ARCH — ASSOCIATION OF RETAINED COUNCIL HOUSING

National Federation of ALMOs

# Pause for Thought

## Measuring the impact of Welfare Reform on tenants and landlords – 2017 Survey Results

Together we serve the interest of more than a million homes in England

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The NFA and ARCH would like to thank all their members for their contributions to the survey and the roundtable. These have enabled us to provide a summary of welfare reform, and assess the impact of various welfare reforms on tenants.

Layout by Jeremy Spencer
Cover photograph: KalachevsStockStudio/istocjphoto

July 2017

Published by:

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# Introduction and Executive Summary

## Introduction

This publication summarises the results of a survey undertaken in May 2017 of stock retaining councils and arms-length management organisations (ALMOs). It looks at the impact of welfare reform on households living in council and ALMO owned homes as of the 31st March 2017. The survey covers a number of aspects relating to welfare reform, including:

- **Overall rent arrears (page 7)**
- **Universal Credit (page 8)**
- **The under-occupancy penalty (page 20)**
- **Discretionary Housing Payments (page 22)**
- **The benefit cap (page 24)**

## Executive Summary

The research shows that the impact of welfare reform on landlord rent arrears has not changed significantly over the last year: There were still worryingly high levels of rent arrears among Universal Credit (UC) claimants in Council and ALMO rented homes with nearly three quarters of claimants in arrears (73%) compared to only 31% of the overall tenant population in arrears. Our research also shows that the under-occupancy penalty and the benefit cap continued to have a considerable negative impact on vulnerable households. There was no significant movement in the proportion of households affected by the under-occupancy penalty and an increase in families being affected by the benefit cap with single parents with 3 or more children being hit the hardest. Discretionary Housing Payments continue to be used as a temporary measure to support households affected by the under-occupancy penalty, the benefit cap and households in temporary accommodation.

At the time our survey was conducted, UC had only rolled out to 2.6% of households across the respondent group. There are significant concerns among landlords about the impact of further rollout, planned for this year, since this 2.6% has already absorbed extensive resources and has considerably impacted on landlords' housing revenue accounts (HRAs).

Members of both the NFA and ARCH are fully supportive of the principles of UC and have introduced new ways of working within their organisations and with tenants to support the rollout. Examples of good practice are emerging locally and this report highlights some of these, with suggestions for improvement to ensure that the impact of welfare reform on households is minimised.

However, we would ask that the government stop or slow down its planned rollout of UC until such time as the issues we have highlighted are resolved satisfactorily in order to prevent further distress and financial hardship to many families, as well as unprecedented levels of rent arrears and demand for support from landlords.

NFA and ARCH key asks:

- End the 7 day waiting period for new claims.
- Slow down the speed of UC rollout until the procedural issues with the existing system have been resolved.
- Create a transitional funding pot for landlords to enable them to effectively manage the rollout of UC and adequately support vulnerable tenants.
- Improve the digital engagement for full service (especially for older tenants).
- Improve the process of UC for claimants and landlords, including integrating the learning from the Live Service.

## Key headlines

### Overall household debt

- Nearly a third of all households living in council and ALMO owned homes (**31%**) were in rent arrears as at the 31st March 2017.
- The total arrears deficit across 42 respondents was £68.5 million. The average level of arrears per household was **£414.40**.

### Universal Credit

- Approximately **2.6%** of households living in council and ALMO owned homes have moved onto Universal Credit (UC).
- Of these nearly three quarters were in arrears (**73%**). The total arrears deficit for UC claimants across 37 respondents was **£6.68 million**, or approximately **10%** of the total arrears bill.
- **40%** of UC claimants in arrears were not in arrears prior to going on to UC.
- On average, UC households in arrears owed **£772.21**.
- The data for the cohort group shows that there has been an 11% rise in average arrears for UC households in arrears, rising from **£668.68 in March 2016** to **£744.12 in March 2017**.
- **56%** of UC households in arrears had arrears totalling more than 1 month (average arrears of **£890.31**).

### Under-occupancy penalty

- The under-occupancy penalty was affecting **9%** of households as at the 31st March 2017. This position has not altered significantly from 2014/2015, indicating that the policy is not achieving its stated aim of making better use of stock and increasing mobility within the social sector.
- Of those subject to the under-occupancy penalty **40%** were in arrears despite discretionary housing payments being used mainly to support this group of tenants.

### The benefit cap

- On average, **66%** of working age households within our survey group are in receipt of housing benefit or UC.
- The benefit cap has affected **1.5%** of working age council tenants in receipt of housing benefit or UC on average across the country.
- However, it has mainly affected single parents with multiple children: just under two thirds (**63%**) of the cases concerned a single parent with 3 children or more, who are more likely to find it difficult to get into work or be able to make up the difference.

### Discretionary Housing Payments

- The majority of DHP payments in the 2016/2017 period have been made to support tenants affected by the under-occupancy penalty (**60%**).
- There are clear concerns regarding the sustainability of respondents' discretionary housing pots, especially with the new responsibilities around homelessness.

## Research Findings

### Survey methodology

The survey consisted of 58 questions on a range of areas related to welfare reform. It was sent to all members of ARCH (Association of Retained Council Housing) and the NFA (National Federation of ALMOs) in May 2017. The survey reports figures as at the 31st March 2017.

### Respondent Profile

A total of 42 organisations responded to the survey (29 ALMOs and 13 stock-retaining councils) managing a total of 563,985 homes. The breakdown of respondents is shown below:

| REGION | Number of Respondents | Number of Homes | % of total |
|---|---|---|---|
| North | 10 | 168,686[1] | 30% |
| Midlands (comprised of East and West Midlands) | 11 | 183,705[2] | 33% |
| South (ex. London) | 11 | 96,083 | 17% |
| London | 10 | 115, 511 | 20% |
| **TOTAL** | **42** | **563,985** | |

The NFA and ARCH have tracked a cohort of 20 organisations over the last 2 years. Of these, 16 responded to this survey, with a total of 168,245 households. Where applicable, we have compared the results with previous years' results.

### Universal Credit Roundtable

As part of this year's survey we organised a roundtable discussion to help identify any new concerns and good practice and collect some qualitative data to supplement the quantitative data in the survey. The roundtable was attended by senior staff from 12 stock-retaining Local Authorities and ALMOs and took place in June 2017. This roundtable provided qualitative information to support the survey results.

1 15% of these households were attributed to one respondent
2 34% of these homes were attributed to one respondent

# 1. Overall performance on rent arrears

There has been little change to the overall levels of rent arrears in the past year. Respondents reported that 31% of their tenant households were in rent arrears as at the 31st March 2017. 41 landlords provided data on the total amount of arrears which stood at **£68.5 million**.

Although the percentage of tenant households in arrears has stayed the same in the last three years, the average amount of household arrears has risen from **£294.57** in March 2016 to **£414.40** in March 2017.[3] Within the cohort group, 30% of households were in arrears, owing on average **£327.31.** This compares with **£321.22** in March 2016 suggesting less of an overall change to the situation.[4]

The table below demonstrates the variations both across England and also within the regions. Respondents in the North have a higher level of tenants in arrears but they owe the least; the Midlands has a lower percentage of tenants in arrears but they owe the second highest amount, possibly attributable to the metropolitan make-up of the respondents; the South has the lowest level of tenants in arrears; whilst London is both the highest for percentage of arrears and the highest average amount of arrears, reflecting both its tenant profile and its high rents.

Average social rents in the North East, West Midlands, South East and London are shown for comparison.[5] Although there is a considerable difference between the value of arrears in each region, this is largely due to the weekly rents charged. Households in London owe approximately an average of 5 weeks' rent, while those in the North owe 4 weeks' rent.

| Region | Average % of tenants in arrears | Average level of arrears | Range | Average weekly local authority rents |
|---|---|---|---|---|
| North | 32% | £292 | £153.96 – £492.48 | £73.78 |
| Midlands (comprised of East and West Midlands) | 26% | £441 | £215 – £686.23 | £77.08 |
| South (ex. London) | 23% | £312 | £225.27 – £456.18 | £82.99 |
| London | 42% | £533 | £106 – £790 | £104.94 |

3 The size of this increase is in part due to the respondent profile this year, with a significant metropolitan presence, which has driven up the overall average.

4 This is the figure for the 16 organisations from the cohort of 20 organisations who could provide data in March 2017. As such, it differs from the figure in the Universal Credit Progress Update (published November 2016) which was for all 20 organisations.

5 *UK Housing Review 2016*, Chartered Institute for Housing, p205, table 73a: Average Local Authority rents by region in England

# 2. Universal Credit

*"We have noted the emotional impact Universal Credit (UC) can have. UC can be triggered by a change of circumstances which may often be a relationship breakdown or illness. So tenants are dealing with the stress of this anyway and then have the added burden of UC to deal with."*

Survey respondent

*"One tenant supported by the Tenancy Support Officer and Financial Inclusion Officer, had a series of problems claiming UC. His original online application was submitted with officer assistance, the DWP claimed to have lost it, a waiting period was applied which shouldn't have been and his payments were frequently stopped as they attempted to correct his claim. Eventually he was starving, stressed about having no cash and so fearful of what was happening that he was sectioned. He was held in a secure unit, and during that time his claim was sorted out. Since then he's had few problems as his payments are regular."*

Survey respondent

## Summary of findings

Information in this section is drawn from the survey results and the roundtable discussion.

