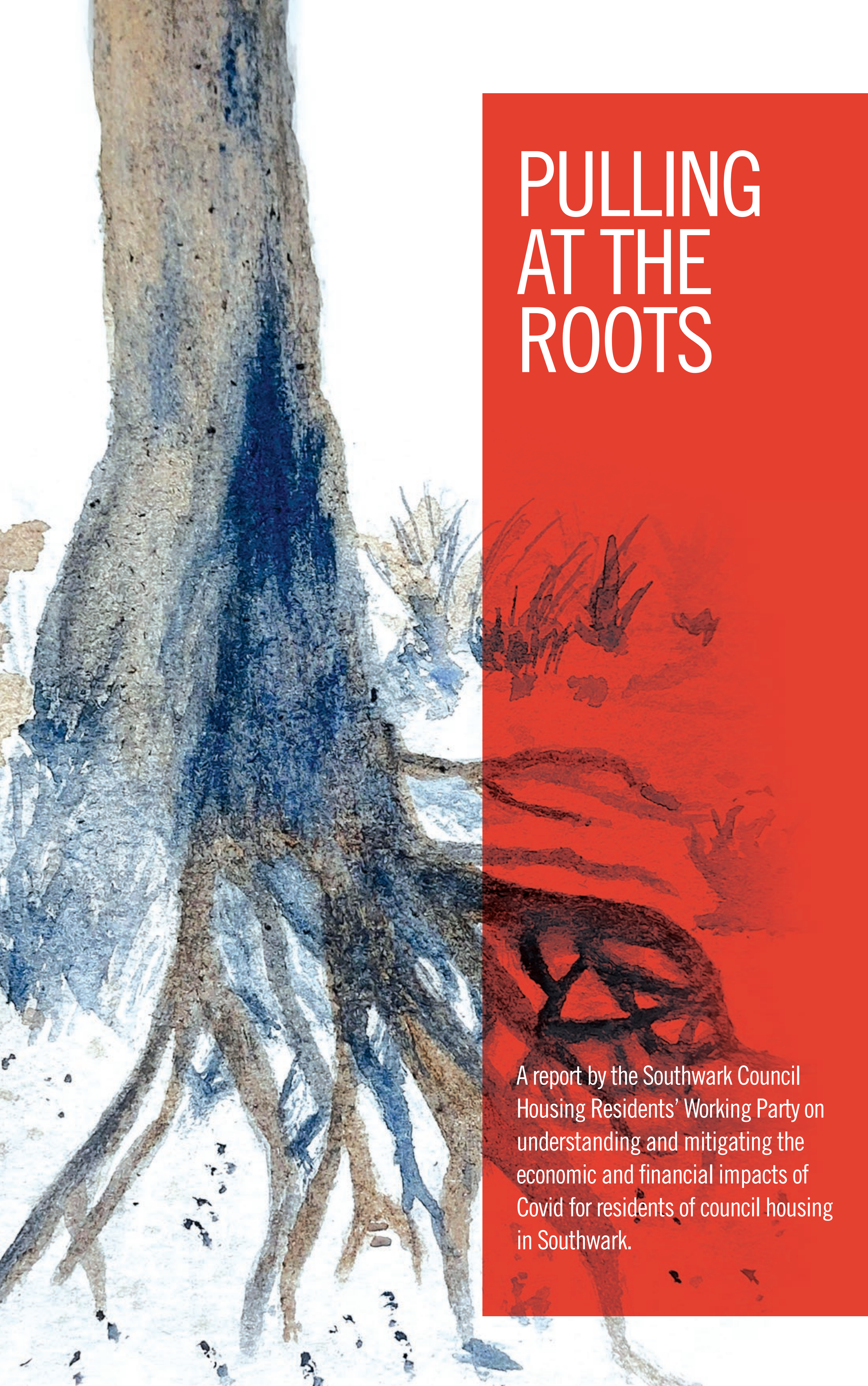


PULLING AT THE ROOTS

A report by the Southwark Council Housing Residents' Working Party on understanding and mitigating the economic and financial impacts of Covid for residents of council housing in Southwark.

CONTENTS

Published by the Southwark Council Housing Residents' Working Party with the support of the London Borough of Southwark
April 2022

PREFACE

by Althea Smith, Chair of Southwark Council Housing Residents' Working Party

As Chair of the Southwark Council Housing Residents' Working Party, it is my pleasure to present to you our report on the financial impacts of the Coronavirus pandemic on council residents in Southwark. The report presents a detailed analysis of how the pandemic has affected the finances of council residents, including their ability to pay rent and service charges. It also comments on the Council's response to the issue of income recovery throughout the pandemic and makes a series of recommendations in this regard.

Made up of four tenant representatives (myself included) and two homeowner representatives, the Residents' Working Party (RWP) met five times over a period of five months. During this period, we heard evidence from a range of organisations and individuals regarding the impact of the pandemic on residents' ability to pay rent and service charges. We also heard testimony from residents themselves regarding the very real impacts upon them of pandemic-related debt. Indeed, a key part of the work of the RWP was the commissioning of a 'Have Your Say' survey of residents on the sensitive subject of debt. We are extremely grateful to the 1,800-plus residents that responded to the survey, details of which are included in the report.

The whole experience of the RWP was something quite different to many of the resident participation practices traditionally operated in Southwark. The emphasis was upon probing the problem of debt and income recovery in dialogue with the Council, at an early stage in the policy development process. This we did with the support of an expert, external partner, the Smith Institute. I would like to thank Paul Hunter and Paul Hackett of the Smith Institute for their commendable role in servicing the information needs of the RWP. I would also like to thank those external organisations that contributed evidence to the project, as well as the council staff that facilitated the RWP. Last, but not least, I would like to thank my fellow residents on the RWP for giving up their time, and volunteering their valuable insights, for the benefit of the project.

As a tenant of the London Borough of Southwark, I urge all residents, staff and members of the Council to read the final report of the RWP. It represents the climax of an in-depth process of co-investigation, aimed at developing a consensus amongst both the Council and residents regarding how best to support residents facing pandemic-related debts, as we enter a post-pandemic era.

Your feedback and comments on the report will be very welcome.

If you would like to share your thoughts on this report with the Residents' Working Party, please do so by emailing us using this address: Resident.Participation@southwark.gov.uk

Althea Smith
Chair of Southwark Council Housing Residents' Working Party

FOREWORD

by Councillor Stephanie Cryan, Cabinet Member for Council Homes and Homelessness

As Cabinet Member for Council Homes and Homelessness for Southwark Council, I am pleased to present to you the final report of the Residents' Working Party (RWP) on the financial impacts of Covid-19 on our residents. The pandemic has hit residents – up and down the country, as well as here in Southwark – very badly indeed.

Lay-offs, furloughs, reduced hours and (for the self-employed especially) reduced trade has had adverse impacts upon resident finances. For many, this has made the ability to pay household bills, including rents and service charges, very challenging indeed. This report makes numerous helpful recommendations as to how the Council can build upon its track record of balancing the need to effectively recover income with the need to be supportive of residents facing sometimes very dire financial circumstances. The Council welcomes these recommendations, and its responses to these are included in this report.

The report is also very welcome in that it represents a genuine collaboration between the Council and its residents. The RWP met five times over a period of five months in 2021. It considered a vast amount of statistical and narrative data, presented both by officers of the Council and the Council's external partners in the project, the Smith Institute. With the support of officers from Resident Participation and Exchequer Services, the RWP proved to be an effective sounding board in relation to the emerging project findings and recommendations.

This is precisely the sort of collaborative resident participation we want to see take root in the London Borough of Southwark. For this reason, I would like to take this opportunity to thank the RWP, as well as the officers and partners involved in putting together this very important report. There is a lot of work ahead of us to address the financial challenges created by the pandemic, but this report represents a very significant, positive step on the road to recovery.

Councillor Stephanie Cryan
Cabinet Member for Council Homes and Homelessness

SOUTHWARK COUNCIL HOUSING RESIDENTS' WORKING PARTY

The Southwark Council Housing Residents' Working Party was established in June 2021 in the wake of the pandemic to help Southwark Council better understand and mitigate the economic and financial impact of Covid on council housing residents – both tenants and homeowners and leaseholders. In particular, the Working Party was tasked to examine concerns around debt and rent arrears and help build a consensus amongst residents and the Council as to the best ways forward.

The Working Party configured its terms of reference around the following questions:

- What new debts have emerged and who has been most affected?
- What risks does new debt create for residents of council housing and the Council as a landlord in the future, and how should these be managed and mitigated?
- How should the Council support residents through the collection process?
- What roles and support should be offered by public and non-profit agencies and by the GLA and central government?

The Working Party included both residents and homeowners, who put themselves forward and participated in a personal capacity. It was supported by officers of the Council (mainly the Tenant and Homeowner Involvement Team) and the Smith Institute, an externally appointed independent research organisation which had previously undertaken research on housing and rent arrears in the Borough.

Southwark Council Housing Residents' Working Party members

- Althea Smith (chair of the RWP), *chair of the Acorn Tenants and Residents' Association; chair, Central East Local Housing Forum; Co-chair, Tenant Forum*
- Andrew Dowsett (vice chair of the RWP), *chair of the Rockingham Community Association*
- Miriam Facey, *chair of the Rye Hill Tenants and Residents' Association*
- Abi Sesay, *chair of the Comus House Tenants and Residents' Association*
- David Eyles, *co-chair of the North East Local Housing Forum, treasurer, Silverlock Hall*
- Jack Lewis, *campaign and research officer, Southwark Group of Tenants Organisations*

The Working Party held five virtual Zoom meetings and considered research and information presented by the Smith Institute and the Council, as well as written and oral evidence from: Southwark Law Centre, StepChange Debt Charity, Christians Against Poverty UK, Citizens Advice Southwark, Southwark Group of Tenant Organisations and the Hyde Foundation. The research was peer reviewed by the Centre for Responsible Credit.

