



## CABINET – 16<sup>TH</sup> OCTOBER 2024

**SUBJECT: UNIVERSAL CREDIT AND 53 WEEK YEARS**

**REPORT BY: INTERIM CHIEF EXECUTIVE**

### 1. PURPOSE OF REPORT

- 1.1 To seek views and agree the implementation of a “Rent Hardship Grant” which could be made available to contract holders affected by the Universal Credit week 53 rules commencing from 24/25.
- 1.2 Members are asked to consider this report which was presented to the Housing and Environment Scrutiny Committee on the 17<sup>th</sup> September 2024 and their comments are including in the Consultation at Section 10.

### 2. SUMMARY

- 2.1 Rental income is the primary source of income for the Housing Revenue Account (HRA) and it can only be spent on the Council’s HRA Housing Service. There is a need to maximise rental income to reinvest into housing services.
- 2.2 Since 2019 the social housing sector has faced many challenges which have impacted on rental collection, including:
  - Welfare reform.
  - Covid19 pandemic which resulted in an embargo on any enforcement activity.
  - Cost of living crisis and other economic pressures.
- 2.3 Welfare Reform changes have already had a profound negative effect on social housing contract holders. The accelerated roll out of Universal credit has had significant and multifaceted impact on them particularly those who are already vulnerable.
- 2.4 The mismatch between Universal Credit and Housing Benefit cycles presents significant challenges. Universal credit is paid only over 52 weeks, but housing benefit is paid over 53 weeks in a year that has 53 weeks (generally every 5-6 years). Universal credit recipients will not receive a payment in week 53 but will still owe a week’s rent.
- 2.5 Member approval is required to establish a hardship fund to address the week 53 shortfall for Universal Credit recipients who are contract holders of Caerphilly Homes.

### **3. RECOMMENDATIONS**

#### **3.1 Cabinet are asked to:-**

3.1.1 Consider the views of the Housing and Environment Scrutiny Committee meeting of the 17<sup>th</sup> September 2024.

3.1.2 Members are requested to consider the report and agree to the implementation of a "Rent Hardship Grant" which would be made available to contract holders of Caerphilly homes affected by the Universal Credit Week 53 rules and evidencing financial hardship.

3.1.3 In order to administer the eligibility process we may require additional staff resources currently estimated to be scale 5 - £36k. This could be funded for a period of 12 months from the HRA Contract Holders support reserve although initially we will try to absorb into the current structure, but this is dependent on take up of the grant.

### **4. REASONS FOR THE RECOMMENDATIONS**

4.1 The introduction of a hardship grant to fund the week 53 payment for Universal Credit claimants in social housing is a necessary and practical measure to protect vulnerable contract holders from falling into rent arrears due to an inequality in the current benefits system. By implementing this grant scheme Caerphilly Homes can directly overcome the adverse impact of the flawed Universal Credit benefit regime.

### **5. THE REPORT**

5.1.1 Since the Covid pandemic the Rents team has reengineered its approach to contract holders in arrears. A supportive strategy was developed which reduced possession actions and evictions, in line with Welsh Government direction during the pandemic where an eviction embargo was introduced to protect contract holders.

5.1.2 As a result of the Affordable Housing Supply review in April 2019, The Minister for Climate Change set out some jointly agreed initiatives between WG and all social landlords in Wales, which included strengthening the approach designed to ensure social landlords minimise all evictions. This was reinforced in the five-year WG Rent and Service Charge Standard 2020-2025, and was a process that Caerphilly Homes was already starting to embed by increasing its support services. As part of the annual statement for the 2023/2024 rent review, WG considered the wider factors such as the cost of living and its impact on tenants and subsequently pursued a voluntary agreement from Local Housing Authorities and Registered Social Landlords to ensure tenants are supported through the cost-of-living crisis.

5.1.3 Currently, all new CHs receive an appointment with a tenancy support officer at sign up for income maximisation advice and assistance and referrals are offered when people have fallen behind with their rent these staff monitor low level arrears and offer support to try to prevent escalation. Assistance can also be provided at short notice, helping to address crisis situations, and assisting households to sustain their contracts. Very significant sums of additional income for our contract holder have

been generated in recent years through the work of this team as shown in the table below:

<b>YEAR</b>	<b>AMOUNT OF ADDITIONAL ANNUAL INCOME GENERATED</b>
21/22	3.2M
22/23	3.0M
23/24	3.5M
<b>TOTAL</b>	<b>9.7M</b>

5.1.4 This supportive approach has yielded positive outcomes such as reducing evictions and helping contract holders manage financial difficulties.

