

Meeting of:	<b>Homes and Safe Communities Scrutiny Committee</b>
Date of Meeting:	<b>Wednesday, 06 April 2022</b>
Relevant Scrutiny Committee:	Homes and Safe Communities
Report Title:	<b>Universal Credit and Covid-19 – rents impacts</b>
Purpose of Report:	To note the impacts of Covid-19 and the continued roll out of Universal Credit.
Report Owner:	Director of Environment and Housing
Responsible Officer:	Nick Jones, Operational Manager Public Sector Housing
Elected Member and Officer Consultation:	This report will affect all Council tenants and therefore no individual ward member consultation has been undertaken. The report has been reviewed by Officers from the Legal and Finance teams
Policy Framework:	This report is within the Policy Framework and Budget.
<p>Executive Summary:</p> <ul style="list-style-type: none"> <li>• The report sets out the impact of Covid-19 and the continued roll out of Universal Credit (UC) on tenants and rental income.</li> <li>• There have been significant increases in tenant rent arrears following the roll out of Universal Credit and this has been exacerbated further by the Covid Pandemic. The situation in the Vale of Glamorgan mirrors the national trend and has seen arrears increase from 1.7% to 3.2% of the total rent roll.</li> <li>• Rent arrears levels in the Vale of Glamorgan remain lower than other social landlords including other stock retaining Councils in Wales.</li> <li>• The intervention work undertaken has been able to minimise the increase in arrears and sustain tenancies. There is a continued emphasis on prevention and a range of assistance and support to help tenants experiencing financial hardship. This includes the in-house Money Advice service which has helped 931 households over the last twelve months to realise £422,429 additional income as a result of claiming additional welfare benefits, moving over to cheaper tariffs or securing grants or payments.</li> <li>• Increases to the cost of living and in particular rising gas and electric costs, will place many tenants into financial hardship. The Income team and Money Advisors will therefore, continue to</li> </ul>	

work closely with tenants, to smooth any transition onto Universal Credit and assist them to pay their rent.

## **Recommendations**

1. That Scrutiny consider the report highlighting the impact of Covid-19 and the Universal Credit roll out on tenants and the Council's rental income.

## **Reasons for Recommendations**

1. To ensure that the local impact of Universal Credit is understood, and to detail the range of responses in place to help to mitigate any adverse impact on Council housing tenants and the Council.