The Working Party co-sponsored (with the Council) a major 'Have Your Say' survey of council housing residents. Working Party members alluded to their own experiences and those of friends and family. The RWP chair also interviewed a tenant as a witness who had experienced debt and rent arrears during the pandemic (see Amina's story in the section on 'The general impact of Covid on household finances').

The Working Party submitted its final report to Southwark Council in October 2021.

EXECUTIVE SUMMARY

The Covid pandemic has not only been a public health crisis, but resulted in a major economic shock, with its impacts falling most heavily on those with the lowest and most unstable incomes. In turn, significant number of households have fallen behind with their bills, including their largest outgoing – housing costs.

Problem debt and rent arrears are not new to households in Southwark.[1] However, the Council wanted to know more about how the pandemic had changed things and how it had specifically impacted council housing residents (both tenants and homeowners/leaseholders).

To get a better understanding the Council helped establish a Council Housing Residents' Working Party (RWP), comprising tenants and homeowners in June 2021. The Working Party was tasked to examine the economic and financial impacts of the COVID pandemic, including paying special attention to who has been worst affected, what support the Borough's council housing residents have had, and what is needed to improve this moving forwards.

The RWP took oral and written evidence from Council officers, housing and debt experts, and representatives from the community and voluntary sector; considered government and Council held data on rent arrears and the impact of Covid; and conducted its own survey of over 1,800 tenants and leaseholders.

Impact of Covid generally

- The pandemic had a serious impact on household finances. Analysis by government showed that between a quarter and a third of social renters and homeowners saw a fall in income with a similar proportion experiencing a worsening employment situation.
- The Working Party identified serious affordability challenges and rising rent arrears. Those facing the biggest problems were low-income households and those who had been furloughed and on Universal Credit (UC).
- Social renters were more likely to be behind on household bills than homeowners. Government data also revealed that over half (57%) of social renters who are behind on their rent were also behind on one or more other bills.[2]
- The crisis has also affected places and groups of people differently (including by household type, housing tenure, employment circumstance and ethnicity), with London experiencing a particularly sharp rise in furloughs, unemployment and UC claims.[3]
- Evidence provided to the Working Party indicates that Covid exposed the low financial resilience of many households, especially in the black, Asian and minority ethnic community, as well as highlighting structural failings with the welfare system and labour market.
- Research also showed that the pandemic had uneven impacts, with some households able to build up savings and/or pay down pre-existing debts, whilst others – predominantly those who were already experiencing financial difficulties – finding themselves in deeper trouble.[4]

Impact of Covid on tenant and leaseholder arrears in Southwark

- There has been a substantial increase in arrears in Southwark during the pandemic. Rent arrears rose by over £3.5m between March 2020 and June 2021. Leaseholder arrears increased 69% over the first year of the pandemic.
- The data shows that there was a spike in underpayments during the first few weeks of the pandemic. The situation has now stabilised but has left some households with large arrears.
- For those previously in rent arrears, average arrears rose by 30% from £1,185 in March 2020 to £1,543 in June 2021. Leaseholder arrears grew by 52% from an average of £450 in 2019 to £685 in 2020.
- Analysis of the data suggests the growth in arrears has largely been due to deepening levels of debt (rather than more people in debt). Some 3% of tenants (around 800 tenants) now have arrears over £5,000 and account for over 40% of total arrears. Meanwhile, 5% of leaseholders owe over £1,000 and account for around two thirds of total leaseholder arrears.
- The impact of Covid has also had a knock-on effect on council-run and other local services, which could worsen if resident's personal finances deteriorate. Problem debt among tenants and leaseholders and their private tenants will continue to place pressure on council resources. Extra Government funding will be needed to mitigate a future rent arrears crisis.

1 See the Smith Institute 'Safe as Houses' reports on the impact of Universal Credit on rent payments
2 English Housing Survey Household Resilience Study, Wave 2 November-December 2020
3 DWP data for Feb-Aug 2020 also showed that the number of UC-claimant households affected by the cap in London increased by 270%
4 Resolution Foundation, The impact of the coronavirus crisis on UK household wealth (2021)

The views of tenants and residents – 'Have Your Say' survey

With the Council's support the Working Party undertook a 'Have Yours Say' survey of tenants and homeowners/leaseholders in September 2021. Some 1,823 people responded.

Headline findings:

- The majority of tenants saw their income drop during the pandemic and nearly half cut back on spending. Rent arrears and other debt rose and people borrowed from family and friends or took out new credit.
- While most groups have indicated some recovery in the assessment of their current situation, the numbers that find it difficult remain higher than before the pandemic (particularly younger tenants and those from black ethnicity groups).
- Should another situation arise with similar impacts of those of the pandemic, a larger proportion of residents may go into arrears as savings will take time to recover.

Household Income:

- 53% said their total income was lower than pre-pandemic. This decreased with age.
- A change in hours (21%), furlough (19%) or losing employment (including retiring) (16%) were the most common reasons for the drop in household income.
- Homeowners/leaseholders were less likely to have been furloughed and more likely to be up to date with service charge payments and bills.

How did they cope?:

- 16% of respondents made a new claim for UC and 9% for other benefits.
- 43% of people cut back on spending while 16% went without basics (heating/food).
- 43% sought financial help from friends or family.
- 38% of respondents took out new credit during the pandemic.

Rent/service charge payments:

- 70% of respondents reported being up to date with rent or service charge payments.
- Younger people and black and mixed ethnicity respondents were most likely to be in arrears.
- 52% of those in arrears were only 4 or 8 weeks behind, with 8% being 12+ months behind.
- Over half of homeowners/leaseholder in arrears with service charge payments were also in arrears with major works payments.

Savings and other debts:

- 25% of homeowners and 53% of tenants indicated they were in arrears with at least one other form of bill/credit payment. This decreased with age.
- 26% of respondents had savings or investments before the pandemic.
- White respondents were almost twice as likely to have savings compared to black respondents.
- 30% of those with savings before the pandemic have used savings occasionally to pay household bills, while 39% indicate using savings regularly.

Support for tenants and leaseholders

- The Working Party heard about the legal protection and financial support offered during the pandemic. This was viewed as a lifeline for those financially affected by the pandemic.
- However, there were gaps in the safety net, especially for those already in the most insecure work. The UC five-week wait continued to leave people struggling to pay their housing costs when first making a claim.
- The Working Party were told how the Council changed its approach from enforcement activity to supporting tenants and leaseholders through the pandemic (including stopping evictions). This was viewed as the right approach.
- The Working Party also heard from community and voluntary groups who supported those facing financial hardship and problem debt. It was noted how they helped residents with problem debt create repayment plans and maximise their income.
- It was said that council residents' debts had stabilised but there were serious concerns about the withdrawal of emergency support. The withdrawal of the £20 UC uplift is a particular concern.

Supporting repayments and avoiding arrears

The Working Party heard about different approaches to problem debt, the issues that the Council faces as a landlord and creditor, how the Council could build on innovative new approaches set in place before the pandemic and develop new solutions in response to the unprecedented impacts of the pandemic. In particular:

- Supporting a financial inclusion rather than enforcement approach to debt and arrears is more effective and, in the end, will help ensure that more debt is repaid. The Council should ensure this is built into its approaches to debt collection and relevant performance indicators. Step-by-Step exemplifies the new approach and the Council should build on the work it has already done to widen its use as we emerge from the pandemic.
- The focus of support should be on maximising incomes and helping people create an affordable household budget, rather than pressing for repayments over an unrealistic timeframe or at rates people cannot afford under threat of enforcement action – an approach that does not work in any event. Greater use of Step-by-Step will achieve this.
- Help to maximise incomes through established channels such as Rightfully Yours[5] should include increased access to third party grants and low interest loans for example to ensure residents have white and other essential goods (over the longer term this can help save struggling tenants and leaseholders money).[6]

5 Rightfully Yours provides a benefits advice and income maximisation service to Southwark's vulnerable
6 The Council offers information, advice and support to enable its residents to claim benefits for themselves and their household. https://moderngov.southwark.gov.uk/documents/s51653/Rightfully%20Yours%20Response.pdf

- The Council should continue to support people to seek help and advice as early as possible. This should include continued support for community and voluntary sector initiatives to raise awareness of services available to support people after the pandemic.
- Increasing the number of people gaining advice and support depends on people coming forward. The Working Party heard how it was important to review approaches to communicating with those in arrears to garner more trust and support early intervention. We were pleased to hear that the Council was already testing new approaches before the pandemic. We recommend it learns lessons from testing and further develop new approaches in the future.
- The Working Party was impressed by the strength of the Council's relationship with providers of debt and other advice, locally and nationally. The Council must continue to work closely with advice agencies to ensure there is adequate support and advice provision (including capacity and capability to provide advice) especially as Government emergency measures are withdrawn.
- To ensure people can come forward and to better understand their needs, Council efforts to reduce arrears should continue to include measures to tackle digital exclusion and make online forms as easy as possible to complete.
- The link between problem debt and poor mental health is a recognised one. As we emerge from the pandemic, it is likely that extra help will be needed to support people with mental health problems, who are more likely to be in debt and where unresolved problem debt is likely to lead to further deterioration in their mental and physical health. For example, the Council could work with the Money and Mental Health Policy Institute toward becoming accredited as a Mental Health Accessible organisation (for local income collection purposes).
- For some of those affected by the impacts of the pandemic, even advice or income maximisation will not be enough to pay off all the debt owed. The Council could pilot new approaches – possibly through an enhanced Hardship Scheme - for this group of large debtors, especially those with vulnerabilities or where their financial circumstances mean that some of their debts are unlikely ever to be repaid.
- We heard that COVID impacts have increased what were already significant pressures on the Council's Housing Revenue Account. Focusing on value for money and efficiency of services was also viewed as a way for the Council to save tenants and leaseholders money and reduce arrears.
- Private tenants in council homes face particular problems and often don't get the help and advice they need. The Council should continue to closely monitor the situation facing private renters sub-letting from non-resident homeowners, including landlord practices and the levels of and access to advice and support.

