Arch
ASSOCIATION OF RETAINED COUNCIL HOUSING

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Heads above water

How council tenants and landlords have fared through the pandemic

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Cover Photo: Photo by Silas Baisch on unsplash.com
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The NFA and ARCH would like to thank all the members who responded to the survey. Whilst all reasonable care and attention has been taken in compiling this publication, the authors, publishers and editorial team regret that they cannot assume responsibility for any error or omission that it contains.

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Introduction

The NFA and ARCH have surveyed members on the impact of welfare reform and rollout of Universal Credit over the last six years. Prior to March 2020, the focus for local authorities and ALMOs was on bedding in a new system, processes and culture to support tenants to manage the national shift from the old welfare system to Universal Credit. This has involved considerable investment in tenancy sustainment, financial wellbeing services and income management teams.

Our surveys over this period show a gradual reduction in Universal Credit arrears since 2017 as the new systems, processes and cultures worked alongside national policy and technical changes, including the introduction of the Landlord Portal, two week roll-over of Housing Benefit, APA processes and Advance payments. We reported last year that the situation had appeared to reach a status quo, with around 63% of households on UC in arrears, owing about seven weeks rent.

Then in March 2020, the Coronavirus pandemic hit. Our last survey was published in June 2020 at the point where UC applications were sky-rocketing, with members reporting an average of two and half times the number of UC applications that they normally saw. This tailed off over the course of the year. In March 2021, there had been an increase of around 9% to the UC caseload compared with the previous year, and a 5% reduction in HB cases. Overall, on average 69% of households were on HB or UC in March 2021 compared with 65% in March 2020 (looking at those organisations that responded in both 2020 and 2021).

The pandemic has clearly had a severe impact on tenants. In our survey, 80% of income officers reported higher rent arrears, 77% had seen increased demand for support services and 77% reported increased use of food banks and increased fuel poverty. 74% of income officers had also seen increased demand for hardship funds (see page 17).

However, our survey also shows the massive levels of support that local authorities and ALMOs have provided to tenants, particularly intensively during the first few months of COVID-19, to make sure that they are able to continue to access the services and help they need to keep a roof over their heads. Despite the pandemic, local authorities and ALMOs have maintained the services that they already had in place to support those going onto UC, modified them to work during lockdowns, and upscaled them to respond to the need.

As a result of this, while it is clear that the pandemic has deeply impacted people's lives, our survey results show that households in the local authority and ALMO sector have – so far - largely prevented a build-up in housing debt that many organisations had anticipated. The percentage of households in arrears and the amount they owe has actually slightly reduced this year, reflecting the combination of the level of support local authorities and ALMOs are providing locally and national COVID-19 policy changes (including furlough and the increase to the UC payment).

There are a number of important factors that have driven this situation:

- Local authority rents are much lower than private rented sector (PRS) rents, and unlike PRS rents, UC covers local authority households' housing costs in most cases. This is one of the reasons why arrears have escalated so sharply in the PRS, where the UC housing element fails to cover the cost of a lot of rents, despite the increase in the Local Housing Allowance (LHA).
- Households in the local authority sector have access to a range of services which support tenants to manage their rent, access Universal Credit and other financial support, and deal with sudden changes in their circumstances. Many ALMOs and local authorities also deliver employment, training and upskilling programmes that tenants can access to improve those circumstances. The expectation that the pandemic would hit tenants' ability to pay their rent also led to an increased focus on prevention and early intervention by income teams to mitigate this, which has clearly had an impact.
- The Universal Credit system performed extremely well during COVID-19. Of course there are still policy and technical problems that we pick up in part one, but the sheer scale of the numbers that moved smoothly onto UC and received payment on time is impressive[1].

1 See DWP UC Statistics, 29th April 2013-8 April 2021.

- In addition to this, a number of local authority households will have been helped to avoid unemployment by the Government's furlough scheme, which pays 80% of workers' contracted hours (although many households will still have experienced a substantial reduction in income, for example due to normally working more overtime). Some of the impact will also have been mitigated by the £20 a week uplift to the UC standard allowance and other changes introduced by DWP, for example suspension of the recovery for benefit overpayments and third party debts in the early months of the pandemic[2].

- Local Authorities also had access to a much higher amount of Discretionary Housing Payments (DHP) in 2020-2021 than the previous years, which will have enabled them to help a greater number of households experiencing problems paying their rent.

From conversations with our members, it is clear that the government's ban on evictions last year has had an impact on organisations' ability to deal with households that have large housing debts and are not engaging, with some organisations carrying cases with very high levels of arrears which have continued to build up through COVID-19. However, eviction has always been a last resort for ALMOs and local authorities, evidenced by the fact that they have largely kept a handle on arrears figures even without this option.

Looking forward

Like many in the sector, we are concerned about what will happen over the coming months when government support mechanisms are gradually withdrawn. The current extension to furlough ends on the 30th September along with the £20 a week increase to UC payments.

While DWP is planning on allocating a second tranche of Discretionary Housing Payments funds in September, nearly all of our survey respondents were unsure or did not think that the DHP pot would be big enough this year to meet the needs of their areas, which will clearly cause significant problems, especially considering the scale of need in the private rented sector.

We look forward to working with DWP and other government departments to make sure the transition out of COVID-19 support does not create a cliff-edge for tenants. We strongly call for a maintenance of the £20 a week increase to UC and a measured approach to furlough ending which does not trigger large scale unemployment. We also ask government to recognise the work that local authorities and ALMOs do in the employment and skills arena, and make sure that they are able to access funding to continue the projects they run.

