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National Federation of ALMOs

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On the edge

Cost-of-living findings from the council housing sector

ARCH (the Association of Retained Council Housing) and the NFA (National Federation of ALMOs) together represent around 90 local authorities and ALMOs that manage 952,000 local authority homes across England.

Author: Lisa Birchall, NFA Lead Policy Officer
Editor: Chloe Fletcher, NFA Policy Director
Designer: AnchorPrint Group Ltd - www.anchorprint.co.uk
Cover Photo: Istock
Published By: NFA - National Federation of ALMOs
4 Riley Court, Millburn Hill Road, Coventry, CW4 7HP
@nfa_almos
Email: info@almos.org.uk
Website: www.almos.org.uk
Telephone: 02476 472729

In partnership with:
ARCH – Association of Retained Council Housing
Riley Court, Millburn Hill Road, Coventry, CV4 7HP
Email: info@arch-housing.org.uk
Website: www.arch-housing.org.uk
Telephone: 024 7647 2711

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.

A national crisis. An individual impact

Stories from our members

"A couple living in a two-bed flat began to have financial difficulties when the husband had to leave work due to ill-health and then was refused a Personal Independence Payment (PIP). His wife works part-time in low paid employment and the household income is now made up of her part-time wage and their Universal Credit.

Previously able to meet all their household bills, the couple found themselves making decisions between eating, being warm or paying other essential household bills such as rent and council tax. Initially, they chose to try to pay their bills without asking for help, but when they began to run out of money and miss payments, they came to us. Having never been unable to manage on their own before, they found it difficult to ask for help.

We were able to help them access short-term support such as food parcels and energy top-ups, and we are now guiding them through an appeal against refusal of a PIP. They also decided to speak to family members about their difficulties, and a parent has paid off some of their debts while their daughter is providing them with meals."

"This tenant with learning difficulties had been living on money left by his late mother, from which he was paying his rent. As the money had run out, he now needed to claim Universal Credit. A housing officer assisted him to make the claim in March, however they then found the claim had been closed because he did not attend his appointment due to his complex circumstances. DWP advised that he would have to attend a job centre to make a new claim. Staff advised DWP that the tenant could not do this without support, but they were told that DWP does not provide any support for claimants to attend centres.

Staff assisted with a second claim. Due to the tenant's health issues and learning difficulty, the housing provider funded a taxi for him to attend the appointment, and an officer attended the appointment with him.

The tenant appears to be very vulnerable and has medical health conditions; he has no family living nearby to help him. The housing provider supported the tenant to obtain evidence from the GP that he could not work and provided this to DWP; they are also supporting the tenant with Limited Capability for Work forms. The tenant has now arranged for his rent to be paid directly to the landlord, which has secured his tenancy going forward.

No assistance was offered by the job centre to support this vulnerable tenant to make a claim."

Contents

Executive summary

> *"We have a council tenant who lives with their partner and five young children. The partner is self-employed, but their work is seasonal, so income fluctuates. The tenant had low housing arrears before the cost-of-living crisis, but the situation was under control. When energy costs increased, the arrears started to increase and now stand at nearly £4,000.*
> *The family tell us that a combination of already expensive prepay energy meters and energy price increases since October 2022 has left them unable to fully pay their rent or cover other essentials. It seems the family are also falling behind with other essential commitments - for instance, council tax and a growing debt for school dinners.*
> *We have referred the household for various kinds of support, including energy top up vouchers, a grant to help with water rates and welfare benefit checks that might maximise their income. Further options for finding financial support for this household are limited, but we will continue to work with them to keep them in their home."*

The country is in the middle of the worst cost-of-living crisis in decades. It is a crisis which is disproportionately affecting the poorest because inflation has driven up the cost of essentials. Coming on top of the pandemic and years of austerity, with incomes having not kept up with the cost of living, many people are close to the edge – or indeed over the edge – of being able to afford day-to-day life.

This survey draws on data provided by **28 local authorities and ALMOs** across England which collectively manage around **294,000 local authority homes**.

Key findings

Rising volume of calls for help

The cost-of-living crisis is hitting households in the social rented sector hard. Nearly all income managers report increased food bank use, increased demand for their support services and increased demand for hardship funds; **85** per cent report higher rent arrears and close to **three-quarters** report increased pressure on local homelessness and housing advice services.

> *"Due to the fallout from the pandemic period into the cost-of-living crisis, support services have been inundated with the need for crisis help. This stems from a range of issues, including debts and complex mental health conditions. Affordability has been an issue for those already impacted by welfare reform, so discretionary housing payments have risen significantly along with other hardship funds."*
> Income Manager, Midlands

Urgent help needed for low-income households

The evidence of this survey is that so many are struggling to maintain regular rent payments, despite their lower housing costs.

Data suggests just over a third of households in the council housing sector receive Universal Credit, and the same proportion Housing Benefit. For many, this will completely cover their rent payments but some groups – often those already at risk of extreme hardship such as lone parents and disabled people – face a shortfall. They include those who pay an under-occupancy charge (commonly referred to as the bedroom tax), those whose benefit is capped, and those with 'non-dependent deductions' (a claimant who has someone else in the home who is expected to contribute to the rent - such as an adult child - and as a result, have deductions from their own Universal Credit award).

The move to Universal Credit is reducing the visibility of some of those being pushed towards the edge. This survey suggests, for instance, that households paying the bedroom tax have suffered during the cost-of-living crisis. Under the legacy Housing Benefit system, income managers know who these households are and can target help towards them, but this knowledge is not shared under the Universal Credit system, making it harder to target support.

Many local authorities and ALMOs also do not know which households on Universal Credit are benefit-capped. National figures show 1.8 per cent of households on Housing Benefit or Universal Credit are capped (4.5 per cent in London) losing on average £50 a week. These numbers appear small, but overwhelmingly are lone parents with young children. The respondents who had evidence about the impact of the cap reported that it was driving hardship and increasing rent arrears.

Increased rental arrears

Four in five landlords surveyed reported an increase in rental arrears. The total number of households in arrears has risen four per cent, from **97,220** to **101,203**. The amount they owe has risen by **11 per cent** to over £60 million. The average amount owed by households rose from **£427** to **£527** (up 23 per cent – or approximately an additional week's rent).

	March 2022	March 2023	Percentage increase
Number of households in rent arrears	97,220	101,203	4%
Value of rent arrears	£54,379,158	£60,250,359	11%
Average percentage of households in arrears	27%	29%	
Average amount owed	£427	£527	23%

"Universal Credit does contribute a significant amount to overall arrears due to payments in arrears. We have noticed since the cost-of-living crisis a significant increase in demand (29%) for our income advice service. Furthermore, we have experienced an 81% increase in bounced direct debits in 2022/23 in comparison to the previous year which is not proportionate to our growth in direct debit payers. Analysis of the debt profile shows that of the 1,809 tenancies that have seen an increase in arrears band, 1,357 were not in arrears last year. This all suggests that the recent financial pressures faced by our tenants is negatively impacting our tenants' ability to sustain rent payments." Income Manager, Midlands

A welfare system not fit for purpose

Income managers are very clear about the causes of this increase: many households in the sector are battling poverty and a welfare system that was already not fit-for-purpose or funded sufficiently before the cost-of-living crisis hit and made matters considerably worse.

Inadequate additional financial support

Local authorities are provided with a pot of money for Discretionary Housing Payments (DHPs) to support households unable to pay their rent which are affected by welfare reform policies (namely the benefit cap, bedroom tax and local housing allowance). This pot was cut by £40 million between 2021/22 and 2022/23 and is now frozen until 2024/5. Yet the compelling need for the funding - particularly the frozen Local Housing Allowance rate which leaves private sector tenants without enough money to meet rent payments – has risen. Only one in four respondents felt the DHP would be enough to meet the demand from council or ALMO tenants in their area this year.

DHPs have been baked into a system of welfare reform from 2015 which was creating and fuelling poverty even before the pandemic and the cost-of-living crisis.

Many of our members also provide other hardship funds, but these are increasingly under pressure and fragmented as local authorities face increasing financial shortfalls.

> *"In simple terms, we don't have a large enough budget to meet the demand for DHP, and the contributing factors to this are: cuts to the budget, increase in households affected by the benefit cap. Households continue to be affected by the size criteria. LHA rates have not kept up with the increase in rents in the private rented market."* Income Manager (North region)

Patching a tattered safety net

Nearly all respondents to this survey (89 per cent) report increased demand for their support services. Local authorities and ALMOs provide a range of services in response to local need, including:

Referral to advice and support agencies	Internal financial wellbeing/ income maximisation service	Tenancy sustainment service	Access to internal hardship funds	Digital support/ training	Training and skills programmes
100%	**85%**	**78%**	**70%**	**56%**	**52%**

Councils and their ALMOs have also stepped up during the crisis to support tenants and staff: sharing information for communities; increasing hardship funds; coordinating and funding local community groups; setting up and running 'warm hubs'; and putting in place support for staff.

Wandsworth Council created a cost-of-living hub which provides comprehensive information on a range of support available within the borough. In November 2022, the local authority set up a Cost of Living Commission (due to conclude in Winter 2023) which is looking at the long-term change required to support residents with this challenge and future challenges.