The full list of recommendations by the Working Party's with the response from the Council is included in the final section of the report.

INTRODUCTION

The Covid-19 pandemic had – and is still having - a devastating impact on all Southwark residents. It's affected not only people's health and well-being, but their working lives, standard of living and personal finances. We are still adjusting to the pandemic and the effects will be long lasting.

Our Council Housing Residents' Working Party heard amazing stories of how people came together to help each other during the worst of the crisis and how the Council, charities and community groups did all they could to keep essential services going. But despite all the support and protection, it was clear to the Working Party members that many residents struggled to cope, and many remain anxious about the future.

Covid has touched every one of us, but its impact in Southwark has been far from equal. As council housing residents, we can testify how the pandemic exposed – and, indeed, in many cases worsened - long-standing inequalities and injustices in the Borough. Our research shows that those who were already vulnerable or in poverty prior to the pandemic have been most affected. Areas with higher rates of deprivation and poverty, such as the north central belt, have been more reliant on emergency support and food banks, and more low-income households living in council homes have been furloughed and claimed Universal Credit (UC).

The Working Party were struck by how precarious the situation still is for many residents in council homes, some of whom have Covid-related health issues or lost family and friends during the pandemic. It was clear from both the written and oral evidence that those on lower incomes and claiming benefits remain less resilient and face greater financial risk. Many have no or low savings and face the prospect of having less work and lower incomes. Problem debt and rent arrears are often a direct consequence of these circumstances.

Covid has highlighted existing problems among residents with debt and rent arrears. The Working Party was informed that pre-Covid, the roll-out of UC across the Borough had already led to a growing number of council tenants falling behind on rent payments, especially during the five-week wait for the first payment.[7] This has remained a problem, although emergency interventions by the government and the Council did provide much needed support at the height of the pandemic. We are now worried that as the Government's emergency Covid protections and support are withdrawn, past problems will quickly re-emerge.

We have focused our inquiry on how the economic and financial impacts of Covid have affected council tenants and homeowners, specifically their ability to pay their rent and service charges. We have sought to understand how Covid has impacted both tenant and leaseholder arrears, what has been done to mitigate the problem, and, critically, what needs to change.

The Council told us it wants to improve the way it talks and listens to residents and aims to give council tenants and homeowners more support to do the things they want to do to improve their housing and communities. We welcome this and see the experience of our Working Party as an example of a more positive approach to resident involvement. We believe it is important for the Council to explore new ways to engage residents so that more people can have their say.

We acknowledge the wide-ranging economic and financial effects of Covid on the incomes, employment and personal finances of residents and the ways in which housing and non-housing debts are inter-related. We also recognise how Covid has impacted – and continues to influence - the health and well-being of residents. Indeed, several witnesses stressed how Covid has exacerbated health problems in the Borough, especially among financially stretched residents, and how, in particular, poor mental health has become a very common factor in problem debt. In gathering the evidence, we were constantly reminded that problem debt can have varied and often complicated causes – an illness, a loss, unemployment - which requires a personalised response. Experiencing financial difficulty can also carry stigma, which can make people reluctant to seek advice and can cause people to take out high-cost credit as a short-term solution to their immediate problems. However, this can often make matters worse. And even where people feel they can turn to family and friends for help, it can place additional strain on their relationships with longer-term negative impacts.

We were consistently told that the longer debt problems are left untouched, the worse they become. The experience of being in debt can quickly become overwhelming. However, we know that most debt problems can be dealt with at an early stage if people come forward and seek help and advice. As such, we cannot stress enough the need for creating trust and confidence in advice and support agencies and schemes run by local authorities or charities. If people do not know - or don't believe - they will get the help they need, then however well-intentioned or fit for purpose the support is, it won't be fully effective. The experience of debt counselling practitioners tells us that trusted prevention and "getting in early" makes all the difference.

7 https://www.southwark.gov.uk/news/2017/oct/safe-as-houses-stark-report-findings-reveal-worrying-picture-for-universal-credit-recipients

Southwark is a diverse borough and council housing residents are from a wide range of ethnicities – over 120 languages are spoken across the Borough and some people struggle to speak English as a second language. We also know that council residents from black, Asian and minority ethnic backgrounds face a disproportionately high risk of poverty and are much more likely to seek debt advice. As such, it is self-evident that interventions to tackle problem debt need to be person-centred and fully consider cultural and ethnicity factors. The report findings, including our survey of council housing tenants and homeowners, point to racial disparities in the economic and financial impacts of the pandemic for residents. These are very significant findings that we hope will be explored further through the work of the 'Southwark Stands Together' programme.

As our report demonstrates, we have managed to get a good understanding of how many residents of council housing are in rent arrears, and some indication of people's total debts. We also have a rough idea of how many households are struggling financially because of Covid. However, we don't know - and it is extremely hard to find out - how many households are on the verge of problem debt and juggling different debts and loans. Many of these "hidden debtors" may be "off the radar" and getting by, but always perilously close to the financial cliff edge.

We feel it is also important that a proper distinction is made between those residents who built up new debt during the pandemic through no fault of their own; and those who deliberately chose not to pay. We heard evidence that a very small minority of residents built up new arrears during the pandemic without apparent good cause – sometimes adding to what were already very significant and apparently unjustified rent arrears before the pandemic. Wilful non-payment of rent due is always unacceptable, and although eviction should always be a last resort, the Council must act to deal with those who through their actions exploit their neighbours.

As we hopefully start to exit the pandemic, the demand for debt advice and support is likely to increase. This prospect, which shapes our recommendations, brings with it an urgent call for more resources – from both the public and charitable sectors – to combat the problem. Extra funding is clearly needed to both increase capacity and improve capability. But as we were constantly reminded, lasting solutions must be preventative and address the root causes, such as low incomes, unemployment, poor health and weaknesses in the welfare system.

Covid has 'pulled at the roots' of our communities and left many tenants facing rent arrears and problem debt. Together we must do all we can to address this and strengthen our resolve and resilience.

Housing in Southwark

- Southwark is London's largest local authority social landlord, managing 38,183 rented homes – 26.7% of the borough's total housing stock (2020)
- In addition, there are 15,650 council homeowners, of which 13,777 are leaseholders and 1,232 households who own the freehold but pay a service charge and a further 627 other sales - 2,000 freeholders who do not pay a service charge (2020)
- Around 30% of all households in the Borough live in council rented homes – 61% are aged between 35-64 years
- The average council rent was £98.75 a week (2019/20)
- An estimated 4% of all council homes are non-decent and there are – in total – over 18,475 overcrowded households (2011)
- There were 13,000 households on the housing register, 37% are existing tenants wishing to transfer (2020)
- The ethnic mix of council renters is: 24% white, 20% Asian/Asian British, 52% Black/African/Caribbean/Black British (2011)
- Over 3,000 households are in temporary accommodation (2020)
- According to End Child Poverty, 43.1 % of children in Southwark were living in poverty in 2019/20
- Just under half of all households in the Borough have an income below £30,000 a year
- Southwark Council has pledged to deliver 11,000 new council homes by 2043

THE GENERAL IMPACT OF COVID ON HOUSEHOLD FINANCES AND HOUSING DEBTS

The Working Party heard evidence about the impact that the pandemic had nationally on household finances and the implications for meeting housing costs. Based on survey work from government and other sources,[8] we were informed about how the pandemic impacted people's incomes, savings and ability to work. The main findings were:

- Large numbers of households saw a drop in income across tenures: with 27% of social renters and 33% of owner-occupiers experiencing some fall in income.
- Around one in five head of households were furloughed: 22% for owner-occupiers and 19% for social renters.[9]
- 25% of homeowners with a mortgage stated that their savings had decreased since the start of Covid-19 restrictions, compared with 12% of social renters.
- Savings rates differed by ethnicity. Black (59%) and Pakistani/Bangladeshi (50%) households were more likely than White (31%) and Indian (24%) households to report having no savings.

While the impact of the pandemic has been felt by both homeowners and social renters, homeowners were in a more resilient position and their finances were more likely to be returning to normal. However, a significant minority were still facing problems - concentrated among poorer households.