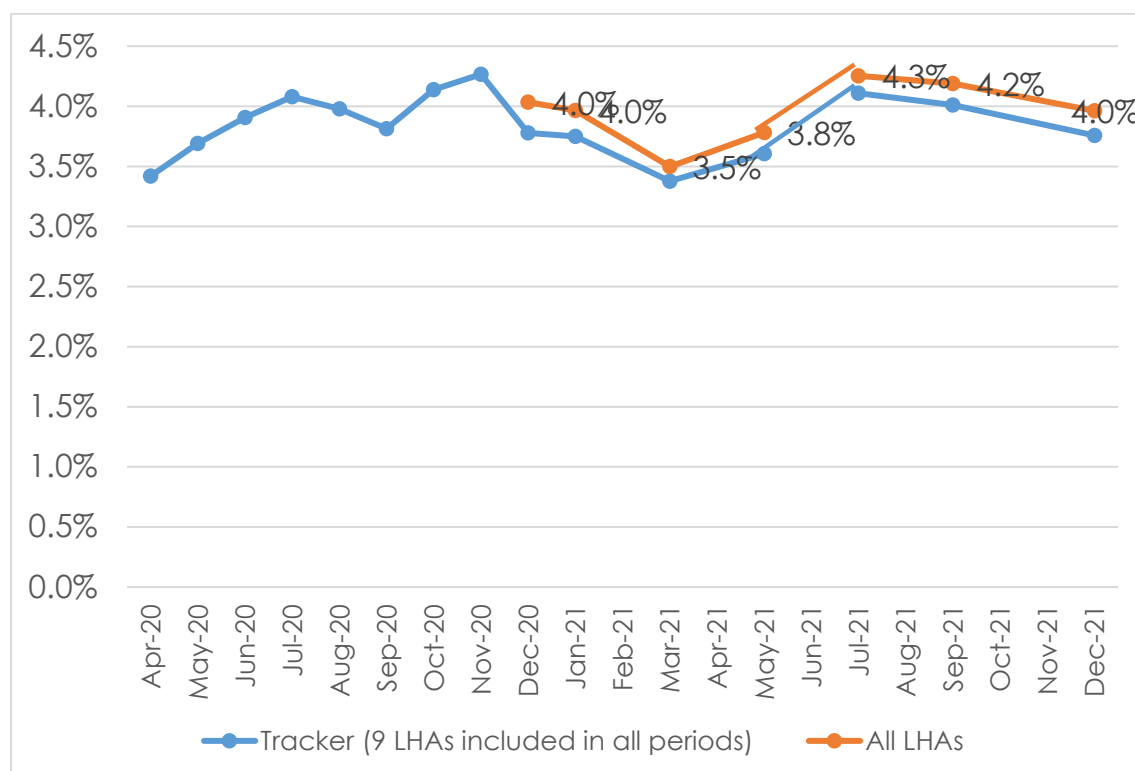
### **1. Background**

- 1.1 The Welfare Reform Act introduced a wide-ranging programme of welfare reforms designed to reduce dependency on welfare benefits and support working families. In response, a Scrutiny Task and Finish Group was established and drafted a report to Cabinet in 2013. Subsequently, the Head of Finance has submitted regular detailed reports for Corporate Performance and Resources Scrutiny Committee, highlighting emerging themes and the impact on residents in the Vale of Glamorgan.
- 1.2 In addition, the Homes and Safe Communities Scrutiny Committee has received regular reports and presentations on the impact of the changes to the benefit system, outlining the effects on tenants and the Council, in particular its rental income.
- 1.3 This report details the impact of the Universal Credit roll out on Council tenants specifically, taking in account their financial capability, ability to pay rent, eviction rates etc.
- 1.4 By way of background, it is also worth noting the impact of the Covid-19 Pandemic, which has had significant impact by adversely affecting tenants' ability to work and expedited an increase in the number of claimants moving over to UC. During the pandemic, the Welsh Government introduced new regulations for landlords under the Coronavirus Act 2020 - that extended the notice period required in respect of secure tenants. There is now an extended notice period of six months before Court applications can be made for possession on grounds of non-payment of rent. The aim of the extended notice period was to delay evictions during the pandemic and reduce pressures on Local Authority Homelessness teams.
- 1.5 During the lockdown, there was also a moratorium on County Court Possession claims by landlords except in very limited circumstances. This meant the Council was unable to issue a claim for possession of a property, or to seek warrants for eviction and this resulted in no possession claims being brought and no evictions taking place for an extended period. These restrictions have now been lifted and it is possible for landlords to bring forward possession claims subject to the pre

action protocols being followed, which require all avenues to have been exhausted and Covid impacts reviewed.

## 2. Key Issues for Consideration

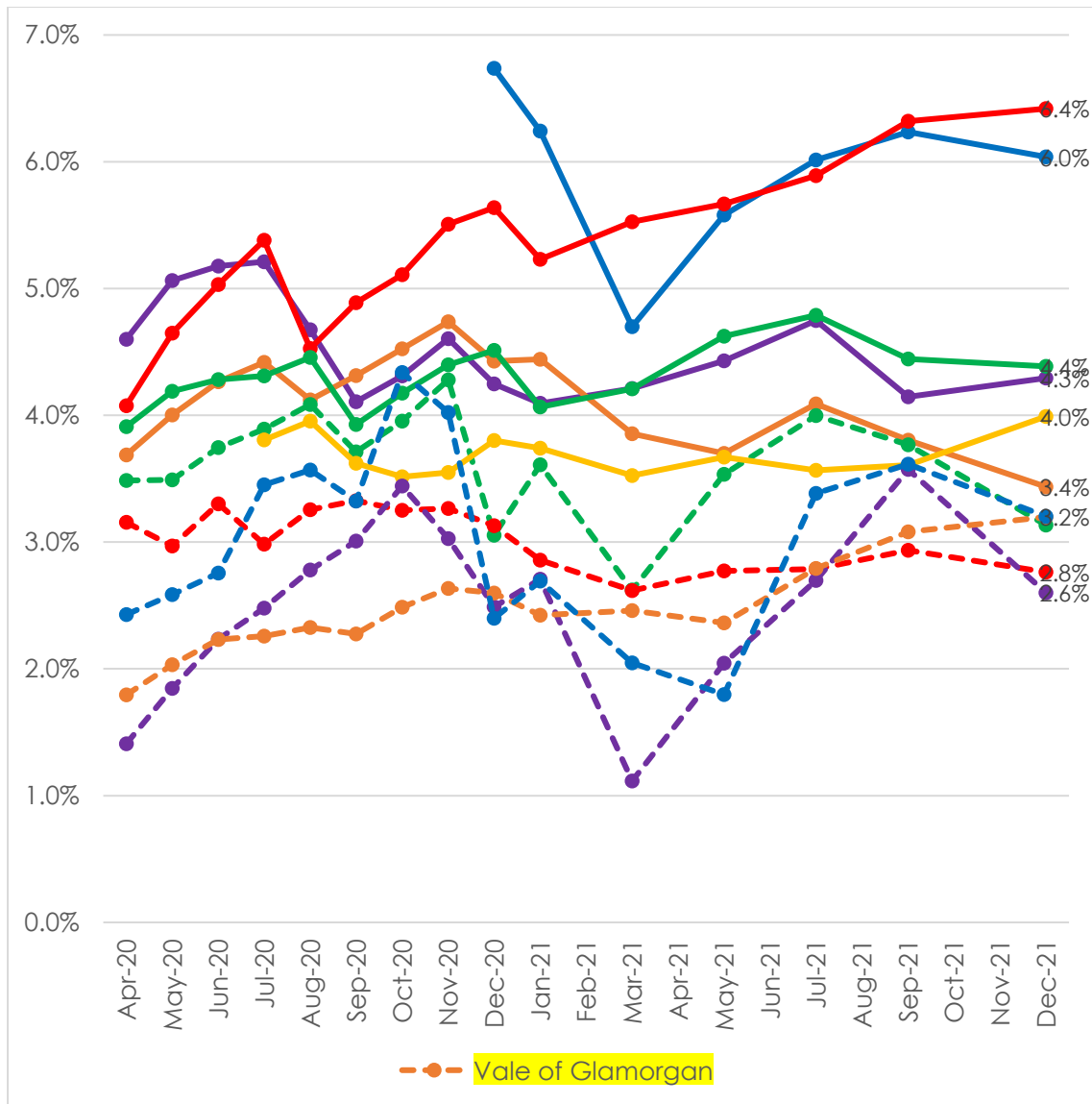
- 2.1** The introduction of Universal Credit (UC) is having a significant impact on Council Housing tenants across Wales and rental income received by Councils. UC claims are made on-line and paid monthly in arrears, directly into tenants' bank accounts. This was a major change for a lot of tenants who did not use the internet or have email accounts previously, and for people who used cash rather than a current account from a bank or building society - to manage their money. The other major change was the default position for the housing cost element of UC to be paid directly to the tenant (rather than sent to direct to their landlord).
- 2.2** The following chart shows the national arrears trend across Wales since the start of the Covid-19 pandemic, where arrears increased significantly from April 2020 before dropping back and then increasing again in the summer of 2021.



