

REPORT TO: Policy and Performance Review Committee

MEETING DATE: 21 February 2018

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Council House Rent Arrears

1 PURPOSE

- 1.1 To inform the Committee about current levels of mainstream Council House rent arrears (excluding temporary accommodation).
- 1.2 To inform the Committee about the impact of Universal Credit Full Service (UCFS) on mainstream Council house rent arrears since its introduction in East Lothian by the Department for Work and Pensions (DWP) in March 2016.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to note the current levels of mainstream Council House rent arrears.
- 2.2 The Committee is asked to note the operational and financial impact of UC on the Council as a landlord.



3 BACKGROUND

Rent Collection Prior to Universal Credit Full Service

- 3.1 The Revenues & Welfare Support service has provided a number of update reports to Elected Members covering rent arrears and the impact of UC on rent collection. Section 7 of this report highlights the relevant background papers.
- 3.2 The Council's Rent Income team was successful in significantly reducing current tenant rent arrears in both 2014/15 and 2015/16. The service delivery and performance improvements made during this time were commended both locally and nationally and shared with colleagues from other Councils and Housing Associations who were keen to understand more about the progress made during this period.

In 2014/15, current tenant rent arrears reduced from
£1,558,310.26 to £1,404,650.42.

An in-year reduction of **£153,659.84 - 9.86%**

In 2015/16, current tenant rent arrears reduced from
£1,404,650.42 to £1,295,782.60.

An in-year reduction of **£108,867.82 - 7.75%**

- 3.3 UC 'Live' Service was introduced in East Lothian by the DWP on 27 April 2015. Under Live Service, volumes of new claims were relatively small with only limited numbers of single claimants moving onto UC. Although an increase in rent debt was reported for tenants claiming UC under Live Service, this did not impact in significantly on overall collection.

Rent Collection Since Universal Credit Full Service

- 3.4 East Lothian was the first area in Scotland to be introduced to Universal Credit Full 'Digital' Service (UCFS) by DWP on 23rd March 2016. The gateway conditions within UCFS 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.

- 3.5 Since the introduction UCFS in March 2016, there has been a significant rise in rent arrears.

In 2016/17, one year after the introduction of UCFS, current tenant rent arrears increased from £1,295,782.60 to £1,676,047.09.

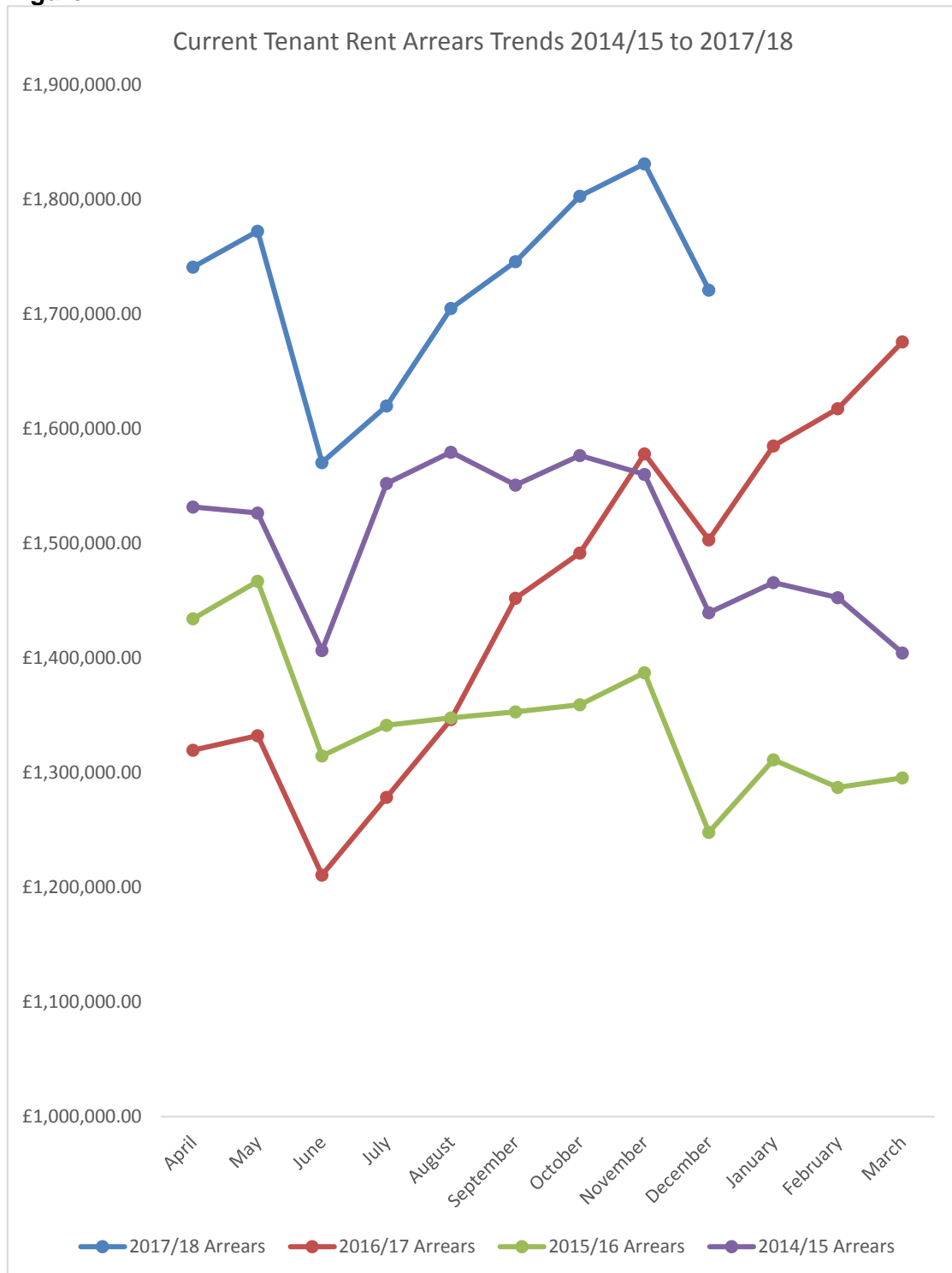
An in-year increase of **£380,264.49 - 29.35%**

In 2017/18, up to end Q3, current tenant rent arrears increased from
£1,676,047.09 to £1,721,245.80.