Most importantly, we repeat our call for the Government to commit to building at least 90,000 to 100,000 new socially rented homes a year. The COVID-19 pandemic has shown the true value of genuinely affordable, secure housing with wraparound support services for people to access when they need them. It has also shown how woefully unsuitable the private rented sector is at providing affordable and secure homes for those who have been most affected by the pandemic.

ARCH and NFA Asks:

1. Remove the five-week wait for the first Universal Credit payment.

2. Retain the £20 uplift to Universal Credit

3. Remove the benefit cap and under-occupancy penalty

4. Support social housing landlords in their role of providing employment and training services.

5. Build at least 90,000 - 100,000 new socially rented homes a year to widen access to genuinely affordable homes.

2 We refer to it as an uplift, but it should be noted that progressive cuts to the benefit system have gradually drained it of money, so the £20 a week could be seen as a return to necessary levels of funding in the Universal Credit system rather than an uplift.

The experience of Private Rented Sector (PRS) households

Whilst the ARCH/NFA Survey focuses on the impact of the pandemic on local authorities & ALMOs and their tenants there is clear evidence emerging from other research that the impact on renters in the PRS has been significantly worse.

Over a number of years the private rented sector has become the home of many low income families who would once have had access to a local authority or social housing tenancy. As the stock of social housing has declined and successive governments have failed to build sufficient genuinely affordable homes for people, more and more people have found themselves in insecure, unaffordable PRS tenancies where DWP housing support fails to cover the cost of the rent.

While this has been a significant issue for a number of years, the pandemic has thrown it into stark relief. According to Shelter analysis, there has been a 21% increase in households receiving housing support and private renters have been worse affected. There are now more than 2 million private renters receiving housing support in England – a 44% increase since the start of the pandemic. The analysis finds that in a third of areas in February 2021, half or more of private renters need support with their rent; and housing support now fails to cover the cost of a modest 2 bedroom home in 58% of local authority areas in England[3].

The situation is not likely to improve. LHA rates have been frozen in monetary terms for next year, yet private rents have continued to increase in the 12 months to March 2021[4]. The LHA rates increase alongside other COVID-19 funding increases without a corresponding increase to the benefit cap also means that some of the most precariously placed households are already - and will continue to - miss out on crucial financial support to pay their rent. For example, Policy in Practice finds that 22,000 existing claimants in London became capped as a result of April 2020 COVID-19 increases (44,300 households). Households who were already capped have not received increases to their benefit awards worth £219 per month on average, while private sector renters with children who were already capped will not receive increases worth £431 per month on average[5].

According to the National Landlords Association, in March 2021, 840,000 private renters in England and Wales could have built arrears since the pandemic began. Based on a survey of 2,077 private tenants, they found that 7% had built arrears and 18% of those in arrears now had debts of more than £1,000[6].

The English Housing Survey, second wave Housing Resilience Survey, also shows the impact of the pandemic on private renters. In November to December 2020, 9% of PRS households were in arrears compared with 3% in 2019/2020. 22% of private renters reported that they were finding it more difficult to keep up with rent payments, and were more likely than social renters to report that their savings had decreased. They were also more affected than social renters in terms of decreases in income: 22% reported a decrease in income of at least £100 per month compared with 13% of social renters[7].

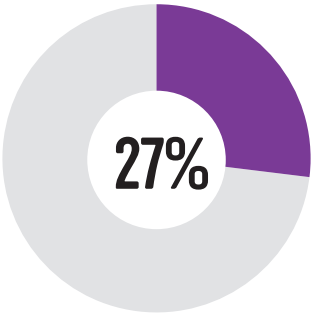
There is clear evidence that the pandemic has disproportionately affected low earners, young workers, people from certain ethnic minority groups and those who are in precarious work, who have seen their income falling and their spending rising[8]. The government have committed £11.5billion to a new Affordable Housing Programme over the next 5 years and subject to economic conditions expect to deliver around 180,000 new homes in that period. However, only half of those homes are expected to be for affordable or social rent, with the rest for various forms of low cost home ownership, and we urge the Government to be much more ambitious and to recognise the impact of the pandemic and the needs of those whose economic circumstances are such that they are unable to access home ownership; and heed the calls from ARCH & the NFA, and others across the housing sector, to significantly increase the supply of social rented housing.

3 Universal Credit Alert Briefing, Shelter, May 2021.
4 The Index of Private Housing Rental Prices (ONS) – there was a 1.3% increase in England in the 12 months to March 2021.
5 Policy In Practice, New analysis: benefit capped household set to double
6 National Landlords Association, COVID 19 and the rental market – one year on, 25th March 2021.
7 English Housing Survey, Housing Resilience Survey (second wave).
8 See for example, Resolution Foundation's analysis in the 12 Month Stretch, March 2021.

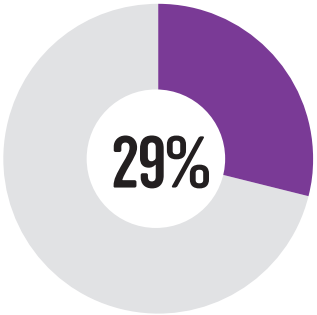
Data Summary

Total dataset

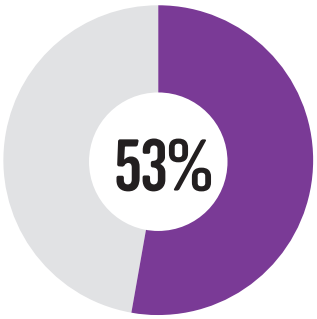
Based on responses from 39 organisations (managing a total of 466,677 social/affordable properties):



27% of households in receipt of Universal Credit.