- 2.3** To date, 1,093 Vale of Glamorgan council housing tenants are in receipt of UC and the combined rent arrears of those tenants is £566,689. This is 81% of the total rent arrears owed by of all Council Housing tenants. The average arrear per tenant on UC of £448 is significantly higher than tenants who are in receipt of Housing Benefit (HB), whose average arrears are £150.
- 2.4** Traditionally, the Vale of Glamorgan is one of the top performing local authorities in respect of collecting rent. Prior to Covid-19, rent arrears were

around 1.7% of the rent roll, which equated to £367,000 in rent owed by current tenants.

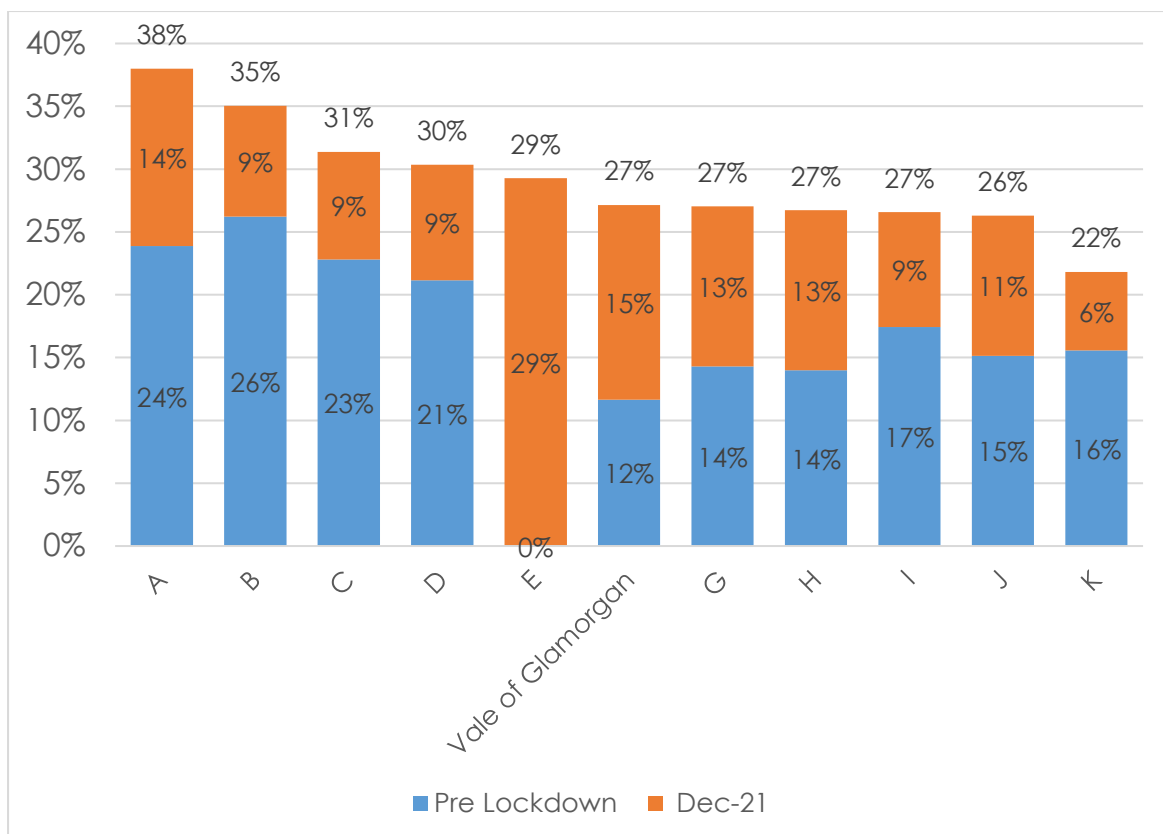
- 2.5** A robust approach has long been advocated to protect a vital income stream to support the Housing Business Plan- which sets out our investment and funding requirements. This has enabled the Council to make significant investments in the housing stock and environmental improvements on estates. The income also supports the aspiration to build new Council homes.
- 2.6** The approach taken is also effective in minimising tenant debt and supporting vulnerable people. Research shows that when debts increase beyond a point, it is unlikely the tenant will ever be able to recover the situation. A preventative approach and one where staff engage with a tenant at the earliest opportunity, has meant that arrears do not escalate and are more likely to be managed by the tenant.
- 2.7** Since the lockdown, rent arrears have increased significantly, as many households' income and employment has been affected, by reduced hours, furlough or redundancy. There are now 500 additional tenants who are behind with their rent and rent arrears have increased to just over £695,000 which equates to 3.2% of the total rent roll.
- 2.8** The arrears level however remain one of the lowest amongst Welsh Local Authorities which have retained their social housing stock. On the graph below the Vale Council arrears are shown as the orange dotted line at the bottom of the cluster.