South Tyneside Homes worked with its parent council to set up 60 warm spaces (known as Welcoming Places) across the borough, where drop-in sessions from various support services were held and wraparound services provided. A cost-of-living services directory was set up detailing all the support services available to residents.

A 'Social Navigators' project was established to support those who are less able to access services without support and guidance, including the financially and digitally excluded.

A Pension Credit Entitlement Working Group has been set up to encourage residents to check if they qualify for pension credits and other benefits.

Managed migration – preparing for the move

Managed migration for working age households on legacy benefits will start from April 2024, with the exception of tax-credit only recipients which are migrating this year and ESA-only claimants which will be moved by 2028. Respondents spoke of their concerns about these claimants, many of whom have vulnerabilities and have not paid rent directly for years. DWP staff should call on the support, experience and knowledge of local authority and ALMO housing teams to prevent these households being plunged into crisis.

In particular, DWP should not end a claimant's existing benefits if they haven't made a Universal Credit application by the deadline without first investigating thoroughly. All stakeholders should be sure that these individuals are not at risk of destitution because they have not been able to follow the usual processes.

Verification of rents for Universal Credit

In terms of how Universal Credit is administered, the top ask from income managers in the social housing sector is to end the manual verification of rents which must be done each April. It is costly – among our members, an estimated **three quarters of a million pounds** of officer time is spent each year on verifying each claimant's rent manually, diverting staff from the help they could be investing in tenants and local services. Confirmation from DWP as soon as possible that this job can be automated from April 2024 will save time and money.

Summary of asks of DWP and government

Universal Credit

- Stop paying Universal Credit (UC) in arrears.
- Increase the basic UC element to cover the essentials of living.
- Establish a minimum income below which UC payments must not drop, ending deductions that push households towards destitution.
- Give under-25s the same benefit as over 25s.
- Move away from the current default monthly UC payments and make it easier for claimants to opt for payments twice a month.
- Improve Universal Credit for those in short-term, fluctuating employment.
- Confirm that DWP will accept automated confirmation from landlords of the thousands of UC rent changes each year, with enough notice to do this from April 2024.

Welfare Reform

- Abolish the under-occupancy charge and the benefit cap.
- Lift Local Housing Allowance caps from 2020 levels to cover the bottom 30 per cent of private rented sector rents in each area.
- Until the under-occupancy charge and the benefit cap have been abolished, and the Local Housing Allowance caps lifted, increase Discretionary Housing Payments funding.

Managed migration

- Work with local authorities and ALMOs in the period up to 2024/5 to develop a partnership approach to moving claimants across to Universal Credit.
- Develop a data sharing agreement with local authorities and ALMOs to let local housing teams know which households will be affected and when, to allow targeted support.
- Work closely with local authorities and ALMOs to support the managed migration process.
- Fully develop support and protection for vulnerable households before scaling up the migration.
- No automatic end to a claimant's legacy benefits unless their reason for not making a new claim is fully understood; this should include efforts to have face-to-face contact with the claimant (where possible) and cooperation with local partners. Where vulnerable circumstances are confirmed, extend the notice period indefinitely until a claim has been made.

Summary of data

ARCH is the membership body for retained council housing services, and the NFA is the membership body for arms-length housing companies. Together we have around **90 local authority and ALMO members, managing nearly 952,000 local authority homes**.

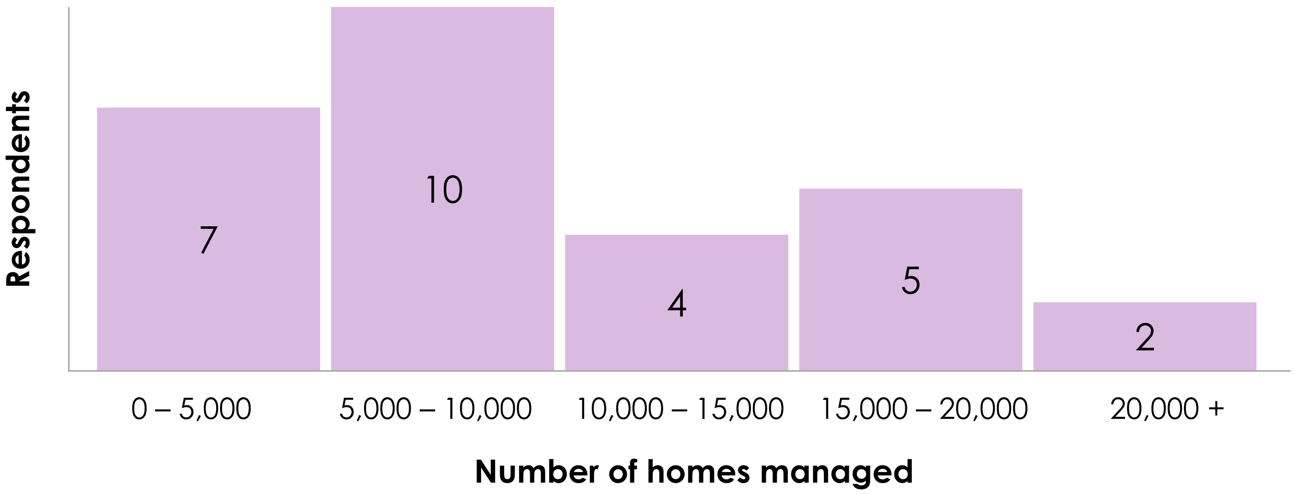
28 local authorities and ALMOs responded to the survey this year, managing **294,040** social/affordable rented homes across England.

Survey respondents

Table 1: Survey respondents by region

Region	Number of respondents	Number of homes managed
North	5	103,097
Central	11	99,334
South	8	46,720
London	4	44,889
TOTAL	**28**	**294,040**

Table 2: Survey respondents by size



Universal Credit and Housing Benefit

In March 2023:

- An average[1] of **35 per cent** of households had a Universal Credit claim.
- An average of **35 per cent** of households were still in receipt of Housing Benefit. Working age households on Housing Benefit will be moved across to Universal Credit during the DWP's final phase of managed migration from 2024 onwards (if their circumstances do not change before then).
- An average of **70 per cent** of households are on Housing Benefit or Universal Credit.

Table 3: Organisational average of households on Universal Credit and Housing Benefit

Region	Average percentage of households on Universal Credit[2]	Average percentage of households on Housing Benefit	Average percentage of households on UC and HB
North	38%	36%	74%
Central	29%	34%	67%
South	29%	33%	71%
London	37%	35%	70%
TOTAL	**35%**	**35%**	**70%**

1 The report uses the median average unless otherwise indicated to mitigate for outliers in some of the data.
2 Since landlords are not informed if circumstances change and a household stops receiving Universal Credit, landlords do not always know exactly which households are still on Universal Credit. For this reason, figures relating to Universal Credit should be seen as approximate.

Part One: The cost-of-living crisis

"It's really bad out there, bad as it was in the late seventies, early eighties. People just don't have any money. They can't buy food. They're really struggling."
Rent Management Officer, Cornwall Housing

The impact on tenants

The country is in the middle of the worst cost-of-living crisis in decades. It is a crisis which is disproportionately affecting the poorest because inflation has driven up the cost of essentials. Coming on top of COVID-19 and years of austerity, with incomes having not kept up with the cost of living, many people are close to the edge – or indeed over the edge – of being able to afford day-to-day life.

There is a wealth of evidence to demonstrate this. In its cost-of-living tracker (summer 2023), the Joseph Rowntree Foundation shows the continuing impact of the crisis on low-income families: 5.5 million low-income households have had to cut down on or skip meals because they cannot afford food; 4.5 million low-income households are in arrears; 7.3 million low-income households reported either going without essentials or experiencing food insecurity in May 2023:

> *We find a deeply troubling picture of persistently high hardship levels: the number of low-income households going without essentials, experiencing food insecurity, and in arrears has not budged since our second survey in May 2022*.[3]

The JRF reports that the situation for those on Universal Credit remains 'persistently dire - with around nine in ten reporting going without essentials for the third survey in a row, and over half (54 per cent) of all low-income households on UC reporting going without three or more types of essentials.'[4]

The Resolution Foundation reported similar findings on the impact of the cost-of-living crisis from March 2023. In their research, funded by the Health Foundation, they look at the differing impact of the crisis on different groups, finding that the vast majority have been affected by higher prices, but the coping mechanisms for different groups have been different, largely shaped by the level of savings people had going into the crisis: poorer people have cut back, taken on more debt and missed priority bills.[5]

In its Debt Need Survey 2022 the Money and Pensions Service identified the number of people who *have a need* to seek regulated debt advice: 28 per cent of social housing tenants needed debt advice (compared with 18 per cent of the UK population). Over half of social housing tenants were struggling to keep up with bills and commitments (compared with 45 per cent of UK population) and 43 per cent rarely/never had money left over after paying bills and essentials. 32 per cent of social tenants were not confident in managing their money (compared with a UK average of 20 per cent).

