

## **Strategic Housing Panel**

### **Universal Credit and Rented Housing**

Executive Member – Councillor Geoff Garrity

Lead Officer – Julie Betteridge

Report Author – Debbie Cochrane

Summary; It is anticipated that Universal Credit will be introduced in Copeland later this year, this paper has been written to give elected Members an understanding of how Universal Credit will affect tenants in social rented housing and the providers of social rented housing. This paper is for information only.

### **What is Universal Credit?**

Universal Credit is a new benefit that aims to make work pay by ensuring claimants are better off in work. It promotes personal responsibility to actively seek work and increase earnings, while continuing to provide support for those who need it most.

Universal Credit is being introduced in a carefully controlled way and will eventually replace the following 6 main working age benefits:

- Income-based Jobseekers Allowance
- Income-related Employment and Support Allowance
- Income Support
- Working Tax Credit
- Child Tax Credit, and
- Housing Benefit.

### **Who will be able to claim Universal Credit?**

Universal Credit will be available to people who are unemployed or on a low income and working age.

### **When will Universal Credit be introduced?**

Universal Credit was introduced in Ashton under Lyne on 29 April 2013 for single, newly unemployed working age claimants. In July 2013 Universal Credit was extended to include unemployed claimants living in Wigan, Oldham and Warrington. Between October and December 2013 Universal Credit was extended further to Hammersmith, Rugby and Inverness. By spring 2014, Universal Credit will be rolled out to Jobcentres in Harrogate, Bath and Shotton.

From summer 2014 the new service will progressively start to take new claims for couples and, in the autumn, from families. Once it is safely tested Universal Credit will also expand to cover more of the North West of England. It is anticipated that Universal Credit will be introduced in Copeland in November 2014.

Alongside this, DWP is also paving the way for the wider cultural transformation that Universal Credit brings by:

- Introducing the new Claimant Commitment in all jobcentres for new claimants to Jobseeker's Allowance – this sets out what claimants are expected to do to find work, in return for receiving assistance. Roll out began in October 2013 and is being introduced in around 100 Jobcentres a month, until it is in place across the country by spring 2014.
- Installing 6,000 new computers in Jobcentres across the country to replace the outdated job points and making it possible for claimants to look for and apply for jobs online and make online claims.

### **How will Universal Credit be paid to claimants?**

In the majority of cases Universal Credit will consist of a single, monthly payment which is paid in arrears directly into the claimant's bank, building society or post office account. Couples living in the same household will receive one monthly payment between them. Payments will include eligible housing costs. Households will then be responsible for managing their own rent payments. In some cases an Alternative Payment Arrangement might be available. This could take the form of a more frequent payment, split payment across the household or a managed payment direct to the landlord. Other adults living in the same household who are claiming Universal Credit will be paid separately.

### **How will claimants receive help with housing costs under Universal Credit?**

The Housing Costs element of the Universal Credit award helps tenants with their eligible rent and service charge costs. Regulations state that claimants must satisfy three conditions - payment, liability and occupation – to qualify for help with their housing costs. DWP will in the majority of cases pay eligible housing costs directly to the claimant as part of the single Universal Credit benefit payment. Alternative Payment Arrangements will be available in some circumstances following conversations with both the tenant and landlord.

### **How will Universal Credit affect social and private sector landlords?**

There will be improved protection in place for landlords and tenants against arrears under Universal Credit.

Many landlords in the social rented sector receive their housing cost payments directly from their Local Authority. As Universal Credit will be a single, monthly payment (including eligible housing costs), paid direct to claimants, social landlords may need to look at how and when they collect their rent, and the level of support some tenants will need to make the transition to a single, direct monthly payment.

Landlords can get ready for Universal Credit by:

- Familiarising themselves with the changes and looking at how they might need to adapt their policies and processes
- Engaging with their tenants early, to start assessing their needs, and ensure they understand their responsibilities and the support available.

The Direct Payment Demonstration Projects and LA led pilots are providing valuable learning about the type of support that might work best.

Most private sector landlords will not see any change with the introduction of Universal Credit. This is because most working age claimants in the private rented sector are already used to receiving their Housing Benefit / Local Housing Allowance payments directly and are responsible for paying their rent to their landlord. Those private sector landlords who currently receive a managed payment from the local authority should familiarise themselves with the changes and look at how they can prepare themselves. Alternative Payment Arrangements, for example managed payments to the landlord may continue where appropriate.

### **How can landlords help their tenants prepare for Universal Credit?**

Landlords can help tenants to get ready for Universal Credit by encouraging them to:

- Get online so they will be able to make a Universal Credit claim and report changes
- Open a bank account to receive payments and learn how to set up direct debits or standing orders for paying bills such as rent
- Use the Universal Credit Personal Planner which checks what changes they may need to make to get ready for Universal Credit.

The Universal Credit Personal Planner is available online to help claimants understand and prepare for the changes Universal Credit will bring when it is introduced. It asks claimants a set of questions about their readiness for Universal Credit, and depending on the answers given, will set out what action each person may need to take.