An in-year increase of **£45,198.71 - 2.70%**

3.6 Figure 1 shows the stark contrast between the arrears trends reported in 2014/15 and 2015/16 when compared to the trend since UCFS was introduced. Rent collection has been affected severely by UCFS and it has been difficult for Rent Income staff to provide the level of support needed for UC claimants on an ongoing basis, whilst at the same time ensuring all tenants in need of financial assistance are given the attention required. The last two years on UCFS have been extremely challenging.

Figure 1



3.7 When comparing in-year performance at end December 2017 to the same period in 2016/17, an improvement has been evidenced, with the rate of increase having slowed down significantly.

Current tenant rent arrears increased by **£207,661.58**
between April **2016** and December **2016**

Current tenant rent arrears increased by **£45,198.71**
between April **2017** and December **2017**

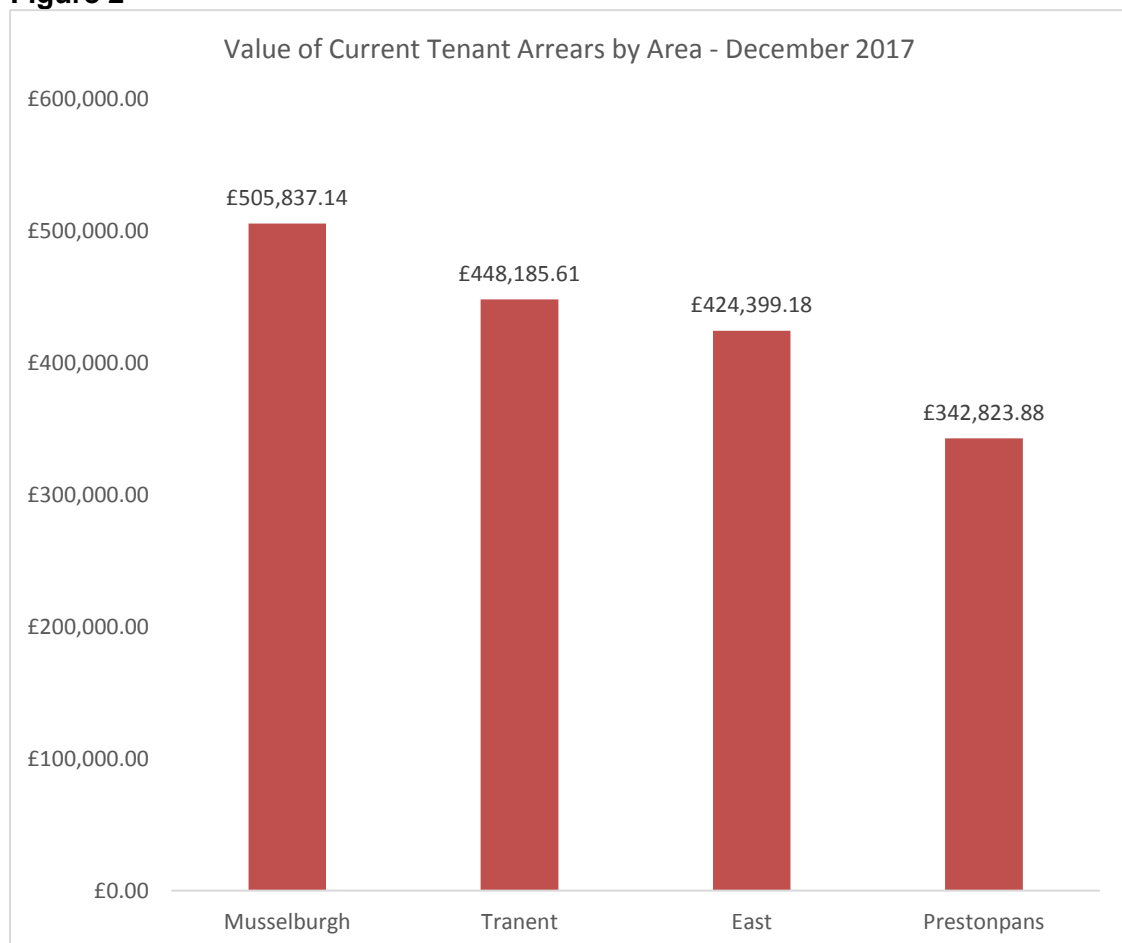
3.8 Of the £45,198.71 increase reported in 2017/18, there is evidence to show that UC related debt has increased and non UC related debt has reduced.