### The key messages emerging from the roundtable:

1. Attendees are very supportive of Universal Credit (UC), welcoming the approach for households to be in control of their own finances. However, they have found the rollout difficult in practice.
2. Poor administration, communication between DWP partners, and delays in assessment processes have caused undue stress and hardship for individuals claiming UC. This has led to a higher administrative burden for councils and ALMOs.
3. Within the initial rollout there have been a number of delays and teething problems, but even once these are smoothed out there are still issues of concern within the actual process, including the 7 day waiting period for new claims, and how claimants re-access the service following changes to circumstances.
4. The financial and administrative cost of the rollout has largely been absorbed by the Councils or ALMOs so far. This has been manageable partly because of the small proportion of individuals on UC (an average of 2.6%). There are significant concerns that as UC rolls out fully, landlords will not have sufficient resources to devote to supporting households affected. It is anticipated that the impact on the numbers of tenants falling into arrears, and the overall levels of arrears will rise significantly.
5. Our members are reporting concerns about the continued pace of the UC rollout and the scalability of processes. Essentially, improvements in administrative processes and communications to landlords need to be implemented, and lessons reflected on, before UC is fully rolled out.

### The key messages from the survey were:

- **2.6%** of all households were on Universal Credit (3% in the cohort group); of these, nearly three quarters were in arrears (**73%**). This compares with **79%** in March 2016.
- UC arrears across the respondents in March 2017 equalled **£6.68 million**. This is approximately 10% of the arrears bill, even though they make up less than 3% of households.
- Tenants across all respondents had average arrears of **£772.21**. This compares with an average of **£611.73** across all respondents in March 2016.
- **56%** of households in arrears had arrears totalling more than 1 month, with an average arrears of **£890.31**. However, 9 out of 31 respondents to this question had average arrears of between £1,000 and £2,000, and 3 out 31 respondents (all London based) had average arrears debt of £2,000 or more.

- **41%** of UC households in arrears had an alternative payment arrangement (APA) in place, but there were concerns about the effectiveness of APAs.
- Of those who could provide data, approximately **22%** of UC households in arrears had been presented with notices of intention to seek possession (NOSPs); approximately **9%** were being pursued with court action; and approximately **1%** were being evicted.

**In order to improve the rollout of UC, members have identified 5 key asks:**

- End the 7 day waiting period for new claims.
- Slow down the speed of UC rollout until the procedural issues with the existing system have been resolved.
- Create a transitional funding pot for landlords to enable them to effectively manage the rollout of UC and adequately support vulnerable tenants.
- Improve the digital engagement for full service (especially for older tenants).
- Improve the process of UC for claimants and landlords, including integrating the learning from the Live Service.

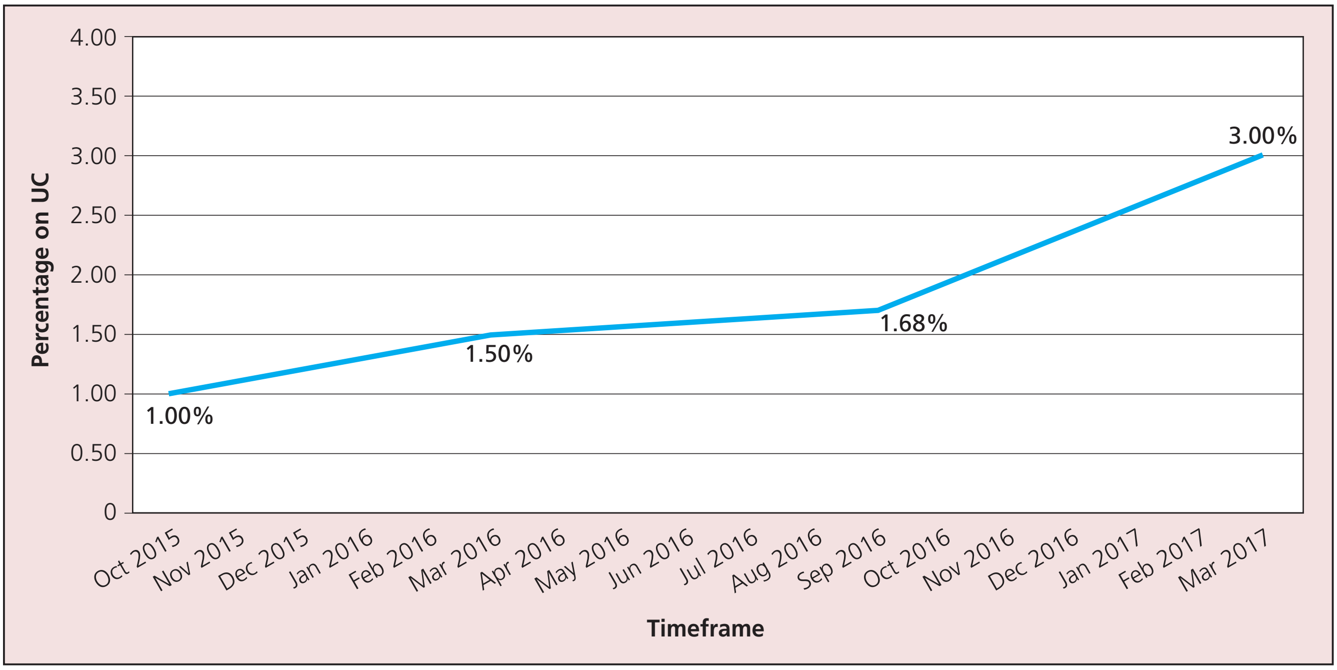
## UC Analysis

### 1. The number of households on UC

We received information from 39 respondents, collectively managing 532,466 households. The majority of respondents had rolled out UC to single people without children claiming the equivalent of job seekers allowance; 8 had extended to couples without children, while 5 were full service areas in full or part.

Full UC service for all claimant types began to rollout nationally in May 2016 with an expected completion date of September 2018.[6] Among all our respondent group, 2.6% of households received UC, which has doubled since March 2016, but is still very low. Within the cohort group it is 3%. Clearly, in order to meet the DWP schedule, there will be a significant scaling up of rollout over the next 2 years.

**Diagram 1: Percentage of households on UC over time: comparison of cohort group**




6 Transition rollout schedule – April 2017 – September 2018, Department of Work & Pensions.

### 2. The percentage of UC households in arrears

37 organisations (respondents with 500,352 households) could provide information on arrears, stating that nearly **three quarters of UC households (73%)** were in arrears (8,656 out of 11,845). This compares with 31% of all households. The comparison figure was **79%** in March 2016 so there has been some improvement.

Within the responses there was considerable variation, with a range of arrears from 55% to 92%. This range does not reflect regional differences, for example both the highest and the lowest percentage of arrears was in the North. There is also no obvious correlation between the percentage/size of arrears and the date UC went live, or the percentage of households on UC and the percentage of claimants in arrears. The evidence actually shows that there are very different experiences across respondents with the same or similar low level of UC take-up, suggesting the influence of local working relations and practices.

16 organisations from the cohort group responded to the survey in March 2017 enabling us to compare what is happening over time.[7] The cohort group had an average level of arrears of 69% at March 2017. This compares with 76% in March 2016. Although this is a large drop, it is largely due to a significant improvement in arrears for Your Homes Newcastle (YHN), which dropped from 71% to 58%, and which makes up 31% of the households within the cohort group. Without YHN figures, the arrears percentage rises to 75% which is more in line with the March 2016 figure.

#### Your Homes Newcastle (YHN) Case Study

Full service was introduced in Newcastle upon Tyne in one geographical area in May 2016 which expanded to city-wide in February and March 2017. YHN currently has 2,407 customers claiming Universal Credit, of which 26% are currently on Alternative Payment Arrangements.

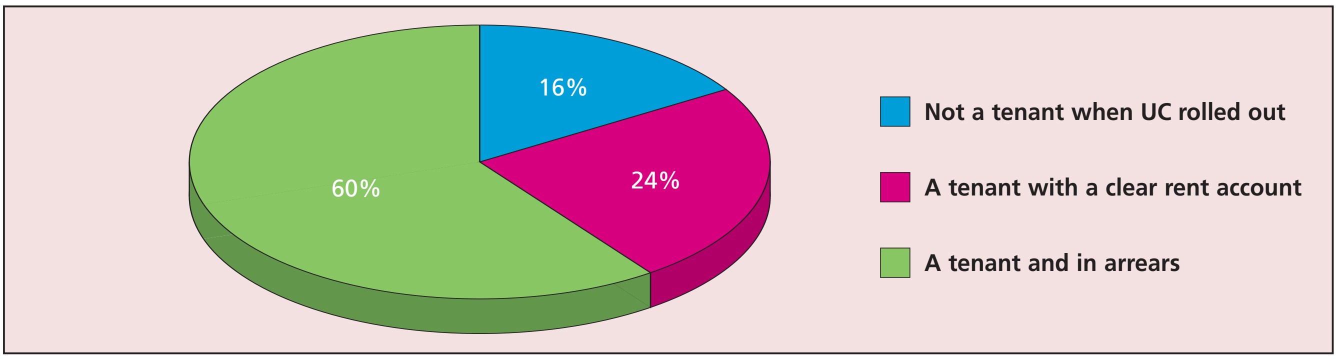
The organisation saw a significant increase in people moving onto Universal Credit following the full service roll out which impacted on arrears performance. Rent collection rates for UC claimants have slowly improved from 65.8% in the first 3 months to 96.4% after 12 months. YHN has invested in providing a significant level of support to individuals on Universal Credit. For example, the organisation has placed staff in each of its Jobcentre Plus offices, became part of the trusted partner pilot and provides personal budgeting support through the universal support framework delivered locally for its customers.