3 Joseph Rowntree Foundation, Unable to escape persistent hardship: JRF's cost of living tracker p2
4 As above, p3
5 M. Broome, K. Handscomb & L. Try, Hoping and coping: How families were faring in March 2023, Resolution Foundation, April 2023

For those social rent households in rent arrears, only 15 per cent ***just*** had rent arrears. 85 per cent had other arrears too (most frequently council tax, water and gas/electricity).[6]

Many households living in local authority homes receive housing support payments which cover their rent, and rents are generally set at social rent levels which are considerably below those in the private rented sector. There are some households on Universal Credit, however, where the rent is not completely covered, for example those with their benefits capped, with non-dependents living in the home or where they are subject to the under-occupancy charge.

Households have also been able to access a range of government funding over the last few years including cost-of-living payments for people on means-tested benefits and support with energy costs, as well as the £20 uplift to Universal Credit which lasted until September 2021. When the NFA/ARCH published our last survey in March 2021, this level of government support – particularly the £20 uplift - seemed to have had an impact in preventing the escalation of arrears at that point.

However, this year's survey shows a different picture. Many income managers report that the extraordinary pressure on households is having a huge impact as already insufficient budgets are being squeezed on all sides. Short-term, this is clearly the consequence of the cost-of-living crisis, but it has roots in a much longer period of cuts and welfare reform which has seriously impacted on the financial resilience of lower-income households.

- **93 per cent** of income managers report that they had seen increased use of foodbanks among households since the start of the cost-of-living crisis; and a similar percentage (**89 per cent**) had seen increased demand for their support services, for example financial and debt advice.
- **85 per cent** of income managers had seen higher rent arrears.
- **81 per cent** of respondents had seen increased demand for hardship funds, with **56 per cent** reporting increased demand for discretionary housing payments.
- **56 per cent** reported increased arrears action since the cost-of-living crisis, although a lot of this is likely to be due to clearing the backlog of action that built up during COVID-19 and the moratorium on evictions.

6 Debt Need Survey 2022, Money and Pensions Service

In addition to this, **70 per cent** of respondents reported increased pressure on homelessness and/or housing advice services.

70 per cent of income officers reported an increase in issues such as damp, mould and condensation since the start of the cost-of-living crisis. Some of this increased reporting will be due to the spotlight that has been shone on damp and mould during this period, with the Rochdale Boroughwide Housing case, Regulator and Housing Ombudsman focus, and government campaigns. However, feedback from asset management and housing management teams in the sector strongly suggests that during the winter, there were households that were unable to afford their energy bills and this impacted on the quality of their homes.

30 per cent of respondents also reported an increase in requests for gas to be capped (although nearly half of income officers could not comment on this, so it could well be higher).

Only 19 per cent reported an increase in tenancy breakdown, with 41 per cent reporting not having seen tenancy breakdown, and the remaining respondents unable to comment. This suggests that despite the hardship that households are experiencing, it is not translating into the loss of their homes.

> *"Due to the fallout from the pandemic period into the 'cost-of-living' crisis, support services have been inundated with the need for crisis and hardship help. This stems from debts to complex mental health and vulnerabilities. Affordability has been an issue for those already impacted by welfare reform such as bedroom tax, so Discretionary Housing Payment requests have risen significantly along with other hardship funds..."* Income Officer, Shropshire Towns and Rural Housing

Under-occupancy charge and the benefit cap

Under-occupancy charge

A big change between Housing Benefit and Universal Credit is the visibility that local authorities and ALMOs have over who is affected by the under-occupancy charge ('removal of the spare room subsidy', more often known as the bedroom tax) and the benefit cap. This is due to the difference between Housing Benefit which was managed by the landlord, and Universal Credit which is managed by the tenant (and therefore what the landlord has sight of is much reduced).

This makes it harder to target support, but also to evidence the impact of these policies on households. For example, when asked whether the problems caused by the **under-occupancy charge** have increased as a result of the cost-of-living crisis, over half could not say. **31 per cent** said that the problems had increased, and just 15 per cent said they had not.

The reason given for problems increasing is the fact that households with an under-occupancy charge are finding it difficult to fund the rent shortfall because of the increases they have seen to other essentials, such as food and energy prices.

> *"The problem is, if it was just the bedroom tax then it would be an extra £12 a week, for example, but when you factor in energy bills doubling and 19 per cent inflation on food, it's another amount of money a tenant needs to find, compounded by the fact that it is not that easy to downsize."* Income Officer, Derby Homes

Clearly, even where local authorities do not know how households are being affected, the majority who responded to this question have continued to incentivise tenants to move to smaller, more affordable accommodation, freeing up larger homes (**80 per cent**). This includes schemes such as:

- Covering the cost of removals and carpets, and provision of decorating vouchers.
- Funding an officer to assist tenants in downsizing.
- Using incentive schemes to help transfer, such as clearing arrears.
- Trading-down incentive payments.
- Priority banding on the housing register.
- Proactively targeting households to talk about downsizing.

Between its introduction in April 2013 and March 2021, the under-occupancy charge equated to a reduced benefit bill for the government of £2.8 billion.[7] Since 2015, the government has done no analysis of the impact of the under-occupancy charge or how households are coping, nor have they done an assessment on the objectives of the charge (i.e. is it encouraging more people into work or to downsize).

Around a quarter (27 per cent) of DHP payments in 2022/23 were as a result of the under-occupancy charge[8], which is a significant chunk of the overall pot. Given that we also think that the people still subject to the under-occupancy charge either cannot move due to a lack of alternative accommodation, or actually require the additional space for health or family reasons and are receiving DHP long term to help them cope, we believe that the government should roll that support back up into mainstream benefits for social housing tenants and abolish the under-occupancy charge as soon as possible.

Government should abolish the under-occupancy charge as a matter of urgency

Benefit cap

As with the under-occupancy charge, many local authorities and ALMOs also lack knowledge of which households on Universal Credit are **benefit capped**, and therefore it is harder to target proactive support to those households. According to DWP statistics, a total of 114,000 households had benefits capped in February 2023 (91 per cent of these on Universal Credit). The average amount capped by is £50 a week.

Although a small percentage - 1.8 per cent of working age households claiming HB or UC, rising to 4.5 per cent in London – these are overwhelmingly households with between one and four children (86 per cent) and single-parent families (70 per cent) – families which are most likely to be living in precarious circumstances, worsened by the cost-of-living crisis.[9]

7 Parliamentary response to written question: Written statement, 5 December 2022, 1197
8 Use of Discretionary Housing Payments: analysis of end-of-year returns from local authorities (April 2022-March 2023)
9 DWP statistics, Number of households benefit capped to February 2023.

Most respondents to our survey could not comment on the impact of the cost-of-living crisis on households with capped benefits. However, where they could, a few reported a worrying impact.

Government should abolish the benefit cap as a matter of urgency.

"Our financial inclusion team will support tenants impacted by the benefit cap to ensure that this has been implemented correctly. They will then seek to ensure that their financial commitments are affordable, and look to maximise income, reduce outgoings where applicable including accessing more affordable utility tariffs etc, accessing other financial schemes. Demand for support has been very significant, with a lot of issues around Council Tax arrears and historic debts, alongside ongoing mental health issues. Complex support cases are far more widespread as a result of the changes through COVID-19. I believe debt issues were brought more to light during this time. Isolation through COVID-19 also impacted the struggles our vulnerable tenants encountered."
Income Officer – Shropshire Towns and Rural Housing

"The level of arrears has increased, and number of claimants affected by the cap has also increased. Each benefit cap claimant is allocated an advice and support officer when we become aware of the claim. The officer makes initial contact to ensure that all avenues to exclude them from the cap are explored, and to advise on any budgeting issues and minimising outgoings."
Service Manager, Gateshead Council

Managing rent

Overview

85 per cent of survey respondents reported increased rent arrears since the start of the cost-of-living crisis. This is clear within our data across the 28 local authorities and ALMOs which responded to the survey:

- In March 2022 a total of **97,220 households** were in rent arrears. This had risen to **101,203 households** in March 2023 (a four per cent increase).
- The total value of rent arrears in March 2022 was **£54,379,158**. This had risen to **£60,250,359** in March 2023 (an 11 per cent increase).
- The median percentage of households in rent arrears across the organisations rose slightly from 27 per cent to 29 per cent. However, the median average amount owed rose from **£427** to **£527** (a 23 per cent increase or approximately an additional **week's rent**[10]).
- An average of **37 per cent** of households on Universal Credit had an Alternative Payment Arrangement (APA). This year's percentage compares with 26 per cent in 2021 and 27 per cent in 2019, which strongly suggests that many landlords are preventing higher arrears for households in vulnerable circumstances through applying for more direct payments of rent.

Table 4: Rent arrears across the survey respondents

	March 2022	March 2023	Percentage increase
Number of households in rent arrears	97,220	101,203	4%
Value of rent arrears	£54,379,158	£60,250,359	11%
Average percentage of households in arrears	27%	29%	
Average amount owed	£427	£527	23%

"Universal Credit does contribute a significant amount to overall arrears due to payments in arrears. We have noticed since the cost-of-living crisis a significant increase in demand (29 per cent) for our income advice service. Furthermore, we have experienced an 81 per cent increase in bounced direct debits in 2022/23 in comparison to the previous year which is not proportionate to our growth in direct debit payers. Analysis of the debt profile shows that of the 1,809 tenancies that have seen an increase in arrears band, 1,357 were not in arrears last year. This all suggests that the recent financial pressures faced by our tenants is negatively impacting our tenants' ability to sustain rent payments."
Income Officer, Stoke-on-Trent City Council.