Debt owed by tenants claiming UC has increased by **£166,896.95**

Debt owed by tenants NOT claiming UC has reduced by **£121,698.24**

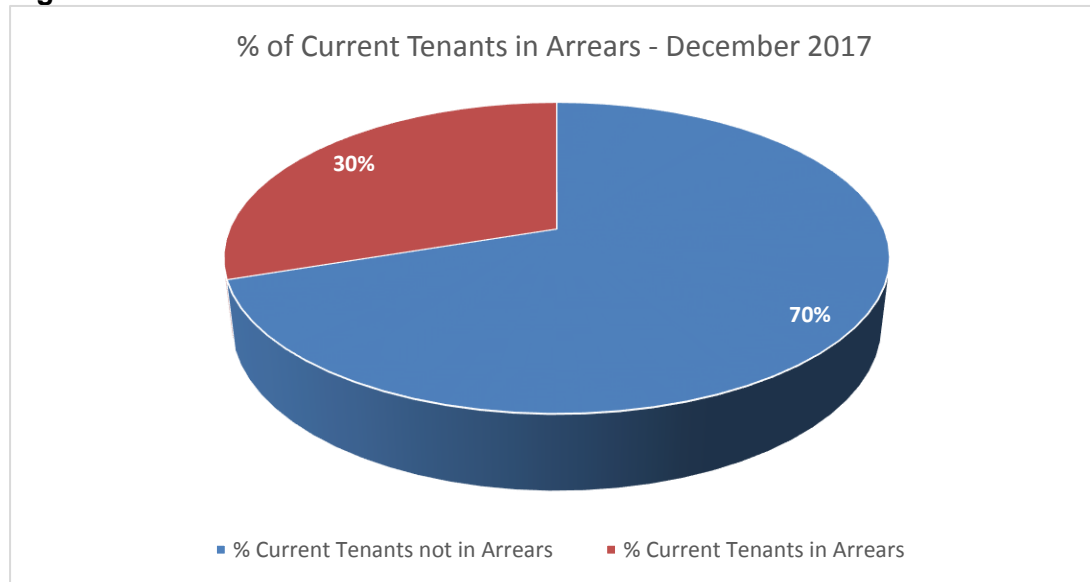
3.9 Figure 2 shows the value of current tenant rent arrears, at end December 2017, split by the four main geographical areas within East Lothian.

Figure 2



3.10 In addition to recovering rent arrears, the Rent Income team manages rent collection and provides payment and welfare advice to all Council house tenants. Figure 3 shows the % of all current tenants, at end December 2017, who have a clear rent account and the % who have rent arrears.

Figure 3



3.11 Figures 4a and 4b show the number of current tenants who have rent arrears, at end December 2017.

The significant reduction in the number of tenants with rent arrears reported in June 2017 and December 2017 is as a result of the bi-annual rent charge breaks. No rent is charged during these periods, which are historically aligned to the traditional holiday periods. Tenants in arrears are asked to ensure their repayment arrangements continue during these periods, therefore any monies collected are offset directly against arrears.