- The proportion of mortgagors who report that they are in arrears has returned to 1%; fewer than the 6% who reported they were in arrears in June-July 2020.
- Mortgage arrears are at historically low levels due to payment deferral schemes, which provided short term relief for those affected by Covid.
- However, large numbers still face difficulties: one in ten mortgagors report finding it rather or very difficult to keep up with their mortgage payments in the last year. Those facing difficulties were from the poorest households.[10]
- Difficulties have largely been due to employment changes. The main reasons cited for such difficulties were being furloughed on reduced pay (34%), working fewer hours/less overtime (31%), unemployment (25%) and an increase in other payments (19%).

For social renters the national picture highlighted specific issues for those furloughed and on UC, with affordability issues for those seeing their incomes fall. Rates of arrears were also much higher.

- 11% of social renters were in arrears, similar to before the pandemic. However, affordability had worsened with the proportion of income taken up by rent increasing during the downturn as incomes fell.
- Those on furlough and UC faced heightened risk of arrears.[11]
- Social renters identified employment changes as a cause of difficulty but not the majority.[12]
- Very few tenants claimed a rent holiday but 6% stated they had reached another form of agreement with their landlord.

The data showed a clear divide regarding ability to pay for household bills between social renters and homeowners and between demographic groups.

- One in ten households were behind on household bills (utility bills, credit cards, other loans or other bills). This was much higher for social renters (28%) than homeowners (6% of those with mortgages and 3% for outright owners).
- Lone parents were more likely to be behind on their bills (37%) than couples without children (3%). Students (38%) and households where the head of household is unemployed (35%) were most likely to be behind with household bills while those in full-time employment (8%) or retired (3%) were the least likely to be behind.
- Households in the lowest income quintile were most likely to be behind with one or more bill.[13]
- Over half (57%) of social renters who were behind on the rent were also behind one or more other bills.

We noted that London (and Southwark) was different from the national picture and had been disproportionately affected by the pandemic:

- Unemployment rates have grown faster in London (up 25% in 2020 on 2019 v 18% for UK).
- In Southwark the unemployment rate was 5.9% (v 4.6% in UK).

8 MHCLG survey: English Housing Survey - Household Resilience Study, November- December 2020, UK Finance, Peabody, HMRC, DWP, Stat-Xplore, Nomis

9 In an earlier government study (June-July 2020), 25% of social renters (head of household) had seen a worsening of their employment situation (furloughed, receiving less income from self-employment, being paid fewer hours, lost job), which was the case for 36% of those owning with a mortgage

10 Households in the three lowest income quintiles were more likely to report finding it "rather difficult" or "very difficult" to keep up with their mortgage in the last year (17 to 23%), compared to those in the highest income quintile (5%)

11 Almost a third (32%) of social renters on furlough were currently in rent arrears, compared to 9% who were not on furlough. A fifth (20%) of social renters on UC were in arrears, compared to 8% of those not on UC

12 Of those stating difficultly paying their rent since the crisis 9% stated it was due to being furloughed and 9% fewer hours, who were as likely to report it was due to unemployment (8%) or an increase in other payments (8%)

13 Around a quarter (23%) of households in the lowest income quintile were behind with at least one household bill

- Furloughs have been consistently higher in London and young adults (16-24) were particularly hard hit.
- Individual UC claims increased 2.6 times in London versus 2.2 times in UK. Within Southwark, UC claims rose 19,800, of which 4,700 were living in social housing.
- The claimant count (those principally claiming benefits for being unemployed) shot up in Southwark and London.[15]

These findings were echoed in several presentations to the Working Party. For example, StepChange Debt Charity estimated that, overall, 19m people had faced a loss of income; 11m people built up £25bn of arrears or borrowing to pay for essentials; and 6m were experiencing financial difficulties. The impact was, however, different for different groups. Some saw their incomes decline and/or expenses rise. Others saw their incomes stay the same, but expenses decrease.

It was noted that the most affected groups were the self-employed, people with insecure work, and part-time workers. In regard to housing tenure and demographic groups, Covid seems to have impacted badly on young renters, parents with children under five, people from black, Asian and minority ethnic communities, and working age single adults.

Those in the private rented sector were hardest hit, which reflects the higher rents in the sector and the age profile of tenants (half of Stepchange's clients under 40 pre-Covid were renting privately). The insecure nature of private renting was also magnified by the crisis.

We were told by Christians Against Poverty that some groups did not receive the support they needed, and therefore were in a vulnerable position. This included the self-employed and those with health issues who had to self-isolate and parents who had to take time off when schools closed.

It was clear that Covid had exposed the low financial resilience of many households. For those already in debt, the pandemic was a continuation of existing problems. The evidence suggested that bigger, structural issues remained the main causes, such as lack of a stable, secure income, weaknesses in the welfare safety net and underlying health and cost of living issues. Pre-existing difficulties around the bedroom tax, benefit cap and the two child-limit on benefits, were also mentioned.

The evidence we heard from the Hyde Foundation highlighted the UC five week wait before benefits are received, which remains a problem with two in three claimants not having money to take them through the period. We were told that this had led to an increase in people in the borough using food banks.

Whilst rent arrears were a major concern, we were told by several witnesses that people seeking support rarely had one form of debt or an isolated payments issue. Most people face multiple debts and were known to be juggling debts, rent arrears and loans (often short-term pay day loans). Initial data from the Council suggests around a third of those with current rent arrears also owed another debt to the Council, notably Council Tax. However, it was hard to know precisely as people were often on the verge of problem debt and "were just getting by".

Citizen Advice Southwark said people were coming for help with the same type of debt during the pandemic but at a higher level. This covered service charges, tax, rent, credit card, mortgage, and energy/fuel debts. A particular concern was those on lower incomes entering fuel poverty. They said it was rare for someone to come to the advice centre with an isolated issue.

It was clear that many people have been borrowing to meet their shortfall. StepChange commented that those borrowing short-term for such purposes are 10 times more likely to have problem debt, which rises to 20 times more likely for those with high interest loans.

We were also told that the Department of Work and Pension (DWP) was under huge pressure and that there were specific issues around medical assessments, as well as problems for EU nationals making benefit claims (habitual resident and pre-settled status).

The Hyde Foundation told us that the big change was that while levels of people facing problems remained stable those seeking support were in deeper trouble – something the next section on rent arrears debt also suggests.

15 Rising 3.6% to 8.6% in Southwark and in London from 2.9% to 8%. The rise nationally was less rapid from 2.9% to 6%. NOMIS

AMINA'S STORY

Amina, a working mother of four children aged between seven and eighteen, has lived in her council flat in Rotherhithe for ten years. Up until the pandemic struck, she was up to date with her rent and bills.

In November 2019 Amina lost her job. However, she did not expect to be unemployed for long and planned to set up a childcare service. By March 2020, Amina had acquired a property and the necessary licences. But the lockdown forced her to put all plans on hold. She said the following eighteen months were "a nightmare". Amina said she felt constantly, "stressed, humiliated and indignant".

Amina was on full Universal Credit but shocked at how little she had to live on. She became reliant on her credit card to pay for food and essentials. Without it, the family would have gone hungry. But her debts and rent arrears were increasing. Having to keep the children at home added to her bill costs.

Amina was relieved that the Council decided to temporarily halt recovery and enforcement action for rent arrears. She said her rent income officer was supportive, but that she faced a stark choice between feeding her family and paying her rent and other bills. Her living standards were reduced to the barest essentials. She relied on food boxes and supermarket vouchers and felt guilty at not being able to give her children even the smallest treats.

By the end of summer 2021, Amina's debts had reached over £2,000. Fortunately, Amina found temporary work and no longer needed to claim benefits. She borrowed money to pay off her rent arrears and made arrangements with other creditors to repay her debts.

Asked what support residents need to cope with debts, Amina talked about "the roots of the tree" – low paid and insecure jobs, zero-hours contracts, and a benefit system that is inadequate. She was particularly critical of Universal Credit and said that even with the extra £20 a week introduced at the start of the pandemic, "Universal Credit is not enough to live on – it makes any kind of budgeting impossible". Amina is now focusing on her new business venture that she hopes will open soon.

Amina, not her real name, was interviewed as a witness by the RWP chair in September 2021

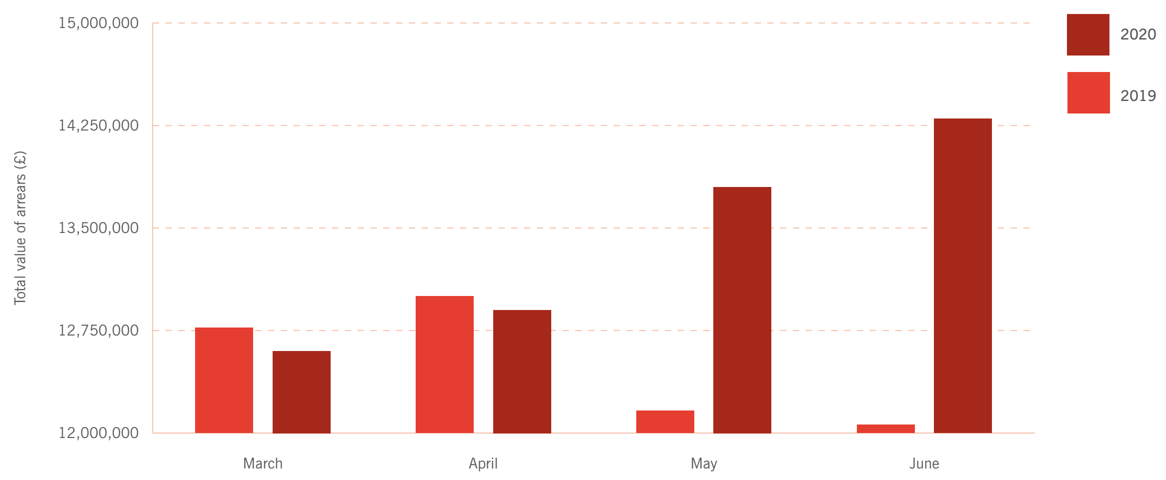
RENT AND SERVICE CHARGE ARREARS IN SOUTHWARK

We received analysis of tenant and leaseholder arrears from the Smith Institute, with additional information from the Council. This enabled us to look at the trends in arrears and groups affected in Southwark.