### 3. The percentage of arrears which is due to UC rollout

10 organisations could provide comparisons of their tenants' rent accounts before and after UC rollout in their area.

Of **UC households in arrears**, 84% were households prior to UC going live and 16% were new households after UC went live. The status of UC households (now in arrears) prior to the UC rollout is shown in the chart below. 60% of these households were a tenant and were already in arrears, while 40% were not in arrears prior to their UC claim either because they were a new tenant (16%) or a tenant with a clear rent account (24%).

**Diagram 2: Status of households now on UC and in arrears prior to UC rollout**




7 We have reanalysed the results of previous surveys to ensure the same respondents are tracked, which means that previous reports of the cohort group are not comparable.

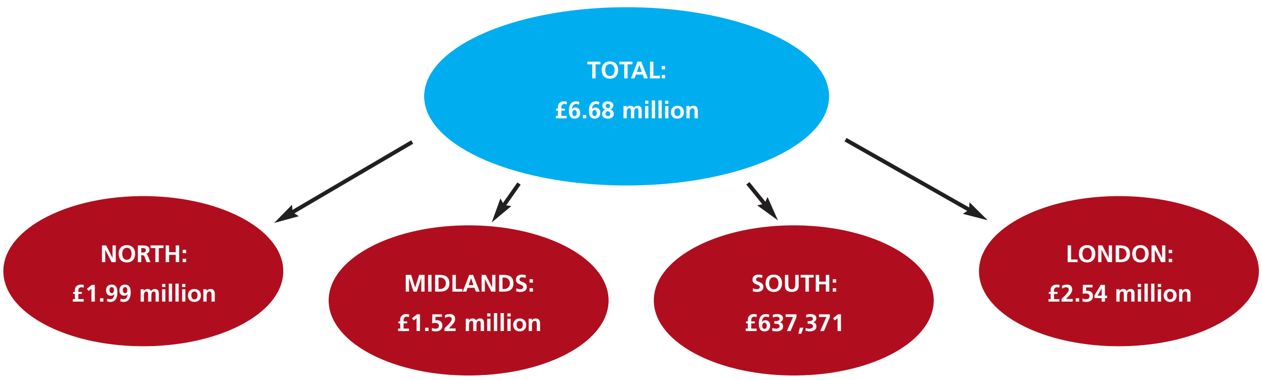
It should be noted that all 10 respondents who could provide data were areas where UC had only been rolled out to single people who are often in more precarious circumstances than other demographic groups. For this reason, you would be likely to see higher levels of pre-rollout arrears than the average.

Although there may be other factors at play, it is clear that a significant percentage of households went into arrears after going onto UC. Feedback from our roundtable highlighted the negative impact of the length of time between applying for UC and getting the first payment (as well as subsequent delays in the housing element of UC) combined with the lack of information about individuals on UC, which is likely to explain much of these arrears.

**The total value of pre-existing arrears was £355,645 (55.8%) of the total level of UC arrears (£637,622), which means 44.2% was accrued after UC was rolled out.**

### 4. The total amount of UC arrears

UC arrears at March 2017 was **£6.68 million**, which is about 10% of the total arrears bill even though households with UC only make up 2.6% of the total.




UC tenants across all respondents had average arrears of **£772.21**. This compares with an average of **£611.73** across all respondents in March 2016.[8] When looking at the data across the regions, there are clear differences:

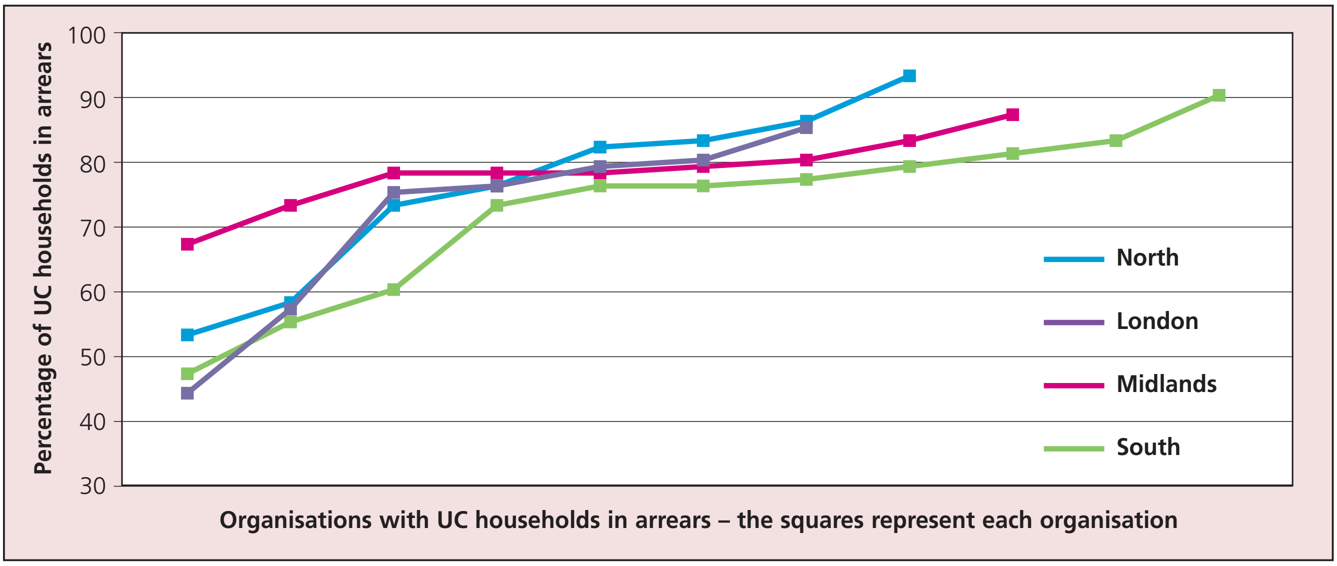
| | Mar-16 | | Mar-17 | |
|---|---|---|---|---|
| | **Percentage of UC tenants in arrears** | **Average arrears** | **Percentage of UC tenants in arrears** | **Average arrears** |
| North | 79% | £546.00 | 67%[9] | £655.47 |
| Midlands | 74% | £662.60 | 79% | £715.91 |
| South | 78% | £647.26 | 70% | £613.45 |
| London | 87% | £1,184.21 | 78% | £1,032.17 |
| **TOTAL** | **79%** | **£611.73** | **73%** | **£772.21** |
| *Based on:* | *3146 households* | | *11,854 households* | |

8 Figures based on a comparison of all respondents in March 2016 and all respondents in March 2017. Differences between the years are partly due to a different respondent profile with a higher number of London and metropolitan respondents, which increases the size of the overall average arrears.

9 This percentage drop is due in large part to one respondent who constitutes 44% of all the households in the North and saw a significant drop in arrears. Removing that respondent, the average for the North is 75% which is more in line with the March 2016 figure

However, even within these averages, there are significant variations. For example, in the South, the level of average arrears goes from £301 to £859 (or a £558 difference). The graph below shows this variation in the UC households arrears by region:

**Diagram 3: Percentage of UC households in arrears by region**




The data for the cohort group shows that there has been a steady rise in the average arrears for UC households in arrears, rising from £668.68 in March 2016 to £744.12 in March 2017 (an 11% increase over the year).

### 5. UC Households with one month or more arrears

For UC households with one month or more arrears, the situation has not improved over the year, and remains worringly high.

Although not all respondents could provide data, 3,603 out of 6,433 UC households (**56%**) had arrears totalling more than 1 month, which is the same as the figure in March 2016. Of these households, the average amount of arrears was **£890.31**. This compares with **£898.85** across respondents in March 2016. 9 out of 31 respondents (29%) reported an average between £1,000 and £2,000 arrears per household, and 3 respondents (all London based) over £2,000 per household.

Within the cohort group, **53%** of respondent households had arrears totalling more than 1 month, which compares with **54%** in March 2016. The average level of arrears in March 2017 for this group is **£789.45** which compares with **£969.36** in March 2016.