29% of all households had arrears and owed on average £425 (around five weeks' rent).



53% of UC households had arrears and owed on average £489 (around six weeks' rent).

Longitudinal dataset

Based on responses for 20 organisations over the last five years (2017-2021):

- 28% of households in receipt of Universal Credit up from 19% in 2020.
- 29% of households had arrears which is broadly unchanged from last year. The average amount owed has risen to £419 from £395 last year, but this is a similar number of weeks rent owed (five weeks).
- 58% of UC households had arrears owing £502. This is down from 63% of UC households owing £548 last year. It compares with 76% of UC households owing £546 in 2017.

2020/2021 comparison

Based on responses from 31 organisations that provided data for the 2020 and 2021 surveys:

- In 2020, 19% of households were on UC and 46% were on HB (a total of 65%). In 2021, 28% of households were on UC, and 41% were on HB (a total of 69%).
- Between 2020 and 2021, the average percentage of households in arrears had stayed the same (30%) but the average amount owed had risen from £372 to £419.
- In 2021, 57% of UC households had arrears, which had decreased from 63% in 2020. The average amount owed was £481 which compares with £523 in March 2020.
- The same percentage of households on UC had arrears owing more than one month (four weeks rent) at 47%, however there was an increase of 39% in the total amount owed for these cases. The average per household rose from £927 to £985.
- By 2021, an average of 31% of households were subject to an APA compared with 24% in March 2020.

Part One – Survey results – Total Dataset

39 organisations responded to the survey, managing a total of **466,677** social/affordable properties:

Region	Responses	Total number of social/affordable rented properties managed
North	9	146,502
Midlands	14	190,429[9]
South	11	66,538
London	5	63,208
TOTAL	**39**	**466,677**

Table one: Dataset

An average of 27% of households were in receipt of UC, and 41% in receipt of HB.

Region	Percentage of housholds in receipt of UC	Percentage of housholds in receipt of HB
North	30%	43%
Midlands	28%	39%
South	25%	38%
London	26%	41%
TOTAL	**27%**	**41%**

Table two: UC average based on responses from 38 organisations. HB average based on responses from 33 organisations

Longitudinal sample

20 organisations have provided data for the five surveys from 2017 to 2021; together they manage around 210,500 homes. We have provided longitudinal analysis of these organisations as part of the longer-term trends of UC rollout.

Comparison 2020 and 2021

31 organisations provided data for both 2020 and 2021, managing around 401,500 properties. We provide analysis from these organisations to determine the impact of the pandemic.

9 31% of the stock in the Midlands is managed by one respondent.

Local authority rents

We have used the following figures to calculate average weeks' rent owed. This uses actual 2018/2019 data and estimates the 2020/2021 rents according to a 1% reduction in 2019-2020 and CPI+1% increase (2.7%) in 2020/2021. This is an estimate as the data has not been published yet and we know some organisations decided not to increase rents, but the figures are given for illustrative purposes.

Region	2018/2019[10]	2020/2021
North (average North West, Yorkshire and the Humber and North East)	£73.70	£74.93
Central (average East, East Midlands and West Midlands)	£80.90	£82.25
South (average South West and South East)	£86.13	£87.50
London	£105.72	£107.49
England	£85.97	£87.41

CASE STUDY: Partnership

"Of course our service has become more telephone-based due to lockdown and the pandemic, but engagement from tenants has not been hindered by this - in fact, it's been very good. This has made it possible for us to quickly connect residents in need with our local partners."

STAR Housing/ Shropshire Council

Stock: 4,043 homes

Households claiming Universal Credit 2020/21: 23%

Shropshire Towns and Rural Housing (STAR), like many other local authority housing providers, leveraged their capacity to help residents by collaborating with existing local agencies. In STAR's case, this was the team of money mentors already attached to the Oswestry food bank organisation. The survey respondent reported a 'great partnership with the Money Advice Team; this has really helped support out tenants during the last 12 months and overall with rent arrears.' STAR staff also worked closely with the food bank to make sure residents in desperate need were getting access to vouchers.

While staff necessarily had to adapt services – virtual lettings and sign-ups, telephone assessments for support – their work was also supported by an automated rent collection service that had been implemented just before lockdown and which they could prime to give tenants the earliest possible warnings about how to seek help if they were slipping into arrears. STAR also has an in-house money advice and tenancy sustainment team that works with residents on issues such as benefit checks, claim support, budgeting, digital inclusion, debt counselling & fuel poverty. As a response to lockdown, they are now looking to add labour market access and employability work to STAR's work with residents.

10 Average weekly local authority rents by region in England 2018-2019, Table 73b, UK Housing Review, CIH and Heriot Watt University

All 2021 Respondents

29% of all households were in arrears owing on average £425 (five weeks' rent)	15% of households on HB were in arrears owing £223 (three weeks' rent)	53% of households on UC were in arrears, owing £489 (six weeks' rent)

1. Overall arrears

Based on data from 35 organisations, 29% of households were in arrears and owed on average £425 (around five weeks' rent). This compares with 30% of households owing £405 last year (five weeks' rent).

Region	Percentage of households in arrears	Average amount owed	Weeks' rent owed
North	32%	£362	5
Midlands	26%	£440	5
South	29%	£381	4
London	34%	£797	7
	29%	**£425**	**5**

Table three: overall arrears

2. Housing Benefit arrears

26 organisations provided data on households on housing benefit in arrears. On average, **15%** of households on housing benefit were in arrears and owed £223 (about three weeks' rent). This compares with 18% of households last year, which owed £210.