## **5.2 Roll Out of Universal Credit**

5.2.1 The introduction of Universal Credit was one of the most substantial overhauls in the history of our social security system. The policy aimed to simplify how benefits are calculated and paid by bringing together six existing “legacy” benefits for working age low-income households into one payment. The six means tested benefits are:

- Housing Benefit
- Income Support
- Job Seekers Allowance
- Employment and Support Allowance
- Working Tax Credit
- Child Tax Credit

5.2.2 Universal Credit is an online benefit i.e. the claim is online and managed through an online account. Payments are assessed and paid monthly in arrears. It has been gradually rolled out in Caerphilly County Borough since September 2018. This has recently accelerated with the start of managed migration (a process of intentionally transferring claimants from existing benefits as opposed to it being triggered by a change in personal circumstances). Claimants are sent a letter inviting them to apply for UC by a three-month deadline. UK research shows that 25% of people who have already received a migration notice have not applied for Universal Credit within the 3-month period. Claimants who do not make a claim by the claim by date have their legacy benefits stopped. However, if they make a claim within one calendar month of when that happened their universal credit claim date will be backdated to the claim by date. There is no further opportunity for backdating the claim. Our support teams will continue to ensure support is widely available to assist clients with the migration process to Universal Credit however, this will put additional pressure on team resources.

5.2.3 The table below provided by the DWP shows a detailed timetable of roll out of Universal Credit. Apart from Employment and support Allowance all legacy benefit claimants will move over to UC by December 2024. Employment and Support Allowance will start in September 2024 and be completed by December 2025.

	2024									
	April	May	June	July	August	September	October	November	December	
Migration Notices to be sent (plan)	Income Support									
	Tax Credits & Housing Benefit									
			Housing Benefit only							
				Employment Support Allowance with Child Tax Credit						
					Pension Aged Tax Credits including Mixed Age Couples					
						Jobseekers Allowance				
							Employment Support Allowance			
Claim window	Income Support									
	Tax Credits & Housing Benefit									
			Housing Benefit only							
				Employment Support Allowance with Child Tax Credit						
					Pension Aged Tax Credits including Mixed Age Couples					
						Jobseekers Allowance				

- 5.2.4 The switch to online claims has required claimants to improve their 'digital' skills and to gain access to the internet to complete their employment journal, update details, respond to emails from the DWP etc. The DWP will only accept a telephone claim in limited circumstances e.g. visual impairment, lack of basic literacy. Our support staff offer assistance to contract holders to complete an online UC claim and apply for Council Tax Reduction, which needs to be applied for separately when a person moves to UC.
- 5.2.5 Contract holders must wait 4/5 weeks from claim to first payment of Universal Credit but it is possible for all claimants to request 'advance' payments in the form of a budgeting loan. These payments ensure individuals do not have to be left without any money at the start of their claim period. As advances are recovered from subsequent payments over a twelve-month period it means these claimants receive lower payments thereafter (up to 30% less) and this often causes long term financial pressures.
- 5.2.6 Direct payments of housing costs to the contract holder (previously paid as Housing Benefit direct to CCBC) are a significant change for many Universal Credit claimants, who are expected to take more responsibility for managing their income and make appropriate payments. The promotion of greater financial responsibility supposedly prepares people for work and encourages claimants to take more ownership of their finances, however this has proved a big step for some people. Contract Holders who are under severe financial pressure and often have existing debts, face tough choices about how to prioritise their money. In some instances, CHs fail to realise rent is a priority debt.
- 5.2.7 The landlord can request a direct payment of the housing costs (managed payment) if the claimant is in arrears by more than 2 months, or meets the DWP vulnerability criteria, e.g.:
- learning difficulties
  - previously homeless
  - addiction
  - mental illness

- 5.2.8 Evidence shows that a move to a managed payment which pays the housing costs directly to the landlord does have a significant impact on reducing further arrears. However, in most cases the landlord has to wait until the contract holder owes 2 months of arrears before the DWP will accept payment direct to the landlord. The contract holder can also request a direct payment of housing costs to their landlord; the decision would be made by the DWP whether the direct payment would be appropriate.
- 5.2.9 Currently 65% of our contract holders who have moved over to Universal Credit have a direct payment in place, where the housing costs are paid directly to us each month. When UC was initially rolled out the DWP advised landlords that such payments would be time limited. However, in practice this is not the case and the DWP have never reviewed cases and the direct payment remains in place. In all housing benefit cases the landlord receives the payment of housing benefit directly.
- 5.2.10 Caerphilly Homes has approximately 10,300 occupied properties. Of these properties, 7,700 households are of working age, we assume 75% (5,775) will claim help with the rental costs and 25% not entitled to any benefits due to receiving too much income. Therefore 5,775 could potentially move to Universal Credit of these 3,514 have already moved over to Universal Credit with the remainder of those who are eligible (potentially 2,261), estimated to move over by December 2025.