10 Calculated using Average local authority rents by region in England, Table 73A, UK Housing Review 2023, Chartered Institute of Housing. Average regional rents and rent increases for 2021/22 and 2022/23 calculated by the NFA/ARCH based on a CPI+1% increase both years.

Figure 1: Rent collected from current and former tenants as a percentage of rent owed (excluding arrears b/f)

Geographical analysis

Although we have to be cautious about drawing firm conclusions from relatively small subsets of the data, the broad geographical breakdown is given below. Local authorities and ALMOs in the North have the highest percentage of households in arrears, followed by London, with Central and South regions the lowest. The average amount owed in the North is also comparatively high (**seven weeks**)[11].

Organisations in the North cited the impact of the cost-of-living crisis, low incomes and fluctuating low wages for the arrears. Research undertaken by the Centre for Cities has found that inflation has been significantly higher in Northern cities due to consumption and spending patterns, and households have been more exposed to energy and petrol increases. Real wages have fallen everywhere, but many of the places where inflation and wages diverge the most (with inflation rising much faster than wages) tend to be in the North.[12]

In our previous surveys, households in arrears in London have consistently had higher levels of arrears than any other parts of the country, and this is still the case this year, with households carrying an average of **nine weeks'** rent arrears.

Both the North and London have the highest rates of households on Universal Credit (the North, approximately 38 per cent, and London 37 per cent, compared with Central and the South which have 29 per cent). We know that Universal Credit drives arrears, so this is also likely to be contributing to higher arrears.

11 Data from the Northern region has a wide range. While the median average percentage of households in arrears is 45 per cent, the mean average is 37 per cent. The other regions do not have such a wide range of responses, so their median and mean averages are broadly similar.

12 Centre for Cities, How the cost of living crisis is impacting some cities more than others, July 2022.

Table 5: Average percentage of households in arrears and average they owe in each respondent organisation by region (March 2023).

Region	Average percentage of households in arrears (March 2023)	Average amount households owe in arrears (March 2023)	Approximate number of weeks' rent in 2022/23
North	45%[13]	£584	7
Central	27%	£408	5
South	29%	£496	5
London	35%	£997	9
ENGLAND	**29%**	**£527**	**6**

More than one month's rent arrears

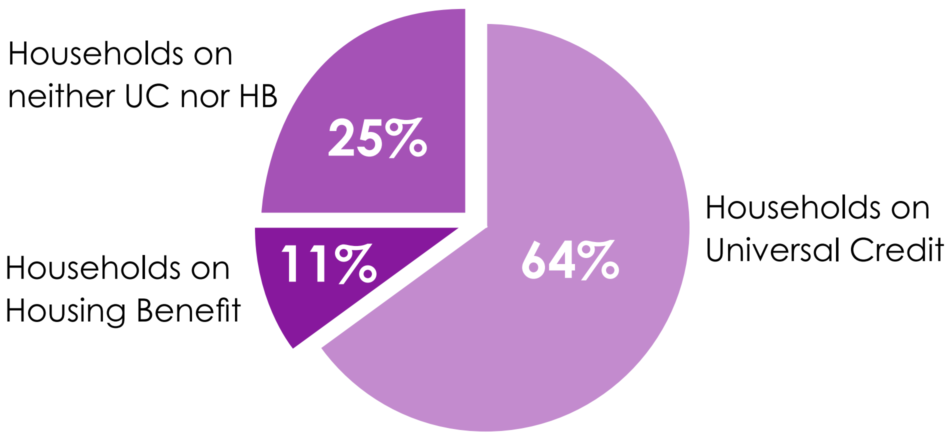
For the 18 organisations able to provide the data, the average percentage of households with more than one month's arrears stayed the same between the two years (**35 per cent** of all households in arrears). The average amount owed by households rose from **£1,017** to **£1,118** a 10 per cent increase or from **11.4** weeks to **12 weeks'** rent, which is not a significant increase.

In March 2023, on average, nearly three quarters of the households in arrears of more than one month were on Universal Credit (**71 per cent**) while **9 per cent** were on Housing Benefit, and **20 per cent** were neither on Universal Credit nor Housing Benefit. The proportion of the households in debt of more than a month on Universal Credit rose from **64 per cent** the year before while the percentage of Housing Benefit households decreased slightly (**11 per cent**).

The Housing Benefit caseload is relatively stable and Housing Benefit is paid to the landlord, so it is not surprising that the proportion of debt these households owe is much smaller.

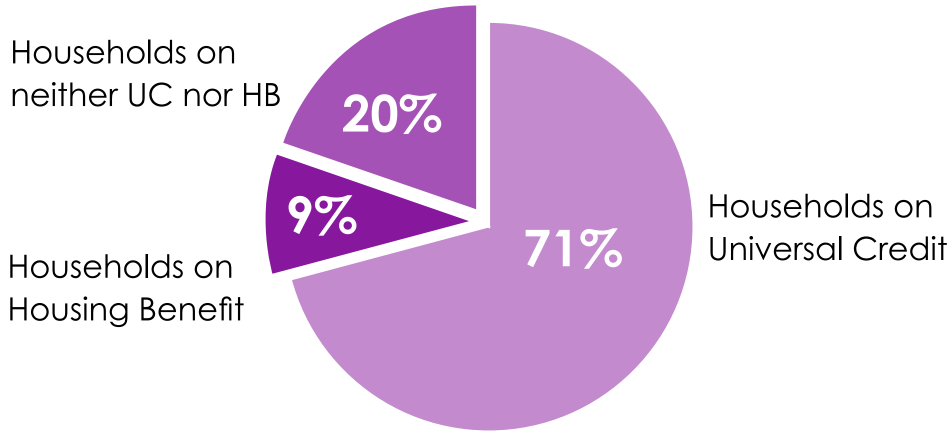
The increased proportion of households on Universal Credit which owe more than a month could be for a number of reasons, including: more Universal Credit households building up debt of more than one month, more households moving onto housing support, and households on Housing Benefit moving over to Universal Credit with pre-existing arrears. This all adds to the picture of increasing pressure on the incomes of households which are least able to cope.

Figure 2: Households with more than one month's rent arrears (March 2022)



13 See previous page notes on the North's average

Figure 3: Households with more than one month's rent arrears (March 2023)



The drivers of rent arrears

The rollout of Universal Credit since 2013 has driven increased rent arrears for households because Universal Credit is paid in arrears which puts many households behind from the beginning. The 'advance' of 100 per cent of the first month's payment is a loan which is recovered over a period of 24 months and therefore reduces a claimant's regular monthly payment. As a result, households almost always build up higher arrears through the transition to Universal Credit which can take years to pay back.

However, the majority of income managers have seen higher arrears since the beginning of the cost-of-living crisis. There is a strong consensus among income managers on the main drivers of arrears for households that cannot pay their rent:

- Low income and households relying on benefits which are set at a level that is not enough to meet the real cost of living.
- On top of the insufficiency in benefit levels, deductions further reduce the amount some households have (e.g. due to non-dependent deductions, third party repayments, advances). The benefit cap and under-occupancy charge also reduce the amount certain households receive.
- Households are too poor to absorb financial shocks or changes to their circumstances, such as those due to relationship breakdown.
- Increase in food, utility bills, petrol and other bills, and households lacking any buffer to be able to absorb these increases.
- Universal Credit is not fit for purpose for those in insecure, low paid, fluctuating or short-term employment.
- Some households have accumulated other debts that they are trying to prioritise.
- There are also increasing numbers of tenants with 'vulnerabilities', including mental health conditions, that impact their ability to cope in already difficult circumstances.

To put it bluntly, many households in the sector are battling poverty and a welfare system that is not fit for purpose or funded sufficiently. This has then been significantly worsened by the cost-of-living crisis.

In previous years of this survey we have reported on the fact that the Universal Credit system does not work well for those in short-term or fluctuating employment, despite its original intention to be a dynamic system that supported work. Short-term and fluctuating employment was given as one of the reasons for households getting behind on their rent by many of our respondents this year.

A lot of this is due to the inflexibility of the monthly assessment system and payment cycles which do not align to the cycles of pay for claimants that work. However, as the Work & Pensions Select Committee pointed out in 2020 in its inquiry into Universal Credit, from the government's perspective, the monthly assessment system is a core part of the design of Universal Credit and the guiding reason behind the five-week wait and payment in arrears, which the Department of Work & Pensions is fully committed to[14].

Without the government agreeing to change the Universal Credit payment in arrears, then it appears that the wider sector, the Committee and DWP have reached an impasse.