Tenant arrears

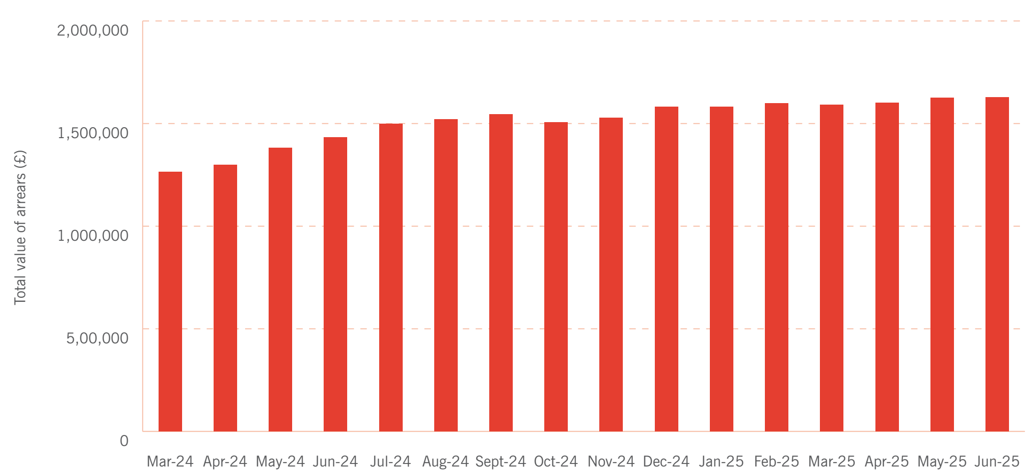
The analysis showed that there was a marked increase in rent arrears to Southwark Council at the start of the pandemic. Arrears rose by £2.3m by June 2020 compared with a year earlier and over the period March to June 2020 arrears rose by £1.7m. By June 2020, total arrears stood at £14.3m.

Levels of arrears in 2019 and 2020



Arrears continued to rise after the initial pandemic shock, but the pace of the increase was slower. By June 2021, arrears were £3.6m higher and had reached in excess of £16m. They have continued to rise since.

Levels of arrears, March 2020 to June 2021



At a tenant level, the average value of arrears for all households (regardless of whether they are in arrears) was around £486 by June 2020. This rose to £552 by June 2021. Arrears rose from 7% of annual rents to 8% in the year to June 2020 and then to 9% more recently. By June 2021, arrears were equivalent to all tenants being over a month behind on their rent.

We were told that averages mask very different experiences of the crisis. The majority (over 60%) of tenants were not in arrears in 2019, 2020 and 2021. Nevertheless, there was an increase in the number of accounts in arrears, peaking in December 2020 (up by 964 on March 2020). However, by June 2021 the numbers in arrears were slightly lower than in March 2020.

What changed was the level of arrears. Between March 2020 and June 2021, the number of accounts with over £2,500 of arrears saw an increase. For those in arrears, average arrears rose from £1,185 in March 2021 to £1,543 in June 2021 – an increase of £358 (30%).

In aggregate terms, the increase in arrears is concentrated amongst those with over £5,000 of arrears. This is a change since December where it was more evenly distributed across those with £1,000+ arrears.

As a result, we were told that there has been a marked shift in the profile of total arrears (including pre-Covid arrears) with a shift to high levels of debt. It means – 3% of accounts had arrears over £5,000 and accounted for 43% of all arrears. These 829 tenants have on average £8,447 of arrears.

Levels of arrears by value of individual arrears, June 2021

We were told that arrears are not just a result of Covid. However, comparing the periods March to June 2019 and March to June 2020, underpayments of rent became a more common occurrence. 11,300 accounts underpaid rent due during the period in 2020 compared with 9,100 in 2019 - a 24% increase. There was an increase across both small and large underpayments. But there was a significant rise in the number of accounts in 12-13 weeks of arrears (i.e. not paying any rent) jumping from 223 in 2019 to 744 in 2020 – a rise of more than two hundred and thirty percent (233%).

The dramatic rise in the number of tenants not paying rent during the period March to June 2020 explains a large proportion of the underpayments during the period.[16] And may tell us something about the severity of the economic shock experienced by many residents at the start of the pandemic and the first national lockdown.

Those of working age saw arrears rise at the fastest rates, but there was also a noticeable rise amongst those of retirement age, suggesting tenants faced issues beyond the labour market. The youngest cohort appears least affected. However, we were told that the youngest cohorts have the largest levels of arrears reflecting their position pre-Covid.

Households whose listed tenant is a man were more likely to accrue larger arrears during the period (March 2020 – June 2021), rising by £165, compared with £100 for households headed by women. Levels of underpayments were similar by household size. Households with 5+ people have higher absolute amount of arrears, but single households have larger arrears as a proportion of their weekly rent. This difference may be explained by the differing levels of rent for smaller and larger council homes.

16 In total those accounts underpaying by 12-13 weeks accounted for 40% of the additional arrears in March-June 2020 compared with the same period in 2019. Similarly accounts underpaying multiple weeks since March 2020 explain the large rise in arrears. Those underpaying by over 26 weeks were responsible for over 40% of arrears

Levels of underpayments were similar but did differ dramatically by ethnic group. Black ethnicity tenants had higher arrears since the pandemic started than white and Asian ethnic groups. Total arrears (including pre-Covid arrears) also differed by ethnicity, with black, mixed, and those for whom data was not available, having higher arrears than white and Asian tenants.

The Council said there was a marked rise in UC claims at the start of the pandemic. It was said this surge of claims by tenants at that time amplified a pattern of increasing arrears around the date of a new claim for UC that had first become apparent when the roll-out of UC began in Southwark in 2015. As the number of UC claims flattened off from summer 2020, though continuing to increase gradually, those impacts had diminished, and monthly rent collection improved somewhat.

Leaseholder arrears

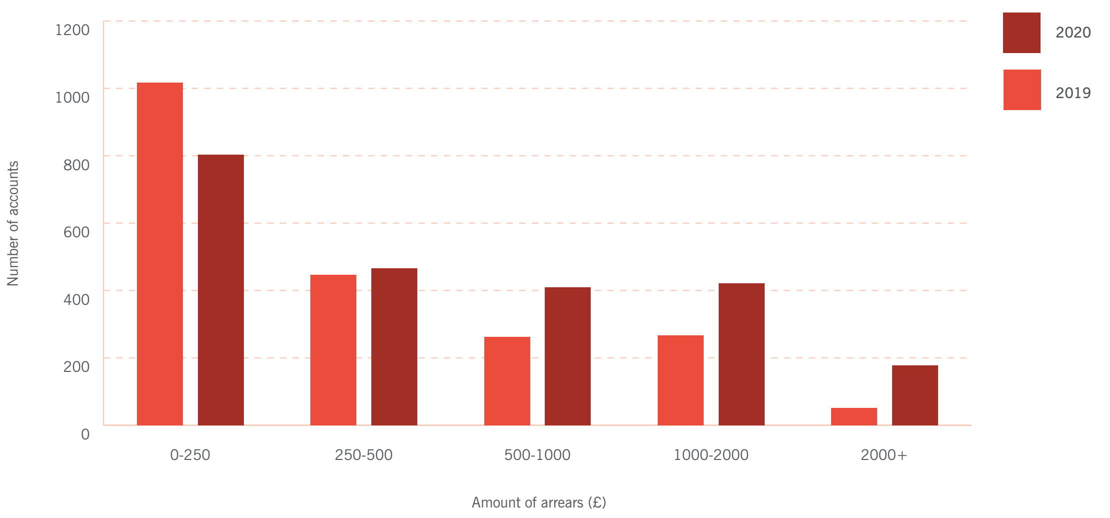
The evidence we received highlighted the sizeable impact the pandemic had on leaseholders. There was, for example, a noticeable increase in the value of arrears in 2020 compared with 2019. Aggregate arrears rose (in nominal terms) by almost £640,000 – a 69% increase and by the end of 2020 total arrears stood at £1.6m.

The average value of arrears divided by all leaseholders was around £71 per household in 2019. This rose to £120 in 2020 (up 69%). The value of arrears rose from 5.2% of annual invoices to 8.4% a year later (the average bill in 2020 was around £1,440). By 2020 arrears were equivalent to all leaseholders being a month behind on payments to the Council (similar to that owed by tenants to the Council in rent arrears, although the sums are much smaller as rental bills are higher).

The majority (over 80%) of leaseholders were not in arrears in 2019 or 2020. Nevertheless, there was an increase in the number of accounts in arrears – rising from 2,043 in 2019 to 2,277 in 2020 (up 11.4%).