3. Universal Credit Arrears

Based on data from 34 respondents, an average of **53%** of households on Universal Credit were in arrears.

These households owed **£489** (six weeks' rent). This compares with 63% of households which owed an average of £572 last year.

Region	Percentage of households on UC in arrears	Average amount owed	Weeks' rent owed
North	66%	£508	7
Midlands	51%	£480	6
South	50%	£425	5
London	61%	£1,627	15
TOTAL	**53%**	**£489**	**6**

Table four: Universal credit arrears

Although the London region has always had higher average UC arrears than other parts of the country, there has been an increase in the average number of weeks owed from 11 weeks last year to 15 weeks this year. We know that many London boroughs have been particularly badly affected by the pandemic due to the impact on the service industry[11]. We will be following up with London members over time.

For those 26 organisations that could provide the data, **45%** of households had arrears totalling more than one month/ four weeks' worth of rent. The average debt owed for these households was £964 (approximately 11 weeks rent).

28% of UC households were subject to an alternative payment arrangement. This is up from 24% last year, but is close to 2019's figure of 27%.

Under-Occupancy Penalty

We surveyed members this year on the under-occupancy penalty to check whether COVID-19 had had an impact on this group of households. The data from 19 organisations showed that there was no difference in the average percentage of households affected by the penalty, nor in the percentage that owed arrears. There has been an increase in the average amount they owe.

	Percentage of households affected by the UOP	Percentage of households that are affected by the UOP which are in arrears	Average amount of arrears
2017	9%	40%	£381
2020	5%	42%	£264
2021	5%	42%	£317

Table five: trends in the under-occupancy penalty

CASE STUDY: Online access

"We have increased the level of support given to our residents by our income team – and we have found our residents are more open to the support on offer."

Welwyn Hatfield Council

Stock: 8,885 homes

Households claiming Universal Credit 2020/21: 24%

As part of its lockdown response, the council decided to focus more staff time on its income advice services to residents, helping many who were unfamiliar with making welfare claims to access the help they were entitled to. This helped reduce potential debt and rent arrears.

Staff report that, as in many other sectors, Covid has pushed the digitalisation of the council's services forward much faster, and the result is that Wi-Fi is no longer a luxury, particularly for vulnerable households. It became clear in Welwyn that it was a necessity for anyone who needed to access the full range of help that's been made available during the pandemic, both locally and through national initiatives.

Given that services are unlikely to fully return to in-person offerings, Welwyn's survey response suggests a key policy improvement would be to regard internet connectedness as a necessary utility alongside water, gas and electricity, and consider how to make it affordable for low-income households.

"There's no point offering digital training to people who don't have access to either a Wi-Fi service or a device to access online services once the course is over," said our survey respondent.

11 see Cities Outlook 2021, Centre for Cities

Benefit Cap

An average of 1% of households had their benefits capped, which is unchanged from last year. Across 18 organisations this is 1,102 households. Of these, 56% are in arrears which compares with 67% in arrears last year.

There is a mixed picture across the survey respondents in relation to the benefit cap. Some organisations have seen a reduction in the number of households capped and an improvement in their arrears position, some have seen no change, some have seen increased DHP payments in 2020-21 and increased demand for debt advice and support. National statistics have shown that there has been a significant increase in households which have had their benefits capped, which is not surprising considering the emergency COVID-19 measures have increased the amount that households get without a corresponding increase in the benefit cap[12]. The fact that it does not show in our data could be because it is mainly households in the private rented sector which have been most affected as a result of the COVID-19 UC changes. We will keep an eye on this as the emergency COVID-19 measures are removed.

Discretionary Housing Payments

Local authorities are allocated a pot of Discretionary Housing Payments (DHPs) each year to help households who have a shortfall in their HB/UC payments and rent, and require additional help to meet their housing costs. DHP is designed to help those affected by welfare reforms, including the benefit cap, bedroom tax and LHA cap. It is not demand led: local authorities must manage the pot they are allocated against the need for support in their areas. It has deliberately been designed to not support everyone affected by the welfare reforms, since those reforms were designed to act as an incentive to force people change their behaviours (e.g. downsize into a smaller house).

The total DHP pot for 2019-2020 was £139.5 million. This was increased to £179.5m for 2020-2021 in the 2019 Spending Round (announced September 2019) to 'tackle the affordability pressures in the private rented sector in England and Wales' (i.e. prior to COVID-19). It has then been returned to £140 million in 2021-2022. In 2019/2020, the last data available, of the local authorities that returned data, 41% spent more than their allocation of funding, 6% spent 100% of their allocation; and only 12% spent less than 90% of their allocation. In total, 98% of the central government allocation was spent[13] which strongly suggests its necessity.

The Government increased LHA rates as part of its COVID-19 support package: from 1st April 2020, LHA was increased to cover the lowest 30% of market rents in each area. They have then been frozen at the same level in cash terms for 2021/2022. This is in addition to the £40m increase to DHP between 2019-2020 and 2020-2021, and should have helped with demand for DHP during the pandemic, especially in the private rented sector.

19 respondents provided data on their DHP allocations in our survey. For these organisations, there had been a total 40% increase in their DHP allocation between 2019-2020 and 2020-2021. On average, a slightly lower percentage of DHP was spent on council/ ALMO tenants in 2020/2021 (27%) compared with the previous year (31%). In the North, around 62% of DHP was given to local authority tenants in 2020-2021, which drops to around 25% in the Midlands and 24% in the South. This remained broadly similar to the previous year. While we have limited data for London, there was an apparent drop from 41% being allocated to local authority tenants in 2019-2020 to 20% in 2020-2021, which suggests the sheer scale of need in the private rented sector[14].

