

Item No. 12.	Classification: Open	Date: 31 October 2017	Meeting Name: Cabinet
Report title:		Safe As Houses? Independent social research into the early impacts of Universal Credit among social housing tenants in Southwark.	
Ward(s) or groups affected:		Working age social housing tenants in receipt of housing cost support through Universal Credit or housing benefit (control group)	
Cabinet Member:		Councillor Fiona Colley, Finance, Modernisation and Performance	

FOREWORD - COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE

The London boroughs of Southwark and Croydon were among the first areas in the country to see the early rollout of full service Universal Credit (UC). Between the two boroughs we manage and let almost 50,000 social rented council homes. In October 2016, in partnership with Peabody, we jointly commissioned the Smith Institute to undertake this research into the early impact of UC rollout on our tenants.

This is the first in-depth, independent analysis of the rollout of UC full service, which examines the early experience and rent payment behaviours among social housing tenants before, during, and after their claim for UC. The research confirms our concerns that more tenants are falling into significant rent arrears, or deeper into rent arrears, under UC than under the previous housing benefit system. Delays in payments in particular, are leading to a build-up of rent arrears which people often struggle to pay back.

The research shows clearly the impact UC is having on individuals, with delayed payments putting people into debt causing considerable stress. Many people transitioning onto UC are already facing difficult circumstances due to unemployment, disability or low income. The wellbeing of those tenants, many of whom have desperate personal stories to tell, must be central to considerations of the new benefit system.

In Southwark alone, where only 12% of council tenants have moved onto universal credit, rent arrears for UC tenants total over £5.3m. If this is reflected nationally, rent arrears among council tenants claiming UC across the country as a whole could reach many hundreds of millions of pounds by the end of the planned rollout period. Hundreds of thousands of social housing tenants could find themselves in significant debt while social landlords incur substantial additional costs. We do not believe this is either acceptable or necessary.

This report highlights a number of areas where efforts should be focused to make improvements. These findings are consistent with, and reinforce, the recommendations that both Southwark and Croydon councils have been making to the Department for Work and Pensions (DWP) over the last year. As UC continues to be

rolled out across the country, we believe that steps must urgently be taken to address the challenges highlighted in this report.

RECOMMENDATIONS

1. That cabinet notes the final report by the Smith Institute setting out findings from its independent social research (Safe As Houses?) into the impact of Universal Credit (UC) full service for rent payments among affected social housing tenants in Southwark.
2. That cabinet notes the key conclusions from the report which are set out below.
3. That cabinet note that the Cabinet Member for Finance, Modernisation and Performance wrote to the Secretary of State for Work and Pensions in July and subsequently gave evidence to the Work & Pensions Select Committee in September.

BACKGROUND INFORMATION

4. On the 1 November 2016 cabinet noted and endorsed the commissioning of the Smith Institute to carry out independent research into the impact of UC on rent payments among Southwark tenants.
5. UC implies significant changes to how housing cost support is paid to social housing tenants – especially council tenants. The aim of the research was to allow the council to better understand the early impacts of those changes in terms of rent payment behaviour, in particular patterns of rent payments and levels of rent arrears.
6. The research aimed to answer two questions:
 - a. How is the early roll out of UC affecting rent payment behaviours among residents in social housing tenants?
 - b. How are identified changes in behaviour – or absence of change – affecting the tenancies of those residents?
7. Learning from the research will inform the council's future approach to rent income management, tenancy sustainment and homelessness prevention. Crucially, it will also provide an evidence base to support the council's efforts to influence the future development of UC and secure improvements to UC that the research has revealed as necessary.
8. The council partnered with Croydon Council, and Peabody to create a coalition of social housing providers to widen the range of social housing tenants included in the research. Funding was provided within existing budget frameworks but all partners made contributions to cost and additional funding was received from Southwark Tenant Council.
9. A steering group chaired by director of exchequer and including representatives from the council, other partners, local community organisations and tenant representative groups oversaw the design and delivery of the research project.
10. The cabinet member for finance, modernisation and performance wrote to the secretary of state for work and pensions in July setting out concerns reflecting

draft research findings and explaining that rent arrears for the still relatively small number of council tenants who had claimed UC now exceeded an alarming £5m. She subsequently gave evidence expressing similar concerns, in writing and in person, to the Work & Pensions Select Committee in September. Nonetheless, the Secretary of State announced in the first week of October that the planned roll-out of UC to the rest of the country would go ahead as previously planned, beginning from later that same month. This decision was confirmed in a letter from DWP to the Chief Executive dated 2 October 2017 which also dismissed the effect of UC on rent arrears as “overstated”.

