

**Report of the Assistant Director of Revenues, Benefits and Rents
Housing and Neighbourhoods Scrutiny
October 2018**

Update on Universal Credit

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). It replaces a number of other benefits (Income Support, Job Seekers Allowance, Working and Child Tax Credits, Employment and Support Allowance and Housing Benefit). Importantly, it is paid in arrears with the default payment made direct to tenants. Up until recently, most social sector tenants in receipt of housing benefit have their housing costs paid to their landlords (including council tenants). The other significant issue for tenants and landlords is a delay of payment for around five weeks at the start of UC claims. Changes to the waiting period have been introduced (as a result of the Budget announced in November 2017) which have meant the initial seven 'waiting days' were abolished from February 2018.
- 2.2 A key stated Government aim for UC is to help people into work. UC has a more generous 'taper' (people can earn more before losing benefit) which the Government states will make work more accessible. This links to the overall role of Jobcentre Plus to help tenants find employment.
- 2.3 A limited number of working age people started receiving UC in Birmingham from 13th April 2015 – this phase of the rollout is referred to as 'live service' by DWP. Typically, the people claiming UC up until recently have been the more straightforward cases (single people aged under 35). The latest phase of the rollout to 'full service' took place between 8 November 2017 and 14 February 2018. This has already seen the numbers of working age people receiving UC rise significantly.
- 2.4 The 'Full Service' includes all new claims for housing costs and many changes in circumstances. This includes families with up to two children. There are some exclusions but it will impact on people whose circumstances can make them vulnerable. Remaining working age HB claims will gradually migrate to UC from around 2019 to 2023 (subject to confirmation by the DWP). The numbers of council tenants in Birmingham in receipt of UC has risen from;
 - 1,414 (prior to full service in November 2017); to
 - 7,205 (23 September 2018) – over 150 new cases per week.
- 2.5 This is likely to represent around 50% of the UC (housing cost element) caseload in the City, with private tenants and RSL tenants making up the balance. Other housing providers report much lower levels of rent collection for people on UC, although there is very limited published information available.

3. Impact on arrears

- 3.1 The impact of UC on rent arrears has been considerable for local authority tenants in Birmingham. The table below highlights the difference between the numbers of UC tenants in arrears in comparison to the number of non UC tenants.

UC tenants (% of tenancies)	Tenants in arrears	Value of arrears (% of total arrears)	Ave arrears per case
7,205 (12.3%)	5,450 (75.64% of UC cases)	£5,179,818 (33%)	£719

Non UC tenants	Tenants in arrears	Value of arrears	Ave arrears per case
51,412 (87.70%)	13,499 (26.25%)	£10,369,961 (67%)	£202

- 3.2 The table shows that although UC is being claimed in only 12.3% of tenancies, this currently accounts for 33% of the total arrears. The difference in arrears between UC and non-UC households represents, on average, around seven weeks rent liability. This is a shortfall in cash flow of approximately £100k per week.
- 3.3 Whilst the increase in UC arrears reflected above is in the region of £5.2 million the increase in total arrears compared to this time last year has increased by £1.4 million. Of the 7,205 tenants on UC in arrears, 4,564 UC tenants were already in arrears to the value of £3.9 million prior to claiming UC.
- 3.4 As a result of this significant change, the Council is reviewing its position. A number of issues have been considered in order to continue to ensure that income to the HRA is maximised and that tenants interests are taken into account.

4. Implications and mitigations for the Council and the City

- 4.1 There are significant issues for Birmingham. The Council has around 61,500 properties with 'landlord' responsibilities. There are 42,400 of these households which (prior to UC) relied on housing benefit to assist with payment of their rent. 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.
- 4.2 Registered Social Landlord 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. 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 a UC payment within the same household.

- 4.3 The Council's 'task and finish group', set-up specifically to help to manage the impact of UC full service successfully met its objectives. Chaired by Councillor Chatfield, the group met monthly and was made up of representatives from the Council and stakeholders (including DWP, third sector, and Registered Social Landlords). The group worked collaboratively to mitigate the impact of the Government changes on Birmingham tenants. Having met its objectives, the group has disbanded but the work will continue to be a significant agenda item for the Financial Inclusion Partnership. 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.
- 4.4 The DWP has already taken a more proactive approach to offering tenants an advance on their first UC payment. Changes to the repayment period were announced in the November budget – spreading repayments over a longer period. The seven 'waiting days' for which no UC was paid has been abolished. The Council has also started making the transitional housing payments of two weeks additional HB for people transferring from HB to UC (from 11 April 2018 – also a Budget announcement). The Council is assessing the impact of these changes and in relation to the arrears position and implications for the HRA. This includes modelling of existing tenants payment patterns while in receipt of UC and extrapolating this to inform the Council of the expected numbers going forward. This will help the Council's financial planning and the pilot is helping to determine the associated structural and behavioural changes needed.
- 4.5 There is already in place proactive/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.

