

PERTH AND KINROSS COUNCIL

Housing and Communities Committee

30 October 2019

Rent Arrears Update and the Impact of Universal Credit (UC)

Report by Executive Director (Housing & Environment) (Report No. 19/300)

This report provides Housing and Communities Committee with an overview of and performance in relation to rent arrears and the impacts of Universal Credit (UC) 12 months on from the introduction of Full Service

1. BACKGROUND / MAIN ISSUES

- 1.1 Managing rent arrears and ensuring tenants are able and supported to pay their rent is a key challenge for all Scottish Local Authorities. Changes to the welfare system, and limited wage and salary increases for workers have challenged many individuals and families' ability to manage their household budgets.
- 1.2 In a recent briefing¹, Citizens Advice Scotland reported that rent and council tax arrears now exceed levels of credit card debt for families in Scotland. Furthermore, in October 2018, they reported a 40% increase in relation to rent arrears advice provision since 2012.²
- 1.3 In Perth and Kinross, we know, from work undertaken to inform the Fairer Futures report that:
 - (i) 1 in 9 working households rely on some form of benefit
 - (ii) 1 in 8 households are classified as being amongst the most socially and financially challenged in the United Kingdom
 - (iii) 37% of households are classed as fuel poor, where more than 10% of income is spent on fuel
 - (iv) 1 in 5 children are estimated to live in poverty
- 1.4 Information around our local economy and workforce tells us that 46% of employees in Perth and Kinross work in small businesses, 10% higher than the Scottish average. This is likely to contribute towards lower pay.

¹ [Universal Credit and debt - briefing from Citizens Advice Scotland \(5 June 2019\)](#)

² [Rent Arrears - Causes and Consequences for CAB clients](#)

- 1.5 The most recent Nomis Official Labour Market statistics³ for Perth and Kinross show lower gross weekly pay levels compared to the Scottish average.

	Perth and Kinross (£)	Scotland (£)
Full-Time Workers	530.4	563.2
Male Full-Time Workers	560.9	598.9
Female Full-Time Workers	481.3	516.2

- 1.6 Tenants who do not maintain rent payments are at risk of losing their home, although eviction is and always will be a last resort. Supporting tenants to manage and sustain their tenancies is a key outcome for the service.
- 1.7 The Council must however, balance support and action to prevent homelessness and maintain people within their homes, with the need to recover rent and income to maintain a sustainable Housing Revenue Account (HRA).

2. ANALYSIS OF RENT ARREARS

- 2.1 The section above describes the national and local context and challenges facing the Council and our tenants. The vast majority (66.5%) of the Council's 7,600 tenants do not have rent arrears.
- 2.2 An analysis of performance levels, arrears bandings and arrears by payment method are outlined below.

Gross Rent Arrears (Target 8.75%)

- 2.3 Our gross rent arrears (current and former arrears), stands at 8.19% (£2,207,397), a reduction of 2.91% from reported performance in July 2018. This improvement is, in the main, attributable to the write off, approved at Strategic Policy & Resources Committee (Report No.18/193 refers), in June 2018 being removed from the total debt due in April 2019.

	2015/16	2016/17	2017/18	2018/19	YTD
Perth and Kinross	10.39%	10.05%	10.38%	10.83%	8.19%
Local Authority average	6.2%	6.5%	6.7%	7.3%	n/a

Current Rent Arrears

- 2.4 Arrears level for current tenants have continued to improve over the same period (July 18 to June 19), showing an overall 1.4% reduction to 8.23% (£1,359,385).

	2015/16	2016/17	2017/18	2018/19	YTD
Perth and Kinross	12.78%	10.46%	9.44%	8.21%	8.23%

³ [Nomis Official Labour Market Profile \(2018\)](#)

- 2.5 There are no benchmark comparisons for current rent arrears available at present.

In Year Collection Rate (Target 98.7%)

- 2.6 In 2018/19, the total amount of rental income to be collected was £26,023,222, of which we collected 98.69%. In the current financial year, the amount is £26,740,910 with in year performance sitting at 96.52%.

	2015/16	2016/17	2017/18	2018/19
Perth and Kinross	98%	99.59%	98.73%	98.69%
Local Authority average	99.5%	99.4%	99.2%	98.7%

Number of Tenants in Arrears (Target 25%)

- 2.7 As at the end of June 2019, a total of 2,509 (33.5%) tenants had an arrears balance on their account.
- 2.8 Of these 1,330 (53%) had a balance below £250. The value of the debt in this banding level represented 8.9% of our overall outstanding arrears.
- 2.9 In contrast there are a small number of tenants, 60 (2%), with a balance over £3,000. The total value of this debt represents 18% of our overall outstanding arrears.