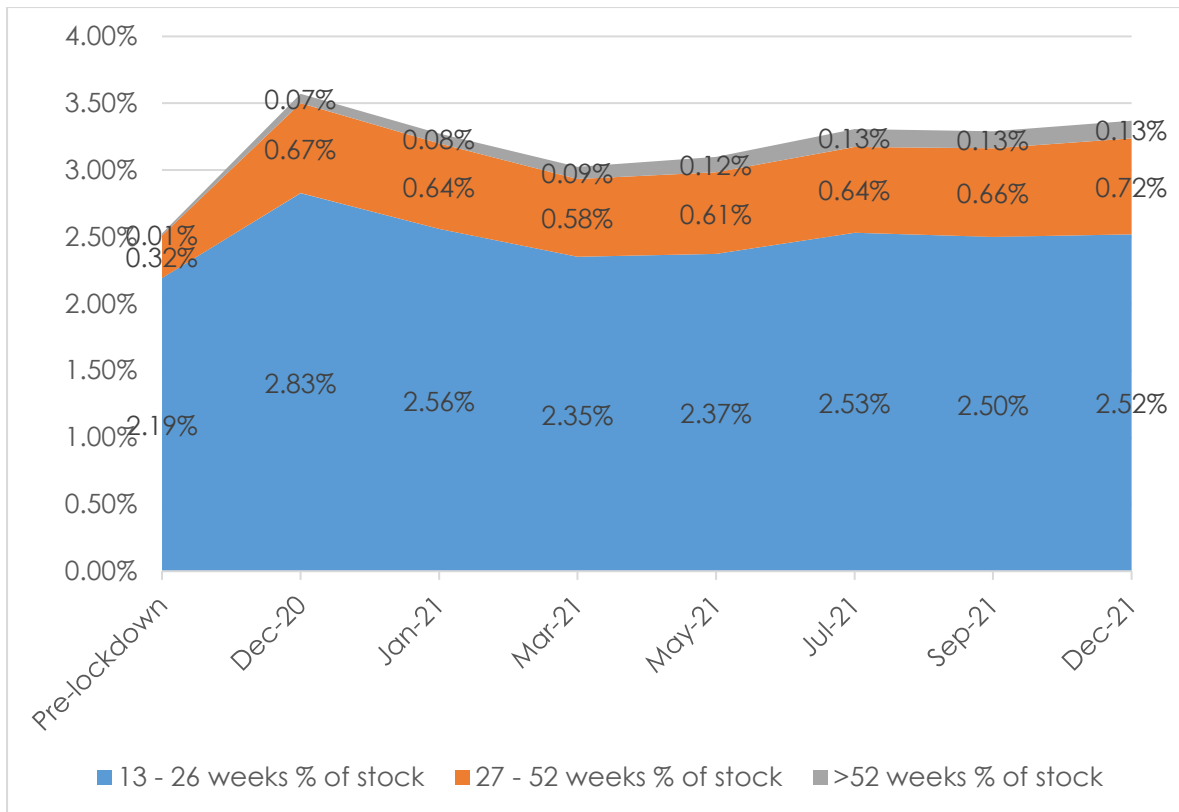
**2.9** The rent arrears for UC claimants is driving up the overall rent arrears. The following table below shows the total number of tenants who are UC claimants over the last three years.

