

## Corporate Scrutiny – Wednesday 13<sup>th</sup> March 2019

### Arrears and Universal Credit:

Scrutiny have requested specific information in relation to Universal Credit (UC) and rental payments.

Summary information provided below explains numbers in receipt of Universal Credit:

	Q1	Q2	Q3
Number of Council Tenants on Universal Credit	445	523	589
Number of Council Tenants on Universal Credit in Rent Arrears	-	441/84%	473/80%
Number of Council Tenants on Universal Credit not in Rent Arrears	-	82/16%	116/20%
Number of Alternative Successful Payment Arrangements set up (UC)	112	148	196

Increase in housing rent arrears and the impact of Universal credit payments:

	2018/19 Q1 Arrears	2018/19 Q2 Arrears	2018/19 Q3 Arrears
Arrears @ 1 April 2018/19 £455,508	£639,907	£677,472	£655,787
	2017/18 Q1 Arrears	2017/18 Q2 Arrears	2017/18 Q13 Arrears
Arrears @ 1 April 2017/18 £396,963	£540,987	£542,466	£527,497
Increase between 2017/18 – 2018/19	<b>£98,920</b>	<b>£135,006</b>	<b>£128,290</b>
UC claimants	445	523	589
10 weeks for UC payment	10 weeks x £85 (average rent) x 445 claimants = £378,250	10 weeks x £85 (average rent) x 523 claimants = £444,550	10 weeks x £85 (average rent) x 589 claimants = £500,650
5 weeks for UC payment	5 weeks x £85 (average rent) x	5 weeks x £85 (average rent) x	5 weeks x £85 (average rent) x

	445 claimants = £189,125	523 claimants = £222,275	589 claimants = £250,325
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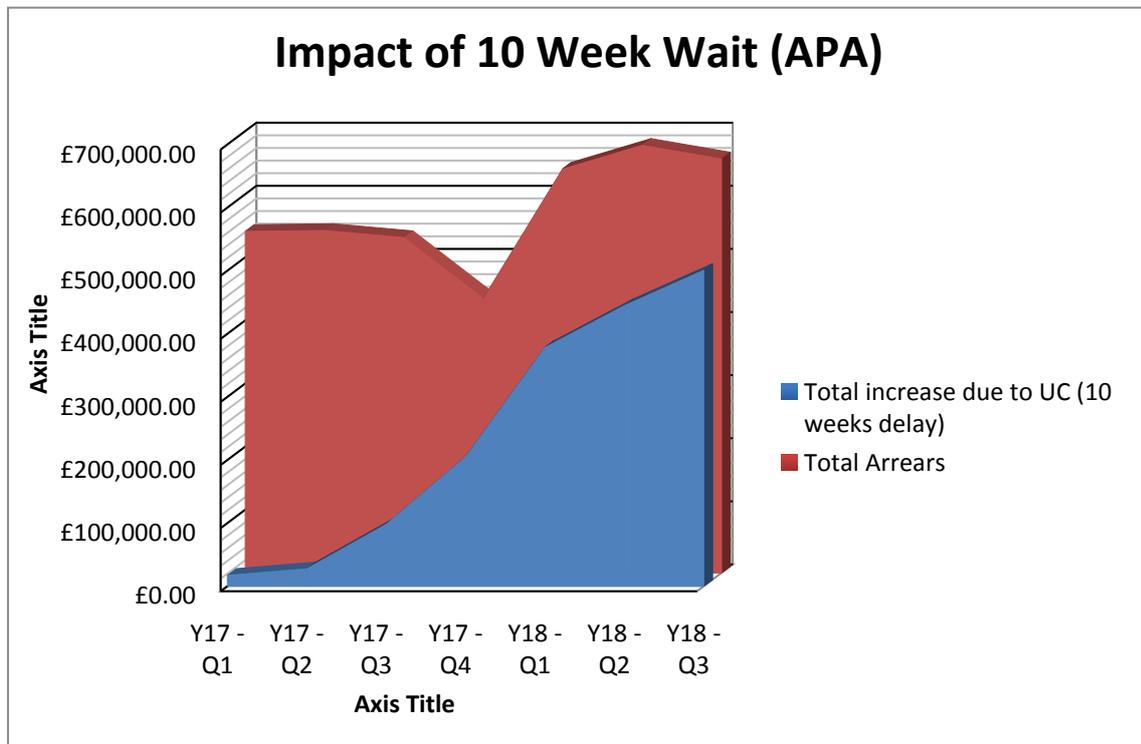
The above clearly shows that there are 589 UC Claimants each with an average debt of £425 per claimant as at 31 December 2018.  $589 \times £425 = £250,325$  (based on £85 per week average rent x 5 weeks minimum wait for UC payment) plus arrears of £527,497.01 as at 31 December 2017 = £777,822.01 This is £122,034.67 higher than our current arrears as at 31 December 2018 which is £655,787.34

Every Universal Credit claimant is currently waiting a minimum of 5 weeks and on average 10 weeks for payment. Every case where a claimant is waiting 10 weeks, this is costing the Council on average £855.20 (£85.52 average rent x 10 weeks).

There is currently, on average, 20 new UC cases per month and based on the average debt of 10 weeks this is an approximate increase of £17k per month. If this trend continues on a month by month basis we can confidently say that we expect to see arrears increase by £204k per year.