Considering the government's commitment to help people secure, stay and succeed in higher quality, higher paying jobs, and its concerns about the rise in levels of economic inactivity, **DWP should urgently review the practical steps it could take to improve Universal Credit for those in short-term, fluctuating employment** so that welfare support provides a secure platform from which claimants can improve their employment conditions and pay.

What policy changes are required to make Universal Credit work better for claimants?

Income managers told us what policy changes are needed to make Universal Credit work better for claimants. These are not surprising and the majority have been the same since Universal Credit started to be rolled out, but they are worth repeating:

- Stop paying Universal Credit in arrears.
- Increase the basic UC element to cover the essentials of living.
- The level of deductions taken from the standard allowance is still too high. Establish a minimum income below which UC payments must not drop, ending deductions that push households towards destitution.
- Give under-25s the same benefit as over 25s.
- Move away from the current default monthly UC payments and make it easier for claimants to opt for payments twice a month.
- Make sanctions less harsh. A tenant can be sanctioned for both parts of Universal Credit (housing costs and personal element). This means they lose the money to feed themselves and potentially lose the roof over their heads.

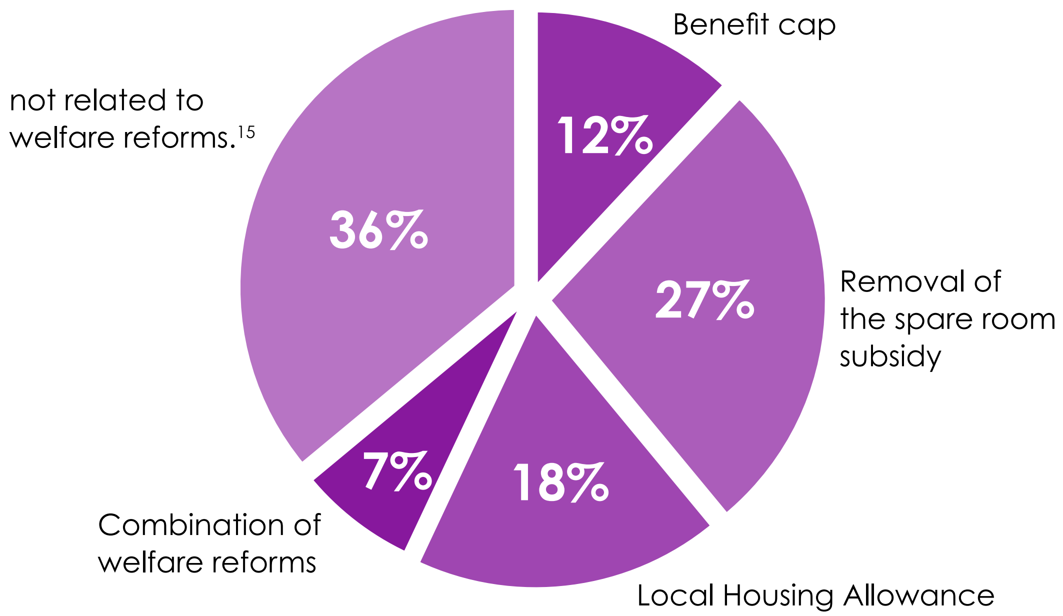
14 Work & Pensions Select Committee, Universal Credit: the wait for a first payment, Third Report of Session 2019-2021, October 2020, p75

Discretionary Housing Payments and additional hardship funds

Discretionary Housing Payments (DHPs)

The government allocates a budget for DHPs for each local authority area to help households on Housing Benefit or the housing element of Universal Credit to pay their housing costs, designed to support with covering shortfalls, for example due to the benefit cap, the bedroom tax, and the local housing allowance. It is not designed to fully cover the impact of these shortfalls, since households are expected to change their circumstances to improve their own finances.

In 2022/23 64 per cent of DHP expenditure was related to welfare reforms.



The total amount of DHP available reduced from £140 million in 2021/22 to £100 million in 2022/23. It has then been fixed at £100 million for the years ending March 2024 and March 2025[16]. This is despite the cost-of-living crisis, the Local Housing Allowance cap being frozen since 2020 and private rents skyrocketing, meaning the shortfall between private rents and the housing support people can receive continues to grow; in turn putting pressure on local authority DHP pots. In 2022/23, local authorities spent 115 per cent of their combined allocations.[17]

The government frequently refers to DHPs as a way for households to cope with the shortfall in their rents. The Secretary of State stated in response to a parliamentary question in June 2023 that 'we monitor evolving demand and trends by analysing administrative data on those eligible to apply for DHPs through receipt of Housing Benefit or Universal Credit Housing Element, and *the information that local authorities provide regarding the amount of DHP funding they are awarding*' (our italics).[18]

This, however, is a flawed approach, because DHP pots are not demand-led. Increasing need with frozen budgets just squeezes the amount available and reduces the number of households which can be supported. Local authority teams that manage DHPs have to ration the available money out over the course of the year and can legally only top-up DHP pots by a certain amount.

15 Use of Discretionary Housing Payments: analysis of end-of-year returns from local authorities (April 2022-March 2023)
16 Housing Benefit Subsidy Circulars 2023, Discretionary Housing Payment Government Contribution.
17 As above, DLUHC data, Use of Discretionary Housing Payments
18 Written Parliamentary question, 6 June 2023, 188948

Only a quarter of respondents in our survey **(25 per cent)** anticipated that the DHP fund would be sufficient to meet the demand from council/ALMO tenants in their area in 2023/24, although one of these respondents tops up the DHP through additional expenditure through the HRA.

58 per cent said it would not be sufficient.

Discretionary Housing Payments were baked into the system of welfare reform from 2015 onwards to provide temporary support, but for many they are not discretionary. Government data shows that **over half** of DHP expenditure in 2022/23 was given to help with ongoing rental costs (58 per cent) while only around **a quarter** (27 per cent) was related to moving to alternative accommodation.

As the years pass, this system of deducting money from households – many of whom cannot avoid the deductions – and then reallocating through DHP becomes even more difficult for government to justify. Rather than operating this perverse system, government should make sure that households receive sufficient support in the first place to cover their rent payments, with DHP reserved as a discretionary payment for those in short-term crisis.

"In simple terms, we don't have a large enough budget to meet the demand for DHP, and the contributing factors to this are: cuts to the budget, increase in households affected by the benefit cap. Households continue to be affected by the size criteria. LHA rates have not kept up with the increase in rents in the private rented market."

"DHP ran out of funds in October 2022, hence expectations of it not being sufficient…"

"For 2021/22 and 2022/23 we spent more than what we were allocated in DHP government funding due to the demand… we have revised the guidance for 203/24 to try and make sure that we are able to help as many customers as possible with the budget we have been given…"

"Our budget this year has only been slightly increased from last year. The 2022/23 DHP budget started to run out from October/November 2022".

"It won't even 'nearly' be enough to meet demand… DHP receipts are already 17 per cent more than they were this time last year…"

"The DHP fund was 'topped up' last year due to the demand on the fund and the number of customers experiencing financial difficulties. It is anticipated that this will happen again this financial year."

Based on responses from 11 organisations, a median average **of 22 per cent** of DHP budgets were given to council housing tenants in 2022/23. The proportion is generally lower in the South and London where private rents are generally higher and demand from the private rented sector on the pot is higher.

Research by journalist Daniel Hewitt using Crisis and Zoopla data (27 June 2023) shows that affordability in the private rented sector (PRS) over the last year has crashed from an already low point. **One in three** private renters receive Housing Benefit to pay their rent. Housing Benefit covers just **four per cent** of homes in the PRS. In some places, it is less than **one per cent**, or in one case, even **zero per cent**, meaning that households need to make up the ever-increasing shortfall themselves.

Hewitt's research shows that this is happening beyond the areas such as London and parts of the South where this has long been a problem. Unaffordability has spread everywhere. For example, in Barnsley barely 0.9 per cent of PRS homes are affordable to those receiving HB. [19]

Speaking about the freezing of the LHA rate from 2020 to at least March 2024, Hewitt comments 'The government is offering a 2020 solution for a 2023 problem.' [20]

The significant increase in private rents will continue to add demands onto the already limited DHP.

Along with sector partners, ARCH and the NFA have long been calling for government to lift LHA caps from 2020 levels so they match the real cost of rents; and to remove the benefit cap and under-occupancy charge (bedroom tax). Considering the cost-of-living crisis, and while the government enacts the above, we are also calling for an increase to DHP funding so that local authorities can help households keep a roof over their heads.

Additional Hardship Funds

Of those who provided information**, 63 per cent** of local authorities/ALMOs provide additional hardship funds to supplement the DHP pot for local tenants. The majority of this has come from a mixture of the Household Support Fund and internal funding through Housing Revenue Account budgets. The Household Support Fund is due to come to an end in March 2024 unless the government extends.

However, we have received a lot of feedback from members that these additional hardship funds are under considerable pressure because of both the demand for support and the pressures on local authority budgets; with it becoming harder and harder to fund interventions for households in local authority homes, despite the fact many of whom are living in exceptionally difficult circumstances.

Government should provide sufficient financial support to households through the welfare system to move away from lots of short-term crisis funding pots that are over-subscribed and under-funded.