	March 2020	March 2021	March 2022
No of UC claimants (Council housing tenants)	452	885	1093

**2.10** The following graph shows the percentage of council tenants in receipt of UC and contrasts pre and post Covid restrictions across different Councils. Whilst there was a relatively low number of Vale tenants on UC prior to Covid, the rate of increase has been faster than others.

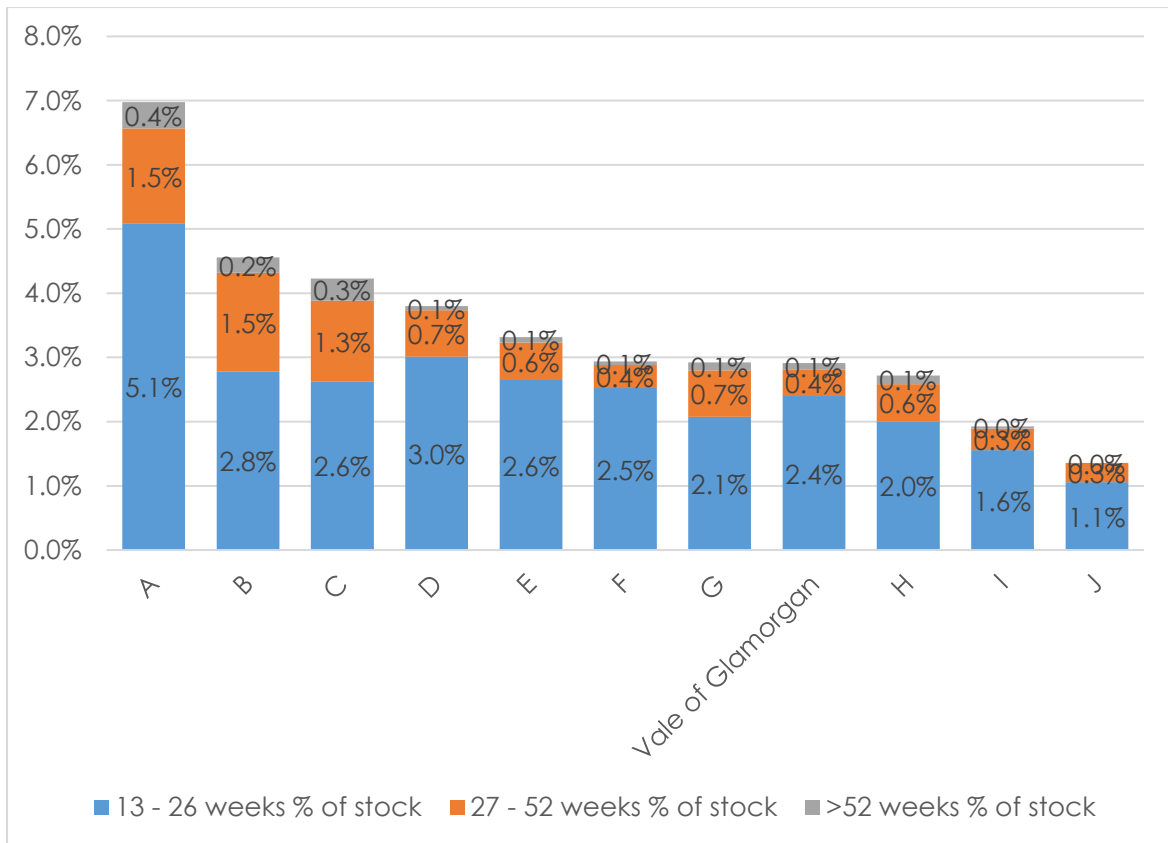


- 2.11** In future as more tenants migrate across to UC, it is anticipated that arrears will continue to increase but at a slower rate. Forecasts prepared as part of the Housing business planning process have been tweaked to take account of this trend and it is anticipated that bad debt could potentially rise as a result of the impact of UC roll out and Covid-19.
- 2.12** There is evidence from claimants who went onto UC previously, that rent arrears plateau as tenants become more adept at managing their money and get used to making regular monthly payments to cover their rent. This is borne out by the results of studies of pilot organisations who were early adopters of Universal Credit - who report that overall arrears are now fairly static, although albeit at a higher level than prior to the changes.
- 2.13** The impact of UC is being managed by the Council and whilst there are a range of interventions and actions being employed by the Housing Income team, it has not translated into an increased number of evictions (even before the moratorium on possession action was introduced by Welsh Government).
- 2.14** The next graph shows the split of council housing rent arrears by value band and shows a sharp spike in debt after lock down. A reduction was then followed by a slower but sustained increases in arrears over a number of months. Noticeable also, is the increasing number of tenants on with high (over 27 weeks) and very high arrears (over 52 weeks). These debts account for a significant amount of arrears.