Figure 4a

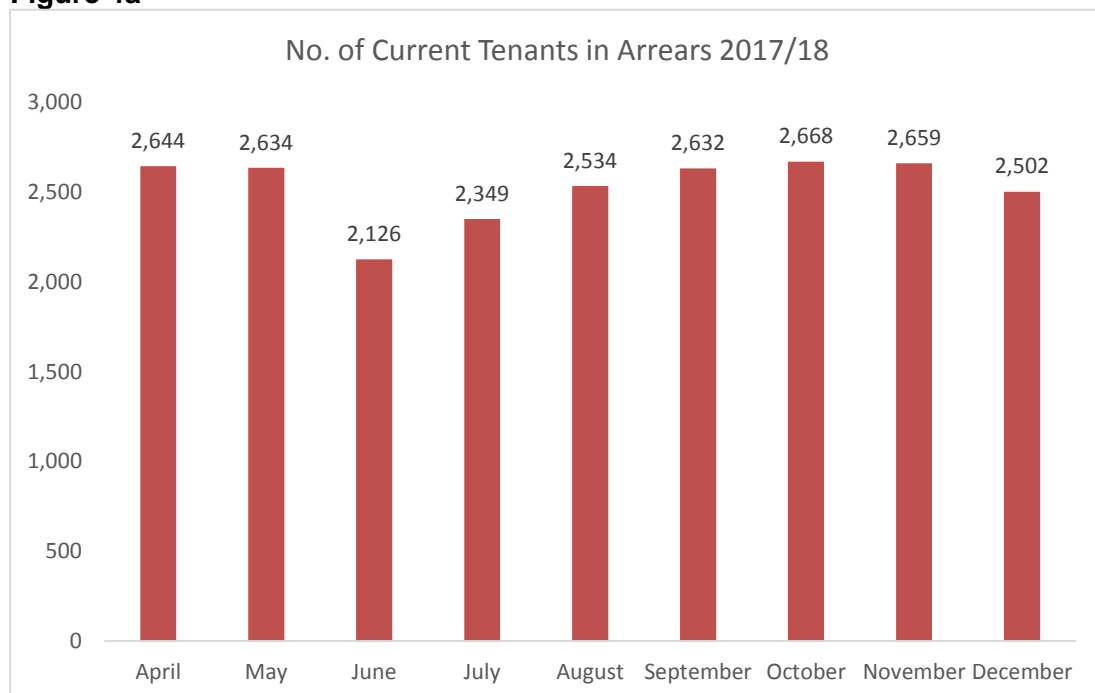
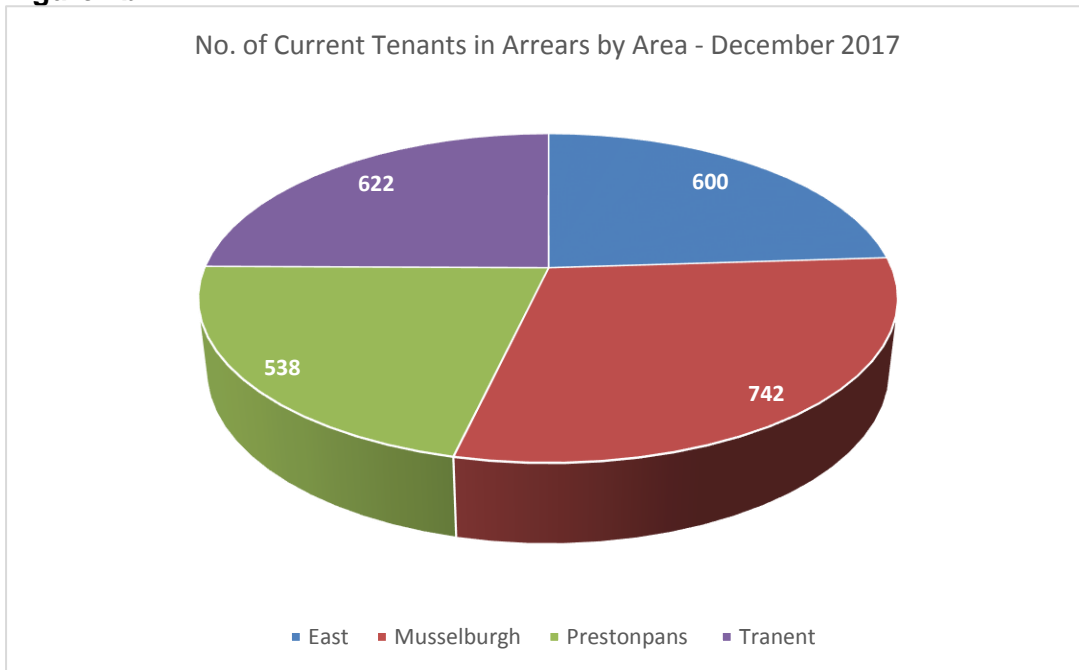
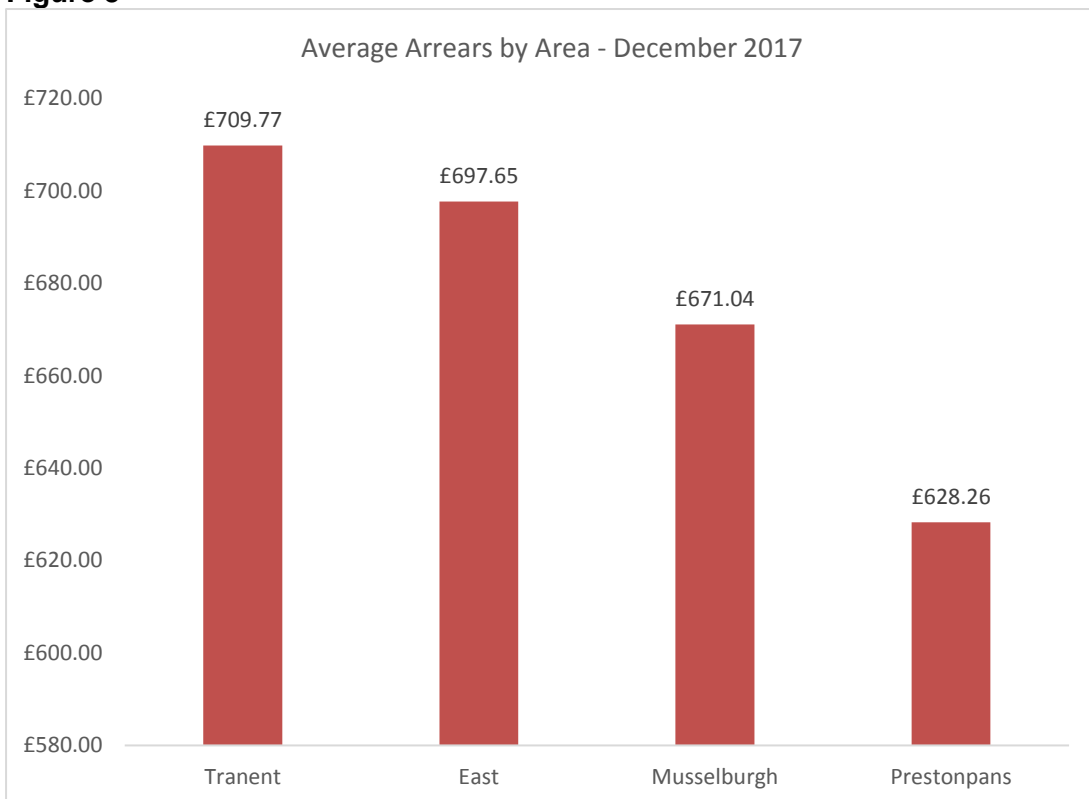


Figure 4b



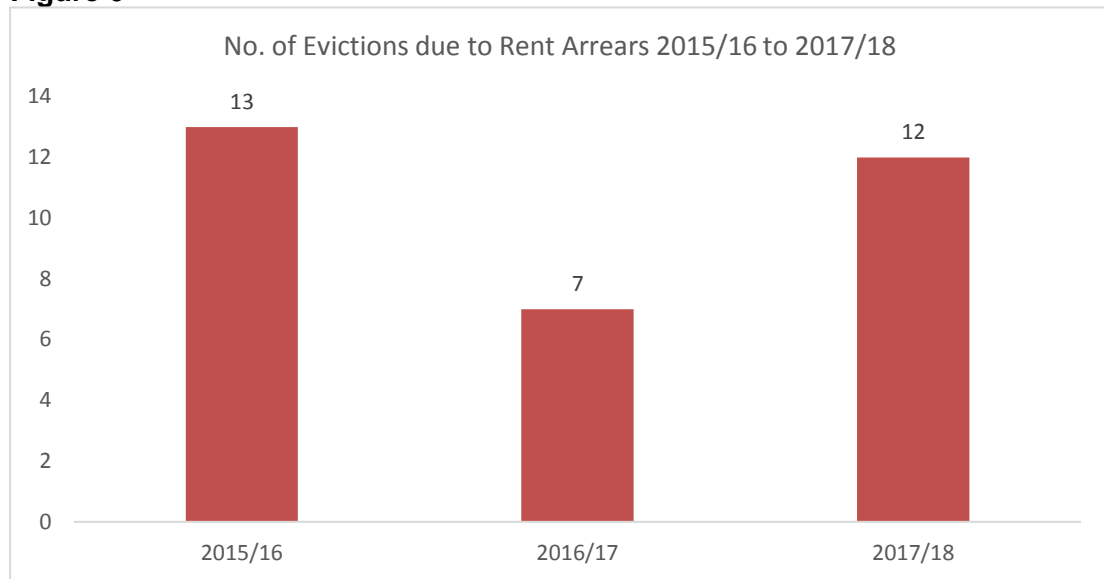
3.12 Figure 5 shows the average debt owed by current tenants, at end December 2017, split by geographical area.