19 Hewitt, D., Twitter thread, June 27 2023,
20 Hewitt, D., Orwell Prize Shortlist, Almost one million facing eviction, June 2023.

Part Two: Support from local authorities and ALMOs

Support services

Nearly all respondents to the survey (**89 per cent**) report an increased demand for their support services.

Council housing provision is more than just providing secure homes at genuinely affordable rent. Households also have access to a broad range of support to help them maintain their tenancy, pay their bills and improve their life chances. In many cases, local authorities and ALMOs have extended the support available to help families through the cost-of-living crisis. Where this support works well it is a mixture of crisis intervention followed by longer-term services that help households move from crisis into a more sustainable situation.

In many cases, the range of support that is available to households living in social rented housing is not available to those from other tenures, particularly the private rented sector and temporary accommodation. We need a new generation of local authority homes to extend the numbers of households that can benefit from both genuinely affordable secure homes, and the wraparound services that can help them improve their circumstances.

- **Kickstart a new generation of local authority homes by increasing the Affordable Homes Programme for social rented housing, both in terms of total funding, and at the level of grant available for each home.**
- **Reform Right to Buy so it is financially sustainable for councils.**

Table 6: Support available from councils and/or ALMOs

Type of support	Percentage of respondents that deliver this support
Referral to other advice and support agencies	100%
Internal financial wellbeing/ income maximisation service	85%
Tenancy sustainment service	78%
Digital support/ training	56%
Training and skills programmes	52%
Other information, advice and guidance service	41%
Projects targeted specifically at young people	33%
Projects targeted specifically at economically inactive people [21]	30%

These are provided through a variety of different models, with many providing a welfare benefits team or financial inclusion team to support tenants. On average, these teams had around one support officer to every 2,500 homes, although this varies by organisation and is most likely to be driven by the resources available rather than the demand.

21 For more detail about the types of programmes in the wider social housing sector, including local authority examples, please see Building Opportunities, Communities that Work, National Housing Federation and National Federation of ALMOs commissioned research.

CASE STUDY: Your Homes Newcastle

Your Homes Newcastle has a range of support services available to support customers to maximise their income. This includes (for example):

- The Financial Inclusion Team (FIT), a team of seven staff that have around 200 referrals a month. One morning per week, the FIT team are located in each Newcastle Job Centre to support customers and advise work coaches. They have also had a presence at the West End Food Bank where volunteers can signpost Your Homes Newcastle customers to drop-in surgeries. Customers across the city can also access face-to-face appointments with income officers in other locations such as libraries, or make an appointment for a home visit. The FIT team offer guidance and support to customers struggling to manage their finances and sustain their tenancy (including making and maintaining benefit claims, maximising available income, managing household budgets and signposting to other support services.)
- The Employability Team delivers both employability and digital opportunities within the community in partnership with local community organisations. The ALMO works with the Empowering People in Communities project with Newcastle City Council to take provision to local communities, and use positive interventions such as digital and employability support, to tackle challenges in those areas. The Employability team support customers in gaining paid employment both in the organisation, and through schemes such as Your Homes, Your Jobs, apprenticeships and Kickstart.
- Your Homes Newcastle has supported the Greggs Foundation's Breakfast club programme since 2013. Approximately 210 children benefit from the programme in schools, which has supported 400,000 children since the programme started.
- The Support and Progression Team provides personalised support to help customers access and sustain their tenancies and improve health & wellbeing. In the year 2021-22, the team supported 2,799 Your Homes Newcastle customers and helped them reduce their rent arrears by an average of £127 per household.
- Your Homes Newcastle is using a proactive approach to help customers through the cost-of-living crisis, with the overall aim to help at the earliest opportunity before their finances start to become problematic. Risk is assessed at the pre-tenancy stage and then continually monitored to flag issues at the earliest opportunity. Once households access support, they are channelled into a range of different services that provide the right support at the right time (with over 70 officers working in the Support and Progression Services).
- Your Homes Newcastle is working with food banks across the city to provide food parcels and food bank referrals, and facilitates access to the Newcastle City Council Household Support Fund, and channel households into the range of support services available.

CASE STUDY: Northamptonshire Partnership homes

Northamptonshire Partnership Homes provides funding for community and residents groups via its social enterprise (Happy to Help CIC). Funding applications are assessed by its board, the majority of whom are tenants. The funding helps the local authority and ALMO to build a relationship with the voluntary and community and social enterprise sector.

For example, Happy to Help CIC has built a relationship with a local charity in Spring Boroughs – one of the largest local authority estates. The CIC provided funding for them to the running of their community drop-in sessions, which lead to funding for resource packs for children, helping with digital support for parents and identifying spaces and volunteers for their gardening project. While the majority of people who are supported are local authority tenants, the local charity has the reach that the ALMO does not always have.

Working in connection with other community partners underpins the whole approach. For example, for some years, Northamptonshire Partnership Homes has run a small foodbank operation which during the COVID-19 period provided food to over 10 per cent of households. Given the level of need recently, the ALMO considered expanding this. However, as there are over 35 foodbanks across Northampton, many operating on estates where they manage homes, the decision was taken to financially support 11 organisations that are currently operating so that they can extend their reach.

Digital support

Just over half (56 per cent) of respondents offer digital support/training to help tenants online.

Universal Credit is designed as an online system, so claimants' ability to manage their claim online is very important. Digital exclusion is also linked to increased poverty and poor mental/physical health.

Although the majority of respondents to this survey could not provide the exact numbers of tenants who do not have access to services online, this is clearly an area that many are working on. Members have expressed concern in other forums about the high numbers of households that do not have – and may not want – digital access, many of whom are in vulnerable circumstances.

Information on digital access is often gathered on tenancy sign-up or as part of annual tenancy checks, and is likely to become much more important to evidence with the new Regulatory focus on knowing your tenants.

Considering the plan to migrate working-age legacy benefit claimants from 2024 and the emphasis on claiming online, it would be useful to have a clearer picture where the gaps are with this cohort and therefore where DWP should be targeting its support to help those claimants migrate.

Local authorities and ALMOs do a lot of work to support households online. For example:

- **Blackpool Coastal Housing** offers digital skills training via the community learning programme with Blackpool & Fylde College; and has computers available for use by customers in its reception area. The ALMO also has a partnership with the library service so that tenants can be supported to sign up to library services at the same time as going online.
- **Cheltenham Borough Homes'** training and employment service helps with online skills and works with the local Digital Accessibility & Inclusion Support & Innovation project to help people with online skills.

- **Colchester City Council** has a digital inclusion team and carries out surgeries for residents at the housing office; and the digital inclusion action plan forms a key part of the financial inclusion strategy.
- **Sheffield City Council** works with Heeley Development Trust to provide digital training for tenants. It also provides access to laptops in access points across the city; and support for tenants to make claims for benefits.
- **South Tyneside Homes** offers help to tenants to access their Universal Credit journals, set up bank accounts, direct debits and to access information online.
- **Cornwall Housing** has recently had a Travis Perkins sponsored project to provide tablets for tenants, with the income management team nominating tenants without access.
- **South Essex Homes** has a digital inclusion strategy, digital inclusion resident champions, hubs to assist tenants, and Support Services officers to provide support online.

Cost-of-living support

The main areas that local authorities and ALMOs have focused on during the cost-of-living crisis are:

- Setting up **cost-of-living services directories online** to bring together information on all the support available locally; **running social media campaigns**, and sending out leaflets.
- **Communication campaigns to help tenants with saving money**. For example, Homes First (Eastbourne and Lewes Council)'s strategic tenants groups funded a community living well cost-of-living guide which included money-saving tips, links and signposting to wider resources, a budget planner and range of other resources including recipes for cooking on a budget.
- **Increasing hardship funds** and allocating money to local groups such as food and hygiene banks, food clubs and the Citizens Advice Bureau;
- **Provision of direct cash awards** to tenants who are really struggling, or access to voucher schemes, for example for furniture or electronic items;
- **Raising funding through suppliers**; for example Derby Homes raised £40,000 to purchase 500 slow cookers, 500 air fryers and 500 electric blankets which were distributed by Community Action Derby;
- **Collaboration** with Citizens Advice Bureau and other voluntary and community sector organisations which are likely to be supporting the same households, for example through supporting or funding activities or combining events/resources;
- Setting up **'Warm hubs'** in community centres and independent living schemes; and bringing together wraparound services;
- Supporting staff who are also faced with the cost-of-living crisis.

Stoke-on-Trent City Council introduced the **Stronger Together Through Winter** campaign with partners from the voluntary sector, offering targeted support through the Household Support Fund to help people with energy and utility costs; provide emergency food and the means for residents to access slow cookers, recipes, affordable food and electrical appliances. The scheme provided welcoming spaces in community settings during the colder months. The campaign provides a single point of information on a wide range of individual support, financial support, mental health support and wider community activities (https://sottogether.vast.org.uk/)

South Tyneside Homes: Warm spaces, set up in approximately 60 locations throughout the borough, had drop-in sessions from various support services and 'wraparound' services for households. Energy roadshows took place. A cost-of-living services directory was set up detailing all the support services available to residents. A 'Social Navigators' project was set up to support those who are less able to access services without support and guidance, including the financially and digitally excluded. A Pension Credit Entitlement Working Group has been set up to encourage residents to check if they qualify for pension credits and other benefits.