Only one respondent in the survey felt that the DHP pot in their area would be sufficient in 2021-2022. 13 respondents said it would not be (43%) and 16 were not sure (53%). The 'not sures' are in large part because DWP has changed the way that budgets are allocated this year and will be allocating a second tranche of funding based on need in September this year, which creates considerable uncertainty.

For those who do not think the DHP pot will be sufficient, the reasons include the cuts in funding between 2020-2021 and 2021-2022 (in some places over 40%) but the same level of need among households; the upcoming end of furlough which is likely to drive unemployment; and the removal of the £20 increase to UC:

"We have seen a reduction of 46% year on year. The 2020-21 budget is spent in its entirety and yet the same issues are still affecting households."

12 DWP, Benefit cap: numbers of households capped to February 2021
13 Use of Discretionary Housing Payments: analysis of year end returns from local authorities, April 2019-March 2020.
14 Based on data from just three respondents.

"45% reduction in DHP grant and increased demand for DHP as effects of the COVID-19 pandemic and economic changes work through, will place significant demand on the DHP budget in all housing sectors, particularly low-income social tenants. We have spent our full allocation in recent years and the reduction in grant means that we will not have the same funds to distribute – all tenants will be impacted by this reduction."

Improvements to the Universal Credit system

We asked respondents in the survey what policy and technical improvements should be made to Universal Credit to make it function better for tenants and landlords. Understandably DWP shifted its focus to managing the impact of the pandemic during 2020-2021 and paused a number of strands of work. As DWP goes back to looking at these strands of work, there are a few areas which would make a considerable difference:

1. **Removal of the five week wait:** Across our respondents, this was still by far the biggest change requested, and it continues to have a detrimental impact on households. The 'advance payment' (which is a loan by a different name) is a complicated way of getting around the payment in arrears that puts people into debt from the beginning.

2. **Maintain the £20 uplift to Universal Credit.** Members have serious concerns about the impact of reducing household budgets by such a large sum during the pandemic. With the level of demand for foodbanks, the £20 a week is clearly still needed.

3. **Improve the bulk upload of rent changes:** The verification process following the annual increase to rents continues to be a massive challenge for landlords as it is so resource intensive. We had hoped there would be a solution for April 2021, but this is still outstanding.

4. **Better communication between DWP and landlords, including improved information sharing:** This encompasses a range of areas, including a need to improve communication channels for landlords to resolve issues, more consistent support from service centre agents, a review of consent and information sharing processes, quicker decision making to APA and TPD requests.

5. **More support for claimants:** Better support to claimants whilst claiming and through the duration of the claim; better information given to applicants at application stage, especially around housing expectations; more help to digitally excluded people.

6. **Improvements to the Landlord Portal:**

- APAs – using the portal to show applications/ removals and reasons for refusal for APAs. Clearer notification from DWP as to whether an APA/ direct payment has been awarded/ Ability to cease APAs on the portal.
- Notification through portal to landlords of all changes, including overpayments
- Add a comments function to the portal or a communication channel
- Landlord stop requests for direct payments and third party deductions to be added to the portal.

Part Two – Longitudinal analysis

There are **20 organisations** which have responded to the survey for the five years from 2017 to 2021[15]. Together they manage 211,264 social and affordable properties. The data from these organisations provides a good picture of both the implementation of Universal Credit and the impact of the pandemic.

29% of households were in arrears which is broadly the same as last year. They owed £419 (five weeks rent) compared with £395 last year (five weeks rent).

58% of UC households were in arrears owing £502. This is down from 63% of households owing £548 last year.

There has been an increase in households on UC from 1.4% in 2017 to 28% in 2021:

2017	2018	2019	2020	2021
1.4%	3%	11%	19%	28%

Table six: average percentage of households on UC for the longitudinal organisations

The overall percentage of households in arrears for these organisations has remained stable, rising slightly from 26% in 2017 to 29% in 2021.

While the average amount that households owed was stable until 2019, it has been higher in the last two years, reaching **£419** in **2021**. Considering the increase in the proportion of households on Universal Credit, and their greater likelihood of being in arrears and owing more, it is very likely that this is contributing to the higher average arrears. It is also worth noting that rents were frozen until April 2020 and after that, increases of CPI+1% have been permitted, which is also likely to be having an impact.

	2017	2018	2019	2020	2021
% of households in arrears	26%	26%	26%	28%	29%
Average amount owed	£305	£303	£308	£395	£419

Table seven: households in arrears for longitudinal organisations

Over the last five years, the percentage of households on UC in arrears has gradually dropped from **76% in 2017 to 58% in 2021**. The amount owed has remained relatively stable, and has actually dropped in the last year. It is the equivalent of six weeks' rent.

	2017	2018	2019	2020	2021
% of UC households in arrears	76%	69%	63%	63%	58%
Average amount owed	£546	£528	£533	£548	£502

Table eight: Universal credit arrears for longitudinal organisations

15 Please note, in the last survey, there were 24 organisations which had completed the survey since 2017. The four organisations which did not respond this year have been removed from the previous years' data.

There have been a number of factors contributing to this trend. The most obvious is the fact that local authorities and ALMOs have had a chance to get to grips with UC and put in place the culture change and income management processes and systems (including technical) to support tenants to pay their rent. They have been scaled up during COVID-19, but they were already in place. Organisations are also working with bigger numbers on UC, which levels out spikes in the data[16].

