

**Report of the Assistant Director of Revenues and Benefits
Housing and Neighbourhoods Scrutiny
April 2019**

1. Purpose

- 1.1 To provide an update to the Committee on the impact of Universal Credit across the City and how the Council is supporting its own tenants.
- 1.2 To provide analysis of rent arrears and the planned mitigations to limit the impact on the Housing Revenue Account.

2. Background

- 2.1 The Department for Work and Pensions (DWP) is responsible for Universal Credit (UC), which has been in place in the City since 2015. UC combines up to six legacy benefits into one monthly payment for people of working age. The Committee was updated in October 2018 on the impact of the first six months of Universal Credit 'Full Service' in Birmingham. The report outlined the background to Universal Credit (UC) and highlighted the most significant changes for residents and council tenants. In particular, the report outlined that UC is paid in arrears with the default payment made direct to tenants. It also explained the delay of payment for around five weeks at the start of UC claims and the overall impact on rent arrears.
- 2.2 At the time of the last report, the number of council tenants with housing costs paid in their UC was rising quite sharply. The numbers rose from about 1,400 (prior to 'full service' in November 2017) to over 7,200 (September 2018). The numbers have continued to grow and there are now nearly 10,000 of our tenants with housing costs paid as part of their Universal Credit entitlement.
- 2.3 Typically, the people claiming UC have been the more straightforward cases (single people aged under 35 years old). However, 'full service' widened the group to include families with up to two children – and this restriction was removed in January 2019. Consequently, most new claims and significant changes of circumstances for working age people are now on UC. The Council continues to administer housing benefit (HB) for all pension age claims and working age cases which have not transferred 'naturally' to UC. It also deals with HB claims which DWP deem not appropriate for UC – for people in Temporary and Supported Accommodation. The Council also continues to provide Council Tax Support for over 120,000 households.
- 2.4 The DWP has recently announced a delay in the rollout of remaining working age HB claims to UC. This is known by DWP as 'managed migration'. This had been expected to rollout across the country between 2019 and 2022/23. DWP has recently put legislation in place to undertake a pilot of up to 10,000 cases for managed migration. The pilot will commence in July 2019 in Harrogate. DWP state that: *'The goal of the pilot is to learn as much as possible about how to help people to move onto Universal Credit. We will increase numbers as slowly and gradually as necessary, expanding to further locations as required.'* New legislation will be needed to enable further numbers of people (above 10,000 nationally) to be migrated from legacy benefits to UC. It is hence unclear exactly when this will start to impact in Birmingham.
- 2.5 It is important to remember that UC impacts on housing costs for all types of tenancies – private tenants, social housing tenants as well as our own. It is likely that there are around 20,000 people in the City receiving their housing costs through UC.

3. Impact on arrears

- 3.1 Universal Credit has continued to have a significant impact on rent arrears. The table below highlights the changes in the value of arrears since the last update in October 2018:

	UC tenants (% of tenancies)	Tenants in arrears	Value of arrears (% of total arrears)	Ave arrears per case
October 2018	7,205 (12.3%)	5,450 (75.6% of UC cases)	£5,535,574 (35%)	£768
March 2019	9,822 (16.9%)	6,860 (69.8%)	£6,612,544 (44.9%)	£673

- 3.2 The table shows that although UC is being claimed in only 16.9% of tenancies, this currently accounts for 44.9% of the total arrears. The difference in arrears between UC and non-UC households represents, on average, around 5 weeks rent liability.
- 3.3 Whilst the arrears for tenants on UC reflected above is in the region of £6 million, the increase in total arrears compared to this time last year has increased by £600k. Of the 9,822 tenants on UC, 5997 tenants were already in arrears to the value of £4.4 million prior to claiming UC.
- 3.4 As a result of this significant change, the Council is continuing to review the position. A number of issues are described further in this report on the efforts taken (and planned) to mitigate the situation. This is helping to ensure that income to the HRA is maximised and that tenants' interests are taken into account.