Wandsworth Council created a cost-of-living hub which provides comprehensive information on a range of support available within the borough (https://wandsworth.gov.uk/cost-of-living-hub). In November 2022, the local authority set up a Cost of Living Commission (due to conclude in Winter 2023) which is looking at the long-term change required to support residents with this challenge and future challenges.[22]

22 The Commission's interim report is available on Wandsworth Council's website.

Part Three: Managed migration

How managed migration works

DWP is currently migrating legacy benefit claimants onto Universal Credit through its Discovery Phase. In 2023/24, mainly cases in receipt of working tax credit and/or child tax credit will be migrated across to Universal Credit. In 2024/25, the majority of the remaining legacy benefit claimants will be transferred, including those on Income-related ESA with tax credits, Income Support, Housing Benefit only or with tax credits, and JSA. The remaining ESA cases will transfer in 2028/29.

ARCH and NFA members are keen to support DWP with the managed migration of households living in local authority homes, particularly those in vulnerable circumstances with additional needs. Local authority landlords are largely trusted by tenants, and landlord staff are often the only staff from community agencies who cross the threshold to the home. In many cases, those staff are well-placed to support tenants to make the transition across to Universal Credit, providing practical support and signposting into other services.

Households will receive a managed migration notice which then triggers a three-month period to claim Universal Credit. If they do not claim by the deadline date, then their legacy benefits will be terminated, unless DWP extends in special circumstances.[23]

Managed migration is also technically a new claim, so while households will receive the two-week run on of certain benefits, payment - including any transitional protection that they are entitled to - will still be in arrears, meaning that the problems with debt that have been experienced by 'naturally migrating' households will still be an issue for who have a managed migration. This is particularly unfair for households that have had no change in their circumstances, no additional savings or income to live on, and the move is an administrative change from one system to another.

We are particularly concerned about those households which receive a notice to migrate in the period running up April 2024 (and subsequent years) due to the rent increase. This year, the majority of local authorities and ALMOs applied a seven per cent rent increase. Households that transitioned in the period running up to the rent increase would see their transitional protection erode faster as a result of the rent increase, which it would not do if they had waited until after April.

In this period running up to managed migration, social landlords should be supporting all households currently on Housing Benefit to make sure that they are getting their maximum entitlement and therefore that they transfer with the highest level of transitional protection possible.

An added complication is that while it is possible to calculate the amount of Universal Credit a 'legacy' household will be entitled to, this does not take into account historic debts that will be deducted once they move across to Universal Credit, particularly those relating to tax credit that the Treasury collects through Universal Credit but did not collect through the legacy benefit system.

For households on Housing Benefit whose rent has been paid directly to the landlord, once they receive a managed migration notice, the first sign that a landlord would have of any difficulties is likely to be when the household falls into rent arrears, and arrears escalate quickly (see case study on next page). **This could be prevented if the landlord was seen as a trusted partner and able to intervene early.**

23 During the learning phase of the rollout of managed migration, DWP have allowed a one-month extension. For those claimants who have their benefits terminated, if they make a UC claim within one month of termination, they have their claim backdated to their deadline date and still receive Transitional Protection where entitled.

While it is true that a cohort of households will transition across without problems, our members have serious concerns about certain groups of claimants, including those with mental health conditions and those without online access. We know these are concerns being considered by DWP managed migration design teams. According to their learning from the Discovery Phase, DWP has trialled various more intensive support processes where they 'are aware they have enhanced support needs.' This includes, for example, a Visiting Service to engage tenants face-to-face when they have not responded to letters, SMS or phone calls; and case conferences with local Advanced Customer Support Senior Leaders through a multi-agency approach.[24]

That being said, the case study below suggests that these are not always working. The phrase where they 'are aware they have enhanced support needs' raises questions about those cases DWP does not know about (also the cases where no one knows about them**). DWP should not terminate any claim without first getting to the bottom of why the legacy claimant has not been in contact or made a claim**, including through talking with other agencies. There could be a range of reasons for not claiming, but DWP should be able to evidence what that reason is. **Without evidence, the time period to claim should be extended indefinitely.**

On the small scale of the Discovery Phase, DWP has the ability to put in place more intensive support to claimants. It is not clear how scalable this support will be once rollout becomes national, and for that reason, DWP **should make use of the knowledge and expertise of social landlords to assist with the managed migration process**.

CASE STUDY: the value of working with social landlords

This ALMO supported a resident who was migrated to Universal Credit from Housing Benefit as part of the Discovery Phase.

Staff became aware of an issue only because the resident's Housing Benefit stopped. However, staff had been unaware of her background: due to domestic abuse, she had developed severe mental health issues and was very insecure and detached from services. The Job Centre could not get in contact with the resident who was struggling to engage with the process.

The support staff at the ALMO slowly worked with the resident to build up trust. It took a number of weeks to set up a home visit. During this period, arrears were escalating as the resident had not engaged with the Job Centre, and Universal Credit was not paying her housing costs, putting the resident at risk of arrears action.

After six attempts, the housing staff managed to meet the resident and understand her housing situation and needs. They contacted the Job Centre to request a home visit from their team, and also requested an appeal to have the housing costs backdated, along with an ongoing APA and MPA to cover the rent and small amount of arrears that was left on the rent account.

The transfer process and the build-up of arrears caused the tenant significant anxiety and worsened her mental health problems; something which could have been avoided through early partnership working between the landlord and Job Centre.

24 See above, Learning from the Discovery Phase

DWP should work with the social housing sector in the period up to 2024/25 to mitigate the risks around managed migration. This includes:

- For households that receive a notice to migrate in the first half of 2024, make it very clear on the migration letter that they should seek advice on the best time to migrate (i.e. after the annual rent increase and benefit uprating) so they do not lose transitional protection.
- Putting in place a data sharing agreement with local authorities and ALMOs to provide them with details about which households will be affected and when, to allow targeted support. As part of that, sufficient notice to landlords before rollout in each area.
- Reviewing social landlords' ability to act on behalf of tenants (in such cases where they require assistance).
- Fully developing the support and protection for vulnerable households before scaling up the migration.
- Extending the three-month period a claimant has to apply for Universal Credit once they receive notice to do so; and not ending the claim at the end of that period until DWP has got to the bottom of why the claim has not been made.
- Improving the two-way communication between landlords and DWP so that landlords can more easily rectify issues with managed migration cases.
- Very clearly communicating to households that the Housing Element will be paid to them and they are responsible for paying the rent, unlike under Housing Benefit.
- Allowing the setting up of APAs as soon as tenants migrate if the tenancy is at risk.
- Considering whether on the managed migration notice households could be directed to their social landlord for help completing the claim.
- Clearly communicating that households should make a new claim for Council Tax support as this is not always clear to claimants when they move across.
- Delaying or cancelling direct deductions for historic debts.

Improving the landlord portal

There are a few fixes that the landlord sector has been requesting for a long time to make the management of Universal Credit and housing costs easier. The highest priority of these is to introduce automation into the **rent verification process**.

Each April, DWP requires the social housing sector to undertake manual verification of rents on the Universal Credit portal. The organisational resources required for this process is significant, with a large amount of officer time spent on manually verifying claims. This is valuable officer time that is diverted from supporting tenants, into an administrative process.

If an officer can verify 10 claims an hour, then the 95,625 Universal Credit claims that our 28 respondents had cost *at the very least* £239,063 in officer time. This excludes the cost of the time not spent doing the necessary day-to-day income management activities.[25] Extrapolated across our 92 members, the basic cost of officer time for manual verification is in the range of **three quarters of a million pounds** each year (£785,493).

25 Based on an officer at £25 average rate per hour.

Considering the sector is facing enormous cost pressures, with Housing Revenue Accounts close to breaking point, this is an unacceptable outsourcing of cost to social landlords.

The NFA and ARCH have long been calling for DWP to automate the verification of rents. We are pleased that DWP has run an automation pilot this year with a small number of providers, but we need DWP to share the results of that pilot with sufficient notice for providers to prepare for next April's rent increase.

Other areas that our respondents would like to see prioritised include:

- Adding a facility for two-way communication between DWP officers and landlords
- Adding the ability to cancel an APA or Third Party Deduction on the portal
- Notifying landlords through the portal when a household ends their Universal Credit claim
- Notification to landlords to explain why an APA has been cancelled
- Notification to landlords that a Third Party Deduction has been approved or declined
- Ability to export data from the portal.

