

**REPORT TO:** Policy and Performance Review Committee

**MEETING DATE:** 11 January 2017

**BY:** Head of Council Resources

**SUBJECT:** Impact of Universal Credit on Council House Rent Arrears

---

## **1 PURPOSE**

- 1.1 To inform the Committee about the impact of Universal Credit Full Service on Council house rent arrears since its introduction in East Lothian by the Department for Work and Pensions in March 2016.
- 1.2 To inform the Committee about the work of the Revenues service in mitigation against the impact of Universal Credit.
- 1.3 To inform the Committee about the potential, future financial impact of Universal Credit on rent collection.

## **2 RECOMMENDATIONS**

- 2.1 The Committee is asked to note the social impact of Universal Credit on Council tenants affected and the operational and financial impact on the Council as a landlord.
- 2.2 The Committee is asked to recognise and support the mitigation work of the Revenues service.
- 2.3 The Committee is asked to note and consider the potential, future financial impact of Universal Credit on the Housing Revenue Account income.

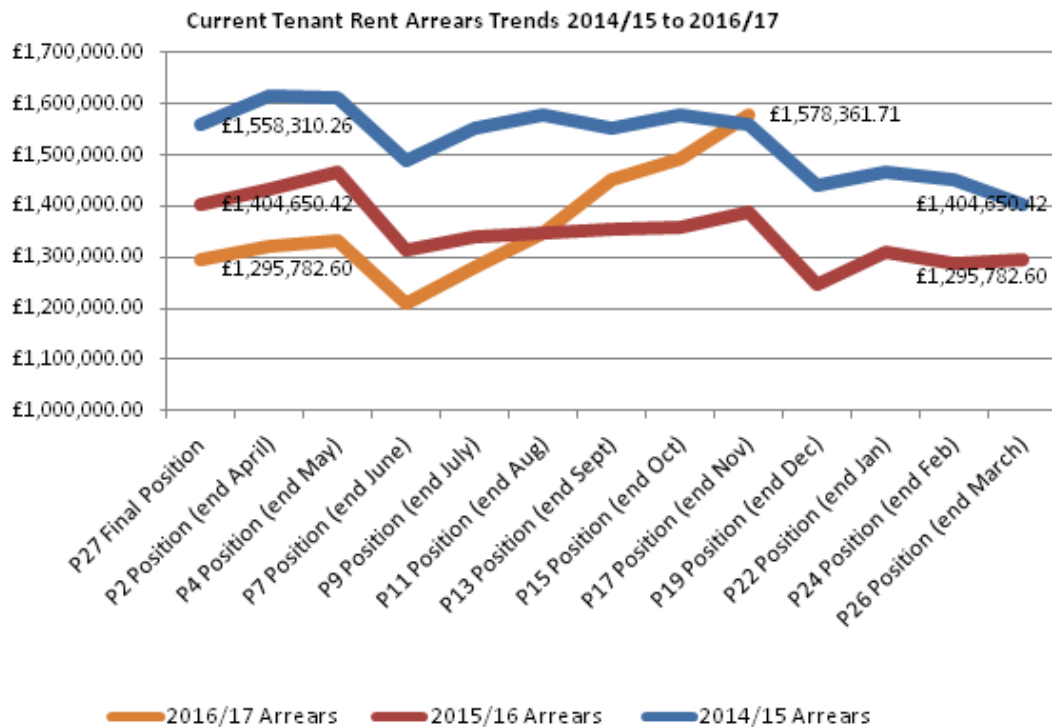
## **3 BACKGROUND**

- 3.1 Universal Credit Live Service was introduced in East Lothian by the DWP on 27 April 2015. Under the Live Service, volumes were relatively small with only limited numbers of single claimants moving onto UC. Although this created additional work for Revenues teams, the overall financial impact during 2015/16 was contained.