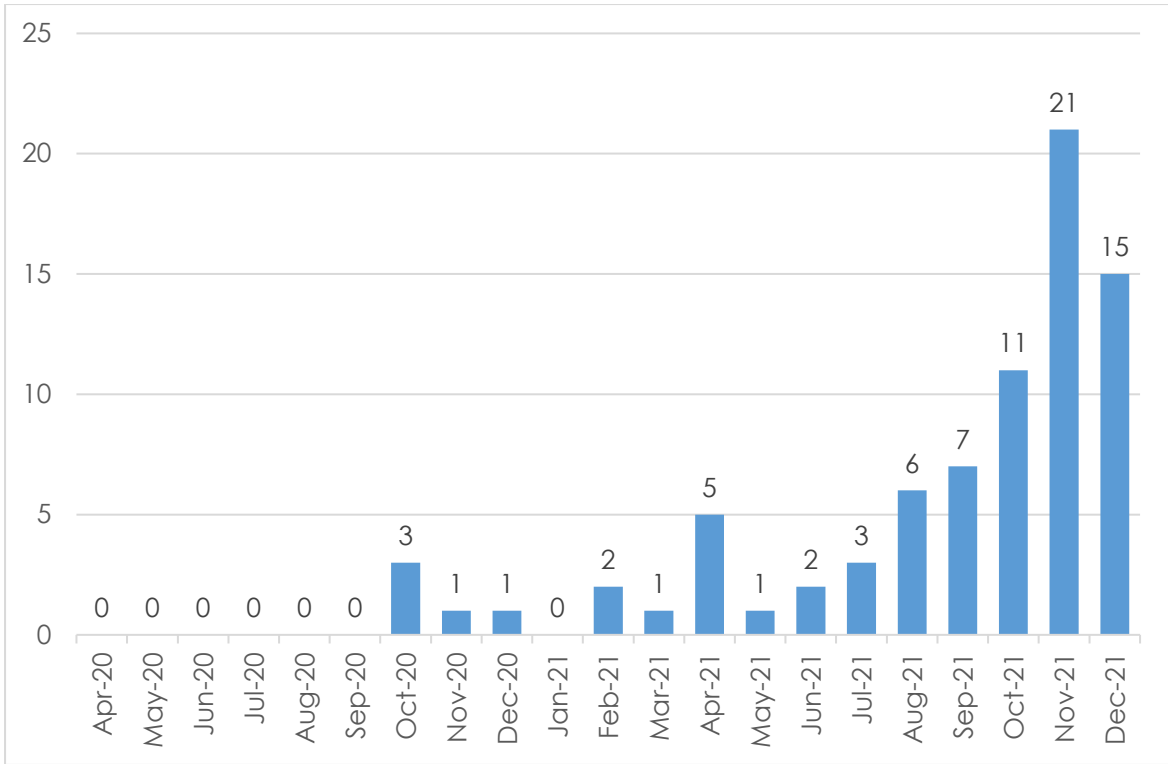


The next graph shows the same information split by different local authorities and highlights that in the Vale, 0.5% of tenants are in arrears over 27 weeks. This includes some very high cases where individual tenants have refused to engage or pay their arrears, which have increased to over £5,000. Actions are being escalated in respect of these accounts and recently a single person was evicted by the Court. Possession action remains a last resort and to date, just one eviction has had to be carried out.

