

ABERDEEN CITY COUNCIL

COMMITTEE	Operational Delivery
DATE	5 March 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Council Housing Rent Management and Universal Credit Review
REPORT NUMBER	OPE/20/010
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TERMS OF REFERENCE	1

1. PURPOSE OF REPORT

- 1.1 This report meets the Operational Delivery Committee's request for a report on rent management and universal credit, one year following implementation of Universal Credit full service.

2. RECOMMENDATION

That the Committee: -

- 2.1 Note current rent management performance and support the Council's focus on tenancy sustainment.

3. Rent Management Performance

- 3.1 Effective rent collection is critical to ensuring high quality housing and associated services, with rent income used to fund all housing services; repairs and maintenance; and contribute to new build programmes.
- 3.2 Over recent years the Council have been amongst the top local authority social landlord performers in rent collection. Similar to the national trend, the Council's collection rates are reducing. In Aberdeen this can be attributed to increased

focus on tenancy sustainment and welfare reform with Universal Credit Full Service roll out commencing from 31 October 2018.

- 3.3 The following table sets out several key performance indicators to 27 October 2019.

<u>Rent Arrears:</u>	2017-18	2018-19	2019-20 YTD
Current Rent Arrears	£3,058,975	£4,017,948	£5,946,013
Number of tenants in arrears	7,475	8,019	12,062
Rent Collected	99.91%	97.74%	Not available
Gross Rent Arrears	5.30%	6.86%	8.72%

- 3.4 The Council's enhanced focus on tenancy sustainment is supporting very high performance with currently 91.4% of all new tenancies sustained for more than one year compared with the Scottish average of 89% for 2018/19. People housed through homelessness have a tenancy sustainment rate of 87.3%, again comparing well with the national average of 86.98% for 2018/19.
- 3.5 Enhanced tenancy sustainment supports improvements to health and wellbeing, security and avoids costs to the Council including those associated with potential homelessness presentations, void properties and legal action. There is also a far greater likelihood of collecting rent arrears while the tenancy continues.
- 3.6 The effectiveness of our policy is also evidenced in the table at 3.9 with a projected 60% reduction in tenancy evictions over the two years.
- 3.7 The following table sets out the balance ranges of tenants in arrears. This details that the majority, 72% of tenants with arrears, owe less than £500. However, the remaining 28% owe 59.6% of the total arrears balance.

<u>Current Arrears Balance Range:</u>	Balance Range	No. of Tenants	Value	Percentage of Total Value
	< £250	6779	637,916	10.7%
	£250 - £499.99	1945	697,933	11.41%
	£500 - £999.99	1503	1,066,151	17.9%
	> £1000	1835	3,544,013	59.6%
	Total	12,062	£5,946,013	100%

- 3.8 The Council's rent management policy and procedures promote an early intervention and person-centred approach. A wider range of factors are considered to determine case management actions. The main factors are:
- Level of debt and recent payment history;
 - Level of tenant engagement and current action being taken to address issues;

- Tenancy/Family composition and needs;
- Known vulnerabilities and perceived support requirements; and
- Income maximisation and benefit advice needs met.

3.9 The Council's increasing drive for long-term tenancy sustainment has seen substantial year-on-year reductions in tenancy evictions:

<u>Court Actions:</u>	2017-18	2018-19	2019-20 YTD
NOSP (Legal Notice) Issued	1,221	437	644
New Court Actions Initiated	766	331	275
Orders for recovery of possession granted (Decree to Evict)	583	358	168
Repossessions carried out (for Rent Arrears)	122	82	41
Total:	2,692	1,208	1,128

3.10 Legal recovery action, including evictions, are a necessary part of our rent management operations and one that can contribute positively to our collection performance, however this can create various negative consequences that need to be balanced against the level of arrears: potential impact on the wellbeing of the tenant and family; further debt placed on the tenant from legal costs; costs to the Council of raising legal action and processing the eviction; potential future homelessness presentations; void property/repairs costs and void rental loss; and the shifting of the debt across to 'hard to collect' former tenant arrears.

4. Universal Credit

4.1 Benefit claimants transition to Universal Credit when they make a new claim or experience a change in their circumstances. The Department for Work and Pensions (DWP) plan to transition all claimants still remaining on 'legacy benefits' across to Universal Credit by 2024.

4.2 Implementation of Universal Credit is presenting several challenges for rent collection.

4.3 Firstly, we are unaware of which tenants are on Universal Credit unless the tenant informs us. Universal Credit facilitates the claimant to hold all their own claim, entitlement and payment information within their online journal. This places the onus on the claimant (our tenant) to keep us, their landlord, up to date with any changes in entitlement or payment, with no process for DWP to share data with landlords. For frontline officers, this is a significant change from managing tenants in receipt of legacy benefits and Housing Benefit, where entitlement decisions, suspensions and changes in circumstances were easily accessible. Engaging tenants regarding their rent accounts often presents a significant challenge.