- 3.2 East Lothian was the first area in Scotland to be moved to the Universal Credit Full Service (digital) on 23 March 2016. The gateway conditions within UC Full Service were extended to include not only single claimants but all claimant groups from the start, for example couples and families. As well as new claims being in scope, certain changes in circumstances for those already in receipt of DWP benefit could also trigger a move to UC. As expected, there has been a rapid increase in claims, across all areas of East Lothian, in the 9 months since UC Full Service started.
- 3.3 The Revenues service has carried out an assessment of the potential, financial impact of UC on rent collection and it is estimated that by the time full UC caseload is reached, Council Officers will need to collect £8.3m direct from around 2500 Council house tenants receiving UC. In most cases, this will previously have been paid direct to the rent account in the form of Housing Benefit, guaranteeing income to the Housing Revenue Account.
- 3.4 Rent Income staff are having to effect early engagement with tenants moving onto UC by way of arranging face to face contact, often in tenants' homes, to ensure that they understand their obligation to pay their rent from their UC payment and to verify that adequate provision has been made to do so.
- 3.5 Rent Income staff are finding that, as UC is paid in arrears and also that there is a six week assessment period prior to payment being made, this is placing significant financial pressure on tenants during this period. Officers must ensure that all forms of financial assistance have been applied for and their experience is that, in most cases, rent arrears are accruing or increasing during this time. This is a very resource intensive and costly service to provide. It has been estimated that such face to face interviews, which may have previously lasted around 15 minutes, are now taking up to 1.5 hours. Many tenants require ongoing support and quite intensive intervention to help them make the transition to a monthly budget under UC. This support can come from many Council services, along with the assistance the Rent Income team is providing.
- 3.6 As identified in some of the early UC pilots, Council Officers are now often just discovering the vulnerability of some tenants and residents, as many previously received maximum Housing Benefit and there was not always a full awareness of their circumstances e.g. mental health issues, addictions, literacy, numeracy and financial difficulties. All of this gives rise to significant pressure being put on already stretched Council services.
- 3.7 The Council's Rent Income Team has been successful in reducing current tenant rent arrears in each of the last two financial years.
- In 2014/15, current tenant rent arrears reduced by £153,659.84 (a 9.86% reduction)
  - In 2015/16, current tenant rent arrears reduced by £108,867.82 (a 7.75% reduction)

3.8 At the end of 2015/16, current tenant rent arrears were £1,295,782.60. Since the introduction of UC Full Service on 23 March 2016, there has been a significant rise in rent arrears. This is in direct contrast to the trends of the last two years, as demonstrated in the graph shown at Figure 1. In 2016/17 (from April to November), current tenant rent arrears increased by £282,579.11 (a 21.8% increase). The increase in rent arrears in 2016/17 has more than overturned the reduction in rent arrears reported for both 2014/15 and 2015/16.

Figure 1



3.9 Of the £282,579.11 increase in current tenant arrears during 2016/17 (April to November), £126,036.40 relates directly to debt associated with UC. The remaining £156,542.71 is the indirect impact i.e. there has been a rise in debt for non UC tenants as Officers are having to spend so much time working with UC claimants and this is detracting from other work. By way of comparison, during the same period in 2015/16, current tenant rent arrears reduced by £17,252.49.

3.10 The Impact of UC Full Service on mainstream Council house rent collection has been severe:

- **710** Council house tenants were known to be claiming UC at the end November 2016/17. The total value of rent to be collected from these tenants each fortnight was **£90,731.95**. This equates to **£2,177,566.80** over a 12 month period.
- **612** of these 710 tenants have rent arrears. **404** of these 612 tenants have **increasing** rent arrears.