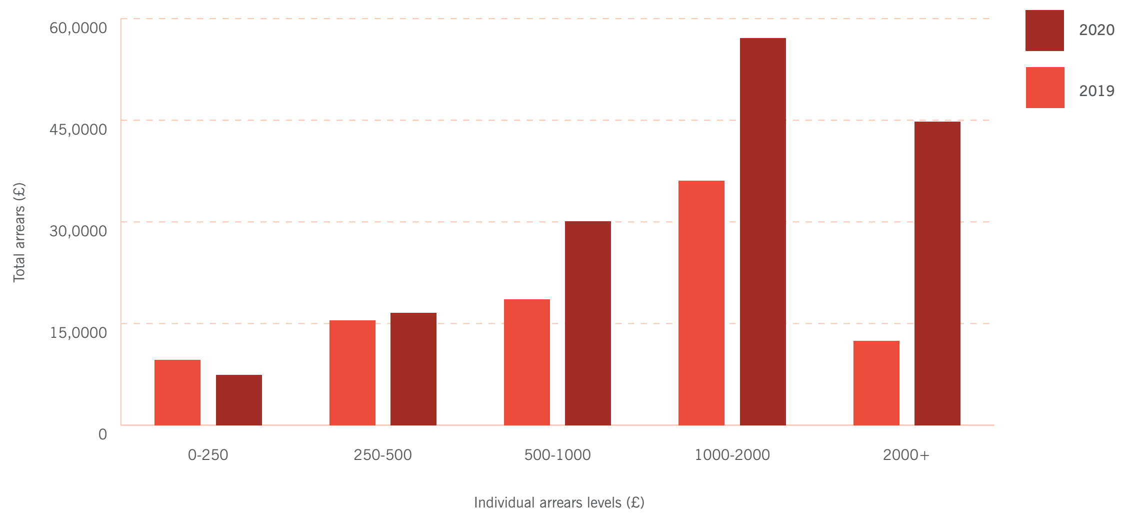
There was an increase in the *amount* that leaseholders were in arrears. For those in arrears average arrears rose from around £450 in 2019 to £685 in 2020 (over 50%). There was also a noticeable shift towards larger arrears – reflecting the general trend in arrears.

Number of accounts with smaller/larger arrears



The increase in arrears is concentrated among leaseholder accounts with over £1,000 of arrears. In 2019 their arrears formed 53% of arrears, but by 2020 the figure had risen to 65%. This means around 600 (or 5% of leaseholders) owe two thirds of arrears.

Level of arrears by amount individual households owe



The Working Party heard that there were 1,975 leaseholders who were in a worse position in 2020 than in 2019. On average their arrears increased by £720. In 2020, of those who underpaid, around three quarters did so by under 25%. Those underpaying by 75% were relatively few in number (16% of accounts underpaying in 2020) but accounted for 40% of total arrears.

We were told that there was a bigger rise in the number of accounts in arrears among non-residents in 2020. However, the *proportion* of resident leaseholders in arrears was higher (20%) than those not resident (14%).

The total increase in arrears was concentrated amongst resident leaseholders (70% of the increase in arrears). Total arrears (including pre-Covid 2020 arrears) were also higher for resident leaseholders – around 70% of arrears. By 2020, average arrears were £58 for all resident leaseholders compared with £36 for non-resident leaseholders. For only those in arrears, average resident leaseholder arrears were £705 compared with £643 for non-residents.

Evidence from council officers showed how service charge collection had been affected over time. In a three-year comparison, 2020/21 saw collection rates affected most. It was stated that in the first couple of months of the pandemic service charge collection rates steeply dipped. There was not a recovery until September 2020.

It was reported that the Council had set up an e-form for use by homeowners who had been affected. Issues mentioned by homeowners completing the form included UC, self-employment and furlough. However, few homeowners completed the form and just 2% of all homeowners said they had been adversely affected. Those indicating problems to the Council were more likely to be resident homeowners than non-resident.

It was noted that in-year collection rates are now back to where they were in 2018/19.

Impact on the Housing Revenue Account and the Council's finances

We heard from council officers about the impact Covid had on services and the Council's finances, notably on the Housing Revenue Account (HRA) – which covers the income and expenditure relating to the management of the Council's housing stock.[17]

It was said that there had been extra support from central government for council services but that it was "nowhere near enough". It was reported that during the pandemic the Council had faced £60m of additional costs and incurred around £42m of lost income. The overall cost of the pandemic was therefore in excess of £100m.

On housing, there were also additional costs such as £2.6m for temporary accommodation (TA) for homeless households, as well as £8m lost income in the HRA. We were told that the Council received specific Covid-grants, for instance for 'track and trace', but there has been no compensation for lost rental income from commercial activity or for any Covid-related HRA losses.

We heard that there was considerable uncertainty about further funding amid pressures to deliver more, which we understood may impact on housing and council services more generally. It was said that there were growing concerns over the rise in homelessness and rough sleeping, which were already a major challenge going into the pandemic.

17 Tenants and homeowners pay their rents and service charges into the HRA and this money – which is ring fenced - is then used to fund all the activity needed to ensure the housing is well run and in good condition. The Council also uses the HRA to build new council homes at council rents. The Council is obliged to set a balanced HRA budget

PULLING AT THE ROOTS

The Council said that the HRA debt was £528m and is expected to increase substantially over the medium-term to finance the Council's ambitious housing investment programme. However, we were told that the HRA position for 2020 was better than previously expected or than seemed likely in the early phase of the pandemic. Nevertheless, arrears were higher than pre-pandemic expectations and there had been overspends in asset management and resident services as a direct consequence of the pandemic.

Council officers told us that collection rates had continued to improve, and that the Council was seeking to ensure at least 97.5% of rents were paid – in line with sector good practice.

Higher debt provision was made for 2020-21 (see HRA table below) but a major housing cost in the future was likely to be within the general fund because of expenditure on temporary accommodation for homeless households. It was stated that while other factors apart from arrears posed bigger challenges, the level of arrears could grow and put pressure on budgets, and therefore services.

It was noted that council rents under the HRA increased by inflation plus 1.5% as of April 2021, representing an average £1.67 per week increase (from £101.57 p/w to £103.24 p/w). Although this is the maximum permitted under the government's Rent Standard, council rents in the Borough were between 8-9% lower than the government's assumed target and the 8th lowest of the 29 London boroughs with retained housing stock. Total tenant service charges increased by 42p from £9.25 p/w to £9.67 p/w.

Housing Revenue Account	Provision Rate %	Arrears as of 31.3.21 £	Bad Debt Provision 2020-21 £
Accounts < £250	20	470,701	94,140
Accounts > £250			
Agreement / Letter / Interview / Visit	30	16,478,195	4,943,459
Notice Seeking Possession (NSP)	40	53,870	21,548
Legal Action in progress	60	565,231	339,139
		17,097,296	5,304,145
Eviction Notice/Action			
Suspended Possession Order	80	67,974	54,379
Outright Possession Order	100		
Eviction Letter	100	260,368	260,368
		328,342	314,747
Total Former Tenants' Arrears	95	7,072,853	6,719,210
Total Housing Revenue Account		24,969,192	12,432,242

Source: Southwark Council

It was stated that the Council spent £215m in 2020-21 on housing investment and £331m across the Borough as a whole, and that capital programmes needed prioritisation and re-profiling to ensure affordability. There were also new/emerging costs pressures including fire safety, heat networks, carbon neutrality and renewal of high needs estates. We were told that maintaining high levels of spending will be challenging.

The Council said there was significant uncertainty about the year ahead, including around unemployment, incomes and living costs. Higher inflation was a particular concern as tenants' rents are linked for the next four years to inflation (the consumer price index) + 1%.

Summary

Unsurprisingly, we found there had been a substantial increase in rent and service charge arrears during the pandemic. The largest impact was at the start of the pandemic when it affected both leaseholders and tenants. However, the level of debt owed to the Council is substantially greater among those renting, not least because there are more renters, and rents are higher than leaseholder service charges.

We were made aware that rent arrears were often part of larger debts, owed to the Council and to other creditors. Current tenant arrears are the biggest debt owed to the Council for tenants with multiple debts averaging around £3,000. But for those with combined debts averaging over £9,500, then Council Tax debts were usually accounted for a much greater proportion.

The evidence presented highlighted a troubling issue around the relative size of debts that households face. It seems a small group of renters are in substantial arrears, which grew during the pandemic. These tenants now owe a sizeable proportion of total outstanding arrears.

We are concerned that further pressure on general funding for the Council will have knock-on effects on the provision of services and support for vulnerable residents, which in turn will inevitably impact on problem debt and rent arrears. Without extra support we expect that the overall level of arrears, and the number of large debtors, will increase.

These funding challenges are not unique to Southwark Council and are faced by many social landlords. The problem is clearly national, and more Government support will be needed if arrears are to be managed in an orderly manner as we emerge from the pandemic and as protections for tenants through the legal system, and landlord forbearance wind down.

We noted that both Scotland and Wales now offer tenant loans underwritten by the state (modelled on a Spanish scheme that has been in place since March 2020).[18] We were told the Resolution Foundation estimated that £375m would be the maximum required to capitalise a similar scheme for English private and social renters (based on current levels of arrears). It also said that it would be reasonable to expect some form of quid pro quo from landlords if the state was to take on the risk of non-payment of arrears via a tenant loan scheme.[19]

An inquiry by the House of Commons Select Committee for Housing Communities and Local Government (May 2021) called on the Government to deliver a financial package to support tenants to repay rent arrears caused by Covid-19 as a priority.[20] The Government responded by offering a commitment to: "continue to monitor the effectiveness of our extensive financial support in protecting tenants and landlords, including through the English Housing Survey Household Resilience Study."