This period has seen a number of policy changes, including the two week run-on of Housing Benefit (extended now to other benefits) and the introduction of advance payments; and the extension to the length of time that advances can be paid back over, combined with the reduced total amount of deductions that can be reclaimed from UC. There have also been a number of technical changes, which we very much welcome, including the Landlord Portal, Trusted Partner status for landlords, and improvements to how APAs are paid (including removal of the four weekly aggregated payment system that sees same day APA payments). While there are still improvements to be made, these have helped with the better administration of UC.

During the pandemic, as mentioned earlier, we also know that there has been a huge effort by local authorities and ALMOs to support tenants to manage the impact, which includes increasing financial wellbeing support and tenancy sustainment, and acting preventatively to stop the build-up of rent arrears. There has also just been more money in the UC system, with, for example, the additional £20 a week payment to the standard allowance.

Comparison 2020 and 2021

31 organisations provided survey data in both March 2020 and March 2021 which enables us to do a direct comparison over the pandemic period. These organisations manage a total of 401,550 social/affordable rented properties:

Region	Responses	Total number of social/affordable rented properties managed
North	8	141,832
Midlands	13	187,429[17]
South	8	51,161
London	2	21,128[18]
TOTAL	**31**	**401,550**

Table nine: Responses for 2020/2021 comparison group

We wrote in last year's report about organisations reaching a status quo in relation to UC. The inbuilt five-week delay in the first UC payment still causes initial arrears, but many local authorities and ALMOs have had time to put in place processes to support households to move to UC and continue to pay their rent.

The results for these organisations over the year suggest that the processes have been effective. In many cases they have been scaled up and adapted to deal with the pandemic, but the fact that they were already in place has meant that local authorities and ALMOs have been able to quickly and effectively support tenants.

28% of households are now on UC (rising from 19% in March 2020). There has been a decrease of households on HB from 46% to 41%. We know that there was a massive increase in UC applications in the first month after the pandemic, but that this levelled off over the year. In total, an average of **69%** of households were receiving housing support in March 2021 compared with 65% in March 2020.

16 UC was also originally rolled out to single households, which are more likely to have a fluctuating income and therefore may have experienced more problems with moving on and off UC in the earlier years.
17 39% of the stock in the Midlands region is managed by one respondent.
18 Due to the small number of London respondents, we have not provided regional averages for the London area in the breakdown for this part of the report.

	2020	2021
HB	46%	41%
UC	19%	28%
TOTAL	**65%**	**69%**

Table 10: Average percentage of households on UC and HB (26 organisations)

Overall Arrears

27 organisations provided their overall arrears position for the two years. The average percentage of households in arrears **(30%)** did not change between March 2020 and March 2021. Nine organisations had seen their households in arrears rise, seventeen had seen them reduce, and one remained the same.

	Percentage of households in arrears	
Region	**2020**	**2021**
North	38%	36%
Midlands	28%	26%
South	22%	29%

Table 11: Median average of the percentage of households in arrears for 2020/2021 comparison group

The average amount owed by households in arrears rose from **£372** in March 2020 to **£419** in March 2021. As noted above, organisations were able to do a rent increase of CPI+1% from April 2020 which is likely to have contributed to this increase. The average amount of weeks owed is basically the same (4.4 weeks in 2020 and 4.8 weeks in 2021).

UC arrears

Based on data from 27 organisations, **57% of households on UC were in arrears in March 2021**. This has decreased by 6% from 63% in March 2020. 24 organisations had seen a decrease in UC households in arrears, two had seen an increase and one remained the same.

	Percentage of UC households in arrears	
Region	**2020**	**2021**
North	75%	66%
Midlands	63%	52%
South	57%	50%

The average amount owed by UC households in arrears has also decreased from £523 in March 2020 to **£481 in March 2021** (-£42). 11 organisations had seen an increase in the average amount owed, and 16 had seen a decrease[19].

The survey looks at UC households that have arrears totalling more than one month/ four weeks' worth of rent. 20 organisations provided data both years, and the organisational average had not changed: **47% of UC households had arrears totalling more than one month/four weeks' rent.** This hides some variation across the country however, with seven organisations seeing an increase, 11 seeing a decrease and two staying the same.

19 The removal of the four weekly aggregated payment system may also have had an impact on this figure.

17 organisations provided information for the total value of arrears owed by households receiving UC and more than one month/ four weeks in arrears. There was a 39% increase in the amount owed from £20,458,350 to £28,385,761[20]. The average amount owed by these households increased from £927 to **£985 in March 2021**.

Considering the moratorium on evictions and delays in court proceedings which have made it practically and operationally challenging to trigger enforcement action and evict households with large rent arrears who are not engaging, this may be contributing. Enforcement action is a necessary tool for local authorities and ALMOs for persistent non-payers or those who will not engage with the organisation; and it matches feedback with income managers that the high-end arrears cases, in many cases, have just got worse over COVID-19. However, in both cases, the data shows on average, tenants in this category owed 11 weeks rent in 2020 and 2021.

34 respondents in our general survey group provided information about their enforcement processes. All but two organisations had continued to take action in relation to rent arrears in line with the COVID-19 guidelines: 32 were serving NOSPs (or NoEs/NoPPs) and 14 were serving eviction notices, albeit for the most serious of cases. Very few cases had proceeded to court and landlords were pursuing other options than eviction to encourage tenants to pay, including suspended possession orders and arrangements to pay.