Figure 5



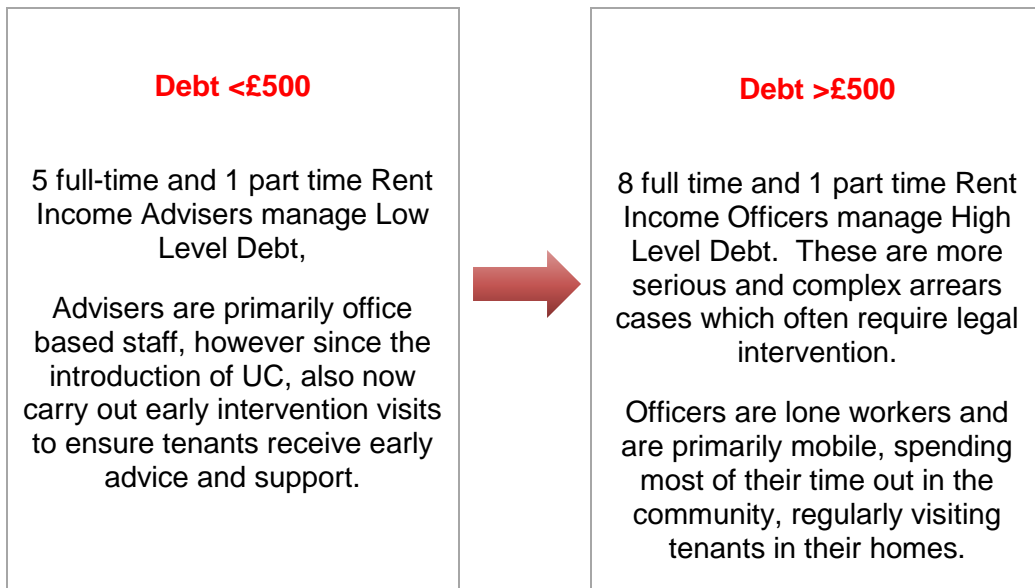
3.13 Figure 6 shows the number of mainstream Council house tenants who have been evicted for rent arrears from 2015/16 to December 2017.

Figure 6



Rent Income Team and Mitigating Action

- 3.14 An extensive range of service improvements, system developments and process and procedural changes have been implemented by the Revenues & Welfare Support service to help mitigate the impact of UC on rent collection. However, the additional work generated by UCFS has been unprecedented and has really tested the resolve of those working to address the impact.
- 3.15 Approximately one half of the projected numbers of tenants who may move onto UCFS have done so, up to end December 2017. The Service needs to ensure that the team is fully equipped to meet future demands and expectations as UC claimant numbers continue to grow and the DWP managed migration of the remainder of housing benefit claimants approaches (no fixed date at this time).
- 3.16 In response to this changing and challenging environment, as part of the Council's 2017/18 budget setting process, £100k additional investment, from the Housing Revenue Account was made available to support the rent collection service, in mitigation of the impact of UC on rent arrears. Three new members of staff were recruited to the Rent Income team.
- 3.17 The Rent Income team has a two-tier structure in place to support a prevention and early intervention approach.

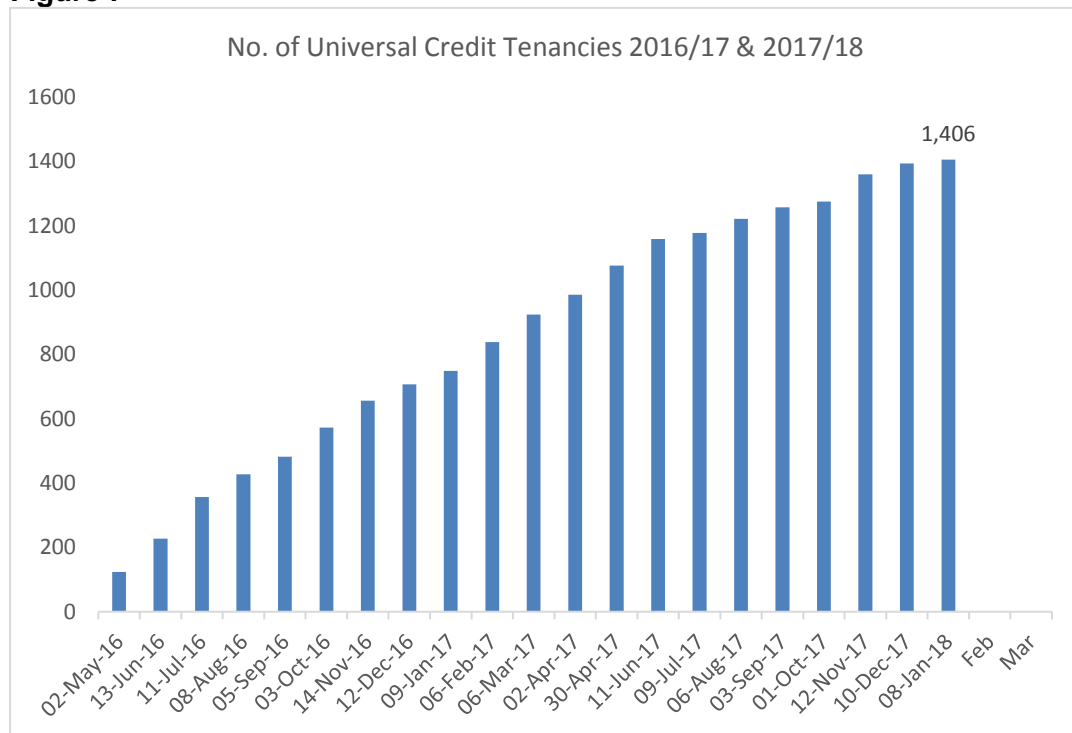


3.18 This established approach has worked very well in recent years. By deploying additional resource to bolster the team's early intervention approach, Council tenants are receiving much needed help and support throughout the early stages of their UC claim and during any subsequent periods of change where UC payments may fluctuate or tenants' financial circumstances change.