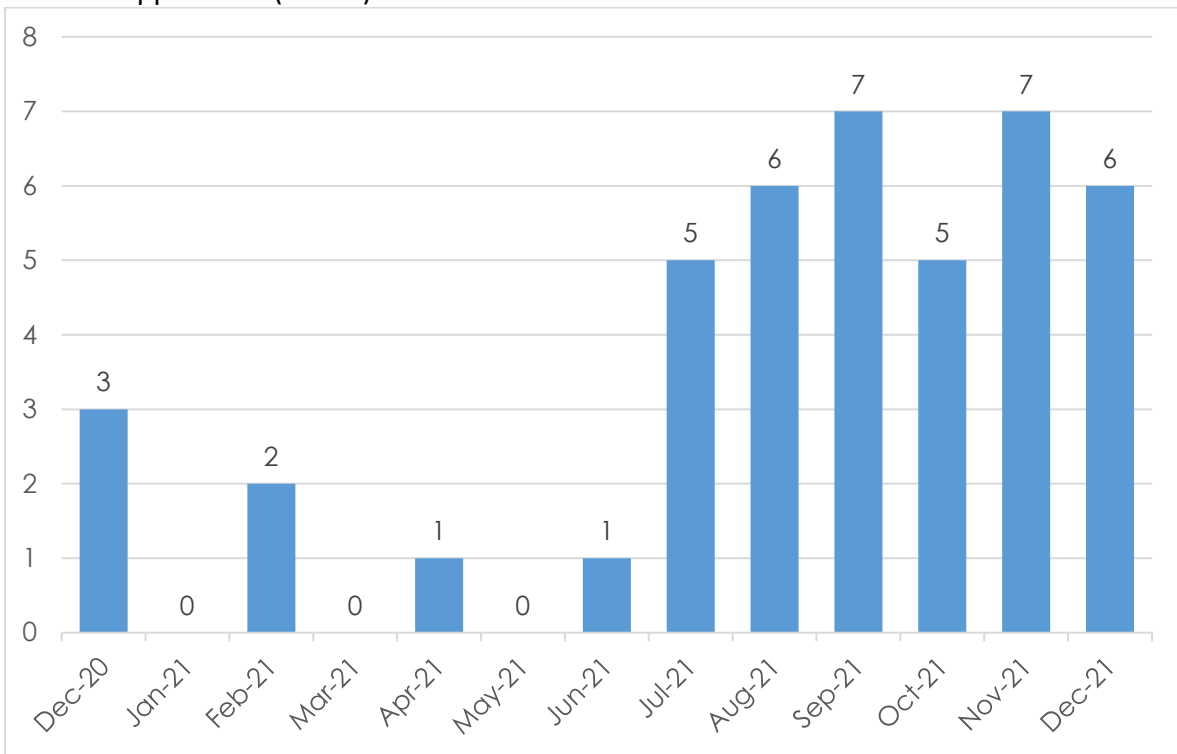


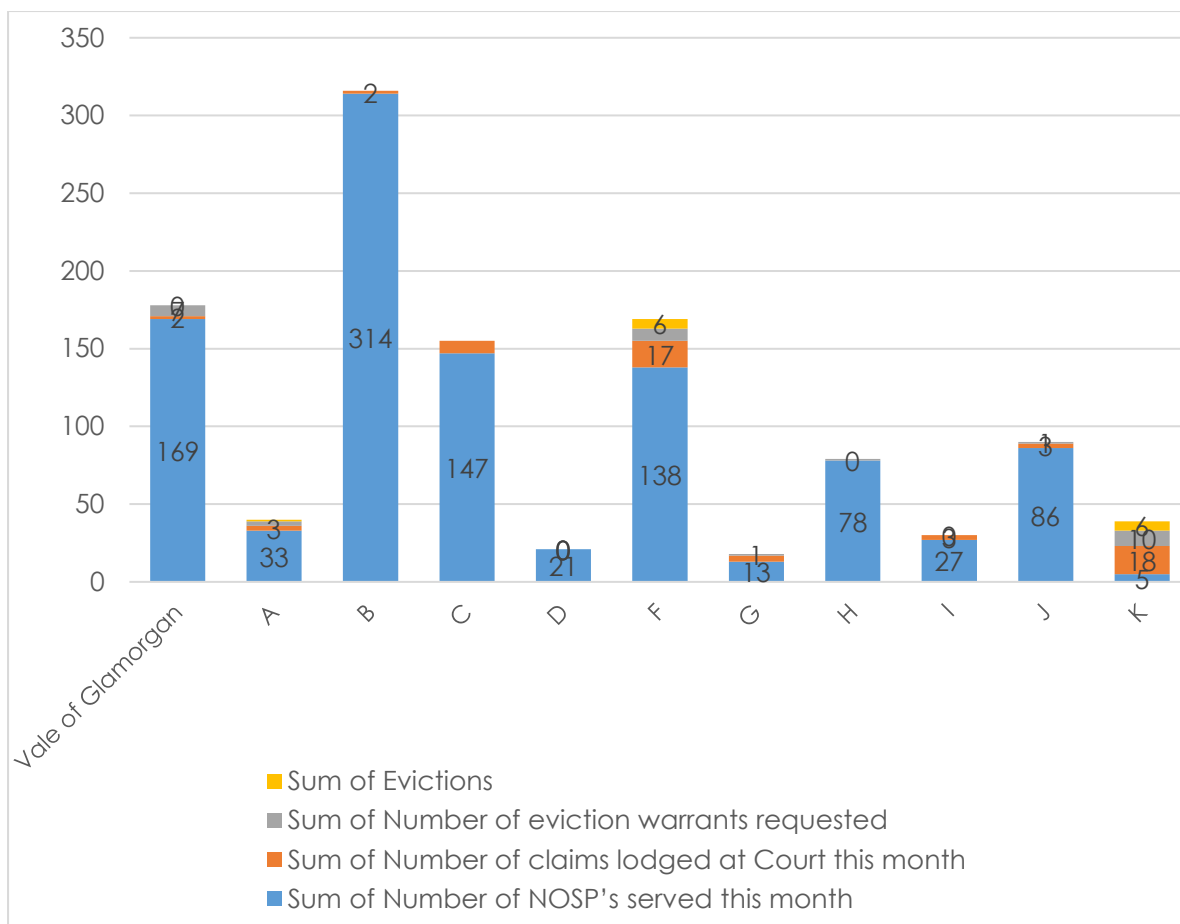


**2.15** Following the reopening of the Courts, there has been an increase in Court possession claims and warrant applications across Wales. The following graphs show the number of possession claims brought by Welsh Local Authorities (first graph), whilst the second highlights warrant applications. The third graph shows formal possession action compared by local authorities. Whilst there has been a sharp increase in ‘notices seeking possession’ served in the Vale, there has been fewer Court applications. This evidences the continued emphasis on keeping tenants in their homes and assisting them to manage their rent and arrears payments.