4. Other areas of impact

- 4.1 The rollout of full service UC is starting to impact on other related areas of council financial activity – council tax collection and housing benefit overpayment recovery.
- 4.2 The Council can apply to the DWP to recover unpaid council tax from certain state benefits. Prior to the introduction of UC, deductions could be made from Income Support, Job Seeker's Allowance, Pension credit and Employment and Support Allowance. The amounts deducted have a statutory limit of £3.70 per week. If other debt is being recovered through this method, the DWP operates a priority order and council tax used to be the third priority debt. There is also a ceiling on the maximum weekly recovery level of all debts – once reached, other debts are held.
- 4.3 Under UC, council tax has moved down the priority order of debt to be recovered to seventh. There are a number of debts which are to be repaid ahead of those in the priority schedule such as fraud penalties and the UC advance loan repayment. Since UC full service has been implemented the Council has only been successful in receiving deductions on 2,200 of the 7,500 cases with an outstanding debt. A total of £1.4 million of debt is awaiting recovery – and it is not known when this will be recovered.
- 4.4 Recovering housing benefit (HB) overpayments has also become more difficult. Applications for HB debt recovery through UC can be made in a similar way to council tax. Housing Benefit Fraud overpayments are the 17th priority, Housing Benefit normal overpayments are the 19th priority out of a total of 23 possible deductions. This means in many cases that no recovery action is possible as the maximum debt

threshold has been reached before HB overpayment deductions can commence. The Council currently has nearly £10 million debt awaiting recovery from UC. This debt would previously have been recovered at £11.10 per week from housing benefit.

5. Implications and mitigations for the Council and the City

- 5.1 There remain significant issues for Birmingham as Universal Credit continues to roll-out. There are around 61,500 council properties.
- Of the 45,400 (59%) working age tenancies, 10,100 are in receipt of UC.
 - This is increasing at a rate of approximately 150 a week.
 - The total number of working age, council tenants in receipt of UC or HB is 34,400.
 - There are 11,100 tenants of pension age in receipt of HB.
 - 78% of all tenants (all ages) rely on some form of benefit to assist with their rent payments.
- 5.2 The big change (with the introduction of UC) is the issue relating to UC payments being made (with some exceptions) directly to the tenant and not the Council. This, coupled with the five week delay in payment at the start of the claim is causing additional pressure on landlords (including the Council) due to the impact on rent arrears.
- 5.3 Registered Social Landlord (RSL) partners in the City will be facing the same pressures as the Council in terms of potential delays (in rent payment) and lack of direct payments. The Council has recently started to pilot an 'eviction prevention panel' approach in partnership with RSLs. Although in its very early stages, there are already some positive outcomes from this initiative. Since the commencement of the council's own Eviction Prevention Panel (EPP) in November 2016, 155 evictions have been prevented from proceeding following review. Of these, 44 cases were in receipt of, or claiming UC. Due to the joined-up work across the Council and the DWP, these 44 tenants have had their eviction prevented and been able to stay in their homes.
- 5.4 Tenants in privately rented accommodation are probably the most vulnerable group and there is a risk that some private landlords will cease renting to people claiming UC. All landlords are able to request 'alternative payment arrangements' where tenants are identified as vulnerable, or in significant rent arrears. In the main, these will be direct payments to landlords, although there is also provision to split at UC payment within the same household.
- 5.5 The Council continues to work closely with partners through the Financial Inclusion Partnership, now Chaired by Councillor Cotton. This group actively examines developing issues and mitigations of UC as well as undertaking campaigns and events to provide advice and information to Birmingham tenants. DWP are represented on this group. The Council's Benefit and Rent Service has developed close links with DWP through a number of forums and initiatives. This proactive work helps to mitigate the impact on residents where it is possible.
- 5.6 There continues to be proactive and preventative work being undertaken in the letting suites with advice for new tenants on UC. Workshops provide applicants with advice and guidance before taking on a tenancy. More specific advice, guidance and support is given within the first 12 weeks of a tenancy which will help support new tenants who may be making a claim for UC. This support includes: budgeting advice; payment methods; or Alternative Payment Arrangements (of UC). The financial inclusion team also support complex cases with multiple issues that can include UC.