- **137** Alternative Payment Arrangements have been requested from DWP (payment direct to landlord).
  - The average rent arrears for a UC claimant is **£899.93** – to put this into context, the average rent arrears against non-UC cases are **£589.49**.
- 3.11 Despite all of the work which is being done to manage this situation, it is estimated that, if rent arrears continue to rise at the current rate, the Council could be reporting current tenant rent arrears of around £1.7m by the end of 2016/17.
- 3.12 Committee members have previously expressed interest in the work of the East Lothian Foodbank and asked at the last PPRC meeting (9<sup>th</sup> November 2016) if information could be provided around referrals made this year, following the introduction of UC. East Lothian Foodbank has provided information which shows that the number of referrals made are increasing. Although this cannot be fully attributed to the rollout of UC, there is a considerable rise in referrals when compared to the same period previous year. The Foodbank Manager has reported that problems with UC are now one of the main reasons for referral.
- |                |     |                |     |
|----------------|-----|----------------|-----|
| August 2015    | 109 | August 2016    | 161 |
| September 2015 | 105 | September 2016 | 159 |
| October 2015   | 106 | October 2016   | 142 |
- 3.13 From the start of the UC rollout, East Lothian Council recognised the need for good relationships to exist between Council services, Musselburgh Job Centre Plus (JCP), UC Service Centres and the UC Project Team. The Council and JCP have set up an Operational Delivery Group (ODG) in order to manage UC activities under a Delivery Partnership Agreement. Whilst relationships between the Council and JCP Officers have generally been good, the fact that the ODG meetings have not been regularly attended by UC Project or Service Centre staff has at times limited the ability to escalate operational issues to the relevant people within the UC Project in order to rectify operational problems quickly.
- 3.14 The Council has engaged in work with the DWP's Operational Excellence Delivery Team (OEDT). It was understood that the OEDT remit was to examine the impact of UC policy and processes on Council services. This work was informed by a number of case studies collated by the Council's Welfare Development Officer. The OEDT met with Council Officers on 13<sup>th</sup> December 2016 and this gave Council officers the opportunity to raise concerns around the social, operational and financial impact that UC implementation is having in East Lothian. In terms of the existing data sharing protocols, particularly relating to our more vulnerable residents, DWP officers acknowledged that this was an area that was in need of review. Council officers were clear that this was an area which was giving rise to much concern but at this time, it is unclear how, or when, DWP may address this. In relation to other operational and financial impacts, there was a clear message given by DWP that the

Council must continue to work with the UC policy and legislation framework and any issues arising must continue to be raised with the local DWP Partnership Manager. DWP officers advised that the UC service was being developed within an agile environment, on a test and learn basis, which gives limited scope for advance notice being given of any service changes. DWP officers advised that this engagement had been arranged on a one off basis and that there were no plans for the OEDT to work with East Lothian Council officers in the future.

3.15 Since 5<sup>th</sup> September 2016, the Scottish Government has had devolved power to:

- Make changes to UC for the costs of rent accommodation
- Make changes to UC in respect of the timing of payments and to whom the payments are made

3.16 The timeline for the development and implementation of these devolved powers is uncertain at this point. However, Council officers are actively engaging with the Scottish Government and CoSLA to highlight the ongoing impacts of the UC rollout in East Lothian in the hope that the Council's experiences are considered as the Scottish Government lays its future plans for the delivery of its devolved welfare powers.

3.17 The Revenues service has taken action to mitigate the impact of UC on rent collection. The action taken includes:

- The establishment of a Welfare Development Officer to act as the Council's single point of contact for DWP in relation to service delivery arrangements, particularly the local delivery of UC. This 12 month temporary post is funded by DWP as part of the DWP/ELC Delivery Partnership Agreement.
- Deploying previously office based staff to carry out early intervention visits to assist UC claimants in making the transition to managing their rent payments under UC and help prevent rent arrears accruing.
- Diverting a greater share of existing resource into supporting UC clients. Taking this necessary action has cost implications for the Revenues service and is unlikely to be sustainable as claimant numbers continue to increase.
- Creating two Modern Apprentice positions to assist with administration duties to help free up time for visiting officers to carry out early intervention work.
- Transferring the Welfare Rights team from Adult Wellbeing to Revenues (with effect from 4 January 2017) to strengthen referral links for vulnerable clients and provide the opportunity for greater synergy between the teams, leading to earlier intervention and positive outcomes for East Lothian residents.