Impact of Universal Credit Full Service

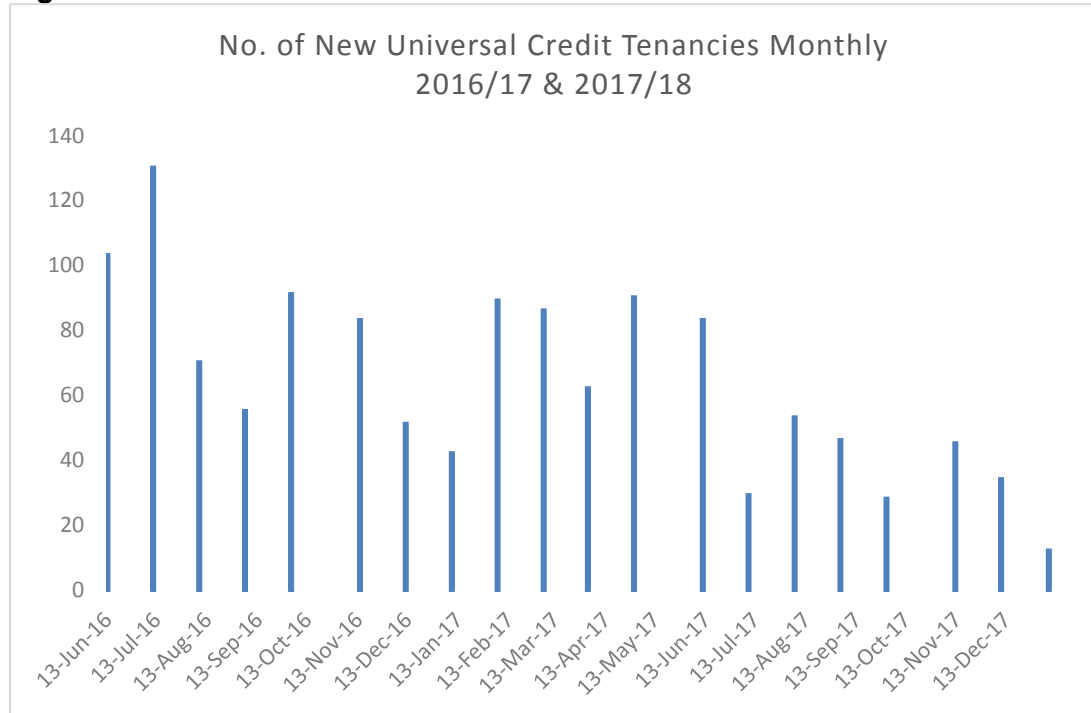
3.19 There was a rapid acceleration in new UC claims for Council house tenants during 2016/17, which continued into early 2017/18. The total number of UC claimants, by month, is shown in Figure 7 below.

Figure 7



3.20 Since July 2017, the acceleration has slowed down and the volume of new UC claimants has dropped considerably. This could be attributed to two factors. Firstly, those tenants with a greater propensity to have changes in circumstances which trigger a move to UC will have made the transition. Also, from April 2017, a restriction was made for claimants with more than two children which meant that they would claim or remain on Housing Benefit, rather than move onto UC. This slowdown in new claims is demonstrated in Figure 8 below.

Figure 8



3.21 Managing this rapid monthly increase in new UC claims was extremely challenging for the Rent Income service and other Council services but the recent slowdown of new UC claimants has helped provide the Rent Income team with some much needed time to recover from the initial acceleration. However, the team is still managing constant changes in circumstances and income for existing UC claimants and the cycle of intervention and information gathering remains a prominent feature of the team's work.