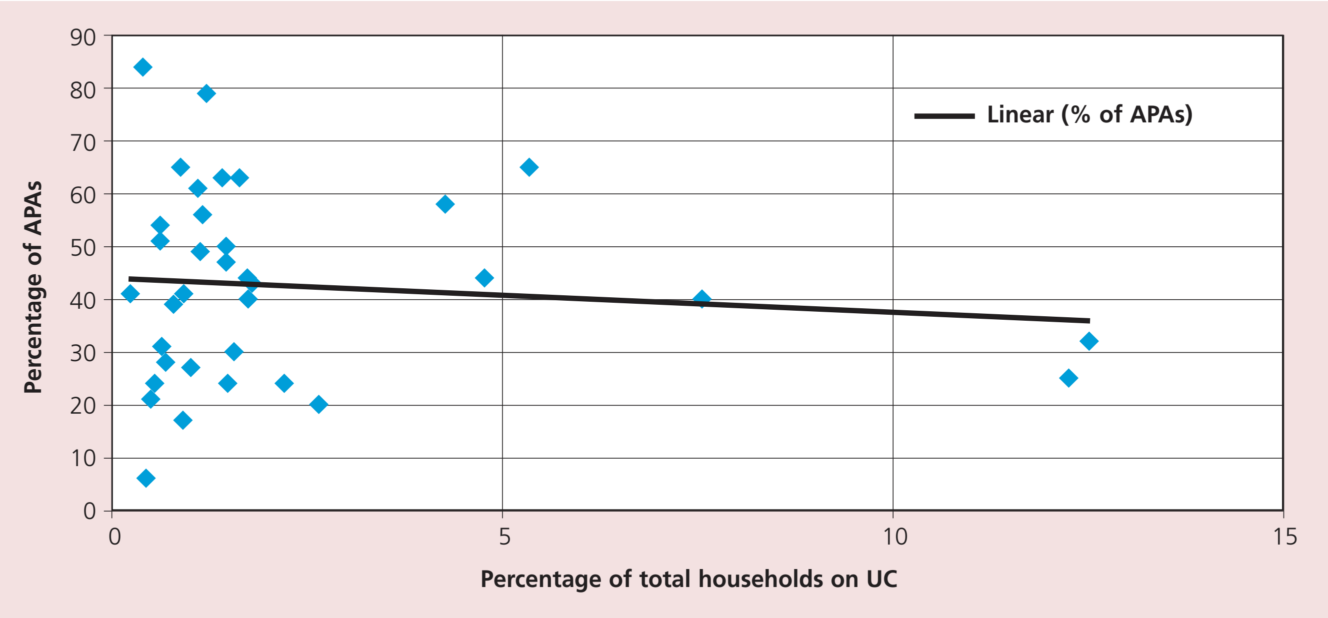
### 6. Alternative Payment Arrangements (APAs)

Landlords can apply for APAs where a claimant is in arrears with their rent for an amount equal to, or more than 2 months in rent; or where a claimant has continually underpaid their rent over a period of time, and have accrued arrears of an amount equal to or more than a month's rent. Vulnerability factors are also taken into consideration, including – for example – for families with multiple or complex needs, or individuals with addictions or mental health conditions.

35 respondents were able to tell us what percentage of their UC households in arrears were subject to an alternative payment arrangement (APA). Across these organisations, an average of **41%** were subject to an APA. This compares with 46% in March 2016. However, there is an enormous range of APA usage from 6% to 84%. Considering that an APA should be used in exceptional circumstances (e.g. outside the norm) this strongly suggests that UC is not functioning correctly in many areas.

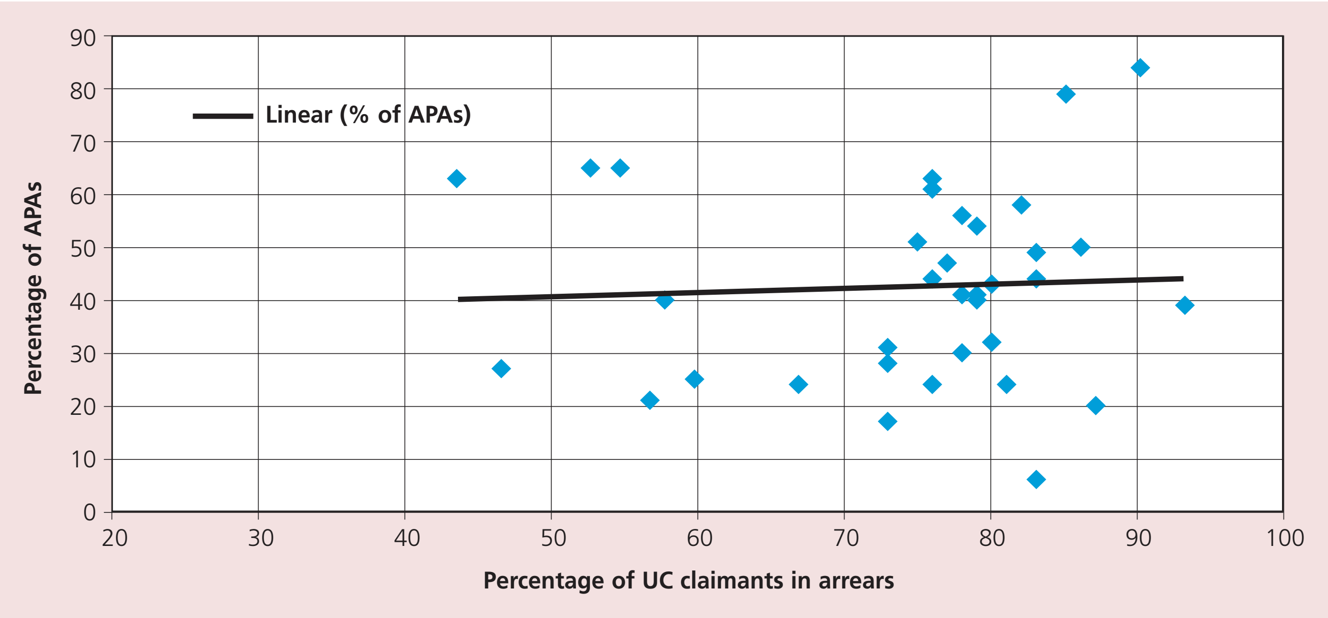
There is a slight negative correlation between the percentage of households on UC and the use of APAs, however, the graph below more clearly demonstrates the different approaches to arrears management across respondents with similar low levels of UC take-up:

**Diagram 4: Relationship between APAs and percentage of total households on UC**




There is also a very small correlation between the percentage of UC claimants in arrears and the percentage of APAs within an area. However, once again, the graph shows the diversity of response to UC claimant arrears, with some organisations having a very high level of UC claimants in arrears but very low levels of APAs, and others having a very high level of UC claimants in arrears and very high levels of APAs. This is most likely due to local differences in the management of APAs.

**Diagram 5: Relationship between APAs and the percentage of UC claimants in arrears**




Within the cohort group, the level of APAs is **45%** compared with **44.1%** in March 2016.

The roundtable highlighted a number of issues around APAs which had led some attendees to stop using them altogether. One attendee reported that they found the average arrears for individuals on APAs was nearly 4 times the level of those not on APAs so they were not using them unless absolutely necessary. Issues included:

- It is time consuming and bureaucratic (in part due to a reliance on manual systems), and takes a long time for the APA to be put in place, by which time someone is more in debt.
- Incorrect APA letters are being sent out, there is a long wait to sort problems.
- APAs do not work well with people who have variable incomes.
- APAs mark a return to more dependency based models of support which is contrary to what UC is trying to achieve.
- Court orders do not always support the APA as APA deductions are significantly higher, creating additional hardship for the customer.
- Landlords prefer to make their own arrangements with tenants where possible to allow for more support and control over repayment levels and agreements.

### 7. Factors contributing to households in receipt of UC falling into rent arrears

Within the survey, we asked respondents to rate how frequently a range of factors contributed to households in receipt of UC falling into rent arrears. All respondents stated that the **6 week waiting period for a tenant's first UC payment** "frequently" or "very frequently" was a factor in contributing to a household falling into arrears, which is a finding that has not improved since our last survey (November 2016).

The six week waiting period is comprised of a week (where the claimant is not entitled to any award after submitting their claim), followed by a four week regular assessment period and a further week (which can be longer in some cases due to administrative delays) before the payment is typically received.

> *"The length of time taken to process UC applications has put some tenants in severe financial hardship where they have to rely of friends/family to support them. Once UC is paid, they then find that they have to repay these loans to friends/family therefore meaning they are always short of funds from the outset"*
>
> *"...Heightened distress and hardship due to the UC centre staff's lack of understanding of social housing legislation & tenancy agreements lead to UC payments being withheld and tenants denied UC. Conflicting information given by UC centre staff: applications for direct deductions and APAs being approved but not processed & left in the UC's workflow for no apparent reason lead to arrears escalating."*
>
> Survey respondents

