Dear Rt. Hon Frank Field MP,

Safe as Houses 3: Have government reforms to Universal Credit reduced the rent arrears of Southwark’s tenants?

As you know, Southwark Council has undertaken a range of work examining the impact of Universal Credit on our tenants. We have previously shared with the Work and Pensions Committee two independent reports by the Smith Institute, commissioned by Southwark Council, looking at the impact of Universal Credit on rent arrears for Southwark council tenants. I am now writing to share Safe as Houses 3, our most recent wave of research on this important topic. You can find a copy of the report at www.southwark.gov.uk/safeashouses3

As the largest local authority landlord in London, we have been committed to monitoring the impact of Universal Credit on our tenants. This third piece of independent research, Safe as Houses 3, examines tenants’ rent accounts between April and June 2018, to assess whether there has been an improvement in rent payment behaviour since UC reforms were introduced in 2018. It also looks at the long term impact of UC, analysing rent accounts for tenants long after they have transitioned onto the new benefit.

The first groundbreaking report ‘Safe as Houses’ found that more tenants were falling into significant or deeper rent arrears under UC than the previous housing benefit system, and were then struggling to pay those arrears down. Like ‘Safe as House 2’ this latest report compares two different cohorts (2016 and 2018) transitioning to UC a year apart to look at whether the system was improving with time.

Key findings from the third report include:

- Although rent arrears for the 2018 group are lower than the 2016 group, rent arrears are still significantly higher than under the previous housing benefit system;
- Arrears increased in the weeks before people move onto UC or HB. But over a 32-week period (including four weeks prior to making a claim) arrears were 12% for 2016 UC group and 10% for the 2018 UC group; for the HB group there was a 2% surplus;
Alternative Payment Arrangements (APA) are being used to limit rent arrears; rather than for a handful of cases as originally envisaged, 40% of our tenants on UC have entered into such agreements;

Whilst it is difficult to disaggregate a number of factors, on the face of it the data suggests that the earlier and increased use of APAs, rather than other reforms, have led to reductions in arrears levels;

Multiple Universal Credit claims affect level of arrears; those making four or more claims for housing costs have much higher levels of arrears than those who appear to have claimed just once (£413 vs. £1,257).

The research indicates that the April 2018 reforms to UC, while welcome, do not go far enough. I have therefore written to DWP calling on the Secretary of State with a number of recommendations:

1. Halt plans for UC migration, as rent arrears under UC continue to be significantly higher in comparison to the previous housing benefit system. In Southwark alone, if rent arrears continue at the same rate among all tenants who claim UC, the council would be left with a total debt of £5.6m by 2024/25.

2. Undertake research to examine whether certain groups, such as those in and out of work or with fluctuating earnings, are more susceptible to arrears.

3. Reimburse councils like Southwark for the disproportionate financial impact of UC under the New Burdens Doctrine.

4. Emulate the Northern Ireland policy of paying the housing element of UC directly to landlords as the default option for rented properties.

5. Consider radical reform to UC to tackle the root causes of rent arrears - it is clear from all three waves of research that the majority of new rent arrears attributable to UC arise in the period immediately after a claim is made. The evidence increasingly indicates that the minimum five week waiting period and the fact that UC is paid monthly in arrears are key drivers of new rent arrears.

6. Urgent consideration, ahead of the Comprehensive Spending Review, of universal, non-repayable advances paid automatically in the first week of the claim.

7. Consider scrapping the requirement for monthly payments, which does not reflect the lived experience of the vast majority of those affected by UC.

Southwark Council has worked constructively with the Work and Pensions Committee throughout the rollout of Universal Credit. We have welcomed the opportunity to share written and oral evidence with the Committee on our experience as an early pilot borough for UC full service. I am pleased to share this new wave of research with the Committee and would welcome the opportunity to further assist the Committee in its work on this important issue.

Yours sincerely,

Cllr Victoria Mills
Cabinet Member for Finance, Performance and Brexit