6. The Council's Universal credit pilot

- 6.1 It is now estimated that the reduction of Housing Benefit credited to the Housing Revenue Account (HRA) in a full year (2018/19) will be around £22 million (previously estimated at £28 million). A modelling exercise completed by the rent service identified an initial estimate of an additional £1.84 million of arrears in a 12 month period – if the Service did nothing to mitigate the potential increase in arrears.
- 6.2 For over 12 months now, the Council has been operating a pilot to examine existing cases in receipt of UC. This has helped to identify positive examples where people have claimed UC and not gone into rent arrears. It highlights the way proactive intervention and co-working with the DWP can minimise the impact on arrears. The pilot has continued to examine cases where arrears have built up and identified interventions to minimise the increase in arrears. The outcome has given clarity around which interventions are most helpful and this will assist to mitigate the impact of the change – to tenants and the HRA.
- 6.3 Due to the work of the UC pilot the forecasted increase in arrears of £2.2 million has now been reduced to £1.1 million.
- 6.4 The pilot initiative is enhancing the Council's knowledge of the impact UC full service has on its tenants. The main objective is to reduce the additional potential arrears. The project continues to show positive outcomes:
- It is helping the Council to understand the behaviour of tenants in receipt of UC and establish the critical risk areas in relation to rent arrears.
 - The pilot officers have had an 80% successful engagement rate with the tenants. This shows the advantage of early intervention.
 - It is considering strategies to support tenants who are having difficulty managing their UC payments and paying their rent.
 - The team has been successful in making arrangements to pay rent/arrears. Around 90% of these are thought to be sustainable in the long term.
 - The work is helping to identify which payment methods best meet tenants circumstances.

7. Discretionary Housing Payments (DHP)

- 7.1 Discretionary Housing Payments (DHPs) help to protect tenancies where people face a shortfall between their housing benefit and their rent. They can also be used to help people move to a more affordable property by using it as a 'bond' or 'rent in advance'. It is not intended to be a long-term form of support, but can be used to help ease a short term problem – such as temporary assistance once people first have their benefit 'capped'. The Government gives councils an annual grant for this purpose.
- 7.2 The DHP budget for 2018/19 had been reduced by the Government from around £5.3 million in 2017/18 to £4.8 million. The Council has recently been advised that the

budget has been further reduced by around £500,000 for 2019/20. The total available for supporting these vulnerable cases is now £4.28 million. Cabinet approved a new Policy on DHP's in December 2018. The Policy endorsed the existing arrangements and placed a greater emphasis on the conditionality attached to a DHP award. The Council will spend the full allocation in 2018/19 (as in previous years) and the new policy will help to ensure that this limited funding supports those who need it the most.

8. Personal budgeting support (PBS) and Assisted Digital Support (ADS)

- 8.1 Until the end of 2018/19, DWP provided funding to councils to help people who may need support with the move to UC. This included help with their budgeting and digital access. The funding for this support will cease from 1st April 2019, with a new service being put in place through the Citizens Advice Bureau (CAB) network. Details are still emerging on the operation of this new scheme called 'Help to claim'. It is understood there will be a national phone number referred to local offices with face to face contact where necessary.
- 8.2 During the last six months, the Neighbourhood Offices (NAIS) worked in partnership with the Rent service and CAB to deliver PBS. This arrangement will continue until 31st March 2019 and the new service provided by the CAB (with no funding available for this activity by BCC). The Council has received over £350,000 from DWP so far in 2018/19 (around £260,000 in 2017/18) to fund PBS and ADS with many residents benefiting from the excellent support provided.

9. Conclusion

- 9.1 There are many issues for the Council to consider. UC is impacting on many areas across the Council. DWP continue to propose further changes to UC with timescales again being altered for the managed migration. Whilst this makes planning difficult, it is important that the new arrangements are put in place carefully. The Council will be taking note of the pilot work being undertaken by the DWP and learning early lessons where possible.
- 9.2 The Rent Service will continue to work to mitigate the impact of UC on rent arrears and the council's housing budget. Further limits on the DHP fund will make this more challenging in 2019/20 – for the Council and other housing providers.
- 9.3 The pilot work continues to demonstrate the value of early intervention. Close working with DWP and colocation at Job Centres will help to minimise the impact of UC and rent collection.

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