### **5.3 Mismatch between Universal Credit and Housing Benefit Week 53**

- 5.3.1 We anticipate arrears will rise at the end of 2024/25 due to how Universal Credit entitlement is calculated in a 53-week year (49 chargeable weeks). Universal Credit is a monthly benefit, and the mismatch between monthly benefits and weekly rent requires an annualised calculation. Whilst Housing Benefit is a weekly benefit, the Universal Credit system works out the amount of rent due each year by multiplying the weekly rent amount by 52 (48 chargeable) it does not recognise 53-week years

**NB** A 53-week year arises every 5/6 years as 365 days is not divisible by 7.

- 5.3.2 Therefore, all our contract holders in receipt of universal credit will need to pay full rent for week 53 but will not receive housing costs to cover this additional week. To put this into perspective, assuming an average rent of £100.00 per week our contract holders will have to pay this amount out of their savings, if they have any, and will receive no help from the DWP. Many of our lower income and vulnerable contract holders will be forced into financial hardship.
- 5.3.3 Contract holders in receipt of Housing Benefit which is a weekly benefit will not be affected by this. It doesn't matter how many weeks there are in a year, contract holders are paid Housing Benefit for every week that rent is due, however Housing Benefit is no longer available to new working age claimants and a managed migration of contract holders from Housing Benefits to UC is ongoing. This means that from December 2025 approximately 5,775 of our contract holders will be affected each year a week 53 occurs unless DWP changes the current UC arrangements.
- 5.3.4 We estimate, using an average rent figure of £100.00, that 3,514 of our contract holders will need to pay a total additional value of £351K this year. We have discussed this with Caerphilly and Blaenau Gwent CAB who are also raising

awareness of this unfair approach and disparity to Housing Benefit at a national level. Recent research by data firm “House mark” calculated social housing sector wide rent arrears could rise by £220m this year unless landlords are able to work with tenants to ensure they can afford to pay the rent shortfall. The 53-week problem comes at the worst possible time for contract holders as they continue to face the challenges of the cost-of-living crisis.

- 5.3.5 To support Caerphilly Homes contract holders, it is proposed that a “Caerphilly Homes week 53 Hardship Grant” be provided specifically designed to cover the rent for this additional week for contract holders who experience hardship
- 5.3.6 The grant would be available to all Universal Credit claimants residing in Caerphilly Homes properties who are required to pay the 53 weeks rent in the year. Applicants must provide proof of their UC status and show financial hardship. The grant would cover the exact amount of one weeks rent as specified on the rent account and would be credited by Rents staff to the rent account directly.
- 5.3.7 A simple application form process should be established based on the discretionary housing payment application. This grant could be co-ordinated with the existing DHP applications to cover both funds where contract holders are in receipt of Universal Credit, to endeavour to reduce administration.
- 5.3.8 Clear guidance and eligibility criteria would be developed, and a social media campaign launched to raise awareness. We would implement a monitoring system to track the uptake and effectiveness of the grant. Regular evaluations would also be conducted to assess the impact on rent arrears and wellbeing, with adjustments made as necessary
- 5.3.9 By covering the additional weeks rent the hardship grant would directly prevent rent arrears from accruing due to the 53rd week. The grant would provide much needed financial stability for UC claimants and benefit vulnerable contract holders.
- 5.3.10 It is suggested that initial funding is made available for 80% of the additional week’s rent payment based on the assumption than there will be approximately 5,000 contract holders who will have moved over to Universal Credit by April 2025 (this includes the 3,514 already moved over) i.e. £400k. If this funding is not fully allocated during this year it could be rolled forward to support contract holders in future years where a week 53 occurs.

## **5.4 Funding Source**

- 5.4.1 This financial support will be funded from the HRA Contract Holders support reserve which was initially set up to address the potential impact of the Welfare Reform when the introduction of Universal Credit and the under-occupancy rule came into effect. The impact however has been managed via various sources including tenancy support and the use of the DHP grant, but it is clear for the reasons stated in this report, that additional financial support is now needed. The Contract holders support reserve has been used in the past as a contribution towards funding additional tenancy support and has also been considered as a contribution towards the Local Housing Strategy delivery plan to create a cost-of-living support package, but the workstream were unable to make sufficient progress.