Arrears by Payment Method

- 2.10 The table below shows the % of tenants in arrears by payment method and the average arrears balance. Comparing information against July 2018 shows that the highest increase is for tenants who receive no assistance with their housing costs.

	July 2018		June 2019	
Payment Method	% in arrears	Average arrears	% in arrears	Average arrears
Full Housing Benefit	11.5%	£453.82	9%	£392.11
Partial Housing Benefit	27%	£369.64	26%	£225.25
No Assistance	40%	£595.20	44.5%	£617.65
Universal Credit ⁴	76%	£875.68	76%	£866.06

⁴ The average arrears balance for Universal Credit (UC) is lower as outlined in Section 2.26 of this report

Sustaining Tenancies Fund

- 2.11 The Sustaining Tenancies Fund (£150,000) introduced in April 2018 recognises the challenges faced by tenants in meeting their rent responsibilities. The introduction of the fund demonstrates our commitment to supporting tenants facing financial hardship, and our overall strategic objective to sustain tenancies.
- 2.12 During 2018/19, a total of 219 applications were submitted. Of these 142 (65%) were approved, 60 (27%) were refused, with the remaining 17 (8%) deferred. The overall budget spend was £136,796.
- 2.13 An analysis of the rent accounts of tenants who received a payment towards their arrears, has shown that 88% have gone on to maintain a clear rent account.
- 2.14 Payments from the fund resulted in a 0.52% reduction in our overall gross rent arrears. There was also a 0.53% improvement in our rent collected performance.

Payment Arrangements

- 2.15 Often tenants who fall into arrears do not have the means to clear the outstanding balance in a single payment. In such situations, a payment arrangement is offered to clear the debt over a period of time. If the payment arrangement is maintained then no further action is taken.
- 2.16 At the end of June 2019, of the 2,509 tenants in arrears, 1,050 (42%) had a payment arrangement in place. During 2018/19, a total of 321 arrangements were ended as accounts had been cleared.
- 2.17 Frontline housing staff encourage tenants to enter into arrangements which they can afford, rather than seeking large amounts to clear the debt sooner. The ongoing sustainability of the arrangement is more important than the time to clear.

Benchmarking Comparisons

High Level Arrears Performance

- 2.18 The table below shows 3 year performance trends for a number of Local Authorities. Only East Lothian has demonstrated improved performance particularly from mid 2017/18 onwards. East Lothian was the first Local Authority in Scotland to move to full service UC in March 2016.

	% rent collected				% gross arrears			
	16/17	17/18	18/19	% shift	16/17	17/18	18/19	% shift
Angus	99.37	99.97	98.52	-0.85	7.74	7.66	9.23	+1.49
Dundee	99.19	98.44	97.97	-1.22	6.19	6.98	7.94	+1.75
East Lothian	98.15	99.24	100.57	+2.42	9.36	9.28	7.49	-1.87
Fife	97.67	98.11	97.94	+0.27	7.55	8.21	9.05	+1.5
Highland	99.31	98.11	98.98	-0.33	4.68	5.03	4.86	+0.18
PKC	99.59	98.73	98.69	-0.90	10.05	10.38	10.83	+0.78
Stirling	99.82	98.83	98.57	-1.25	9.57	10.13	11.38	+1.81

Universal Credit (UC)

- 2.19 Universal Credit (UC) is a working age social security benefit introduced in the UK in 2013 to replace six means tested benefits and tax credits. One of the means tested benefits included is housing benefit, or housing costs as it is known under UC. This means that anyone entitled to assistance with their costs will have this included within a single UC payment.
- 2.20 Perth and Kinross Council moved to “Full” Service UC on 13 June 2018 as part of the wider planned roll out of Universal Credit by the Department of Work and Pensions (DWP).
- 2.21 Housing costs are normally paid directly to the tenant who then has the responsibility to meet their rental obligations. There are exceptions, however, as outlined in Section 2.29 of this report.

The Impact of UC on Rent Arrears Levels

- 2.22 Over the previous 12 months, as part of our ongoing review of rent arrears levels, we have monitored the impact of UC.
- 2.23 As at the end of June 2019 1,135 tenants were meeting their rental obligation through UC. Of these 1,135, a total of 862 had an arrears balance on their account. Some of these arrears could be regarded as technical due to UC being paid monthly in arrears.

Arrears Levels for UC Tenants

- 2.24 Many tenants who move onto UC, do so with an existing arrears balance. To establish the exact impact of UC on the HRA, we have calculated the average increase in arrears, excluding any pre-existing balance. As at 30 June 2019, this amounted to around £287.53 per tenant
- 2.25 The overall impact of UC on the HRA for the first 12 months of full service is £247,851.