The Government announced a new Household Support Grant and a new fund for vulnerable renters just as the work of the RWP came to an end. The Household Support grant totals £421m in England and does not allow support to be provided to those with rent arrears, other than in exceptional circumstances. The Vulnerable Renters Fund is just £65m and appears to fall far short of what will be needed. Given the scale of the arrears challenge faced by tenants and landlords, and evidenced by this report, we call upon the Government to do much more.

18 Resolution Foundation, 'Getting ahead on falling behind' (2021)
19 Resolution Foundation, 'The debts that divide us' (2021)
20 House of Commons HCLG Select Committee inquiry, 'Protecting the homeless and the private rented sector: MHCLG's response to Covid-19' (2021)

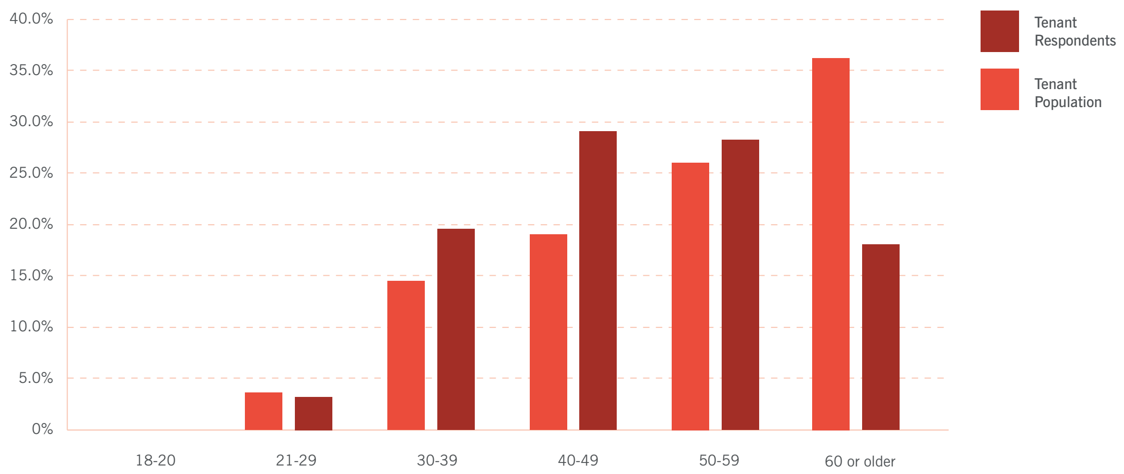
VIEWS FROM RESIDENTS: 'HAVE YOUR SAY' SURVEY

With the support of the Council and the Smith Institute, the Working Party commissioned a 'Have Your Say' survey of tenants and homeowners/leaseholders in September 2021.

About the survey

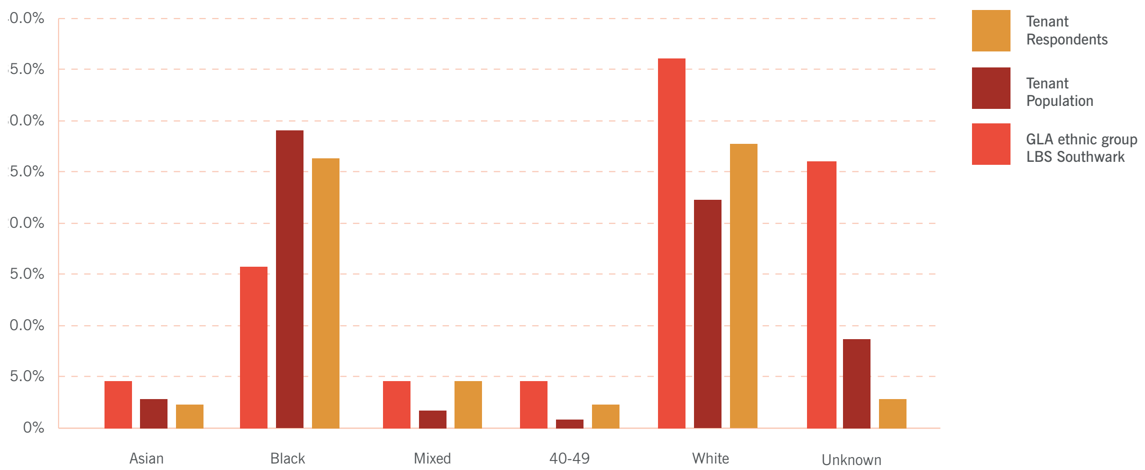
Some 1,823 people responded, of which 76.4% were tenants paying rent, 20.1% resident homeowners/leaseholders, and the remainder non-resident homeowners/leaseholders. In terms of demographics: 69% of respondents were female (higher than the tenant population) and the majority were aged 40-59 and 50-59 years. Younger and older tenants were both under-represented. 38% of those aged 60+ gave their current employment status as retired. Only 2 respondents fall within the youngest age group (18-21 years), which is proportionate with the tenant population (0.1%). Their experiences will give a limited view of how Covid affected that age group.

Age – Tenant Population v Tenant Respondents



In regard to ethnicity, white, mixed and other ethnicity groups were over-represented in the survey, compared to the tenant population.

Ethnicity – Tenant Population v Tenant Respondents



21 The survey excluded those in temporary accommodation

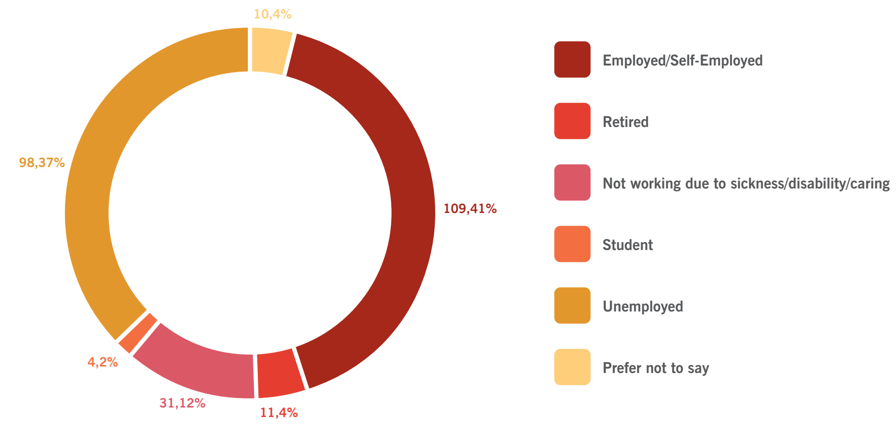
The main survey findings

The survey was mostly conducted online, and responses were anonymous. The main findings were focused on changes in employment status and furlough, household income, rent and service charge payments, savings and debts and arrears. It also highlighted the impacts on older people, homeowners and black ethnicity groups.

Changes to employment status

- 21% of respondents indicated a change in employment status over the pandemic (22% tenants and 19% homeowners)
- Almost 30% of those aged 21-29 saw their employment status change, 10% higher than the other age groups.
- By ethnicity, those of other ethnicity were most likely to see their status change (29%) with black respondents second most likely (26%). White respondents were least likely to report a change (17%).
- 68% of respondents reported being employed pre-pandemic, of those 88% were still in employment and 8% reporting as unemployed at the time of the survey.

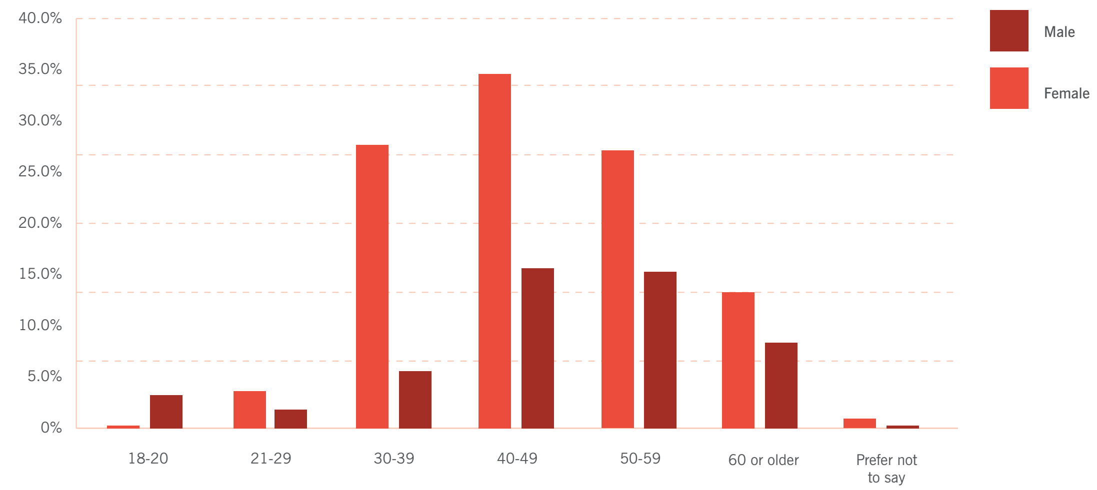
Changes to Employment Status of Employed Respondents



Furlough

- 27% report that someone in their household was furloughed at some stage during the pandemic (with the majority furloughed for under nine months and the highest incidence for those under 30).
- 19% of respondents whose household income decreased over the pandemic considered being on furlough as the primary reason, suggesting employers were not paying the 20% of salary outside of the government scheme.
- By tenure, there was little difference with 26% of homeowners and 37% of tenants reporting household members being furloughed.
- The likelihood of being placed on furlough was similar across most ethnicities, however more Asian respondents (35%) had furloughed household members, compared to the other ethnicities (26-29%).
- 42% of furloughed workers were on furlough for less than 6 months, with 16% on furlough for more than 12 months.