## **6. ASSUMPTIONS**

6.1 As noted in the report.

## **7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

7.1 The Integrated Impact Assessment suggests that this proposal will have a positive impact on contract holders. The introduction of a Hardship Grant to fund the week 53 payment for Universal Credit claimants in Caerphilly Homes properties, will protect vulnerable contract holders from falling into rent arrears due to an inequality in the current UK benefits system.

[Link to IIA](#)

## **8. FINANCIAL IMPLICATIONS**

8.1 Funding for the week 53 Hardship fund, including potential additional staff resource, can be met from the HRA Contract Holder support reserve.

## **9. PERSONNEL IMPLICATIONS**

9.1 Additional staff resources currently estimated to be grade 5 for a fixed term period. Initially we will try to absorb into the current structure, but this is dependent on take up of the grant.

## **10. CONSULTATIONS**

10.1 All comments received from the consultees listed below have been noted and, where appropriate, incorporated within the report.

10.2 The Housing and Environment Scrutiny Committee considered the report at its meeting on the 17<sup>th</sup> September 2024 and made the following comments.

10.3 Scrutiny Members noted that rental income was the primary source of income for the Housing Revenue Account (HRA), and it can only be spent on the Council's HRA Housing Service. Members were advised that since 2019 the social housing sector had faced many challenges which have impacted on rental collection, including, Welfare Reform, Covid19 Pandemic, the Cost-of-Living Crisis and other economic pressures.

10.4 Welfare Reform changes had already had a profound negative effect on social housing contract holders with the accelerated roll out of Universal Credit having a significant and multifaceted impact on them, particularly those who were already vulnerable. The Cabinet Member confirmed that the mismatch between Universal Credit and Housing Benefit cycles presented significant challenges. As Universal Credit is paid only over 52 weeks, but Housing Benefit is paid over 53 weeks in a year that has 53 weeks (generally every 5-6 years). Universal Credit recipients would not receive a payment in week 53 but would still owe a week's rent. Therefore, Members approval was required to establish a hardship fund to address the week 53 shortfall for Universal Credit recipients who are contract holders of Caerphilly Homes.

- 10.5 Clarification was sought as to whether the costs of the Hardship Grant would be funded solely from the HRA or would the General Fund be utilised and what support would be provided to Private Sector tenants.
- 10.6 Officers confirmed that the Grant would be fully funded from the HRA and was therefore targeted at CCBC Contract Holders only for this reason. Members were advised that there were no proposals for dedicated funding to aid Private Sector Contract Holders, however they would have access to the Council's income maximisation support services.
- 10.7 Members queried if the DWP Discretionary Housing Payment could be used to cover the gap and had consideration been given to realigning the imbalance when Universal Credit absorbs the Housing Benefit award system. The Member felt this would be an ideal time for it to be recalculated to cover this disparity and for social landlords to move from weekly to monthly payments to cover 53-week years.
- 10.8 The Officer advised that in relation to the Discretionary Housing Payment, the DWP had reduced this by half over the last few years, so there would not be enough available funding to cover the gap. Members were assured that rent collections operated in the same way across the social housing sector so many housing providers were facing this same issue. In terms of realigning the rent/welfare payment system this would be something that Welsh Government would need to look at in the future, however as the Council's contract holders were facing a 53-week year this year, there was a real need for financial assistance to be provided at this time.
- 10.9 Clarification was then sought as to how contract holders would be supported in future years should the HRA be unable to cover the shortfall. Members were advised that currently there was sufficient money in the fund to cover the 53-week year this year and as it was likely that this would be an issue again in 5/6 years' time, Officers were already factoring a sum into the HRA each year to try and maintain that fund, and this should be sufficient to support the grant in the next 53-week year. Assurances were given that the amount annually set aside for the fund would be reviewed and monitored to try and ensure sufficient balances were maintained, as Officers did not expect the Universal Credit policy for 53-week years to be revised.
- 10.10 Concerns were expressed in relation to the administration costs of the grant and the extra resources required to support it in future years. Officers confirmed that as there was some time to prepare for the introduction of the grant, Caerphilly Homes were gearing up for this now. It was anticipated that additional support would be needed to administer the grant and that would take the form of a fixed term position for potentially 12 months, which could be taken from existing resources within the HRA to assist. However, with the processes and procedures put in place now, there might be an opportunity for the duties to be assumed within the existing Team but this would depend on individual workloads at the time of the next event and a view would need to be taken at that point in time.
- 10.11 Following consideration of the report it was moved and seconded that the recommendations be approved. By way of Microsoft Forms and verbal vote (and in noting there were 11 For, 0 Against and 1 Abstention) this was agreed by the majority present.

## 11. STATUTORY POWER

### 11.1 Local Government Act 1972

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