

**THE IMPACT OF UNIVERSAL CREDIT ON RENT ARREARS – MEMBERS
BRIEFING**

Purpose of Report

1. To provide Members with an overview of the impact of Universal Credit on rent arrears. A briefing note on the issues is attached at **Appendix A**.

Background

2. 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.
3. 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

Impact on rent arrears

4. Universal Credit Full Service arrived in Cardiff on 28th February 2018 and there are currently 1332 council tenants in receipt of Universal Credit.
5. Welfare Reform has had a significant impact on council tenants and as a result rent arrears have increased by 137% since April 2013.
6. 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.**
7. 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.
8. This reflects the experience of other councils since the introduction of Universal Credit.
9. As well as the issues outlined above, the brief attached at **Appendix A** sets out the following issues:

- Graph of rent arrears for 2018/19
- Action to date:
 - Welfare Liaison Team
 - New Approach to Rent Arrears Recovery
 - New Rent Arrear Monitoring System
 - Hardship Fund/Scheme
 - Managed Payments
- Preventing Legal Action and Evictions
- Future Challenges

Way Forward

10. At this meeting, the following witnesses will be in attendance:

- Councillor Lynda Thorne (Cabinet Member for Housing & Communities)
- Sarah McGill (Corporate Director, People & Communities)
- Jane Thomas (Assistant Director, Housing and Communities)

Officers will answer Members' questions arising from the attached Briefing.

11. Members may decide any comments, observations or recommendations they wish to pass to the Cabinet for their consideration following the presentation at this meeting.

Legal Implications

12. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural

requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

13. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

It is recommended that the Committee:

- i. Consider the information provided in this report and **Appendix A**; and
- ii. Decide the way forward with regard to any further scrutiny of this issue.

DAVINA FIORE

Director of Governance and Legal Services

28 November 2018