Alternative Payment Arrangements (APA)

- 2.26 An APA is where housing costs are paid directly to the landlord rather than the tenant. There are two situations where this can be requested. One is where the tenant makes this request. The second is a request by the landlord on the grounds of 8 weeks or more outstanding rent. An APA means that the payment under UC for housing costs will be made directly to the landlord on a four-weekly basis.
- 2.27 At the end of June 2019, a total of 439 tenants were having their housing costs paid directly to us as landlord.

Third Party Deductions (TPD)

- 2.28 A Third Party Deduction (TPD) is a sum which can be deducted from a tenant's overall UC entitlement and paid directly to us as landlord towards the arrears.
- 2.29 As at 30 June 2019, there were 185 TPD payments in place with an average value of £43.22 per tenant per month. This means the monthly overall value of TPD payments is £7,996.

Benchmarking Comparison

- 2.30 In May 2018, the Convention of Scottish Local Authorities (COSLA) produced a report⁵ outlining the impact of Full Service UC on rent arrears levels for the first 12 months for early "go-live" Authorities.
- 2.31 East Lothian Council was the first Scottish Local Authority to move to full service in March 2016. In the first 12 months, current tenant arrears levels increased by 29%.
- 2.32 The table below tracks Perth and Kinross Council's experience of UC against that of East Lothian Council over the first 12 months. Arrears levels in Perth and Kinross have increased at a lower rate than that experienced by East Lothian Council. However, the stock profile and tenant base within each Authority is different.

⁵ [COSLA UC Full Service cost impacts report](#)

2.33 However, a number of changes have been introduced to UC since March 2016, including:

- (i) Fortnightly payments through Scottish Flexibilities
- (ii) Payment direct to landlord through Scottish Flexibilities
- (iii) Removal of 7 day waiting period before housing costs paid
- (iv) Change to 2 children or more restriction, remain on Housing Benefit
- (v) Housing Benefit 2 week transition payment now in place

2.34 It is therefore likely that these changes have helped to shape improvements in more recent Local Authorities' performance, when moving to Full Service UC.

Local Authority	Full Service Arrears Levels	9 months	12 months	18 months
East Lothian	£1,295,782	£1,503,445 (+16%)	£1,676,047 (+29%)	£1,721,244 (+32%)
Perth and Kinross	£1,250,295	£1,216,943 (- 3 %)	£1,359,385 (+ 9%)	Tbc

3. CONCLUSION AND RECOMMENDATIONS

3.1 This report highlights the key issues for the Council and tenants in relation to rent arrears and provides an overview of performance in relation to general arrears levels and the impact of Universal Credit. It outlines the positive and pro-active approach taken by the service to manage arrears and to support tenants to sustain their tenancies.

3.2 It is recommended that Housing and Communities Committee:

- (i) Notes the contents of this report, including the analysis of rent arrears and the benchmarking performance.
- (ii) Requests the Executive Director (Housing & Environment) to submit a further update to Committee for performance in 2019/20, in August 2020.

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Approved

Name	Designation	Date
Barbara Renton	Executive Director (Housing & Environment)	25 September 2019

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan	None
Corporate Plan	None
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	None
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	None

1. Strategic Implications

Community and Corporate Plan

- 1.1 This report and the work of frontline housing staff contribute to the following Perth and Perth and Kinross Community and Corporate Plan priorities:

- (i) *Giving every child the best start in life*
- (ii) *Developing educated, responsible and informed citizens*
- (iii) *Promoting a prosperous, inclusive and sustainable economy*
- (iv) *Supporting people to lead independent, healthy and active lives*
- (v) *Creating a safe and sustainable place for future generations*

2. Resource Implications

Financial

- 2.1 There are no direct financial implications arising from this report other than those reported within the report itself.

Workforce

- 2.2 There are no workforce implications as a result of this report.

Asset Management (land, property, IT)

- 2.3 There are no asset management implications as a result of this report.

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties. The Equality Impact Assessment undertaken in relation to this report can be viewed clicking [here](#).
- 3.2 The information within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- (i) Assessed as **not relevant** for the purposes of EqIA

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 No further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. Under the Climate Change (Scotland) Act 2009 the Council also has a duty relating to climate change and, in exercising its functions must act:
- in the way best calculated to delivery of the Act's emissions reduction targets;
 - in the way best calculated to deliver any statutory adaptation programmes; and
 - in a way that it considers most sustainable.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Legal and Governance

- 3.7 The Head of Legal and Governance was consulted on this report.

Risk

- 3.8 None arising from this report.

4. Consultation

Internal

- 4.1 The Head of Legal and Governance was consulted on this report.

External

- 4.2 The Tenant Committee Report Panel commented that benchmarking performance shows that Perth and Kinross Council are doing well with consistent performance. Early intervention is key in supporting this.

5. Communication

- 5.1 N/A.

2. BACKGROUND PAPERS

- 2.1 None.

3. APPENDICES

- 3.1 None.