### **What support is in place for tenants to help them manage their finances?**

A number of safeguards are in place to support tenants and help them manage their money:

As a first step, budgeting support will be offered to claimants before transferring to UC to help them manage their money – this can be money advice or, depending on claimant circumstances, advances of benefit or tailored financial products;

Alternative Payment Arrangements (APAs) can be considered for some claimants who genuinely can't manage their monthly payment – this might include having a managed payment to their landlord or a more frequent payment

### **What do landlords need to do to ensure that rent is paid?**

A key aspect of Universal Credit is to encourage both personal responsibility and financial independence to help remove these as barriers into employment; therefore, where possible, claimants will be expected to arrange their own rent payments as they would if they were in full time work. Landlords need to think about how this will fit with their own payment calendars. If landlords have previously received a managed rent payment from the local authority, they will need to speak to their tenants to agree arrangements for collecting rent from them. In a minority of cases Alternative Payment Arrangements (APAs) can be put in place to support claimants. Landlords may want to encourage tenants who do not have a bank account to open one. Having access to a transactional account will help claimants manage their rent payments through direct debits or standing orders.

### **When will a claimant get their first Universal Credit payment?**

Universal Credit will be assessed monthly and will be paid monthly in arrears. A claimant will receive their first payment seven days after their initial assessment period has finished. For example, for an assessment period of 16 July to 15 August, the first payday will be 22 August. The claimant will then receive future payments on the 22nd day of each month. If a claimant's payday falls on a weekend or a bank holiday, payment will be moved forward to the nearest working day.

### **If payments are made monthly, how will tenants pay their rent while they are waiting for their first payment of Universal Credit?**

Many new claimants of Universal Credit will be coming from work and will be able to support themselves in the first month using their final payment of earnings. However, where needed, claimants will be able to ask for an advance in the first month of their claim to support them until their first payment is made. This will be a proportion of the full payment and will be recovered over a period of time.

### **How will DWP check rent and tenancies under Universal Credit?**

Where DWP decides that a check is needed, the claimant will be asked to provide evidence to support their Universal Credit claim.

### **If a tenant doesn't have a copy of their tenancy agreement, will DWP accept other evidence as proof of a tenancy (e.g. letter from landlord)?**

DWP may accept a landlord letter confirming the current rent and service charge but the evidence required will vary on a case by case basis.

### **How will annual rent increases be dealt with under Universal Credit?**

Claimants should tell DWP of any changes that might affect their Universal Credit payment, including rent increases. DWP is looking at whether it is possible to automatically gather rent information from local authorities and large registered providers of housing. Further details will be provided once they are available.

### **How will monthly rent be calculated if a claimant's rent is paid weekly?**

Universal Credit will be paid monthly. Weekly rents will be calculated using the following formula: weekly rent multiplied by 52 and divided by 12.

### **What about other payment frequencies, for example, four weekly?**

Other payment frequencies will be calculated as follows:

four-weekly payments are multiplied by 13 and divided by 12

three-monthly payments are multiplied by four and divided by 12, and

annual payments are divided by 12.

### **What will happen in 53 week years?**

Universal Credit will always be calculated based on a 52 week year.

### **Some social landlords have rent free weeks – how will these be dealt with in Universal Credit?**

If rent is charged over less than 52 weeks, the monthly payment will be worked out based on the number of weeks rent is charged for. For example, if rent is payable 48 weeks of the year, Universal Credit will be calculated as weekly rent multiplied by 48 and divided by 12.

### **In what circumstances can Universal Credit be paid on two homes?**

Universal Credit can be paid on two homes if:

- Liability for two homes has arisen because of fear of violence in the normal home accommodation. Both liabilities can be paid for up to 12 months
- A disabled person can't move into a new home because it needs adaptations. A disabled person is defined as someone who gets specified disability benefits (high or middle rate care component Disability Living Allowance, Attendance Allowance or Personal Independence Payment). The claimant must show that the delay is reasonable. Both liabilities can be paid for up to 12 months

Multiple homes can be treated as a single home, for benefit purposes, where a family has been housed in two homes because of the size of the family. Benefit can also be paid where someone is not able to occupy their home because of essential repairs.

If someone cannot move into accommodation immediately because he/she is in hospital or a care home then benefit can be paid on the new accommodation for up to one month.

### **Service charges**

#### **Will service charges form part of Universal Credit and how will they be paid?**

The eligible service charges will be paid directly to tenants as part of the housing costs element of Universal Credit.

#### **Do landlords need to make their tenants aware what service charges are eligible/ineligible for Universal Credit?**

Landlords in the social rented sector will be responsible for setting out clearly to the tenant allowable service charges. The claimant will report this as part of their claim. In the private rented sector, a tenant's total rent is usually made up of both rent and service charges, which are not separately identifiable. DWP will not need to collect separate service charge information for the private rented sector group as DWP will pay the lesser of the total rent or the appropriate Local Housing Allowance.