Government plans to reform working age welfare (Universal Credit)

11. UC was provided for in the Welfare Reform Act 2012 and was described by the then Government as the biggest change to the UK social security system for more than half a century.
12. According to the Government, UC aims to reduce poverty, by making work pay, and to help claimants and their families to become more independent. It also aims to simplify the benefits system by providing a single monthly payment based upon the circumstances of the household.
13. The research focused on the following key differences in how UC is claimed and received:
 - most people apply for UC online and manage their claim through an online account
 - claimants receive a single, monthly, household payment, paid into a bank account in the same way as a monthly salary
 - support with housing costs usually go direct to the claimant as part of their monthly payment

Additionally UC design entails a number of changes to how housing cost support is calculated and paid – for example:

- a seven day waiting period at beginning of the claim for which no benefit will usually be paid
- those making a claim for UC may expect to wait for at least six weeks for their first payment to be made – a much longer period than under the previous arrangements

What Universal Credit means for those living in rented social housing in the London Borough of Southwark

14. Southwark has a larger proportion of its housing stock made up of rented social housing than any other local authority area in England and Wales. The council itself is the largest social landlord in the borough and among the biggest social landlords in the south of England. By 2022 it is expected that all those living in rented social housing, who are of working age and in need of housing cost support will be receiving that support in the form of UC.
15. UC roll-out implies particularly significant changes for social housing tenants - and above all council tenants - in terms of how their housing cost support is paid and how they will need to budget and manage their household finances. Evidence, as highlighted by this research, demonstrates that should social housing tenants fail to cope with the changes, or adapt quickly to the new

arrangements, there is a significant risk that they will fall into rent arrears, or deeper into rent arrears, as a consequence.

Research methodology

The independent research was split into two sections. It firstly examined changes in rent payment behaviour after tenants claimed UC, then secondly explored the reasons for these changes.

a) Rent account analysis – rent payments and rent arrears

16. To understand whether, or how, rent payment behaviours were changing, the Smith Institute carried out rent account analysis of tenants who transitioned to UC during the period between August 2016 and October 2016 (doing so anonymously and with tenant consent). The same methodology was adopted for a separate group of tenants who claimed housing benefit in the same period.
17. The analysis covered rent payments for the period January 2016 to the end of March 2017. This was to examine rent payment behaviours *prior to claiming UC (or housing benefit)* and payments up to eight months after the initial claim. The accounts were analysed to see what differences there were in payment rates and levels of underpayment; differences in behaviours amongst certain groups; and what effect, if any, alternative payment arrangements had on payments.

b) in depth interviews and focus groups

18. Whilst the rent account analysis identified changes in payment behavior, qualitative research was conducted to understand the reasons for those changes and to obtain an understanding of tenants' experiences of UC.
19. This part of the research took the form of thirty-six in-depth telephone interviews and four focus groups with another forty tenants. The purpose of this methodology was to understand tenant's experiences of claiming UC; documenting and evaluating their understanding of the new system; and examining what worked well or what could be done to improve it.

Key issues for consideration

a) Rent account analysis findings

20. *Arrears were larger for those on UC.* Twenty weeks after making a claim UC tenants were £156 in arrears whereas housing benefit tenants had actually overpaid their rent by 4% of the rent due by that point.
21. *Arrears accumulated before transition to UC.* Prior to claiming UC tenants were already accumulating arrears. The same occurred for housing benefit tenants but not to the same extent and arrears were paid back earlier.
22. *Big underpayments and underpayers.* The majority of arrears were caused by big underpayments and the majority of arrears were caused by 20% of tenants.
23. *Arrears eventually stabilise and start to be paid down.* Arrears accumulated each week up to 11 weeks after claiming UC. After this arrears start to be paid down, but at a slower rate than those who claimed housing benefit.
24. *Alternative payment arrangements have a positive impact.* Those tenants who moved onto alternative payment arrangements saw their arrears fall.