- 4.4 The lack of information sharing means that we do not know exactly how many of our tenants are in receipt of Universal Credit. However, based on the housing cost checks served on us by DWP when Universal Credit claims are made, and the UC payments that are subsequently made direct to the Council, we can roughly estimate which tenants are on UC. As at January 2020, the estimated number of tenants on Universal Credit was 3,332 (16%). However, it must be emphasised that this is an estimated figure.
- 4.4 Universal Credit is paid monthly in arrears with an initial minimum five week wait for their first payment. This has the potential to place each Universal Credit tenancy into “technical” rent arrears, with officers having to factor these unavoidable arrears into their recovery decision making.
- 4.5 The most significant challenge is that the default position for Universal Credit claimants is for any eligible housing costs to be paid direct to the tenants and our experience is that many tenants on Universal Credit do not prioritise their rent payments and therefore incur rent arrears.
- 4.6 There are two ‘managed payment’ schemes to allow payments to be made direct to landlords. Alternative Payment Arrangements can be applied for vulnerable tenants with housing costs direct to the landlord, instead of being paid to the tenant themselves. We estimate that around 76% of our tenants on Universal Credit have Alternative Payment Arrangements in place. We can also apply for Direct Payments for tenants with greater than eight weeks rent arrears, to receive a proportion of their personal Universal Credit award to reduce their arrears balance. We estimate that around 41% of UC tenants are on Direct Payments. This means that we have Direct Payments in place for almost every eligible Universal Credit tenancy. With experience we have now introduced several specific system safeguards to help officers ensure all new claims are supported to first payment; that any opportunities to apply for managed payments are not missed and that any applications for managed payments are completed timeously.
- 4.7 Alternative Payment Arrangements and Direct Payments are not paid to the landlord on the tenant’s monthly payment date. Instead, these are paid via 4-weekly payment schedules. As an example, our latest UC payment schedule was worth £615K across c2,700 transactions. These payment schedules see housing costs and arrears payments reaching tenant rent accounts once every 28 days irrespective of their Universal Credit payment date. This can generate further “technical” arrears on rent accounts again requiring officers to factor in these unavoidable arrears into their recovery decision making. The fact that Universal Credit is paid to tenants monthly (12 times per year) but the Universal Credit payment schedules are paid 4-weekly (13 times per year) means there are ‘skip cycles’ where each Universal Credit tenant is required to wait 8 weeks between housing cost payments reaching their rent accounts, again generating more “technical” arrears.
- 4.8 The DWP are proposing that they will remove these 4-weekly Universal Credit payment schedules, however this has yet to be implemented and no further update has been provided recently. Instead, direct housing cost and arrears

payments will be received by landlords on the same monthly date as the tenant receives their money. This will ease rent management, as the possibility of “technical” arrears accruing will be reduced.

- 4.9 The following table provides an indicative summary of our Universal Credit caseload along with tenants in receipt of Housing Benefit and all other tenants to the end of January 2020. It is emphasised again this is an estimation and that we are unable to provide completely accurate data.

Arrears Comparison	All Other	HB	UC
Current Tenancies	11121	6476	3332
Accounts in Arrears	7214	2078	2770
% in Arrears	64.9%	32.1%	83.1%
Arrears Balance	£3,059,574	£492,482	£2,393,956
Average Arrears	£424	£237	£864
Arrears > 8 weeks	1240	189	1186
% In Arrears > 8 weeks	11.2%	2.9%	35.6%

- 4.10 While we must caution that these figures are indicative, these indicate that tenants in receipt of Universal Credit are far more likely to have rent arrears and at higher levels than tenants not in receipt of Universal Credit. Our experience of higher rent arrears cases and balances is consistent with that experienced across all other Scottish social landlords. (NB. an unknown proportion of the arrears on Universal Credit tenancies would pre-date Universal Credit entitlement)

5. Scottish Welfare Fund – Crisis Grants

- 5.1 Since the implementation of Universal Credit there has been an increase in crisis grant claims and expenditure, primarily due to the lengthy initial wait times. Crisis Grants are available to people with low income in emergency circumstances. The Scottish Welfare Fund, administered by the Council, reports a 22% increase in crisis grant spend for the first 10 months of 2019/20 compared to the same period in 2018/19. However, we are currently forecasting that the spend will be consistent with last year and our 2019/20 budget.

6. Free School Meals

- 6.1 Universal Credit also has implications for low-income families and access to free school meals. Under the Child Tax Credit legacy benefit, families in receipt may earn £16,105 per year before eligibility for free school meals ceased. However, families now in receipt of Universal Credit are excluded from entitlement to free school meals if they have earnings of over £7,320 per year.
- 6.2 From our benefits records we have identified 147 children where there is currently Child Tax Credit in payment and earnings are over £7,320 and less than £16,105. We estimate that 40 of these children are in Primary 1 to 3 and

therefore they do currently have entitlement to free school meals. For the remaining 107 children they would potentially lose eligibility to free school meals if or when they transition to Universal Credit, if earning levels remain consistent. We do not hold information on the number of children in families who had been in receipt of Child Tax Credit with earnings between £7,320 and £16,105 per year who would have already transitioned to Universal Credit however we anticipate this to be significantly lower than those not currently transitioned.