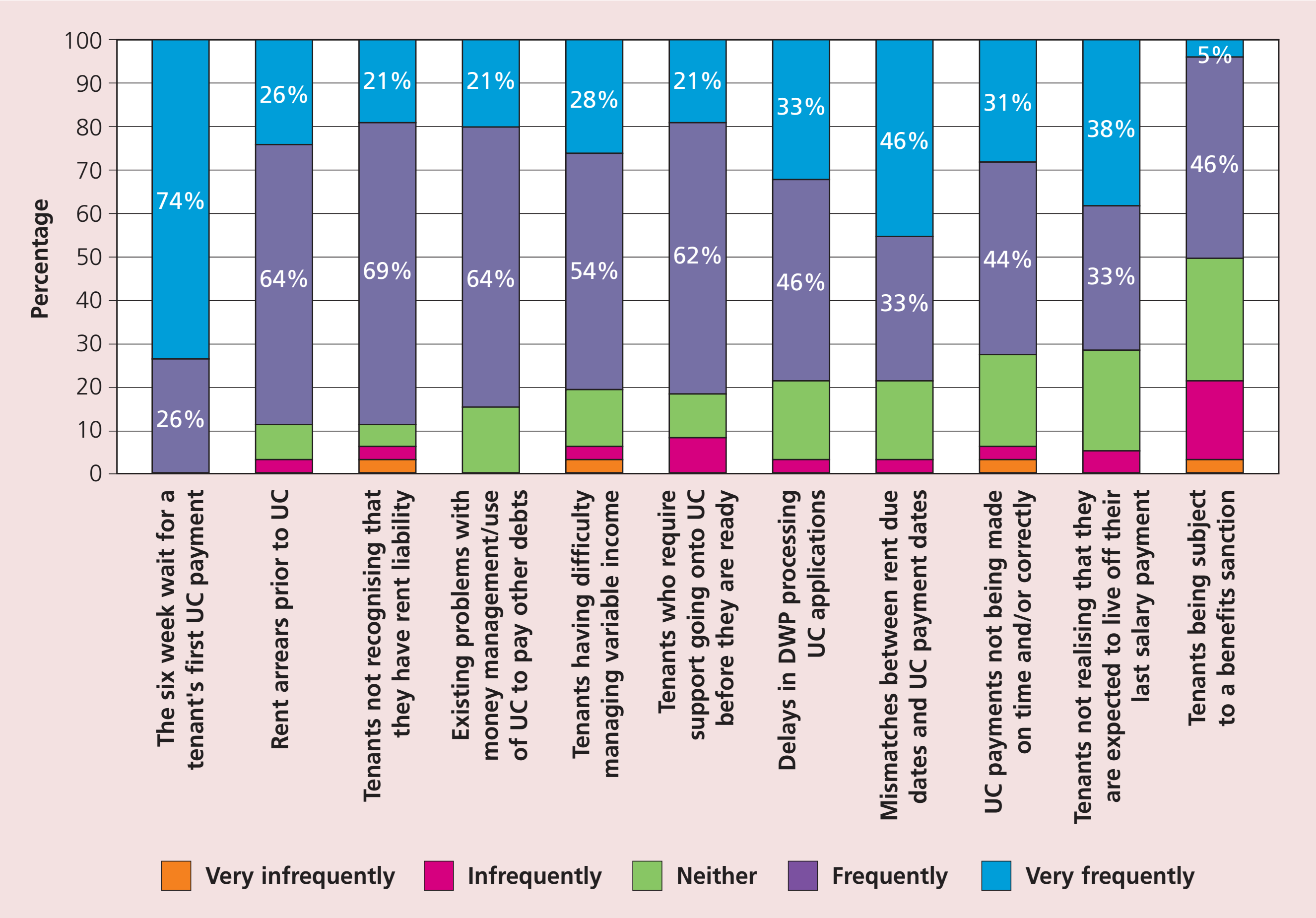
As shown in the graph on the next page the majority of listed factors were rated by respondents as "frequently" or "very frequently" a factor in contributing to higher levels of rent arrears (with the percentage in brackets).

The significant agreement in responses shows that this range of factors are perceived to work together to contribute towards households in receipt of UC falling into rent arrears.

A number of additional concerns were reported in both the survey and the roundtable, including:

- Tenants not being advised to apply for Council Tax support at the same time as UC as they are now uncoupled.
- The need for personal budget support not being identified early enough by DWP Job Work Coaches.
- DWP not notifying either landlord or claimant that UC APA has stopped.
- Individuals not being informed that they are being sanctioned, or sanctions being applied unfairly.
- The Partnership Manager role not working in an optimal way to support organisations, and Partnership Managers being unable to resolve most issues raised by those organisations.
- People having difficulty navigating the online system (especially older people).
- Lack of coordination between services – for example, one attendee reported that tenants are getting stuck in a "catch 22" situation where Job Centre Plus staff will not help them until they have made a UC claim, but they need JCP support to make the UC application.

**Diagram 6: The percentage of respondents saying that particular issues are a factor in pushing households in receipt of Universal Credit into arrears.**




## 8. Other consequences of the rollout of Universal Credit

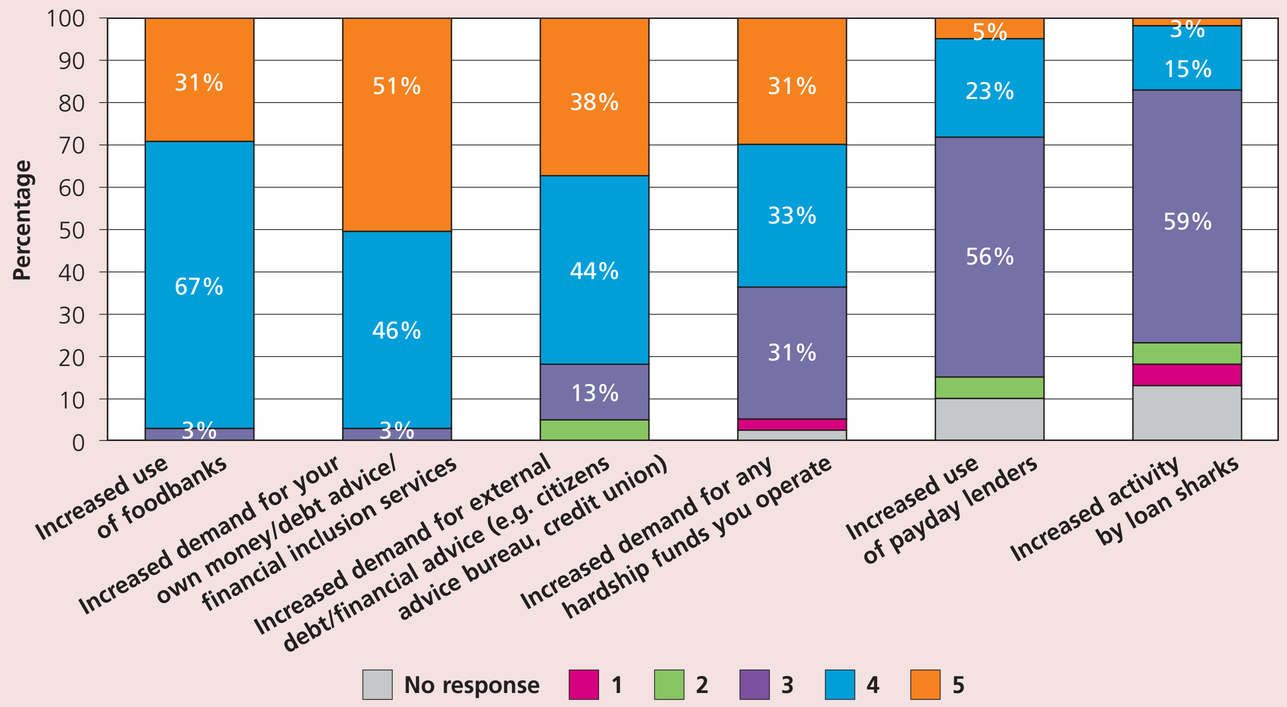
We asked respondents how frequently they had seen other consequences as a rollout of Universal Credit. The majority of respondents (98%) had "frequently" or "very frequently" seen increased use of foodbanks among those on Universal Credit. A similar percentage had seen increased demand for their own money/debt advice/financial inclusion services (97%), while 82% had "frequently" or "very frequently" seen increased demand for external debt or financial advice. A lower, but still notable percentage of respondents reported that they had seen increased demand for hardship funds (64%). See Diagram 7 on page 16.

There were a range of other consequences noted by respondents, including:

- Lack of information:
  - The difficulty for social landlords to act proactively to support tenants as they have access to far less information than previously under the Housing Benefit system.
  - The difficulty in deciding whether to apply for an APA or not.
- Running out of gas and electric: meaning tenants are unable to charge mobiles or are running out of credit, meaning they miss DWP appointments, cannot access their on-line journals and may get sanctioned.
- Generational impacts: the impact on younger people's income having a knock on effect on the older generation as they are the ones often supporting younger people.
- Digitalisation having an impact on the older cohort who are, on average, less digitally aware.
- Impact on tenants' health: affecting tenant mental health in a negative way.

- Abandonment, non engagement and eviction: several respondents reported higher levels of abandonment, non-engagement and eviction as a result of the roll out of UC. For example, one stated that 46% of tenancy terminations of UC claimants were negative (e.g. eviction for rent arrears, abandonment, notice to quit and prison) compared with 17% of those not in receipt of UC housing support. Those tenants on UC terminating their tenancies for this respondent also left with significantly higher debt; £1,042 compared with £527 for tenants not receipt of UC housing support.

**Diagram 7: Other consequences of the rollout of UC**




## 9. How are respondents managing UC arrears?

We asked respondents how many cases they were taking recovery action against due to issues with Universal Credit as at March 2017. We received data from 25 organisations (290,900 households). Of these, approximately one fifth (22%) of UC households in arrears had been given a notice of intention to seek possession (NOSP). Nearly 1 in 10 UC households in arrears were subject to court action and approximately 1% were being pursued for eviction. However, within this data there were huge variations: the range of data for NOSPs was 1-66%, Court Action was 0-28%, and evictions was 0-6%.

### Case Study – Birmingham City Council

Birmingham City Council (BCC) has established an Eviction Review Panel with senior management officers from the BCC Rent Service, Council Tax Team, Homeless Team, Homeless Prevention Team and Benefit Services to prevent evictions. Weekly meetings are held to discuss and review evictions for the following week to see if they can be prevented, including thorough benefits reviews and use of Discretionary Housing Payment (DHP) to reduce or clear rent debt. The reviews commenced at the end of November 2016. In the period starting from 5 December 2016 to 2 June 2017, 36 evictions were cancelled out of 199 planned evictions leaving a total of 163 evictions that took place in that time period following the eviction review panel. Debt reduction and clearing of arrears has been undertaken through a combination of DHP, Housing Benefit reviews, and the use of the BCC Homeless Prevention Fund. This sustains tenancies and therefore income to the HRA in addition to avoiding costs associated with homeless presentations and subsequent temporary accommodation costs.

