Universal Credit - One Year On

2016 NFA & ARCH Welfare Reform Survey Findings
Summary

This document sets out the results of a survey of 20 stock retaining councils and Arms-Length Management Organisations (ALMOs). It was conducted during April and May 2016 and follows a previous survey of the same organisations, conducted over October and November 2015.

This survey provides an update on the impact of the rollout of universal credit (UC) on levels of rent collection and explores some of the factors which may be pushing more UC claimants into arrears. At the time of our survey the 20 organisations who participated housed a total of just over 3,000 households who were in receipt of UC.

UC and overall rent arrears

Compared to our previous survey the proportion of households in arrears has fallen, both overall and specifically among those claiming UC. However households in receipt of UC remain much more likely to be in arrears and also have, on average, larger levels of arrears than tenants in general.

In total a very high proportion (79%) of those receiving UC are in arrears, compared to less than one third (31%) of tenants overall. On average they each owe £321.05, which is also slightly higher than the average of £294.57 among all households in arrears.

As well as increased rent arrears, most of the organisations taking part in our survey also say that as a result of the rollout of UC they are seeing increased demand for money and debt advice services, foodbanks and hardship funds in their area.

Direct impact of UC on arrears

13 of the organisations who participated in our survey were able to give us comparisons of their tenants’ rent accounts before and after they went on to UC. This data shows that pre-existing arrears (ie: tenants who were already behind on their rent before they went on to UC) is a significant issue, but does not completely explain the higher levels of arrears among UC claimants.

In total around half of all those now on UC and in arrears were already behind on their rent before their claim commenced.

Factors causing higher levels of arrears among UC claimants

Respondents cite a wide variety of factors as contributing to higher levels of arrears among households in receipt of UC. These include factors relating to tenant behaviour, administrative problems and issues with some specific elements of UC’s design.

In some cases (e.g.: timeliness of payments, landlord control over alternative payment arrangements) we know that DWP are already progressing solutions. Others are principally communication issues (eg: ensuring that all claimants understand that they have a rent liability). However there is a particularly strong consensus around one element of UC’s design – the impact of the six week wait before a claimant receives their first payment. This is comprised of a one week waiting period, approximately four weeks because UC is paid monthly in arrears and then approximately a further week before payment is typically received.

All respondents to our survey agree that this is either frequently or very frequently a factor in claimants falling into arrears, and it looks likely that many claimants simply do not have sufficient savings (including their last pay cheque) to get them through this period. 19 of the 20 organisations who participated believe that removing the seven day waiting period, thereby shortening the delay before a claimant’s first payment, would be very likely to reduce arrears.
Introduction

This document sets out the results of a survey of 20 stock retaining councils and Arms-Length Management Organisations (ALMOs). Eight of these organisations are based in the North of England, five in the Midlands and the remaining seven in the South. Collectively they manage a total of 208,000 council homes.

The survey was conducted during April and May 2016 and follows a previous survey, conducted over October and November 2015, when these same organisations provided us with some initial data about the rollout of universal credit (UC) in their areas. It is provides an update on the impact of UC on their levels of rent collection and explores some of the factors which may be pushing more UC claimants into arrears.

Extent of the UC roll out

At the time of our original survey these 20 organisations housed a total of just under 2,000 households who were in receipt of UC. By 31 March 2016 that figure had increased to just over 3,000. However due to the gradual rollout of UC, these were spread very unevenly with individual organisations having anywhere between 10 and over 800 live cases each.

As at 31 March 2016 all 20 organisations were seeing new claims from single people without children being processed under UC in their area. In addition, seven were also beginning to see claims from other groups (i.e.: couples and/or households with children).

UC and overall rent arrears

Compared to our previous survey the proportion of households in arrears has fallen, both overall and specifically among those claiming UC. However households in receipt of UC remain much more likely to be in arrears and also have, on average, larger levels of arrears than tenants in general.

In total a very high proportion, over three quarters, of those receiving UC are in arrears, compared to less than one third of tenants overall.

Figure one: Percentage of households in rent arrears over time

Our respondents house a total of around 2,500 households who are both receiving UC and in arrears. 56% of these owe more than one month/four weeks’ worth of rent and 46% are subject to an alternative payment arrangement (APA). On average they each owe £321.05, which is slightly higher than the average of £294.57 among all households in arrears.

In total the 20 participating landlords are owed £19.1m in rent arrears. Of which around £700k, approximately 4% of the total, is attributable to households in receipt of UC. This is despite those households making up fewer than 2% of their tenants.
Direct Impact of UC on arrears

A vital question is the extent to which these arrears can be directly attributed to households moving on to UC.

13 of the organisations who participated in our survey were able to give us comparisons of their tenants’ rent accounts before and after they went on to UC. This data shows that pre-existing arrears (i.e.: tenants who were already behind on their rent before they went on to UC) is a significant issue, but does not completely explain the higher levels of arrears among UC claimants.