### **Alternative Payment Arrangements and managing rent arrears**

#### **What happens if a tenant gets into arrears?**

Landlords should follow their usual rent collection practices. However, if the claimant is unable or unwilling to resolve payment issues, DWP will intervene.

Landlords should contact DWP on 0845 600 0723 when the tenant has accrued arrears to the value of one or two months rent.

When arrears reach the equivalent of one month's rent, DWP will review the situation following notification from the landlord. At this point DWP can offer the claimant budgeting support and may decide to pay the rent directly to the landlord.

When arrears reach an equivalent of two month's rent (the 'trigger point'), an Alternative Payment Arrangement will be put in place to allow a managed payment to the landlord.

These measures will help to avoid the build-up of excess levels of rent arrears and to reduce the risks to landlords.

**Will any claimants have their rent paid directly to their landlord from the start of their claim?**

Yes, when a claim for Universal Credit is made it will be decided if a claimant needs support with budgeting and this may include putting in place an Alternative Payment Arrangement where significant support needs are identified.

In these cases DWP staff will consider information from tenants and landlords before taking a decision.

**If a tenant is already in arrears when they make a claim for Universal Credit, will their rent be paid to the landlord from the start?**

This will depend on the claimant's circumstances. When a Universal Credit claim is made, DWP will work with the claimant and landlord to decide if budgeting support or an Alternative Payment Arrangement is required, based on a number of factors. All cases will be looked at on an individual basis

**Under Local Housing Allowance, if a tenant currently gets a managed rent payment to their landlord, will this be the same when they move to Universal Credit?**

All cases will be looked at on an individual basis. Universal Credit intends claimants to take responsibility for their own finances, but help will be provided for those who need it.

**Can rent arrears be recovered from claimants through a deduction to their Universal Credit?**

Yes, arrears of rent and service charges for the property the tenant is currently living in are included in the list of deductions that can be made from a Universal Credit payment.

Furthermore, DWP is currently exploring increasing the rate at which deductions can be made.

Landlords can phone DWP (0845 600 0723) to request a 'third party deduction' for rent arrears when they reach the equivalent of two months rent. They will use the same phone number or address that is used for all Universal Credit enquiries. If they contact DWP and the claimant is claiming another working age benefit, they will be transferred to the relevant department. Likewise, if they contact the current working age benefit departments and the claimant has claimed Universal Credit, they will be transferred to a Universal Credit agent.

**Will landlords and other third parties be able to tell the DWP if they know a claimant is likely to need support (e.g. because they are in rent arrears)?**

Yes. Information from third parties, including the claimant's landlord, will be considered when assessing a claimant's ability to manage their finances. To protect the claimant's home, a landlord

can notify DWP asking for the housing costs element to be paid direct to them when a rent arrears 'trigger' has been reached.

In current UC areas, the landlord can contact the Universal Credit Service Centre by calling 0845 600 0723 to start the personal budgeting support process. If a claimant reaches their arrears trigger, they will need to show DWP they are in rent arrears.

### **What budgeting support will be available from DWP and how do claimants access this?**

Personal budgeting support will be offered to anyone claiming Universal Credit or transferring from another benefit. Claimants needing help with monthly budgeting will be identified at their first Universal Credit appointment with the Jobcentre and will be referred for personal budgeting support.

Many claimants will be able to help themselves through the online budgeting support services that are already available, and we will help people who have a clear need for more intensive support.

Money advice will be offered at a national and local level, and will include a mix of online, phone and face to face services. The face to face services will be offered through the Local Support Services framework when Universal Credit is rolled out nationally.

### **Can a claimant have their Universal Credit paid more frequently than once a month?**

Yes, more frequent payments is one of the options that will be considered if a claimant is having difficulty budgeting. The claimant should contact DWP and they will be offered personal budgeting support.

### **Will budgeting or 'jam jar' accounts be available to Universal Credit claimants?**

While the majority of Universal Credit claimants will continue to be paid through mainstream current or basic bank accounts, DWP are looking at ways to make accounts with budgeting functionality more widely available. DWP are consulting with financial providers across the private, social and third sectors and considering the best ways to make these types of products more available.

### **How will temporary accommodation be dealt with under Universal Credit?**

Claimants in temporary accommodation will not be affected by Universal Credit yet. Universal Credit claimants will be asked if they are homeless and living in temporary accommodation as part of the application process. If they say 'yes' they will be told that they cannot claim Universal Credit at this time and should apply for existing benefits (for example, Jobseeker's Allowance, Housing Benefit).

If the claimant is already claiming Universal Credit and then requires temporary accommodation they will receive the housing element of Universal Credit based on LHA rates for the household size including a shared accommodation rate.

**Conclusion**

Many tenants will be affected by the changes outlined above; housing options officers will be available to offer advice and assistance and are working closely with providers of social housing and colleagues in DWP to ensure the transition from the current benefit system to Universal Credit is as smooth as possible.

A report will be brought to Strategic Housing Panel six months after the introduction of Universal Credit which will highlight any areas of concern.