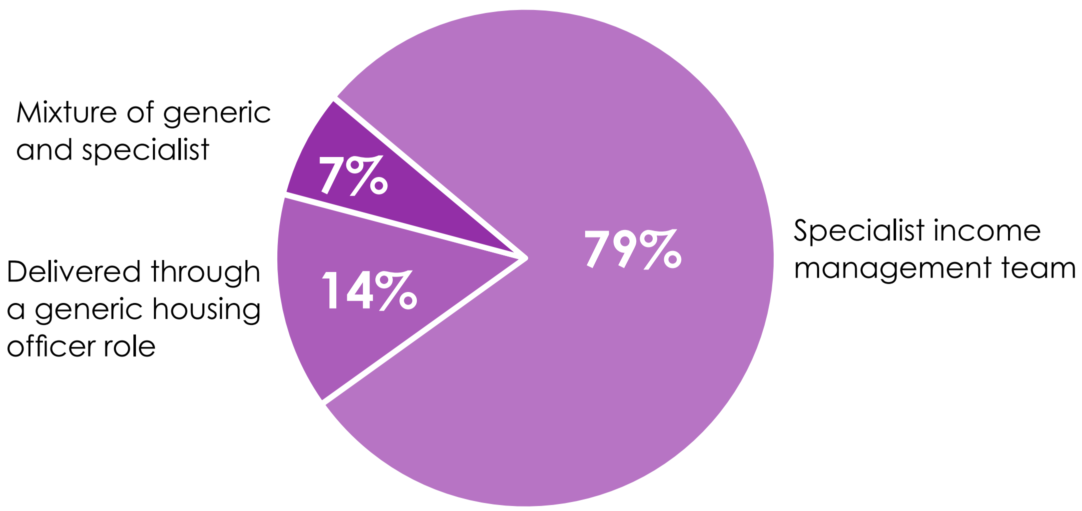
Part Four: Income management function

"We operate a preventative, early intervention, and supportive approach to income collection, and only take enforcement action when all support options have been explored and when multiple and various contact attempts have taken place. Customers are given every opportunity to address their rent arrears and legal action is not taken if they demonstrate willingness to engage and address their rent arrears, even if there are affordability issues" Respondent, South Tyneside Homes

Structure

The majority of respondents (79 per cent) deliver their income management function through a specialist income management team. Four respondents (14 per cent) deliver through a generic housing officer role, and two respondents (seven per cent) have a generic housing officer role but use specialist income managers for more complex work.

Figure 4:



Just over half of respondents (54 per cent) have procured an external system to support with income management work. This includes tools to identify and prioritise cases; auto-diallers for targeting certain customer groups (e.g. low level arrears contacts or former tenants) and add-ons for housing management systems.[26]

Traditionally, local authorities have used rent free weeks to support households to pay their rent, with rent free weeks usually placed at periods where households have additional costs (such as the Christmas period or summer holidays). In this survey, 68 per cent of respondents still have rent free weeks (most commonly a fixed four weeks). No respondents offered flexible rent free weeks.

26 Further information can be provided to respondents. Please contact the NFA.

CASE STUDY: Wandsworth

Over the last two years, the London Borough of Wandsworth has changed its approach towards being more personalised and supportive, with an emphasis on supporting people to break debt cycles and sustain tenancies. As part of this, the Rent Collection Service has created a dashboard which brings together all income management data and performance. Data can be analysed across a range of measures, including the age categories of those in arrears, household type, numbers of children and those with more than eight weeks arrears. This allows for targeted intervention and tracking trends over time.

Wandsworth has worked with Policy in Practice to implement its Low Income Family Tracker (LIFT) platform which brings together multiple sources of vulnerable households in the local authority area by providing insights to aid development of strategies and interventions to combat the drivers of poverty and build resilience by promoting targeted support to those who need it most.

CASE STUDY: South Tyneside Homes

South Tyneside Homes operates three key principles for rent collection: an individually tailored approach, prevention/ early intervention; and customer support through the full process. The organisation has been working on moving away from being too process-driven towards a more individually tailored approach. As a result, the organisation has seen a huge decrease in arrears and enforcement action, and a massive increase in benefit take up among households.

Examples of the approach include:

- Focused support to customers on an introductory tenancy, with a new tenancy, or with a new Universal Credit claim.
- Early contact at the first sign of payment difficulties and while the arrears are at a manageable level, facilitated through collections and income analytics technology.
- Applications for Discretionary Housing Payments and water rates reductions; and APAs for customer who meet the criteria.
- Referrals to Welfare Support Team for benefits advice and checks and for debt advice to maximise income for customers. Last year, this team worked on over three and a half thousand cases and supported customers to access over £6 million in income support.

Arrears action

Local authority income managers are very careful to distinguish between those who cannot pay their rent, and those who could but choose not to. The former category have access to a lot of support to help them pay their rent, and as long as they are engaging with the service and taking steps to address their rental arrears, action will not be taken against them.

A few income managers report in our survey that the latter category – that could pay their rent but do not - has increased as a result of the ban on evictions during the COVID-19 pandemic and the relaxation of arrears action during that period, and the backlog in the courts which followed it.

The pandemic makes it difficult to compare with previous years, however **80 per cent** of respondents had seen their initial arrears action increase between 2021/22 and 2022/23.
For the 20 organisations that responded, the average number of NOSPs/NOEs and NOPPs[27] per 1,000 properties managed increased from **42** to **50**.

Court action increased from an average of **3** per 1,000 properties managed in 2021/22 to **5** per 1,000 properties in 2022/23, although this is likely to be in large part due to a return to normal after the pandemic, and fewer court cases in 2021/22 with the catch up in 2022/23.

Around a third reported continuing backlogs in the court.

Table 7: Arrears action in 2021/22 and 2022/23

	2021/22	2022/23
NoSP/NOE/NOPP per 1,000 properties managed	42	50
Court action per 1,000 properties managed	3	5

Of those cases with a judgement, the majority of them were suspended on the basis of an agreement to pay (**62 per cent** of the total), and in **38 per cent** of the cases, an immediate possession order was granted. This is not surprising: there is considerable pressure on local authority and ALMO income teams to not evict anyone unless they absolutely have to as that increases the pressure on other local authority teams, so cases that make it to court are the most severe.

The majority of respondents have not made any long-term changes to their policy and practice around action on rent arrears as a result of the suspension of court proceedings during 2020. Some respondents stated that they had moved more towards a tenancy sustainment/support model compared with automatically going to legal action. Others stated that they had already been focused on court action as the last resort, so had not needed to change their processes.

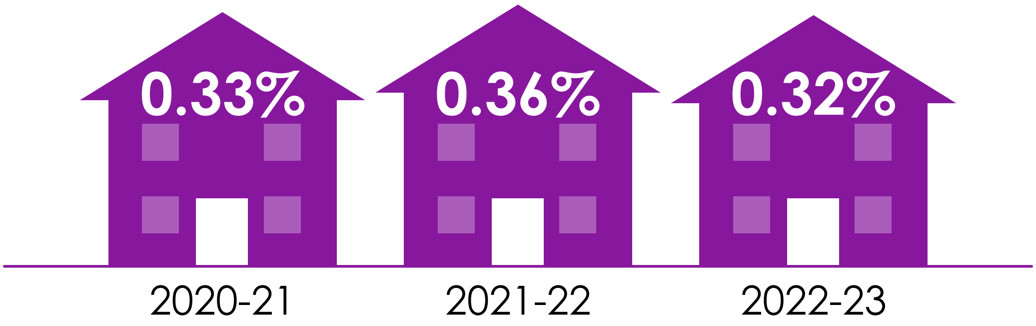
"We have changed our process to focusing on achieving outcomes without relying on court action – almost still acting as if court proceedings are still suspended. We are placing value on problem solving, not just following processes…"

"Our arrears didn't drastically increase during the time there was a suspension on court proceedings. Therefore, we now seek court action as a very last resort and our processes are now about customer contact and building relationships."

"The process is the same. All action continues with an overarching fairness approach. Support tenants to pay rent and sustain tenancies, and take enforcement action against those who are wilfully going into arrears."

27 Notice of Intention to Seek Possession. For introductory tenants, they are served with a Notice of Possession Proceedings. A Notice of Extension (NOE) extends your introductory tenancy by six months.

Former Tenant Arrears



The average median figure for rent written off as a percentage of rent due in 2022/23 is **0.32 per cent**, which has broadly not changed over the last three years.

Respondents to the survey had made various changes to support with the management of Former Tenant Arrears (FTAs) recently. This includes:

- Changing from specialist FTA officers to generic income managers that manage both current and former arrears.
- Increasing the size of the team working on FTAs.
- Procurement of software to automate the process and manage the casework (i.e. Voicescape or Mobysoft).
- Working with a debt collection agency to support collection.
- Changing the content of the letters that are sent out.
- Automating the invoice after a tenancy ends.

The majority of respondents do not have a formal time period for when they formally write off tenant arrears, subject to statute barred limitations (**six years**) and take a varied approach depending on the circumstances surrounding each debt and the size of the debt, based on recoverability of the debt rather than a set time frame.

Four respondents gave a shorter time period (less than two years).

Together we serve the interest of nearly a million homes in England

NFA - National Federation of ALMOs

4 Riley Court, Millburn Hill Road, Coventry, CW4 7HP

Email:	info@almos.org.uk
Website:	www.almos.org.uk
Telephone:	02476 472729

ARCH – Association of Retained Council Housing

Riley Court, Millburn Hill Road, Coventry, CV4 7HP

Email:	info@arch-housing.org.uk
Website:	www.arch-housing.org.uk
Telephone:	024 7647 2711