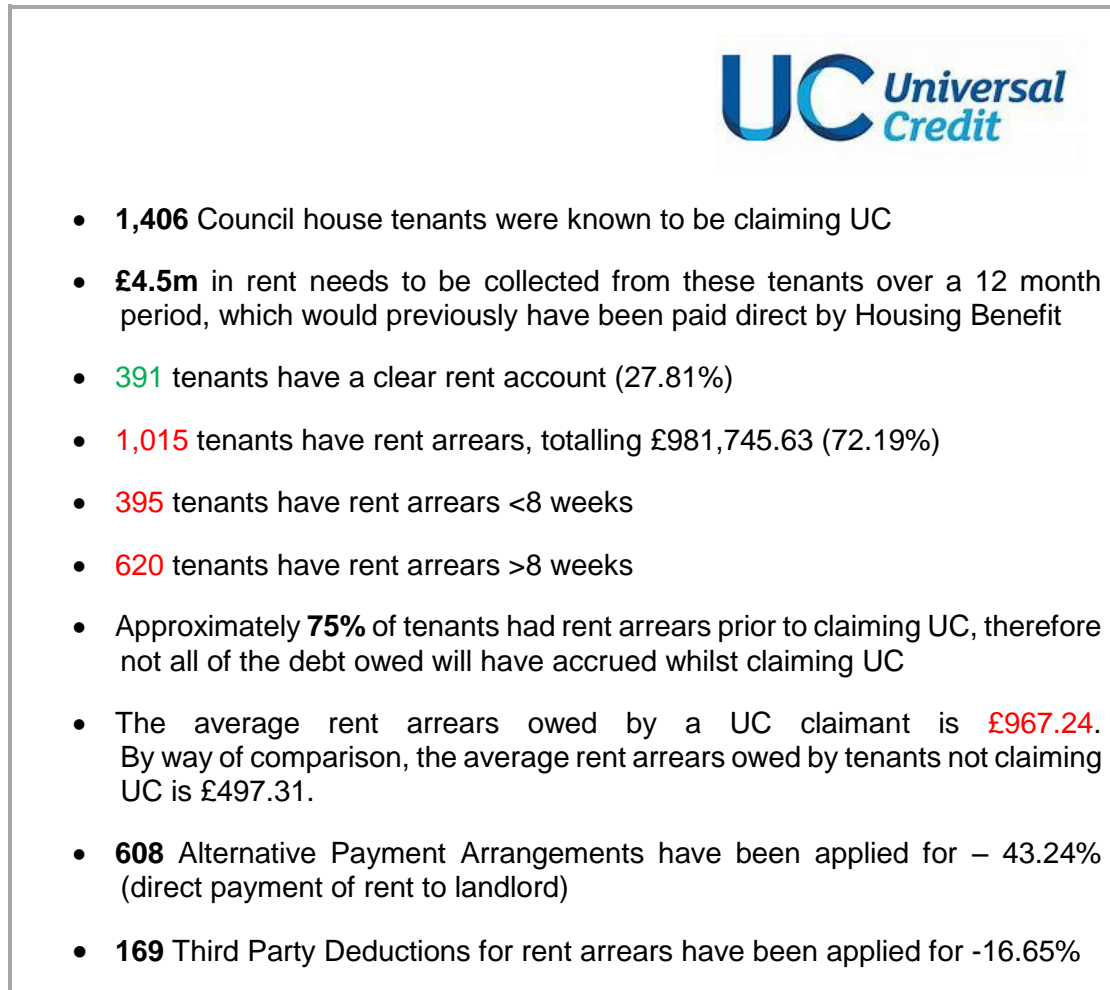
3.22 It has been important to establish early engagement with tenants moving onto UC to ensure that they understand their obligation to pay their rent from their UC payment and to verify that adequate provision has been made to do so.

3.23 As UC is paid in arrears with a five week assessment period prior to payment being made, significant financial pressure is placed upon tenants at this time. Council Officers are ensuring that all forms of financial assistance have been applied for while tenants wait for their first payment but in most cases, rent arrears are accruing during this period.

3.24 Rent Income staff are continuing to discover 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. Many of these tenants require additional support from other Council Officers to help them make the transition to UC.

- 3.25 Although the Revenues & Welfare Support service has learned from the experience of the last two years of UCFS and has worked with DWP and others to develop and improve the UC service, there are still significant problems which remain unresolved. The Council's Single Point of Contact, working within the Revenues & Welfare Support service, is responsible for co-ordinating issues and feedback and for escalating unresolved cases.
- 3.26 Some statistical information is shown below at Figure 9, based on the claimant volumes at end December 2017/18:

Figure 9



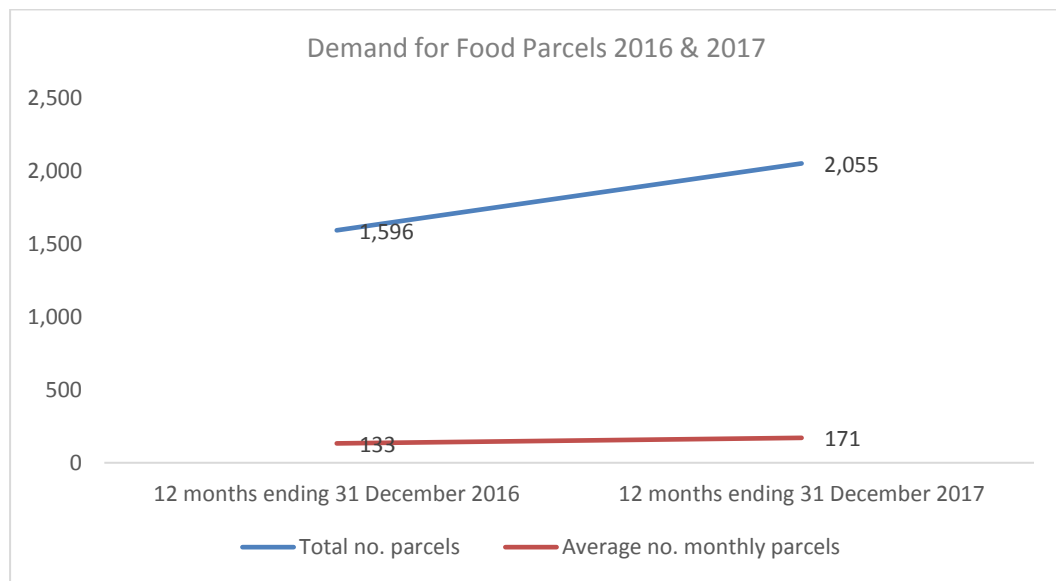
East Lothian Foodbank

3.27 Committee members have previously expressed interest in the work of the East Lothian Foodbank following the introduction of UC and an update was provided at the equivalent meeting last year (11 January 2017).