b) Interviews and focus groups (qualitative research) findings

25. *Tenant perceptions of UC are generally negative.* This was driven by tenant experience of the transition period to UC and delayed payments.
26. *Delayed UC payments have put many into arrears.* This causes considerable stress and anxiety.
27. *Many struggle to manage their finances on UC.* Some tenants stated this was due to moving to a monthly budgeting cycle, others because UC payments were simply not enough and less than they expected.
28. *UC is a 'one size fits all' process.* Tenants who claimed UC and had unusual or challenging circumstances found the system inflexible and challenging to navigate, again elongating the process and delaying payments.
29. *Housing officers play an important role in support.* As a result of the perceived complexities and inflexibility of the system tenants turned to housing officers for support – from help with initial applications to management of arrears.

Financial implications

30. Non-payment of rent among UC claimants potentially creates a significant risk to the Council Housing Revenue Account over period of transition to UC which is expected to continue until 2022. This adds to already significant pressures due to Government imposed 1% rent reduction and additional investment that may be required to improve fire safety or maintain and upgrade the stock. At time of writing total rent arrears among the four thousand plus tenants who have claimed UC stands at £5.5 million. Many more tenants are yet to claim or transition to UC and rent arrears figures may be expected to climb further.
31. Research reveals that while payments stabilise from week 12 after claiming UC and repayment of arrears begin, those repayments tail off. Rent arrears can take a long time to be repaid and the evidence suggests that under UC some rent arrears may never be repaid leading to an increase in bad debt provision. It should be noted that some tenants who took part in the UC Direct Payment pilot in 2012 are still paying off arrears they built up then.
32. Changes to UC housing cost payment arrangements and frequency are expected to mean increased workloads for staff especially during period of transition to UC and permanently. The council is presently undertaking work to better understand those impacts so that a balanced judgement may be made between the need for additional resources at a time of downward pressure on costs, and the over-riding importance of maintaining rent collection at a high level. This will include exploring scope for greater efficiency and new ways of working.

Social considerations

33. The qualitative research findings point to sometimes severe financial hardship for tenants when transitioning to UC. A number of tenants reported waiting longer than they anticipated for their first UC payment, and there was uncertainty about when they would receive payment and how much this would be.

34. As rent arrears rise the well being of tenants is put at risk. Significant levels of stress and anxiety are experienced, exacerbated by the fact that many tenants are already in difficult circumstances financially and emotionally.
35. Delays or lower than expected payments cause tenants to struggle managing their money. Spending savings, getting into credit card or payday debt and borrowing from friends or families were all cited in the research as coping strategies adopted by tenants. Cutting back on essentials such as food and energy are also highlighted. This comes at the same time as Southwark foodbanks report increased demand as a result of UC payment delays.

Policy implications

a) Supporting tenants

36. The council has made immediate changes to its rent collection practices in light of research findings. Possession action will not be taken in any case where a tenant has claimed UC and finds themselves in rent arrears through no fault of their own.
37. The research also revealed that understanding of UC was low among the tenants who were interviewed. While raising awareness is of course chiefly a matter for the Government, as a responsible landlord the council has already developed new communication products for council tenants. It has reviewed or updated existing communication with tenants via a range of channels to provide clearer messages about UC and how tenants may prepare for it.
38. The research revealed that arrangements for providing Government funded support to those who might struggle with aspects of the transition to UC are not well understood and not working as well as they should be. New support arrangements have been set in place at Jobcentres from the beginning of this month and a new, more diverse support offer will be piloted from November with a particular focus on providing greater support for the Council's own tenants - and with a bigger role for housing officers.
39. The council has expanded the criteria for the Southwark Emergency Support Scheme, which provides goods and services to those experiencing a crisis or emergency, to include UC as a qualifying benefit.
40. Exchequer Services' Local Support Team have widen their income maximisation service to include UC, identifying residents who need to make a claim, and supporting vulnerable residents through the UC application process.

b) UC design and implementation

41. This commission is the first independent piece of social research into the early impacts of UC on rent payment behaviours among social housing tenants. Southwark is in a unique position to use raise awareness and influence national policy as UC starts to roll out across the rest of the country. The council has already begun to make representations to government via a number of official channels with a series of recommendations as to how UC may be improved – especially as it relates to housing costs. The Government recognises the important role of local authorities in ensuring that UC is implemented effectively and safely. The DWP have described the engagement of Southwark council and other councils where UC has been tested as “exemplary”.