6.3 All children in primary 1 – 3 are entitled to receive free school meals.

7. Support for Tenants and Residents

7.1 We endeavour to provide a range of means to support all tenants having trouble paying their rent and have further enhanced our approach to respond to the challenges of Universal Credit.

7.2 The Council's housing management service is responsible for rent collection. This responsibility lies across a large number of teams and officers. All frontline staff have received intensive training specific to managing Universal Credit cases. We have also recently introduced eight new Housing Officer and three new Assistant Housing Officer posts to enable us to give more intensive support to tenants requiring this. We also operated a short-term centralised specialist team which all officers spent time within to help build their knowledge of Universal Credit.

7.3 More intensive housing support is delivered through our in-house Housing Support Team and Turning Point which is commissioned by the Council to provide housing support. Specialist financial advice and assistance is provided by our Financial Inclusion Team. We also commission Shelter Scotland to support tenants with rent arrears, usually those at risk of legal action and eviction.

7.4 Discretionary housing payments (DHP) may be awarded to tenants either in receipt of Housing Benefit or the housing element of Universal Credit to help with housing costs. These are typically made when tenants are affected by under-occupancy restrictions or subject to the benefit cap. £1.25M has been paid year to date with 2,579 awards made.

7.4 The Council's community learning and libraries teams support tenants with digital and literacy needs, with free ICT access also available in libraries and community centres. New public access ICT equipment has been installed in the receptions at Customer Access Points/ housing offices.

7.5 Financial support and assistance is also provided by an extensive range of voluntary bodies such as community projects, Community Food Initiative North East (CFINE) and Citizens Advice Bureau (CAB), with the DWP commissioning CAB to deliver their "Help to Claim" package which aims to support Universal Credit claimants right through to first payment.

8. Learning

- 8.1 Our experience from the first year of Universal Credit full service is broadly consistent with our expectations, including greater complexity and time demand to support tenants to meet their rent obligations, higher numbers of tenants in arrears and higher overall levels of rent arrears. However, our early intervention and person-centred approach to managing rent arrears has helped avoid high levels of legal action and tenancy eviction. Proactive use of Alternative Payment Arrangements and Direct Payments has supported tenants pay their rent and helped protect rent income to the Council. These approaches should continue.
- 8.2 The increased complexity of the benefits system, increasing need to support tenants and higher overall volumes of work demonstrate the need to understand the demands on the Council and to respond accordingly, including through redesign where appropriate.

9. FINANCIAL IMPLICATIONS

- 9.1 No new implications arising from this report.

10. LEGAL IMPLICATIONS

- 10.1 No new implications arising from this report.

11. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Financial	There is a risk to rent income and cost of bad debt provision to the Council.	L	We will continue to provide a range of supports and interventions, and maintain a person-centred and early intervention approach to rent management.
Customer	There is a risk to tenancy sustainment when tenants experience difficulty paying their rent.	L	We will continue to provide a range of supports and interventions, and maintain a person-centred and early intervention approach to rent management.

12. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	Effective tenancy sustainment will be supported by income maximisation and financial assistance.
Prosperous People	It is recognised that good quality housing is a key driver of public health and can affect the well-being of tenants in all areas of life including educational attainment; employment and physical and mental health.
Prosperous Place	<p>Effective rent management arrangements promote a tenancy sustainment culture and encourages staff to base their recovery actions on the individual circumstances of each household in arrears. This allows for flexibility around whether a case is escalated for recovery. It aids support for tenants experiencing language; literacy or learning difficulties and promotes increased engagement with all tenants to work together to find practical solutions other than Court action.</p> <p>A core aspect of the interim structure of the Early Intervention & Community Empowerment structure and culture is community sustainability, and the management of rent arrears and formation of quality relationships between tenants and the Council as a landlord, leading to tenancy sustainment, is important in this context.</p>

Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	Our approach to rent management promotes early intervention and community empowerment models and aims to deliver improved customer service.
Organisational Design	We are striving to develop quality relationships between tenants and the Council as their landlord. This is a core aspect of the Early Intervention and Community Empowerment interim structure and culture.
Governance	This continues robust management of the housing revenue account.

Workforce	Workforce development in the Early Intervention and Community Empowerment cluster is planned to include the refreshed rent management approach.
Process Design	We continue to develop our systems and processes aiming to make it easy for tenants to manage their rent and access assistance when required.
Technology	Use of technology is promoted for the payment of rent and managing rent accounts.
Partnerships and Alliances	Effective partnerships are necessary and proactively nurtured to help ensure tenants are fully supported.

13. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	This has been completed.
Data Protection Impact Assessment	Not required.
Duty of Due Regard / Fairer Scotland Duty	Not applicable.

14. BACKGROUND PAPERS

None.

15. APPENDICES

Not applicable.

16. REPORT AUTHOR CONTACT DETAILS

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