APAs

One of the ways that income management teams have kept higher level arrears under control is alternative payment arrangements (APAs) for UC households. By March 2021, there was an average of **31% of UC households subject to an APA.** This had increased by 7% from 24% in March 2020 (based on data from 25 organisations). 19 out of the 25 organisations had increased their APAs.

CASE STUDY: Pandemic learning

"Our experience during the pandemic has clearly shown that more support for residents in difficulties really does make a difference, and helps them sustain their tenancies and prevent homelessness."

Lewisham Homes/ London Borough of Lewisham

Stock: 12,163 homes

Households claiming Universal Credit 2020/21: 29%

Lewisham Homes are reviewing their repossession and eviction processes post-Covid because they found that the slowdown forced by courts being unable to hear cases effectively persuaded a significant number of residents who were in difficulties to engage with their landlord's financial well-being services. As part of an improved tenancy sustainment strategy, Lewisham is piloting an approach where court action is taken much later in the process.

Since Lewisham Homes deals with its parent council's homelessness prevention duty, a key focus has been working on ways to ease this part of its workload. As a result, Discretionary Housing Payment (DHP) funds have for the first time been awarded to private tenants made jobless by the pandemic, explicitly to stop them becoming homelessness and then needing help from the council and Lewisham Homes. Our survey respondent reports that the government's recent decision to cut DHP to below pre-pandemic levels in the next financial year means that both housing managers and the council are now working through policy changes and service cuts to ensure that the budget is not exceeded.

20 41% of this increase was in one local authority area (£3.25m). Removing it from the figures gives a slightly lower – although still substantial - increase of 32% from £14.7m to £19.4m. The average amount owed increased from £921 to £962.

Part Three – Impact of the pandemic on tenants, and the provision of support

Impact of the Pandemic

Our survey shows the impact of the pandemic on tenants, with income officers reporting higher rent arrears generally, increased demand for support services, hardship funds and food banks in response to the question: have you seen any of the following as a result of COVID-19:

Higher rent arrears	80%
Increased use of food banks/ increased fuel poverty	77%
Increased demand for your own support services (e.g. money/debt advice)	77%
Increased demand for hardship funds	74%
Increased demand for Discretionary Housing Payments	66%
Increased pressure on homeless and housing advice services	46%
Increased demand for employment and training services	29%

Responses from 35 organisations[21]

In addition to these, some landlords reported increased mental health problems among tenants which reflects a national trend. A number of other pieces of research have clearly shown the impact of the pandemic on poorer households and areas of higher deprivation, although it is still too early to fully understand that impact[22].

It is worth repeating here that there is an approaching cliff edge in terms of governmental support for these households which are, clearly, already experiencing difficulties. Respondents talked about the impact of removing £20 a week (which will have been in place for over a year and a half) on low-income households; clearly as restrictions ease and the world re-opens, families will experience increased costs of living.

Supporting tenants

During the initial lockdown, many ALMOs and local authorities proactively contacted tenants, especially those who were considered more vulnerable, and provided wide ranging support, including assistance with finances, getting food and medicine, and linking into other organisations to help. In many cases, this identified issues and concerns which had not been visible and which could be proactively managed. We have provided examples of this work in the case studies.

21 9% of organisations also reported an increase in the use of payday loans, although many organisations do not have access to this information so it is likely to be much higher.
22 See for example, work by the Resolution Foundation, Big Issue, Shelter, Trussell Trust and Joseph Rowntree Foundation

CASE STUDY: Stepping up support

"We offered practical help with specific issues, such as how to get food bank vouchers, but we were also there to offer general reassurance that we're here if residents need us."

Cornwall Housing/ Cornwall Council

Stock: 10,331 homes

Households claiming Universal Credit 2020/21: 33%

In normal times, Cornwall Housing's team of six inclusion advisors offer help and support to all residents with any issue. When lockdown began, CH's rent management policy was paused and rent reminder letters were suspended. The inclusion team, together with CH's six rent management officers and three income management officers, staffed helplines to talk residents through how to make new UC claims, source food bank vouchers and deal with furlough claims. Most helpline callers were in work and had no history of rent arrears. Suddenly they had lost jobs or their hours and income had been dramatically reduced. In all, over the year from lockdown to March 2021, the CH teams spent 3,413 hours supporting tenants and helped them access a total of £838,453.53 from a range of benefits and pandemic support. This money might have otherwise gone unclaimed, leaving tenants in debt and with rent arrears.

In terms of the general support offer provided, the majority of ALMOs and local authorities which responded to the survey stated that they had not changed the model of support that they provided pre-COVID-19 because it was working (apart from the obvious logistical changes like moving support online and telephone to deal with lockdowns). What did change was the demand for the support, which rose dramatically.

This includes demand for pre-tenancy and intensive new tenancy support, money advice services, help to claim and digital inclusion services.

Examples:

Sheffield City Council *provide dedicated support to all new UC claimants for the first seven weeks of a claim.* ***Berneslai Homes*** *have dedicated housing coaches to provide support pre-tenancy and during the first weeks of tenancy (with a focus on care leavers).*

Stockport Homes *provides intensive support to new UC claimants alongside their cross-tenure Money Advice resource.* ***Derby Homes*** *has specialist welfare reform and income recovery, tenancy support, tenancy sustainment and welfare rights teams.* ***Wolverhampton Homes*** *runs a dedicated Money Smart service that all tenants have access to.*

CASE STUDY: Improving communication

"Six months before lockdown we had already introduced a new UC claimant support process for our residents, and this made it possible to react quickly as the pandemic arrived and people lost work. Our three dedicated Income Officers were able to focus on new UC claimants, including explaining their rent payment responsibilities from the housing element of their benefit to help keep them out of arrears."