Court possession (above)  
Warrant application (below)





**2.16** The switch to online claims has required claimants to improve their 'digital' skills and to gain access the internet in order to complete their employment journal, update details, respond to emails from the Department of Work and Pensions (DWP) etc. A range of interventions is in place to assist, including digital drop-in sessions run from Community buildings across the Vale, access to computers in public locations including Job Centres, Libraries etc. There has also been 1-1 support and assistance available via the Council initially and then by Citizens Advice Bureau (CAB), funded by the DWP in order to improve digital literacy. Coupled with the increased use of smart phones, tablets and digital devices - this may have mitigated some of the negative impact of the changes on individuals, however there are still instances when claimants have not been able to maintain their claims due to lack of digital skills or access to ICT.

**2.17** The waiting period for UC claims has now been discontinued and it is possible for all claimants to request 'advance' payments. These payments ensure individuals do not have to be left without any money at the start of their claim period., However as advances are recovered from subsequent payments over a twelve-month period it means claimants receive lower payments thereafter (up to 30% less). There has also been an issue where some tenants do not realise their advance payment includes their housing costs so they have not paid their rent, leaving rent arrears to build up.

- 2.18** Direct payments to claimants are a significant change for many UC claimants who are expected to take more responsibility for managing their income and make appropriate payments. The promotion of greater financial responsibility prepares people for work and encourages claimants to take more ownership of their finances, however this has proved a big step for some people. Some tenants who are under severe financial pressure and often have existing debts, face tough choices about how to prioritise their money. In some instances, tenants fail to realise rent is a priority debt.
- 2.19** There is a requirement to have a bank account to receive UC payments. Initially there was concern that many people did not have a current account and there would be difficulties opening one e.g. if they were not promoted properly by banks or if tenants did not have the required identification needed. There was also confusion regarding post office accounts, which many people believed to be current accounts, but are not. Feedback from front line Officers however has indicated that lack of a bank account is rarely an issue and assistance provided means that tenants are able to open an account relatively easily.
- 2.20** Feedback received indicates that very few tenants are being sanctioned by the Department of Work and Pensions (DWP) for non-engagement or failure to fulfil the claimant's commitments. This is positive and means that vulnerable people are not having their payments reduced or stopped and a range of interventions and support is being put in place for them.
- 2.21** The Money Advisors working within Housing Income team provide essential assistance and advice to Council tenants, helping households to maximise their income and budget carefully. Over the last year the Money Advisors made 931 interventions and helped tenants secure £422,429 in additional income. This came from a variety of sources including written off debt, additional benefits, backdates, grants/loans and preferential tariffs for utilities. All new tenants receive an appointment with a Money Advisor prior to moving in and referrals are offered when people fall behind with their rent. Assistance can also be provided at short notice, helping to address crisis situations and assisting households to sustain their tenancies.
- 2.22** In addition, if ongoing housing related support is required to assist a tenant to maintain their tenancy, this can be provided through the Council's Supporting People Team.

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

Long term

- 3.1** The Council is continuing to support individuals and families to maintain their homes, to receive financial support that is due to them, and help people remain within their communities.

#### Prevention

- 3.2** The need to protect tenants and minimise tenancy failure is a key part of the Housing Service Plan. Consequently, a significant amount of resources are allocated to early intervention and money advice - to ensure arrears do not build up and tenancies put at risk.

#### Integration

- 3.3** The support for residents impacted by Welfare Reform changes is being achieved by services across the Council working together to ensure that assistance is targeted to areas where it is most needed.

#### Collaboration

- 3.4** The Council's approach to supporting individuals is based on close working with a range of agencies, including Citizens Advice Bureau, Department of Work and Pensions, Support Providers and others.

#### Involvement

- 3.5** Feedback from individual tenants and Tenants Groups is used to inform services delivered by the Housing Income team.

## **4. Resources and Legal Considerations**

### **Financial**

- 4.1** The financial impact of Universal Credit to the Council is significant and has led to a remodelling of the Housing Business Plan. An increased bad debt provision potentially impacts on the range of services available to Council housing tenancies in future.
- 4.2** The Council has allocated a sum for Discretionary Housing Payment (DHP) for the Vale, which is topped up by internal budgets. All of the money is forecast to be spent this financial year.

### **Employment**

- 4.3** There will be staffing implications for those employed within the Housing Benefit team in the Finance Directorate as more claimants migrate away from Housing Benefit. The effect to date has been minimal, however this may change when existing legacy claims are moved across to UC.

### **Legal (Including Equalities)**

- 4.4** There are no direct legal implications arising from this report.

## **5. Background Papers**

None.