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ASSOCIATION OF RETAINED COUNCIL HOUSING

National Federation of ALMOs

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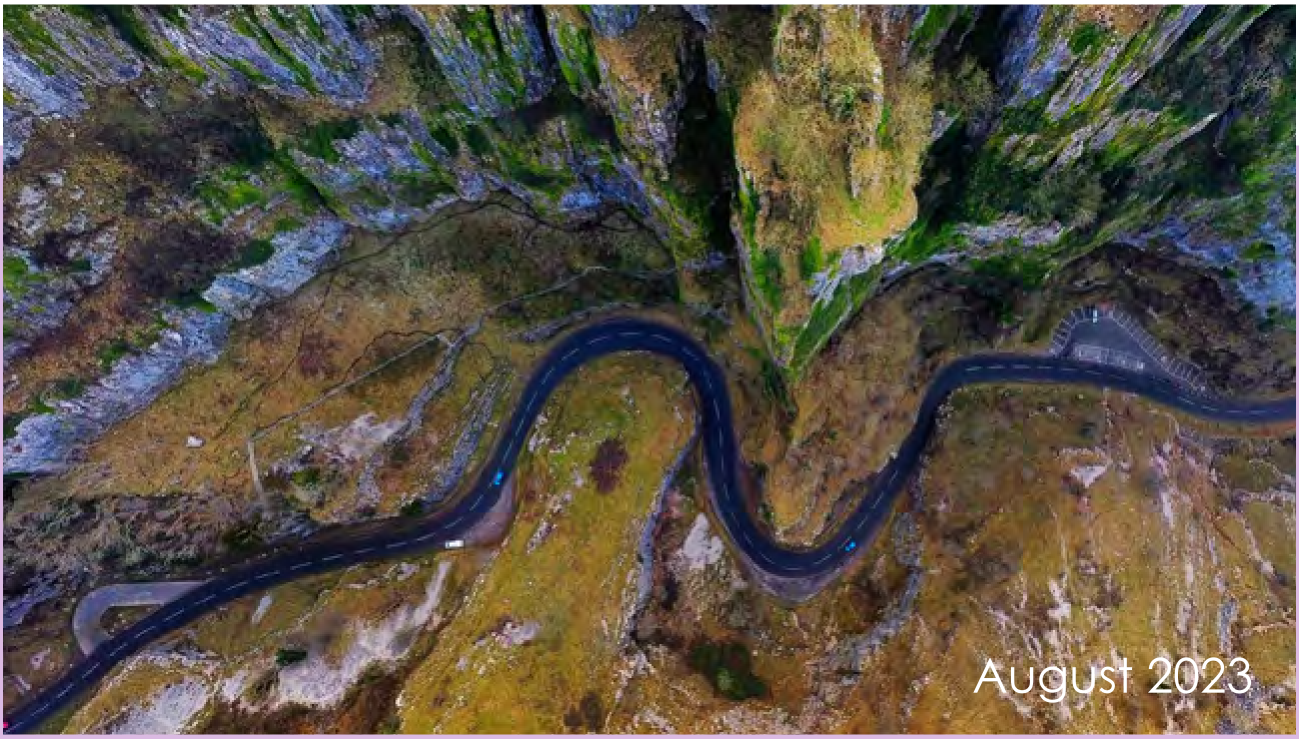
On the edge

Cost-of-living findings from the council housing sector

Executive Summary



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.

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.***

For the full survey findings, please see:
https://www.almos.org.uk/category/publications/welfare-reform-and-uc/

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.

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