

The Impact of Universal Credit on Council Tenant Rent Arrears

Since April 2013 a number of reforms to the welfare system have taken place including the introduction of restrictions on Housing Benefit for under-occupation (Bedroom Tax) and the Benefit Cap which restricting the amount of 'out of work' benefits a working age household could receive. These changes have already put pressure on housing rent arrears recovery and related services.

The most recent reform to be introduced is Universal Credit, this is a working age benefit that replaces 6 means tested benefits as follows:

- Housing Benefit
- Income Support
- Job Seekers Allowance
- Employment and Support Allowance
- Working Tax Credit
- Child Tax Credit

Key Changes

Universal Credit claimants receive a single payment which includes both living and housing costs. For council tenants housing benefit is paid weekly in advance directly onto the rent account in the form of a rent rebate. Universal Credit is paid monthly in arrears and tenants are now responsible for paying their own rent to the Council.

Impact on rent arrears

Universal Credit Full Service arrived in Cardiff on 28th February 2018 and there are currently 1332 council tenants in receipt of Universal Credit.

Welfare Reform has had a significant impact on council tenants and as a result rent arrears have increased by 137% since April 2013.

Universal Credit is having a significant impact. There are more tenants in arrears and the amount of the arrear is much higher for Universal Credit claimants than for those on Housing Benefit:

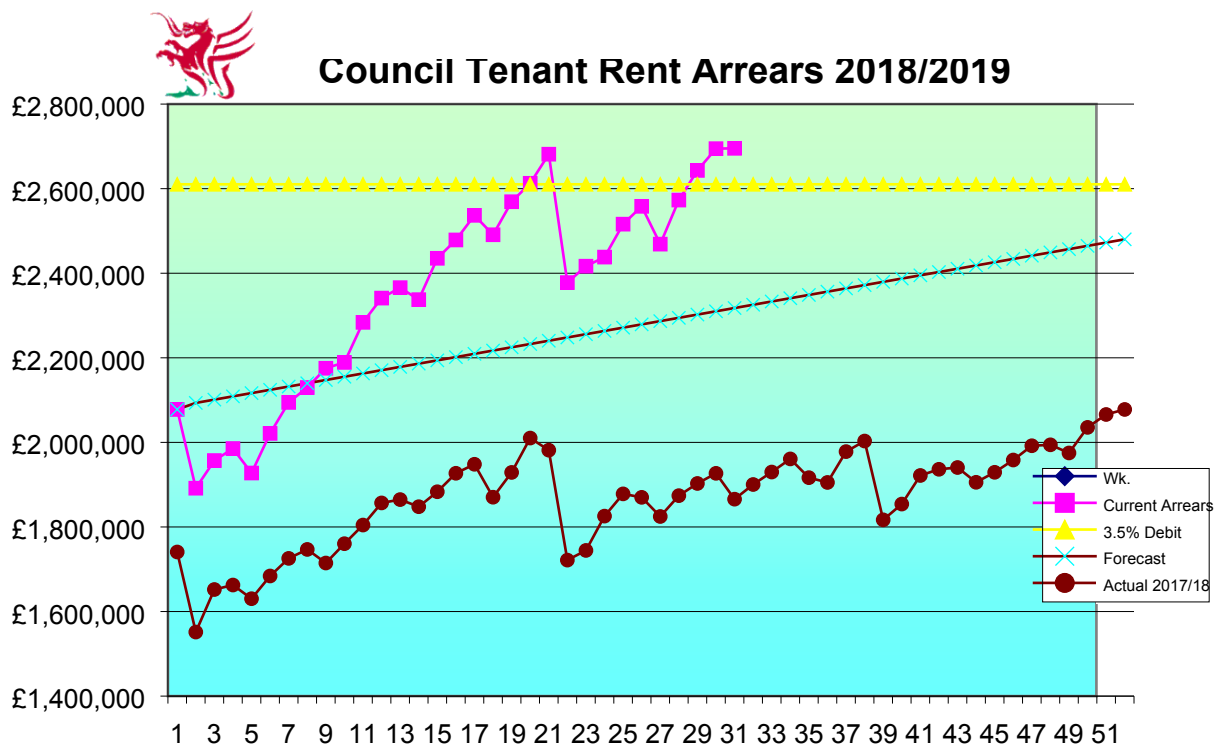
- Of the 1,332 council tenants in receipt of Universal Credit 1094 (82%) are in rent arrears, this compares with 22% of tenants on Housing Benefit. Therefore it is estimated that 801 more tenants are in rent arrears than would have been the case if it were not for Universal Credit.
- The average rent arrear for tenants on Housing Benefit is £384, while the average for tenants affected by Universal Credit is £1,006. Arrears for Universal

Credit claimants are therefore £622 higher on average than for tenants on Housing Benefit.