Current arrears as at the end of quarter 3 (October – December 2018) are £655,787.34. Based on UC claimants waiting time for payment, between £250k and £500k of these arrears is attributable to UC. This suggest that whilst arrears overall are decreasing the overall increase is primarily as a direct result of UC.

**An example of arrears compared to UC claims:**



Please note that in some cases the Council can wait up to a maximum of 12 weeks for payment and in some instances this has been even longer. In addition, the waiting time for a Court Order is an average of 6-8 weeks and warrant applications can be anything up to 12 weeks. There is now an ongoing demand on the Courts.

Officers did predict (in line with UC pilot authorities) that rent arrears would increase as a result of Universal credit as typically:

- UC payments can take up to 5 weeks minimum and 10 weeks on average to process and in the majority of cases are paid direct to the recipient inclusive of the housing element. This is paid monthly to the tenant 4 weeks in arrears
- Alternative payment arrangements (APA'S) agreed between the landlord and claimant has on some occasions taken the DWP up to 12 weeks to process. In these circumstances intelligence has shown that in the majority of cases the claimant has not provided or submitted required or relevant information.
- Strict data sharing rules means that although the Council is a trusted partner for the DWP, tenants' are still required to give explicit consent for specific issues – which can delay payment details

Typical issues currently faced by the UC claimant, Landlord and DWP are as follows:

**Issues faced by UC claimant:**

- Reluctance from customers to apply for UC. Customers are aware that it takes a minimum of 5 weeks from initial application to receipt of the first payment of UC
- Totally online benefit and those customers with poor computer literacy find it challenging to apply
- Benefit Claimants are still confused on which benefit they should be claiming for
- Tenants have received letters asking them to be claiming JSA – where in fact it should be Universal Credit
- Joint tenants still have the odd issue with some only getting half the rent paid
- Customers can now apply for an advanced payment within the first week of initial application for UC but it has to be repaid to the DWP over a maximum period of 12 months by deductions from their monthly UC payments.
- Customers have to learn to budget on a monthly rather than weekly basis
- There are complex and changing rules as to who has to apply for UC and who remains on legacy benefits leading to understandable confusion by customers as to what benefit they should apply for

**Issues faced by Landlord (Tamworth Borough Council):**

- UC payments are administered by the DWP not the Council so our knowledge of what is happening is more limited
- If rent arrears are more than 2 months' rent TBC can apply for UC payments to be paid directly to TBC but this takes 10 / 12 weeks before we receive the first payment and in some cases longer
- Moving to UC, which is paid monthly in arrears rather than weekly, has inevitably increased total rent arrears
- Tenants not informing DWP of changes to their rent charged
- The majority of registered social landlords, Councils or Housing Associations, where UC has been introduced have seen an increase in total rent arrears.
- Whilst TBC is now a trusted partner this has speeded up some administrative tasks undertake between TBC and the DWP but this does not provide us with any details of what a customer on UC is receiving

- Can take up to 45 minutes to get through to UC and even then we are only permitted to discuss a limited number of queries
- Change in regional leads at DWP
- When payments are made directly to the Council via an APA (alternative payment arrangement) we receive payments every 4 weeks whereas customers get their UC payments monthly. This creates confusion with our customers and makes it very difficult to agree terms for a suspended possession court order
- Change in regional leads

**Issues faced by DWP (Department for Work and Pensions):**

- The introduction of UC has been and continues to be delayed by the sheer complexity of UC replacing 6 other benefits which has led to IT issues.
- Having to train staff in a new complex benefit.
- TBC has provided good quality support to customers to apply for UC and to learn to budget. The same level of quality support has not been provided by all registered social landlords so the DWP has decided nationally to hand over this support to the CAB as from the 1<sup>st</sup> April 2019.

As part of the Councils response to welfare reform, in particular UC, a corporate project group has been re-set to collaborate, understand and take actions to mitigate the impact. This group is due to refresh its scope and objectives and will assess the business risks – using intelligence and data to promote agile and flexible solutions. The corporate project group includes staff and partners from across the organisation. There remains organisational commitment to:-

- Delivering quality services through enhanced digitisation and customer access to DWP and UC as well as wider welfare benefits
- Developing neighbourhood resilience through tackling illegal and high cost lending and fuel poverty
- Supporting economic and job prospects through tackling worklessness.
- Preventing homelessness through early help aimed at avoiding eviction across all tenures
- Supporting the development of a Corporate Debt Strategy

Key principles of robust income collection include:

- Independent assessment by Rent Income Excellence Network (part of HQN a national benchmarking group for landlord rent collection) endorsing the approach to prevention, education and enforcement around income collection
- Introduction of Rent Income Analytics tool within orchard to prioritise non-payment and highlight bad debtors
- Investment in third and voluntary sector of up to £30k. Including the Tamworth Advice Centre for debt advice and income maximisation support and Brighter futures to support tenants with complex and mental health needs
- Close working with the DWP (as a trusted partner accessing portal) and job centre to collaborate on information sharing – ongoing work with regional lead

- Supporting 'rent first' campaigns and educational material via a range of tenant groups
- Officers closely monitoring rent collection levels as well as comparing historic patterns and trends to assess unusual spikes in debt. The graph below shows, that whilst arrears are higher, the payment pattern is in fact following the same trend as in previous years.

**Current Tenant Arrears**