South Tyneside Homes/ South Tyneside Council

Stock: 16,351 homes

Households claiming Universal Credit 2020/21: 30%

When lockdown began, South Tyneside Homes introduced two new supportive letters.

The first was a rent support letter which made it clear the landlord understood that this was a difficult and worrying time and that staff were ready to help and make sure tenants got the support they needed. It also explained what extra support was available, including help to set up an affordable payment plan if necessary, reduction or delay of rent payments, and finding out whether a tenant would qualify for additional benefits. Money advice was also on offer for anyone struggling with debts or household bills. This letter is likely to continue to be part of a new approach, post-pandemic, adapted to explain how the landlord can help if a tenant has had a change in circumstances or is experiencing a difficult period in their lives.

The standard Notice of Seeking Possession letter was also adapted to provide more detail about the support available than the original. This continued the work begun by a good practice guide introduced for staff in September 2019 which focused on early intervention and a supportive approach to tenants struggling to maintain their tenancies. This pre-pandemic change of focus provided a good foundation to react to residents' changes in circumstances as the pandemic took hold.

Services to overcome barriers to work and secure employment

30 local authorities and ALMOs told us they provide services to tenants to overcome barriers to work and secure employment. This includes:

Referrals to other organisations	90%
Money Advice	77%
Training and skills development	73%
Digital support	67%
Other information, advice and guidance services	63%
Apprenticeships	57%
Projects providing support to find employment	47%
Projects specifically targeted at young unemployed people	40%
Work experience placements	40%
Traineeships	40%
Enterprise support	23%
Jobs targeted specifically at workless people	23%
Childcare provision	7%

The majority of these (19 out of 26) fund them solely or partly through internal funding; 12 use European Social Fund (ESF) funding; and 5 have a DWP contract in place.

Although it is too early to see the full impact of COVID-19 on the economy, it is clear that there will be certain groups who continue to struggle, for example, the long-term unemployed and people with complex circumstances. It is these groups that housing providers can have the most impact on through smaller scale, tailored, long-term programmes.

We will continue to work as part of the Communities that Work Housing and Employment Taskforce to ensure that social housing providers are recognised by DWP as key partners in employability initiatives; and that they are able to access national funding pots to continue to run vital programmes for tenants.

CASE STUDY: Providing employment support

Enfield Council

Stock: 10,052 homes

Households claiming Universal Credit 2020/2021: 26%

As a response to the pandemic, Enfield Council allocated a number of housing officers to work specifically on providing employment support to tenants during the first and second lockdowns. This initiative was then developed further to produce an online "Route Map" for residents which sets out the available employment initiatives and resources, which are separated into 6 pathways depending on the needs of the residents. Officers are currently being trained to use these resources to signpost residents to available support , and processes are being updated to include more engagement around employment support. Housing services are committed to taking a "whole person approach" to supporting tenants moving forward. The Council also set up a "Skills and Employment Board", chaired by the Leader of the Council, to coordinate their strategic approach towards tackling unemployment through joint up working between services and stakeholders.

CASE STUDY: Youth unemployment

"Initiatives to target youth unemployment – a particular issue in this area – have long been integrated into the services we offer, and we have stepped up our focus on helping get young people closer to employment since the pandemic hit their job prospects particularly hard."

Cheltenham Borough Homes / Cheltenham Borough Council

Stock: 4,442 homes

Households claiming Universal Credit 2020/21: 33%

CBH's Stepping Up project is aimed at 18–24-year-olds. It has no external funding so is run in partnership with local organisations who can commission bespoke training that helps young people struggling to enter the labour market learn the skills that will make them more employable.

CBH and its partners have developed the Employability Skills Development Certificate and promote it to local employers as a valuable addition to job applicants' CVs that demonstrates their commitment to learning and professional development. Even during lockdown, participants have been able to take up work experience placements, traineeships and Kickstart offers.

CBH has worked to give as many residents as possible, and particularly young people, virtual access to these employability initiatives and work clubs. Aftercare support is also offered to those who have completed the certificate course to help them make the most of the opportunities it offers.

Conclusion

- This year's welfare reform survey is a quiet story of success: during the worst pandemic of modern times with the economic and social shocks that accompanied it, local authorities and ALMOs have supported households to avoid housing debt and keep a roof over their head. Through a combination of intensive local support and considerable national support, debt levels in local authority and ALMO households have remained broadly level with pre-pandemic figures.
- This is in direct comparison with the private rented sector where housing debt has spiked, where numerous families are worried about eviction, and where landlords – many of whom are small or 'accidental' landlords – are struggling with the debt. The private rented sector is in crisis with huge numbers of renters being supported by the government to pay their ever increasing rental costs. The level of debt and government support is unsustainable.
- We have been arguing for a long time that the solution to the housing crisis is a renaissance of social and local authority housing. The pandemic is brutally proving this. People living in private rented housing should have access to the same opportunity to get affordable high quality rented housing as those who live already live in social housing. For many people it is not an achievable goal to save for a deposit and buy a house while they are privately renting, even more so now that those households have experienced falls in their income and reductions in savings. But living in affordable housing would give people that opportunity, as well as help them deal with the economic shock of the pandemic.
- The best time to have built a new generation of council housing was clearly before the pandemic struck; but the second best time is now. Without this, the impact of the pandemic will be felt in homelessness numbers, mental and physical health, unemployment and a generation of children growing up in poverty.

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