with common themes that have emerged from housing providers across the country, namely:

- More tenants on UC tenant are in arrears compared to those on housing benefit or no benefit.
- The average debt of a UC-paid tenant is generally higher than that of a non-UC-paid tenant.

- Rent collection rates decrease as more tenants move to universal credit: the loss of housing benefit receipts is not matched by the increase in UC receipts.

6.2 The below table sets out data relating to the Council's tenants, and the performance trend comparing December 2018 with December 2019 across a range of indicators.

| Indicator | December 2018 | December 2019 |
|---|----------------------|----------------------|
| Percentage of tenants on UC and in arrears | 64.5% | 61.8% |
| Percentage of tenants not on UC and in arrears | 19.9% | 23.7% |
| Rent arrears: tenants on UC | £169,812 | £323,969 |
| Rent arrears: tenants not on UC | £340,792 | £241,129 |
| Average debt of UC-paid tenant in arrears | £598 | £566 |
| Average debt of non-UC-paid tenant in arrears | £341 | £230 |
| Rent collection (incl arrears brought forward) | 96.17% | 95.83% |
| Rent arrears as % of annual in-year rent debit | 2.40% | 2.63% |
| Evictions – total (year to March 2018/year to December 2019) | 16 | 17 |
| Evictions – solely attributed to UC | 0 | 0 |
| Housing benefit receipts (actual to March 2019/projected to March 2020) | £10.33 million | £9.17 million |
| Percentage housing benefit receipts to total rental income (actual to March 2019/projected to March 2020) | 49.21% | 46.32% |

6.3 The Housing Quality Network is collating rent data from social housing providers to enable benchmarking.

6.4 The below table shows the national average position (albeit from a relatively small sample of 36 organisations) compared to that of the Council at the end of quarter 2 2019 (i.e. the end of September 2019).

| Indicator | HQN Q2 2019 | CBC Q2 2019 |
|--|-------------|-------------|
| Percentage of tenants on UC and in arrears | 67.18% | 74.8% |
| Average debt of UC-paid tenant in arrears | £671 | £554 |
| Rent collection (incl arrears b/f) | 96.30% | 93.90% |
| Rent arrears as % of annual in-year rent debit | 3.38% | 2.94% |

6.5 It should be noted that generally, benchmarking around UC is challenging, as different providers are at different stages of implementation. Most of the Council's housing stock is in an area that was relatively late in the date of UC full service, whilst other organisations have been dealing with full service much earlier; fewer will have been significantly later.

7. Reasons for the Increase in Rent Arrears

7.1 UC is paid one month in arrear unlike housing benefit, which is paid weekly in advance. Applicants must wait a minimum of five weeks for their first payment to be made. This is one of the two principal reasons why rent arrears have risen when tenants have moved onto UC. Those moving to UC who are in receipt of housing benefit get two weeks' housing benefit paid as part of the transition to universal credit in addition to their universal credit housing allowance [rent]. In cases of hardship applicants can be given an advance of universal credit that can be up to one month's allowance. This advance must be paid back within a year, however, and is deducted from subsequent monthly payments. All claims must be managed online through the claimant's 'journal'.

7.2 The second principal reason why rent arrears have risen as a result of tenants moving onto UC is because, unlike housing benefit, which is paid directly to the landlord, UC is paid directly to the claimant, including the element in the total award that relates to rent or, as the DWP refers to it - 'housing costs'. Although the Council can, in cases of vulnerability or if arrears exceed eight weeks', ask the DWP to pay those housing costs directly for a temporary period, in all other cases the tenant will get their rent paid to them directly and the Council then relies upon the tenant to pay the rent to the Council. Unfortunately, in a number of cases the rent is not paid, and ultimately, where appropriate, enforcement action is taken by the Council for non-payment.

8. Managed Migration

In July 2020 what is termed the 'managed migration' will begin. This is the process that will move the remaining working-age tenants from housing benefit to UC. On the basis that a little more than 1,000 tenants will have moved over by the end of this financial year, we estimate that a further 1,200 or so will be moved over in the managed migration (less those who move on to UC though a change in circumstances in the meantime). Although the precise details of the managed migration have yet to be agreed by the DWP, the migration itself is

scheduled to occur. The risk to the Council's rental income through this process will increase. It is projected that there will be a drop in housing benefit receipts from £10.33 million in 2018-2019 to £7.99 million in 2020-2021.

9. New Actions to Support the Protection of Rental Income

- 9.1 A further Tenancy Support Officer is being recruited for a fixed term period of two years. This will provide additional capacity in the provision of support to tenants moving on to UC.
- 9.2 In March 2020 the Landlord Services Income Management Team will begin using a new web-based arrears management application called *RentSense*. This application is owned by a company called Mobyssoft and is based on what is termed 'predictive analytics' to assist Income Officers to focus the management of their 'patch' by targeting those cases the application's sophisticated algorithms suggest they target and so to work more efficiently. *RentSense* is increasingly being adopted by social housing providers and has developed a track record of enabling local authorities and housing associations reduce their arrears. To date over 150 providers have adopted this product, and it is expected that through the use of the system the risk of non-payment of rent to the Council will be reduced.
- 9.3 The options open to those tenants who pay their rent by direct debit have been increased. Historically, the service was only able to offer weekly direct debits on a Tuesday and monthly ones on the 8th, 15th and 25th of the month. At the end of January 2020 Allpay (which already provides the Landlord Services' card-payment services) were engaged to manage direct debits. Allpay can offer direct debits to be taken on any day of the working week and at any frequency. This is a positive service development since it increases payment methods; but it is especially significant for tenants who are on UC, who have their own personal payment date (based on the date of their claim). This is the same date every calendar month. By enabling someone to specify any day of the working week or any day of a calendar month for their direct debit the likelihood of rent being paid to the Council can be increased by ensuring that the money tenants receive in their payment that is for their housing costs [rent] is taken from their bank account as soon as possible after their payment is credited to that account. Any-day direct debits will make this possible.

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