42. Following receipt of a draft version of the report the Cabinet Member for Finance Modernisation and Performance wrote to the Secretary of State for Work and Pensions calling for the removal of the seven day waiting period and the introduction of a housing benefit run-on. These were among a number of recommendations for changes to UC that should have the effect of reducing payment delays.
43. Southwark was pleased to be selected by DWP as the first place in the country to test the new UC landlord portal. Landlord portal is expected to result in improvements in communication between social landlords and UC service centres that will in turn help improve the claimant experience and reduce the worst payment delays. The portal is in its infancy and no positive impacts on rent arrears among tenants claiming UC have yet been discerned.

Community impact statement

44. UC is the policy responsibility of the Department for Work and Pensions (DWP) and an Equality Impact Analysis was carried out by the DWP in respect of UC in 2012.
45. According to the latest Office for National Statistics report 43% of the residential housing stock in Southwark is made up of rented social housing and the council estimates that around half of those living in social housing currently need support to pay their housing costs. The council estimates that about 40,000 working age households in Southwark will eventually claim UC, the majority are expected to be social housing tenants.
46. The anonymised rent account analysis included data on the lead tenant's age and sex. The limitations on what data is recorded and can be extracted from housing rent account systems meant that these were the only protected characteristics under the Equality Act 2010 on which additional analysis took place.
47. The rent account analysis found that there were minimal differences in the level of rent arrears when sex and age of tenants were analysed. Men were slightly more likely to be in arrears than women, with 58% of men being in arrears compared to 50% of women, and there were no noticeable differences in the level of arrears by age.
48. The qualitative research did not differentiate between specific characteristics of participants. However, it did document a number of accounts where those with unusual or changing circumstances found the UC application process difficult resulting in delayed payments. This included those who were pregnant who encountered difficulties in reporting the birth of children. This suggests that there may be further impacts of UC on specific groups that this research was unable to examine in greater detail.

Resource Implications

49. As outlined in the financial and policy implications, UC is a risk to the HRA through increased rent arrears, as well as the increased demand on the housing service at a time of increased budget pressures. Changes in working practices have already been put in place to mitigate these risks.

Consultation

50. Consultation was carried out prior to the commissioning of the research with departmental officers in the Chief Executive's, Housing and Modernisation, and Finance and Governance departments. In addition to this we consulted with London Councils, Registered Providers operating within Southwark, and tenants through tenant representative groups.
51. The steering group acted as a conduit for ongoing consultation and feedback between the Smith Institute; the council and its partners; tenant representatives; and local community organisations.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

52. Cabinet is asked to note the findings of the Smith Institute report Safe As Houses, as described in the report.
53. The council has the power, under section 1 Localism Act 2011, to do anything that an individual may do, within the restrictions outlined elsewhere in that Act. The commissioning of the research described in this report would be within the scope of this power.
54. Cabinet is reminded that the council is subject to the public sector equality duty in section 149 Equality Act 2010. This requires the council, in the exercise of all its functions, to have due regard to the need to
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The duty is a continuing one. Cabinet is referred to the community impact section of the report for an account of the analysis undertaken in this regard.

Strategic Director of Finance and Governance

55. The Strategic Director of Finance and Governance notes the independent social research on the early impacts of Universal Credit among social housing tenants in Southwark. The financial implications are set out in paragraphs 31 to 33 of this report.

APPENDICES

No.	Title
Appendix 1	Safe as Houses: the impact of universal credit on tenants and their rent payment behaviour in the London boroughs of Southwark and Croydon, and Peabody (circulated separately)

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Safe As Houses? Commissioning independent social research into the early impacts of Universal Credit and changes to arrangements for payment of housing cost support among social housing tenants in Southwark	Exchequer Division, Southwark Council, 1 st Floor, 160 Tooley Street	Paul Anderson 020 7525 708
Link: http://moderngov.southwark.gov.uk/ielssueDetails.aspx?Ild=50011495&Opt=3		

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Finance, Modernisation and Performance	
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Report Author	Eugene Nixon, Head of Strategy & Compliance	
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CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
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Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member for Finance, Modernisation and Performance	Yes	Yes
Deputy Leader & Cabinet Member for Housing	Yes	Yes
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