In total around half of all those now on UC and in arrears were already behind on their rent before their claim commenced.

Figure two: Status of households now on UC and arrears, prior to their UC claim

![Status of households now on UC and arrears, prior to their UC claim]

The total value of these pre-existing arrears was around £360,000. However these 13 organisations now report £519,000 worth of arrears relating to UC cases. This suggests that not all arrears can be attributed to the rollout of UC, but that it has clearly had an impact on increasing both the number and value of tenants’ arrears.

Illustrative Examples

A local authority in the North West houses 234 households in receipt of UC. Of these 185 have some rent arrears, totalling around £105,000. 126 of these 185 households were already council tenants before they went on to UC and 115 already had some rent arrears. However the total value of these was only £82,000.

Similarly an ALMO in the East Midlands has 56 live cases of UC, 41 of which are in rent arrears. Of these, 51 were tenants before they began claiming UC and 27 had some pre-existing arrears. However the total value of arrears among this group has increased from around £10,000 to around £19,000.

Other consequences of the UC rollout

As well as increased rent arrears, most of the organisations taking part in our survey also say that as a result of the rollout of UC, they are seeing (either frequently or very frequently) increased demand for:

- in-house money/debt advice/financial inclusion services
- external debt/financial advice (citizens advice bureaus and credit unions)
- foodbanks
- local hardship funds.
A smaller number of respondents reported increased use of payday lenders and loan sharks in their area.

**Figure three: The percentage of respondents who have seen other consequences as a result of the rollout of UC in their area**

### Factors causing higher levels of arrears among UC claimants

Respondents cite a wide variety of factors as contributing to higher levels of arrears among households in receipt of UC. These include factors relating to tenant behaviour, administrative problems and issues with some specific elements of UC’s design.

In total most respondents agreed that all of the following are either frequently or very frequently a factor in households in receipt of UC falling into arrears:

- the six week wait for a tenant’s first UC payment (ie: the seven day waiting period, plus payment in arrears)
- DWP not notifying landlords promptly when a tenant goes on to UC
- tenants already being in rent arrears before going on to UC
- UC payments not being made on time and/or correctly
- tenants already having difficulty with money management before going on to UC and/or using UC to pay off other debts
- mismatches between rent due dates and UC payment dates (ie: tenants paying rent when they receive UC, rather than when it is due)
- tenants not recognising that they have a rent liability because their rent was previously covered by housing benefit
- delays in DWP processing UC applications
- tenants who require support going on to UC before they are ready (ie: the tenant requires an APA but does not receive one until eight weeks’ arrears are accrued)
- tenants having difficulty managing variable income (and therefore variable UC payments)
- tenants not realising that their final payment from job they are leaving can be considered savings to live on for the next month.
However while respondents cite a wide range of factors, there is a particularly strong consensus around the impact of the six week wait before a claimant receives their first UC payment. This is comprised of a one week waiting period, approximately four weeks because UC is paid monthly in arrears and then approximately a further week before the payment is typically received.

All respondents to our survey agreed that this is either frequently or very frequently a factor in claimants falling into arrears, with many not having sufficient savings (including their last pay cheque) to get through this period.

**Figure four: The percentage of respondents saying particular issues are a factor in pushing households in receipt of UC into arrears**

Respondents also express support for a wide range of improvements to ensure that fewer claimants fall into arrears in the future. A number of these relate the administration of UC, including:

- improved DWP processes (i.e.: faster/more accurate processing of applications and payments)
- better training for Job Centre Plus staff, to improve understanding of housing issues
- landlords having more control over APAs
- better communication between landlords and DWP.

However a few relate to specific aspects of the way in which UC has been designed:

- removing the seven day waiting period
- allowing tenants to ask for rent to be paid straight to their landlord at the outset
- UC being paid in advance, instead of in arrears.
In keeping with respondents’ concerns about claimants facing a long wait for their first payment, there is a particular consensus around the need to remove the current seven day waiting period for UC. 19 of the 20 organisations taking part in our survey believe this would be very likely to reduce arrears.

Figure five: The percentage of respondents saying that suggested improvements to UC would be likely to reduce levels of arrears

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Author – David Pipe, CIH Policy & Practice Officer
Editor – Chloe Fletcher, NFA Policy Director & Matthew Warburton, ARCH Policy Adviser
Layout by Jeremy Spencer

Published by:
NFA – National Federation of ALMOs
Octavia House,
Westwood Way Coventry
CV4 8JP
Email: info@almos.org.uk
Website: www.almos.org.uk
Telephone: 024 7685 1729

ARCH – Association of Retained Council Housing
4 Riley Court Milburn Hill Road
University of Warwick Science Park
CV4 7HP
Email: info@arch-housing.org.uk
Website: www.arch-housing.org.uk
Telephone: 024 7647 2711

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