### Case Study – Croydon Council

Croydon Council identified a lack of understanding and knowledge of the new Universal Credit system by courts in their area so Croydon Council's income service presented an overview of UC to Croydon County Court to assist with UC cases which came up in court. This included information about UC, how customers apply and are paid, the relationship to the landlord, and current issues/problems. As a result of this work, the judges have a clearer understanding and working relations have greatly improved.

The roundtable discussion demonstrated that organisations were managing the rollout of UC largely within their current resources through fundamental changes in working practices, but there were concerns that these practices will not all be scalable for larger numbers of UC households.

Roundtable attendees reported that they were undertaking continuous training of income teams as things are constantly changing and stated that there has been a need to completely change the culture within these teams from pure rent collection to a more holistic approach with more in-depth conversations and support available.

A number of attendees had placed their staff into Job Centres to facilitate closer working. One attendee stated that they had devised a pro-forma with the work coaches which was a simple way to facilitate joint working.

Landlords were funding personal budget support services to support people who were moving to UC.

Two landlords had put in place triage systems to enable them to focus resources on those with the highest risk of arrears.

### Case Study – Homes in Sedgemoor

Homes in Sedgemoor became a full service area in May 2016, and since then has considerably changed its way of working through LEAN processes to ensure that the individual tenants on UC are fully empowered to take responsibility over their financial situations.

This has included:

- Training the Income Team to work in a much more positive and enabling way with tenants in arrears, supporting them to have difficult conversations with tenants and build relationships. As an organisation all staff teams have an awareness of UC and poverty linked to safeguarding issues; working closer with partners such as schools and children's services to understand the impacts UC is having on families.
- Delivering a workshop with tenants in arrears to show them how they can proactively manage their arrears -feedback from this showed that tenants felt the organisation's approach was firm, but fair and was offering them the necessary support.
- Moving to a "rent first" culture so that tenants can move quickly to a more positive position.
- Utilising the journals to ensure tenants are much more aware of their own financial situation and are supported to take control over their finances; training for staff to understand the journal and support claimants has been key to gaining understanding of the UC system.
- Introducing a triage system so that higher risk individuals can be provided with intensive support earlier (however this is likely to get more difficult as greater numbers of vulnerable people are housed in local authority housing).
- Moving away from using APAs, since they are felt to force people back into a culture of dependency and higher levels of debt.

As a result of this, the organisation is being much more proactive and UC arrears debt has reduced considerably. UC can put customers in a position to manage their money. Those who are IT literate can access their journals easily and have instant access to their financial information which provides greater control. →

Although UC has put customers into a position to take control of their financial affairs, there are some challenges: more support is required to help those who have difficulty getting online to access their journals; the six week wait often increases hardship, since the reality in Sedgemoor is that only a small proportion of people have left a job with a month's wages to tide them over; and the remit of the DWP Partnership Managers does not enable them to support landlords as well as possible. As other housing providers are less willing to take on tenants who are not in work, it is likely that stock-owning local authorities will house the most complex and vulnerable cases, creating clusters of deprivation.

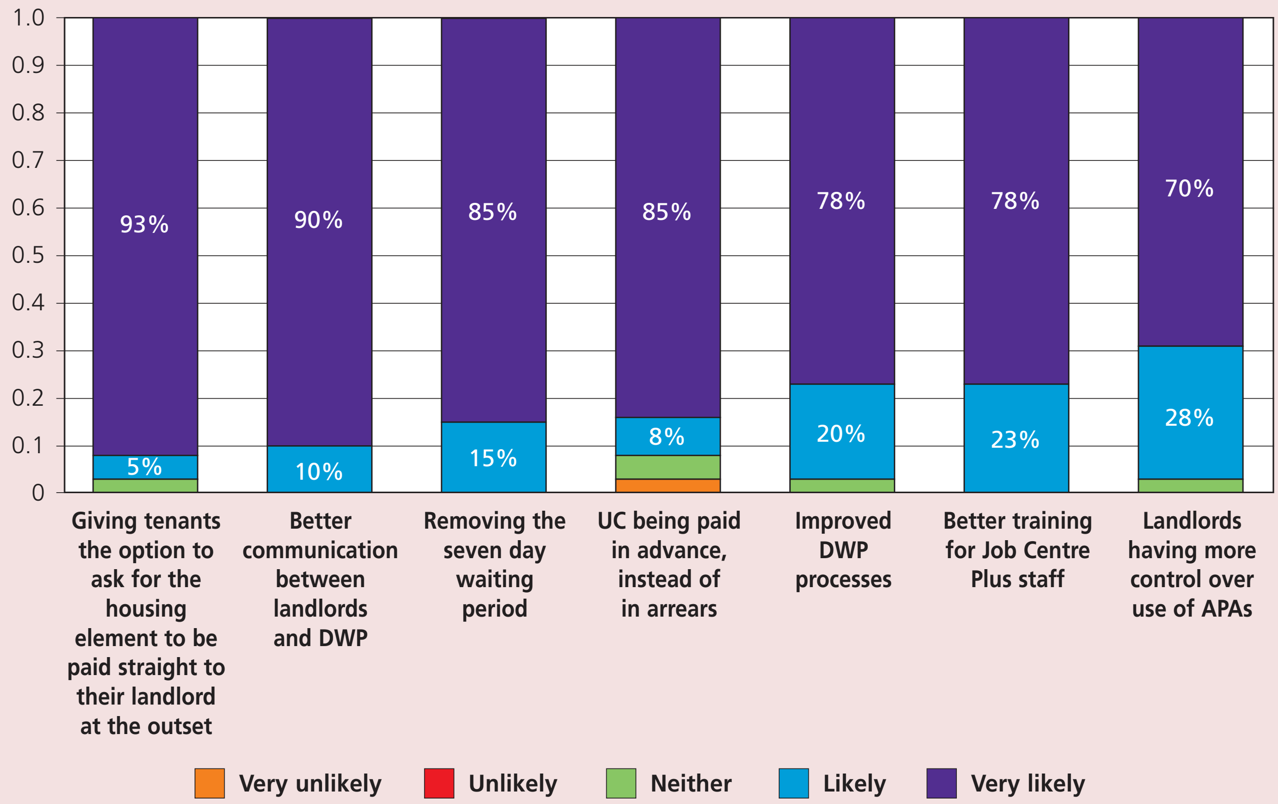
### 10. Reducing the number of households in receipt of UC who fall into arrears

Respondents were asked to comment on how likely they felt a range of measures would be in helping to reduce the number of households in receipt of UC who fall into arrears. As can be seen in the graph below, the majority of respondents felt that all the measures would be "very likely" or "likely" to reduce arrears.

The majority of respondents stated that giving tenants the option to ask for the housing element to be paid straight to their landlord at the outset would be "very likely" to reduce arrears (93%), while 90% felt that better communication between landlords and the DWP would be "very likely" to reduce arrears.

85% of respondents stated that removing the seven day waiting period, and UC being paid in advance rather than arrears, would be "very likely" to prevent households falling into arrears. 78% stated that improved DWP practices and better training for Job Centre staff would be "very likely" to have an impact. Although only 70% stated "very likely" for giving landlords more control over use of APAs, altogether 98% stated "likely" or "very likely" to this question.

**Diagram 8: How likely would the following factors be in reducing the number of households which fall into arrears**



Landlords at the roundtable were clear that they fully supported the intention of UC and recognised its opportunities. They identified 5 key areas that should be looked at to ensure the successful rollout of UC:

- End the 7 day waiting period for new claims.
- Slow down the speed of UC rollout until the procedural issues with the existing system have been resolved.
- Create a transitional funding pot for landlords to enable them to effectively manage the rollout of UC and adequately support vulnerable tenants.
- Improve the digital engagement for full service (especially for older tenants).
- Improve the process of UC for claimants and landlords, including integrating the learning from the Live Service.

Feedback from those areas that had transitioned to full service was that some of the learning from live service had been lost, especially landlords' ability to respond to problems quickly and easily. The process of 6 month drop out of the UC system was felt to be counter-productive, as individuals dropped in and out of the system as they dropped in and out of eligibility. It was also felt that the housing escalation team should be maintained in the full service as well as the live service. There were some concerns around how journals are working in practice, and requests for a Landlord Portal to be put in place as soon as possible.

Attendees felt that they had changed their ways of working as far as they could to accommodate the rollout of UC, but that the rollout was resource intensive and the changes which had been put in place were not scalable. Therefore there were considerable concerns about how landlords would manage the full transition to UC without further support.

# 3. The under-occupancy penalty

*"Four households have recently registered with the downsizing scheme who have had their children taken into care… Whilst their children are in care (pending decision on returning them to the family home) the household is subject to the under-occupation charge. This is putting the households at risk of financial hardship as well as going through the emotion of having their children removed. Often this is impacting on other services (such as the Community Mental Health Team and Adult Services), and these cases can be particularly time consuming."* Survey respondent

The under-occupancy penalty is still affecting households. The evidence below shows that people are not always moving, and are largely absorbing the costs of the penalty either themselves or through Discretionary Housing Payments.

Based on data from 517,222 households, the average percentage of households affected by the under-occupancy penalty was 9%. This is only slightly lower than the figure reported in 2014/2015 of 10%. However there was a considerable variation among the respondents in March 2017, with a range of 3% to 15% affected. This is most likely to do with the type of housing stock within an area.

