

## Pause for Thought

Measuring the impact of Welfare Reform on tenants and landlords

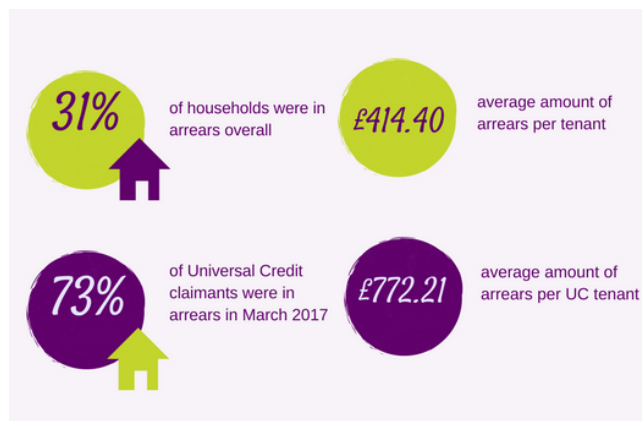
July 2017

This briefing sets out the results of our most recent welfare reform survey which tracks councils' and arm's length management organisations' (ALMOs) performance on rent arrears and the impact of welfare reforms, including the rollout of Universal Credit. The survey reports figures as at the 31<sup>st</sup> March 2017. In total, 42 members from the Association of Retained Council Housing (ARCH) and the National Federation of ALMOs (NFA) responded to the survey, responsible for managing a total of 563,985 homes; of these, 29 are ALMOs and 13 are local authorities.

### Key headlines:

#### Rent arrears and Universal Credit (UC)

UC claimants are significantly more likely to be in arrears than non-UC households, and owe significantly more.



- The overall rent arrears bill for all households at March 2017 was **£68.5 million**.
- **2.6%** of respondent households were claiming UC and owed a total of **£6.68 million** (approximately 10% of total arrears).
- Average UC rent arrears had risen from **£611.73** in March 2016 to **£772.21** in March 2017.
- **56%** of UC households in arrears had arrears totalling more than 1 month, with average arrears of **£890.31**.
- **41%** of UC households in arrears had an alternative payment arrangement (APA) in place, but there were concerns over the effectiveness of APAs.

The rollout of UC has contributed to a number of tenants going into arrears; **40%** of UC claimants in arrears in March 2017 had not been in arrears prior to the introduction of UC. Respondents largely attributed this to the negative impact on tenants of the length of time between applying for UC and getting the first payment, as well as the subsequent delays in the payment of housing element of UC.

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.

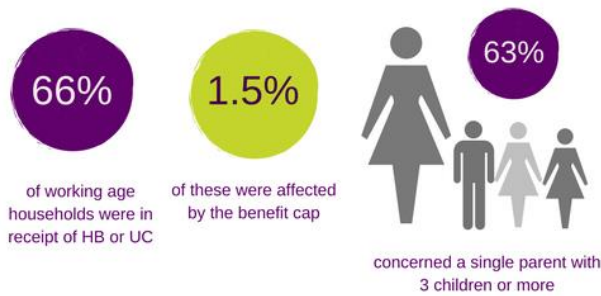
However there are concerns about the current impact of the rollout of UC on families, as well as the unprecedented levels of rent arrears. Poor administration, communication between DWP partners, and delays in assessment processes have caused undue stress and hardship for individuals.

"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 UC to deal with..." -Survey respondent

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

## Impact of the Benefit Cap



The benefit cap has had the largest impact on single parents with 3 children or more. This is worrying, since it is the group who are least able to make up the difference, as well as being the most vulnerable.

Half of households had their benefits capped by £50 or less a week (53%); and just over a third had their benefits capped by between £50 and £100 a week (37%).

## Discretionary Housing Payments (DHPs)



Respondents reported that 6.3% of working age people on benefits were receiving discretionary housing payments. A significant proportion of these were attributed to the impact of the under-occupancy charge (60%).

The impact of the under-occupancy charge is most being felt in the North, where 78% of DHP are attributed to this. This compares with London, where only 15% of the payments were attributed to the under-occupancy charge, and where temporary accommodation costs and the benefit cap are having a greater impact (85%).

Respondents felt that the rollout of UC would put significant pressure on DHP budgets.

## Under-occupancy penalty



9% of all households were subject to the under-occupancy penalty, which has barely changed since 2014/2015 (down 1%).

40% were in arrears, despite discretionary housing payments being used to mainly support this group of tenants. The under-occupancy penalty is having the greatest impact in respondents in the North, where 11.5% are affected.

On average, tenants owe £380.57, but this rises to £640.79 in London.

Organisations had had some success in supporting people to move through various schemes. However, respondents told us that many people had decided to just pay and stay.

Four households have recently registered with the downsizing scheme who have had their children taken into care... Whilst their children are in care 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

Respondents reported that the under-occupancy penalty had let to more vulnerable people who do not have a choice financially having to move, increases in rent arrears and general hardship; as well as pressures on the discretionary housing pot.

For further information, please contact the NFA's Policy Director, Chloe Fletcher at [chloe.fletcher@almos.org.uk](mailto:chloe.fletcher@almos.org.uk) or ring 0751 505 0207

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