Rt Hon Frank Field MP
Chair, Work And Pensions Committee
House Of Commons
London
SW1A 0AA

8th February 2019

Dear Mr Field

Thank you for your letter, which I received on February 6th. In response to the questions you pose:

I fear the problem of perception is one that the DWP suffers from, as it has found to its cost in respect of a High Court judgement in January this year in respect of income assessments, where its calculation methods "could be said to lead to nonsensical conclusions".

The SFHA would disagree with the DWPs rationale for not calculating Universal Credit differently in 53 week rent years. Housing associations, in preparing their budgets for each financial year, will decide what rent income they will need from each property in order to have a balanced budget. The frequency of payment the landlord then uses to collect rent payments is incidental – whether its monthly, quarterly, weekly, or a hybrid, such as 48 payments. Paragraph 7 of Part 3 of Schedule 4 of the Universal Credit Regulations 2013 outlines how the housing costs will be calculated in such circumstances, with the exception of the 53 week year.

Take the case of a property where the expected annual rental income is £5,300. The regulations state that:

- A landlord charging a quarterly rent would charge £1325 per quarter. Under the regulations, the DWP would calculate housing costs to be £1325 x 4/12 = £441.67 – giving a rental income of £5,300.04
- A landlord with 48 rent payments would charge £110.42. The DWP would estimate monthly housing costs to be £110.42 x 48/12 = £441.68 – giving a rental income of £5,300.16

In a 53 week year, a landlord charging a weekly rent of £100, expecting to get a rental income of £5300 over the year. Yet the DWP would argue that the UC housing costs in such a case would be £100 x 52/12 = £433.33, which will give a rental income of £5,200.

The financial impact on housing associations of the stance currently taken by the DWP will be damaging to housing associations. They will have to increase their bad debt...
provision which will lead to higher rent increases for all tenants including those not being supported by universal Credit. They will also have to expend considerable time and care to advise tenants affected and get them to pay what they owe. It will also have a distressing effect on tenant claimants who may already be struggling to cope – especially so if in work with wage payment dates which are out of kilter with the their monthly UC assessment schedule.

My suggestion would be that the DWP revisits its monthly payment and assessment regime and acknowledges that, as a social security support, it should bend to external circumstances rather than the other way round. In processing the legacy benefits, it was able to calculate pro rata awards where there was not a full period’s entitlement. If the DWP was able to take an annualised view of both the income of in work claimants and their outgoings in respect of items such as rent and council tax, it would relieve much of the anxiety and distress being experienced by claimants and lessen the administrative burden of third party creditors.

SFHA surveys our members every month so that we have up to date information about the impact of the roll out of Universal Credit on tenants and our members. We have been keen to suggest process improvements which the DWP could make to ensure that the system is intended to operate effectively. The issue of sorting out the issue of payment of rents in 53 week years is one of many areas where SFHA believes that practical improvements need to be made.

Yours sincerely

Jeremy Hewer
Policy Advisor