5. The Council's Universal Credit pilot

- 5.1 There is an estimated £28 million reduction in the amount of Housing Benefit credited to the HRA in 2018/19 as a result of the full service rollout of UC. 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 does nothing to mitigate the potential increase in arrears.
- 5.2 Since January 2018 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 also examined 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.

- 5.3 The table below shows the successful outcomes on cases where the pilot officers intervened against cases dealt with through BAU (business as usual):

Analysis of 1000 cases with a total debit of £2.4m

Number of cases per team	Number of cases where payment was received	Income collected	Average income collected per case
UC pilot – 915 cases looked at with a total debit of £1,616,811	887 (96.93%)	£1,225,471 (75.79%)	£1,339
Business as Usual – 915 cases looked at with a total debit of £874,132	656 (71.69%)	£236,363 (27.03%)	£258
Difference	231 cases	£989,108	£1,081

- 5.4 Due to the work of the UC pilot the forecasted increase in arrears of £1.84 million has now been reduced to £1.1 million (subject to implementation of the new future operating model in the Rent Service).
- 5.5 The debit for council rents is raised weekly. The Rent Service collects rent by a range of payment methods on a weekly, fortnightly or monthly basis. Universal Credit will be paid directly into the bank accounts of eligible households, monthly in arrears. This marks a notable and fundamental change at the centre of which is a new and as yet largely, unchartered tenant/landlord relationship for tenants who are claiming UC.
- 5.6 The DWP guidance advises landlords to speak to their tenants to obtain information about their UC claim. The Rent Service receives information from the Benefit Service on Housing Benefit issues (eg HB being cancelled due to a UC claim being made). This helps the Rent Service identify which tenants to offer support to. Three way telephone conversations with the tenant and the DWP can be arranged to resolve queries. This is resource intensive and a known frustration for other landlords currently operating in UC Full Service areas. Nonetheless, it is often required to resolve queries in some situations. This support is also particularly required by vulnerable tenants who may need assisted 'Digital Support' or 'Personal Budgeting Support' (see section 7).
- 5.7 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 also has the following objectives and is starting to show some 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 proactive work has prevented around 25 evictions by close working between the DWP, the Benefit Service and Housing.
 - 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 do not meet tenants circumstances:
 - The majority of UC tenants do not want to pay by direct debit (DD). The team has found that people prefer more control over their payments and Standing Order or payments via the phone.
 - Alternative Payment Arrangements are not suitable for people who are on 'zero hour contracts' or whose financial circumstances fluctuate regularly.

6. Discretionary Housing Payments (DHP)

- 6.1 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.
- 6.2 The DHP budget for 2018/19 has been reduced by the Government from around £5.3 million in 2017/18 to £4.8 million. There is an increased pressure on this fund due to Universal Credit and a review of the strategic use of DHP is underway to help to further maximise the spending. This will help to ensure the right people get the help they need to retain their tenancy, or move to somewhere more sustainable.

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

- 7.1 DWP provide funding to councils to help people who may need support with the move to UC. This includes help with their budgeting and digital access. UC claims and claim management is all 'on line'. Many people will not have access to the internet, or the skills needed to manage their UC accounts. The Council has put in place arrangements (ADS) to assist people with this support, in the main through the Library service.
- 7.2 The Neighbourhood Offices (NAIS) has provided the PBS up until now. Arrangements are currently under review and a partnership for the delivery of PBS is planned to involve the Citizens Advice Service and the Rent Service. Assisted Digital Support is provided through the Council's library network. This is helping to support people who do not have the access or skills to help them with their claims.

8. Conclusion

- 8.1 The coming months will continue to see a significant change for many people in the City. There are many issues for the Council to consider. As a 'landlord', there are important issues in relation to rent arrears and the impact on the council's housing budget. For working age Birmingham residents (in receipt of housing benefit), the Government changes to the benefits system mean a fundamental change in the way their housing costs are dealt with. Related issues with social housing and private

tenants need to be considered in order to ensure affordable tenancies are maintained and the associated costs of homelessness are minimised.

- 8.2 The pilot work has identified that early intervention and intensive case management is imperative in order to minimise the impact of UC and rent collection. The UC pilot officers have surgeries set up at Jobcentres across the city which are dealing with complex and vulnerable cases. This has allowed the officers to establish links and create a dialogue with the tenant, to enable and support them during the initial five week waiting period. Thus securing a sustainable payment arrangement when they receive their first payment.
- 8.3 The Rent Service continues to analyse the arrears patterns. The ongoing learning has informed the best way to structure the Service and a review is currently being developed.

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