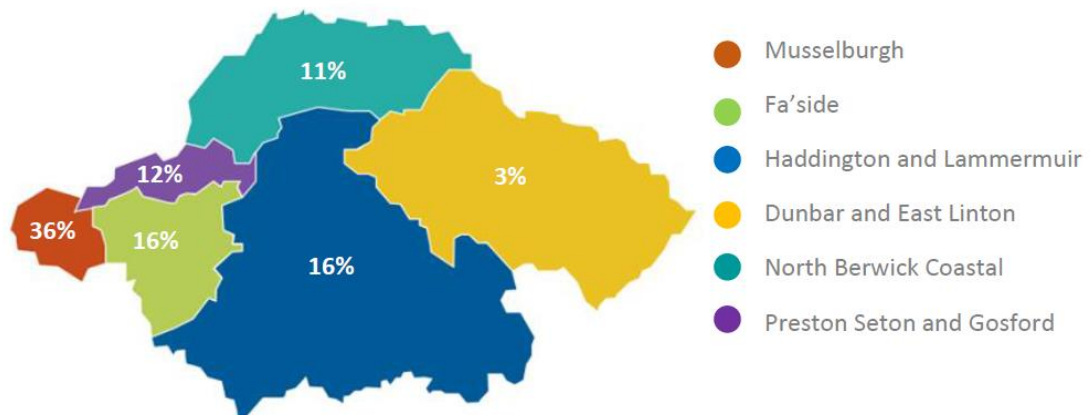
3.28 East Lothian Foodbank has provided information which shows that the number of referrals made are continuing to increase. Although this cannot be fully attributed to the rollout of UC, there is a considerable rise in referrals when compared to the same periods in previous years. The Foodbank Manager has reported that problems with UC have contributed significantly to the rise in referrals since April 2016. Figure 10 shows the demand for food parcels in 2016 and 2017.

Figure 10



3.29 Figure 11 shows food parcel referrals by Area Partnership.

Figure 11



Scottish Payment Choices

- 3.30 With effect from 4 October 2017, the Scottish Government was granted devolved powers to:
- Allow UC claimants to have rent payments made direct to landlords
 - Allow UC to be paid twice monthly to the tenant (not landlord)
- 3.31 Council staff are actively encouraging tenants to request direct payment of rent costs by the DWP following the introduction of these new Scottish UC payment choices and have also planned a media campaign to promote the new choices. Although the Scottish Government has reported that around 2,500 UC claimants have so far opted to request some element of payment flexibility, DWP has advised the Council that take up data is not available at a local level.

DWP Landlord Portal and Trusted Partner Status

- 3.32 The DWP has recently developed an online Landlord Portal. Local Authorities who are now migrating to UCFS are automatically granted Trusted Partner status and are given access to the Portal. This means that from the outset of a UCFS claim, these Authorities can verify tenants' housing costs online so that DWP can pay them their UC entitlement as quickly as possible.
- 3.33 Local Authorities with Trusted Partner Status can also request an Alternative Payment Arrangement (an APA is a direct payment of rent to landlord) via the Portal and this will automatically be approved by DWP, greatly speeding up the process by removing the need for a DWP decision maker to assess the application.
- 3.34 Up to this point, East Lothian Council has not been granted access to the Portal or Trusted Partner Status, therefore has been at a disadvantage. Staff have been working with a more cumbersome process, which has contributed to delays in payment of housing costs and confusion around the status of any APA application.
- 3.35 East Lothian Council has been invited to join the rollout of the Landlord Portal and the Trusted Partner Status and implement this new way of working from the end of February 2018. Other landlords who have experienced early adoption of the Portal have reported a far quicker turnaround in rent cost verification and the ability to apply for rent to be paid direct earlier in the application process without further verification is viewed as a positive development which has the potential to help with rent collection.

UK Government UC Changes to be implemented in 2018

- 3.36 As part of the UK Government's Autumn Budget, changes were announced, which are viewed as having potentially positive impacts on rent collection.
- 3.37 From February 2018, the seven-day waiting period will be removed for new UC claimants, reducing the length of time claimants wait to receive their first full payment. Subject to satisfying the conditions of entitlement, all new claimants will be eligible for UC from the first day they claim it.
- 3.38 At present, claimants are entitled to an advance of up to 50% of their estimated entitlement, which can be repaid over a period of up to six months. A claimant's UC payments will be adjusted to account for this. With the first payment, this means that claimants in need could receive nearly double the money they would usually get, helping them to make the transition on to UC. Repayment of advances will become recoverable over a period up to 12 months, regardless of the level of the advance

claimed, making it easier for claimants to manage their money. In addition, from spring 2018, it will be possible to apply for an advance online; further increasing accessibility for those who need it.

- 3.39 From April 2018, claimants who were previously receiving Housing Benefit (HB) and are transitioning on to UC will receive a transitional payment; an extra two weeks support. This will be unrecoverable, automatic and received early in the first assessment period. This payment will be made by Local Authorities and will not require any additional intervention from the claimant, unless they have a change of circumstance such as moving address, in which case they will need to inform their Local Authority.
- 3.40 Overall the changes being introduced by both the Scottish and UK Governments are viewed as positive steps in the development of the UC service. As well as helping UC claimants, these developments should help landlords safeguard rental income.

4 POLICY IMPLICATIONS

- 4.1 No policy implications at present.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 This report is not applicable to the wellbeing of equalities groups and an Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – rising rent arrears as a result of the rollout of UC in East Lothian are continuing to have a significant detrimental impact on the Council's Housing Revenue Account and bad debt provision is under review.
- 6.2 Personnel – no further implications at present.
- 6.3 Other – None.

7 BACKGROUND PAPERS

- 7.1 Rent Arrears report to PPRC dated 25 November 2014
- 7.2 Update on Universal Credit and Welfare Reform report to East Lothian Council dated 20 December 2016
- 7.3 Impact of Universal Credit on Council House Rent Arrears report to PPRC dated 11 January 2017.
- 7.4 Impact of Universal Credit on Revenues & Welfare Support Services Q4 2016/17 (Members' Library – September 2017)
- 7.5 Universal Credit Update report to PPRC dated 11 October 2017.

AUTHOR'S NAME	Kenny Christie
DESIGNATION	Service Manager – Revenues & Welfare Support
CONTACT INFO	kchristie@eastlothian.gov.uk
DATE	9 th February 2018