- **Overall it is estimated that £988,052 of current rent arrears is due to Universal Credit.**

At the end of October 2018, total current tenant rent arrears were at £2,695,400 an increase of £617,500 since the start of the year. The number of council tenants in rent arrears has increased by approximately 1,500.

This reflects the experience of other councils since the introduction of Universal Credit.



Action to date

In order to ensure that tenants are fully supported through these changes and to minimise the impact on rent arrears, a number of actions have been taken, including:

Welfare Liaison Team

A dedicated Welfare Liaison Team was developed in 2015. The aim of the team to assist tenants with all aspects of welfare reform including offering assistance with downsizing to enable tenants to move to more suitably sized and affordable accommodation. The team also offers advice regarding the Benefit Cap and the schemes available to help tenants get back to work.

The Welfare Liaison Team also helps with budgeting and debt advice and more recently, digital and budgeting support to assist tenants to adjust to Universal Credit. Welfare Liaison Officers also assess income and outgoings so that affordable rent

arrears repayment arrangements can be made. Demand for this service has been high and this is increasing steadily as additional tenants migrate onto Universal Credit. The Welfare Liaison Team has increased from 5 to 14 Officers including 2 new Senior Officers to support the manager and to deal with the increasingly complex cases.

New Approach to Rent Arrears Recovery

A new rent arrears recovery procedure was introduced in this year with an increased emphasis on early intervention. A toolkit was designed to be used by housing Finance Officers so that extra support could be targeted towards new tenants; those with significant changes in circumstances such as returning to work or following bereavement; tenants facing welfare reform changes and those with an emergency or crisis in their lives. The focus of the new procedure is on having an open conversation with the tenant as soon as possible to understand the underlying causes of arrears and using the toolkit to offer advice and support to prevent the rent arrears escalating. Early feedback on these changes is very encouraging, with tenants more likely to engage with the help available.

New Rent Arrear Monitoring System

The new rent arrears monitoring system is a more streamlined way of monitoring rent arrears on a weekly basis. It is designed to use an expected payments function within the system for all accounts that are in arrears. If tenants do not meet their expected payment each week, the system will flag the account up to the Finance Officer who will then take any necessary action whilst following the new rent arrears procedure. This new system has enabled officers to spend more time on cases that require urgent attention. Additional Finance Officers have also been appointed to deal with the increase in the number of arrears cases.

Hardship Fund/Scheme

Set up this year, the purpose of the Hardship Scheme is to allow a fresh start for tenants who are returning to work, trying to change their lifestyle or going through a crisis. If tenants meet the criteria for this scheme rent arrears will be written off in order to give them a fresh start. To qualify tenants normally need to show that they are now maintaining regular weekly rent payments.

Managed Payments

For tenants who are in receipt of Universal Credit and have rent arrears or are identified as being vulnerable, the Council can apply to the Department of Works and Pensions for payment direct. When granted, housing costs are paid direct to the Council rather than to the tenant. Cardiff currently has 270 such payment arrangements in place and greater use of this arrangement will be made in the future, where possible before the tenant fails to pass on the first payment.

Preventing Legal Action and Evictions

As part the pre-court prevention arrangements, a Rent Review Panel hearing is held before court action is taken for rent arrears. Tenants are invited to the hearing to discuss their arrears and advice and support is also offered. In most cases, a final affordable repayment agreement is made to prevent court action from being taken.

The number of evictions has reduced by 10% this year. The Housing Finance Teams work closely with the Homeless Prevention Unit and Adult/Children Services to try and prevent evictions taking place and only 49% of all eviction applications lead to eviction.

Future Challenges

There are approximately 7,000 working age council tenants still in receipt of Housing Benefit who will eventually migrate onto Universal Credit, although the timescales for full migration are not yet known. The impact of this change on the level of rent arrears is likely to be significant and the long term impact on the HRA Business Plan is currently under review.