Of those who could provide data, 40% of households affected by the under-occupancy penalty were in arrears. This compares with 51% at the end of the 2014/2015 financial year. On average, they owed £380.57. The differences between the regions are shown below:

| REGION | Percentage of households affected by under-occupancy penalty | Percentage of households affected by under-occupancy penalty in arrears | Average level of arrears |
|---|---|---|---|
| North | 11.5% | 40% | £222.46 |
| Midlands (comprised of East and West Midlands) | 9.5% | 41% | £468.75 |
| South (ex. London) | 6.3% | 33% | £225.17 |
| London | 5% | 35% | £640.79 |
| **OVERALL AVERAGE** | **9%** | **40%** | **£380.57** |

Since 2014/15, there has been a considerable decrease in the percentage of tenants affected by the under-occupancy penalty and in arrears from an overall 51% down to 39%. This seems largely to have been driven by a decrease in London, although there is still a large variation in the level of arrears within London (range: 22%-58%):

| REGION | Percentage of households affected by under-occupancy penalty in arrears (Mar 2015) | Percentage of households affected by under-occupancy penalty in arrears (Mar 2017) |
|---|---|---|
| North | 50% | 40% |
| Midlands (comprised of East and West Midlands) | 50% | 41% |
| South (ex. London) | 43% | 33% |
| London | 60% | 35% |
| **OVERALL AVERAGE** | **51%** | **40%** |

Although not all respondents could provide information, approximately 10.6% of those affected by the under-occupancy penalty were subject to a NOSP; 6% were subject to court action, and 0.5% were in the process of eviction. However, the majority were not being pursued.

Analysis of the DHP budget shows that 60% of the DHP spending is attributable to the impact of the under-occupancy penalty.

When asked what actions households affected by the under-occupancy penalty have undertaken, a significant percentage reported that people have chosen to pay and stay. The second most frequent response was that people were registered on the transfer list, while the third was that people had moved to alternative social housing.

29 organisations stated that they had had some success in helping people to move, which is reflected in the figures above. They had employed a range of methods to help people. However, a number of respondents highlighted that these schemes may have been more successful at the beginning and many people now just do not want to move. Respondent actions include:

**New schemes:**

- Schemes with dedicated officers facilitating downsizing.
- Non-eviction policy for those who commit to downsizing.
- Transfer incentive schemes, with support, cash payment incentive and increased transfer banding priorities.
- Encouragement of mutual exchanges.
- Tenants who want more support receiving a better banding or priority for downsizing.
- Money and debt advice.
- Profiling of tenants and targeting of resources to those who are affected.
- Setting up welfare reform support fund:
  ***"The Welfare Reform Support Fund helps to support those who have been affected by the Social Sector Size Criteria (SSSC) who already had a tenancy pre-dating the implementation in 2013 or had an unforeseen change of circumstances. The Fund pays the 14% or 25% deduction whilst the tenant is actively seeking smaller accommodation. The Fund will also pay for removals, skips, reconnection costs etc."*** *– Survey respondent*

**Change to current policy and practices:**

- Relaxation of exclusion policy, allowing tenants in rent arrears to downsize, with payment of former tenant arrears a condition of the new tenancy.
- Use of new rules regarding tenants requiring separate bedrooms for heath reasons.
- Use of DHP, e.g. those with arrears supported to apply for DHP, with special initiatives to pay off a maximum level of rent arrears to enable a move to take place; additional DHP for those willing to downsize, paid retrospectively.
- Introduction of a shared tenancy policy for single applicants affected by the under-occupancy penalty.

**Partnership Working:**

- Working with the local council with weekly meetings to discuss direct lets and suitable alternative accommodation; working with local and regional providers to make best use of available stock.

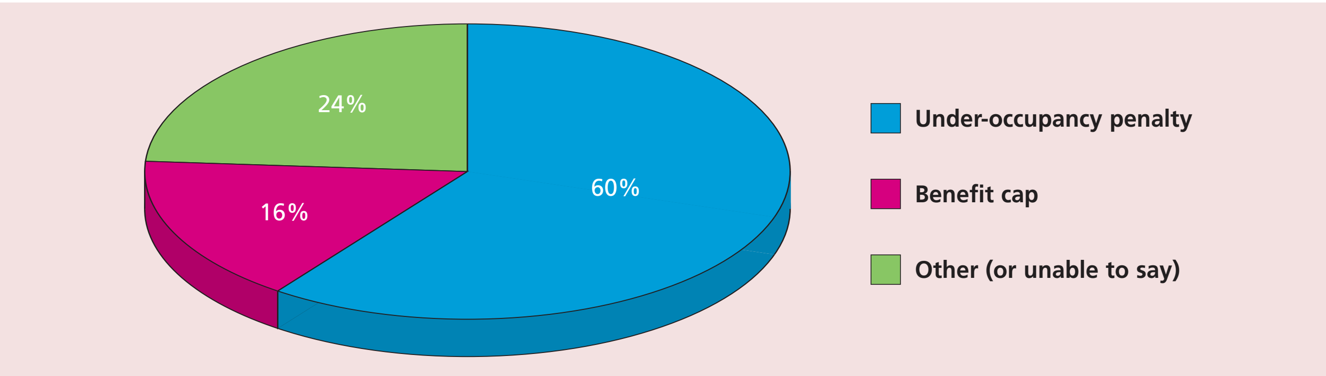
**Respondents had seen other impacts from the introduction of the under-occupancy penalty, which include:**

- More vulnerable people who do not have a choice financially having to move, increases in rent arrears and general hardship.
- DHP being a positive contributory factor in managing payments. Consequently tenants have become reliant upon this and have not been proactive in seeking other solutions.
- Higher demand for smaller homes, and 3 bedroom properties "difficult to let".
- Tenants taking in lodgers to manage.
- Increase in cases being referred to the food bank due to financial challenges.

# 4. Discretionary Housing Payments

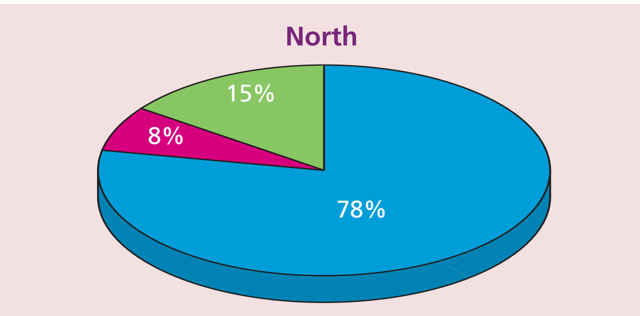
*"It is becoming increasingly difficult to maintain that DHP budgets are sufficient since continuous changes to the welfare system puts increased burdens on benefit-dependent households without similar increases in the DHP budgets. For 2017/18 there will be a doubling of our Benefit Cap caseload, the highest area of DHP spend, but the level of DHP fund has remained broadly the same as in the previous year. With the introduction of further reforms which cap the level of benefit received for dependant children etc. the DHP fund will start to become increasing stretched and potentially insufficient to meet the needs of vulnerable households."* Survey respondent

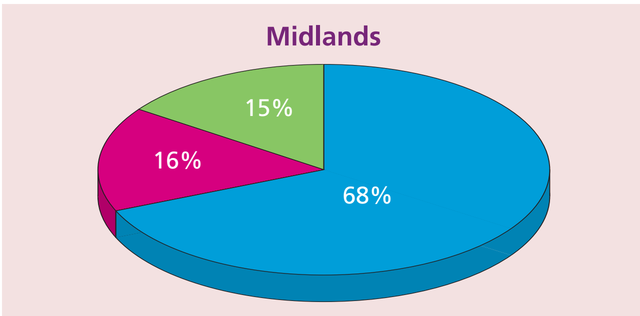
**6%** of working age people on benefits were in receipt of discretionary housing payments (DHP) as at the 31st March 2017. The breakdown of which welfare reforms have led to these households claiming the DHP is below:

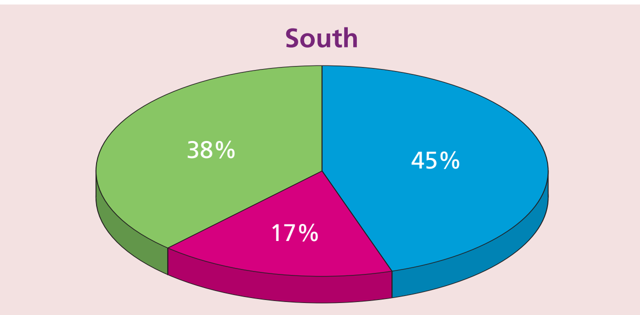


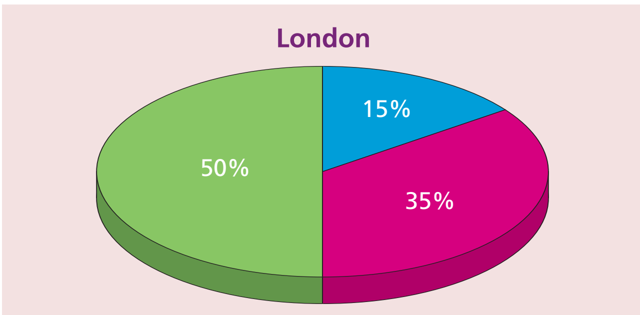

Based on data from 15105 households across 19 Councils and ALMOs

As can be seen in the charts below there are significant regional variations, with the under-occupancy penalty having the greatest impact on the DHP in the North, and other factors (e.g. temporary accommodation) and the benefit cap having the greatest impact on the DHP in London:




Under-occupancy penalty | Benefit cap | Other (or unable to say)

Approximately a third of respondents felt that the DHP pot in their area had been sufficient in the period up to March 2017 to help those tenants experiencing genuine difficulties (35%), a third stated it was not sufficient (35%) and a third did not know or did not give a response (30%).