- Optimising use of Alternative Payment Arrangements (payment direct from DWP). Although the current DWP working methods are causing difficulties, APAs are being applied for where appropriate. 137 applications have made.
- Meeting with DWP OEDT and working with the local DWP JCP to raise concerns and log issues which are impacting on UC claimants and Council services.
- The procurement and implementation of a new software service to assist in the management of rent collection and debt recovery. Using predictive analytics, the new software will enable the team to intervene with a tenant before they get into arrears, and even to identify if they may struggle with rent in the near future before they themselves have realised. This approach will allow us to focus resources more effectively based on priority and risk and will be system driven.
- The Orchard Housing Management system has been developed to assist with the management of rent collection for UC claimants and will now provide Rent Income staff with a more efficient means of capturing key information about tenants and their UC claim progress/status. The East Lothian Council Revenues team has been instrumental in influencing these system developments, using experience of UC Full Service to provide feedback and advice on future system requirements.
- The development and circulation of a UC leaflet in conjunction with the Corporate Communications team, in the absence of any DWP publicity material. This leaflet is now being used by many local organisations, including DWP. The leaflet will be reviewed and updated early next year, with amendments coming as a result of the growing knowledge and experience of Council officers.
- The development and promotion of a series of web pages which will also be reviewed early next year.
- Implementing a UC online calculator, developed by Entitledto. This will allow claimants and their support workers to get an estimate of any potential UC entitlement based on their personal circumstances.
- Revenues staff participating in local radio shows (East Coast FM), along with the Chairperson of the East Lothian Tenants & Residents Panel, to raise awareness of UC and promote the help available from Council services.
- Establishing links with other Local Authorities and Housing Associations to share experience and develop good practice as working methods are enhanced to better align with UC.

- Working with CoSLA and the Scottish Government to share understanding of the impact of UC Full Service and to influence thinking around the future use of devolved powers.
- Planning to trial the use of mobile technology to allow Rent Income home visiting staff access to core systems and online information in order to better assist UC claimants.
- Planning further engagement with the Housing Quality Network to provide additional support and training for staff involved in rent collection in this new working environment.
- Revenues staff planning to take the lead role and work with internal and external stakeholders to design and implement a comprehensive and pro-active advice service referral system which will deliver high quality and co-ordinated referrals to support agencies who can then provide advice to customers affected by Welfare Reform.

#### **4 POLICY IMPLICATIONS**

- 4.1 No policy implications at present. However current policies may need to be reviewed in light of further devolution of elements of Social Security.

#### **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 An integrated Impact Assessment is to be carried out into the implications of the roll out of Universal Credit in East Lothian and the results of this assessment will be shared with DWP and the Scottish Government and will inform the development of the services provided by the Council to support Universal Credit claimants.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – rising rent arrears as a result of the rollout of Universal Credit in East Lothian are having a significant detrimental impact on the Council's Housing Revenue Account and bad debt provision is being reviewed.
- 6.2 Personnel - staffing resources within the Revenues service have been stretched to support those individuals who require greater assistance due to the implementation of welfare reforms and the consequential issues which have arisen, as highlighted in this report. Staffing resources will be reviewed in light of continuing and increasing demand and/or further reductions in either funding or income.
- 6.3 Other – None.

## **7 BACKGROUND PAPERS**

- 7.1 Impact of Universal Credit on Revenues Services Q2 dated 7 November 2016.
- 7.2 Update on Universal Credit and Welfare Reform report to East Lothian Council dated 20<sup>th</sup> December 2016.
- 7.3 Private report of Universal Credit case studies.

<b>AUTHOR'S NAME</b>	Kenny Christie
<b>DESIGNATION</b>	Service Manager – Revenues
<b>CONTACT INFO</b>	<a href="mailto:kchristie@eastlothian.gov.uk">kchristie@eastlothian.gov.uk</a>
<b>DATE</b>	19 December 2016