However, the situation is more complicated than this for those who answered yes:

- The majority stated that where the DHP had been sufficient this year, they were waiting for the full impact of UC and other welfare reforms to be felt (especially the lowering of the benefit cap), and demand was already increasing. For example, one respondent stated that to meet the potential support requirement for just the benefit cap cases would utilise 54% of the budget.
- 2 respondents had supplemented the DHP from the General Fund, which was the only reason it had been sufficient.
- Several respondents stated that applications had been refused and it was difficult to get applications through meaning the pot was not used as much as it could have been.
- 2 London based respondents stated that the pot was largely being used for temporary accommodation. One of these stated that the DHP pot would only cover those in temporary accommodation so all tenants affected by the benefit cap or under-occupancy penalty will not be able to benefit from it.
- The proposed introduction of the LHA cap will add demands to the pot.

> *"With the cap and bedroom tax pressures there is little money to cope with the vast numbers of UC claimants we expect to quickly fall into arrears when full service hits. It will be a tool we can use for exceptional cases but won't make a dent in the overall arrears. Any DHP money we do spend will be prioritised for private landlords and TA, as the risk of evictions is much higher..."* Survey respondent

11 ALMOs and Local Authorities operated an Additional Hardship Fund (27% of respondents); of these, 7 were fully or partly funded through the HRA, 3 through ALMOs' own funds, and 4 through the Local Authority General Fund.

# 5. The benefit cap

*"...To meet the potential support requirements for just benefit cap cases would utilise 54% of the discretionary housing payment budget..."* Survey respondent

As of the 31st March 2017, **66%** of working age households received Housing Benefits or UC (based on a base of 332,538 households); of those who could provide data, **1.5%** of households were subject to the benefit cap. We asked respondents for the percentage of households who had their benefits capped at various points:

| DATE | 31st October 2016 | 30th November 2016 | 31st March 2017 |
|---|---|---|---|
| HOUSEHOLDS | 851 | 1056 | 3000 |

(Based on 197,353 households on working age benefits)

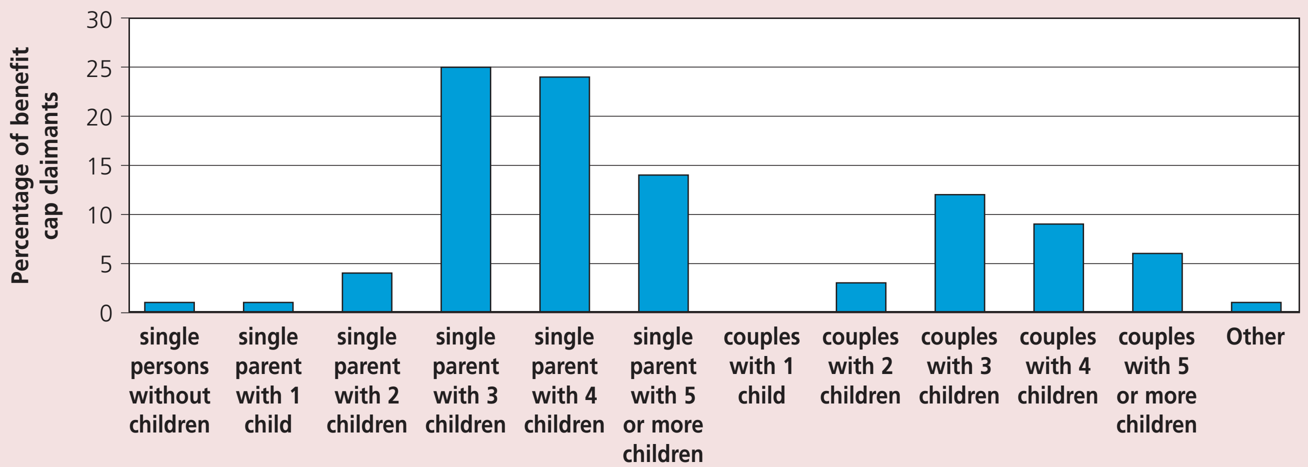
There is some regional variation, as can be seen in the table below. Respondents from metropolitan areas – namely London and Birmingham – had experienced a higher level of households subject to the benefit cap.

| | % on HB or UC | % subject to cap |
|---|---|---|
| North | 63% | 0.89% |
| Midlands | 70% | 2.15% |
| South | 57% | 0.90% |
| London | 69% | 1.08% |

14 organisations were able to provide data as to which households the benefit cap was affecting most (out of 2,489 households) in March 2017.[10] As is clear from the graph the benefit cap is affecting single parents with 3, 4 or 5 children the most significantly, and couples with 3, 4 or 5 children to a lesser extent.

A quarter of cases (25%) concerned a single parent with 3 children, nearly a quarter of cases (24%) concerned a single parent with 4 children, 13% of cases concerned couples with 3 children; and 9% concerned couples with 4 children.

**Diagram 9: Impact of benefit cap by claimant type**




10 One respondent had approximately half of the benefit cap cases due to its size. If you remove this from the analysis, the averages are 27.9% of all cases concern a single parent with 3 children, 26.7% concern a single parent with 4 children; 11.3% concern couples with 3 children; and 8% concern couples with 4 children.

7 organisations provided data around the benefits which capped households were eligible for; unsurprisingly considering the picture above, 6 out of 7 organisations stated that the majority of capped households were eligible for child tax credits, and a lower but significant percentage were eligible for income support.

The majority of households had their benefits capped by either £50 or less a week (53%) or between £50 and £100 (37%) based on data from 22 respondents.

### Impacts from the lower benefit cap

Respondents reported that they had seen a range of other impacts from the lower benefit cap, including:

- Increased arrears more likely for those affected.
- People not choosing or able to engage until they hit legal action, which is resource intensive.
- Tenants in temporary accommodation affected.
- A small number of those affected returned to work, increased their income and managed their spending better.
- Increased reliance on food banks or food parcels/ increased social services involvement/ some evidence of tenants starting to use loan sharks.
- Tenants struggling to make ends meet.
- Reluctance from landlords to accept families made homeless that are capped.
- Concerns that savings on the benefit bill will be wiped out at a local level with the costs of temporary and re-housing, social care and health.

Only 11 out of 42 respondents (26%) had increased staff or financial resources to provide guidance or support to tenants. This includes:

- Short term funded posts for housing support and additional welfare benefit advisor or project leader posts.
- Increase in money advice provision and rent case work.
- Resourcing an in-house money advice team.
- Intensive visiting project sourced from income management budgets.
- Redirecting existing resources for administration, gathering intelligence, undertaking impact analysis and designing intervention; training and directing front line operational and visiting staff.
- Secondment of fulltime family education workers to work on benefit cases across tenure.

The majority of respondents stated that they strongly agreed or agreed that the benefit cap should be based on regional rather than national incomes, and regional rents. Reasons were based on:

- Average incomes vary so much meaning one size cannot fit all.
- Disparity between income levels and cost of living, including in London.
- Fairness.
- A cap that does not reflect local differences pushes people with low earning potential out of regions where incomes, rents and general cost of living is higher.

A few respondents felt that it should not be linked to regional incomes and rents. This is due to the unique circumstances of the area; so for example, in one area, the relatively low average income per household and low rental charges would bring more people into the benefit cap if it was based on regional rents and incomes.

### Case Study

This case study demonstrates the complexity of welfare reform and how the different welfare reform policies have impacted on each other to the detriment of vulnerable individuals:

A single mother with 5 children aged between 4 and 15 years old moved to this Northern area from the south of England in 2016 to secure cheaper accommodation as a result of the benefit cap. She is not working and rents from a private landlord, who served her with a Section 21 notice 5 months after she moved in November 2016. She had become subject to the lower benefit cap and her HB reduced from £73.59 to 50p a week. There were a number of barriers preventing her and her family from having a stable life:

- Unreliable child maintenance payments from her ex-partner.
- Child behavioural issues.
- Unaffordable and unsuitable housing – although her private rented landlord had served her with a notice due to arrears, the landlord did not have any other issues with her tenancy. The landlord would not lower the rent even though the property was cold, damp and there were no heaters; and the tenant was paying most of her income on heating.

The tenant has a number of options which have proved difficult:

- She has already adjusted her budgeting and debt repayments following support from the debt advisory services, but she is worried about the amount spent on gas and electricity as she is in a large, poorly heated house.
- She has made an application for social housing but delays in the registration process mean it has taken several months for her to be able to apply for housing.
- She cannot get a job until her youngest child has a nursery place and the behavioural issues of the eldest child are sorted.
- The introduction of UC full service and the “2 child policy” will further affect her income, and moving house will not be enough to improve her financial situation in the long-term. When moving to UC she will only be eligible to receive the child element for two of her three children.

Welfare reform changes combined with the tenant’s personal circumstances mean that supporting her to have financial stability will take significantly longer.

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