Respondents who had household members on furlough, by age and gender



Household Income

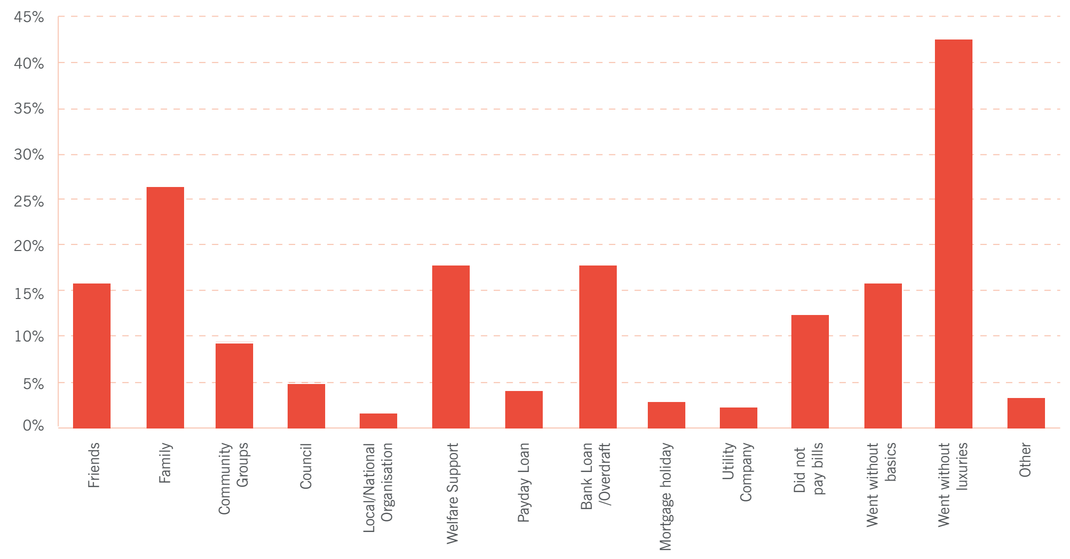
- There were significant differences between household income of homeowners and tenants. 51% of homeowners reported income of over £2,000 a month, with 19% reporting over £3,500 a month. In comparison, 17% of tenants had a household income of over £2,000, and just 2.4% over £3,500.
- 30% of respondents reported that their current income was lower than pre-pandemic, while 8% reported it was higher, with most reporting no change.
- When asked about total household income a greater proportion reported it was lower than pre-pandemic (53%).
- Over half of the respondents in each ethnicity grouping reported a drop in household income over the pandemic. Black respondents were most affected with 57.3% reporting a lower income than before the pandemic.
- By age group, the proportion of those whose income dropped decreased with age.
- A change in hours (21%), furlough (19%) or losing employment (including retiring) (16%) were the most common reasons for the drop in household income.

How did they manage?

Those that experienced a drop in household income were asked how they managed.

- Benefits: 16% of respondents made a new claim for Universal Credit, and 9% made a new claim for other benefits during the pandemic.
- Went without: 43% of people went without luxuries/cut back on spending while 16% went without basics (heating/food).
- Family & Friends: 43% sought financial help from friends or family, with females, and those aged 21-29 years more likely to ask.
- Where respondents were asked how else they coped, common responses include credit cards, used savings.
- New credit: 38% of respondents took out new credit during the pandemic, with black and mixed ethnicity respondents more likely than other ethnicity groups. The likelihood of taking new credit reduces with age.

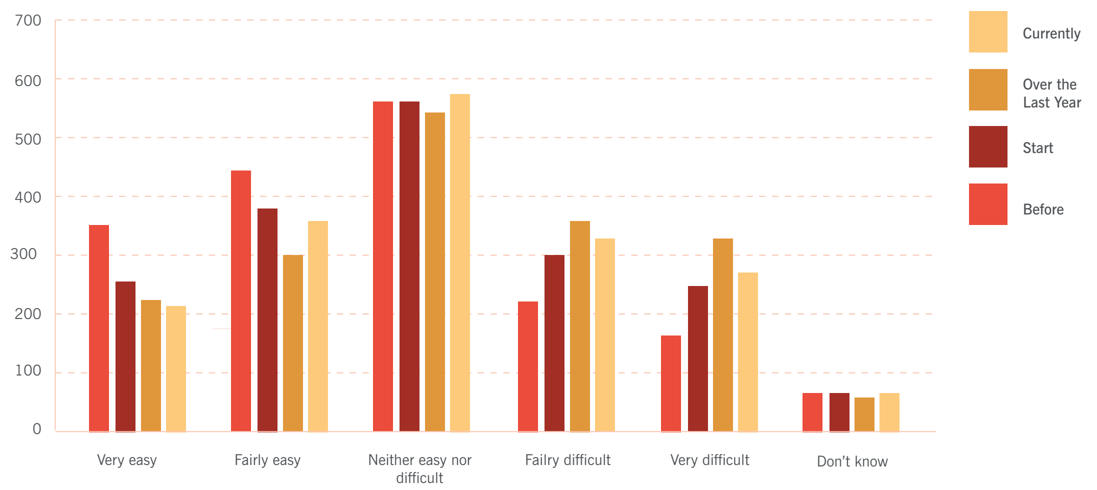
Lower Household Income: How did they manage?



Rent and service charge payments

- 70% of respondents reported being up to date with rent or service charge payments.
- By age, 21-29 year olds were most likely to be in arrears.
- By ethnicity, black and mixed ethnicity respondents were most likely to be in arrears.
- 52% of those in arrears were only 4 or 8 weeks behind, with 8% being 12+ months behind.
- Over half of homeowners in arrears with service charge payments were also in arrears with major works payments.
- When asked how easy or difficult they had found it to pay the rent or service charges at different points during the pandemic, a similar proportion of respondents found it neither easy nor difficult throughout the period.
- Those that found it very easy dropped at the start but levelled off while those who found it difficult increased throughout.
- While most groups have indicated some recovery in the assessment of their current situation, the numbers that find it difficult remain higher than before the pandemic.

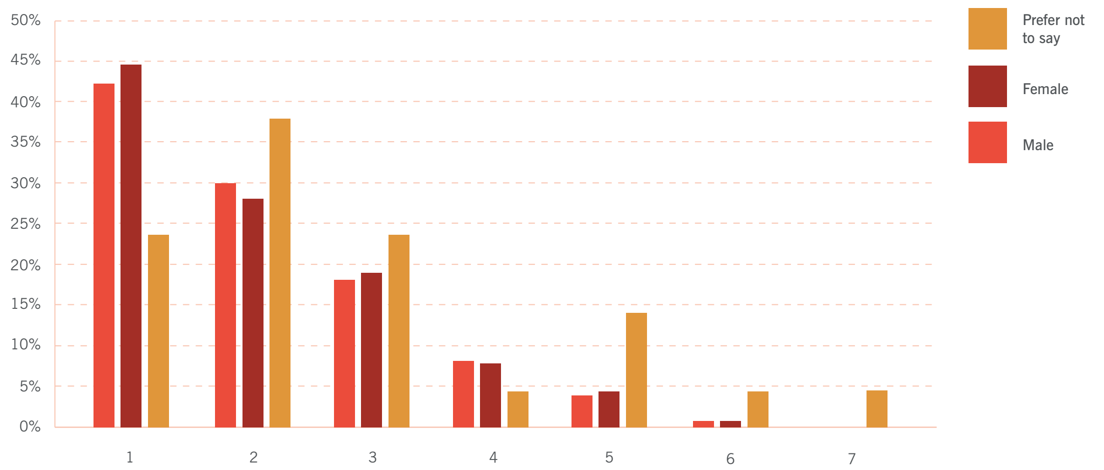
Payment of rent / service charges during pandemic



Other debt and arrears

- 25% of homeowners and 53% of tenants indicated they were in arrears with at least one other form of bill/credit payment.
- 42% of the respondents who indicated they were in arrears with other credit forms, indicated it was only one.
- Slightly more males were in arrears with finance agreements (credit cards/loans) while females were more likely to be in arrears with utilities and Council Tax.
- By age group, the proportion of those in arrears with bills/credit payments decreased with age.
- By ethnicity, half of Asian and white respondents reported being up to date with their bills, while this proportion dropped to 37% for the mixed ethnicity respondents and 29% for black respondents.

In arrears respondents by gender and number of debts



Savings

- 26% of respondents had savings or investments before the pandemic, with more than half being homeowners.
- Only 16% of tenants stated they had savings with 10% opting not to say.
- By age, those aged 40-49 were least likely to have savings, while those aged 60+ were most likely.
- By ethnicity, white respondents were almost twice as likely to have savings compared to black respondents.
- 30% of those with savings before the pandemic have used savings occasionally to pay household bills, while 39% indicate using savings regularly.
- Respondents who had savings before the pandemic were much less likely to report that they had fallen behind with rent or other bills than those who did not have savings (see table below)
- Should another pandemic situation arise in the short term, a larger proportion of residents may go into arrears as savings will take time to recover.

At the start of the pandemic	Position on arrears	%
Savings	Behind on rent / service charges	11.4%
	Behind on other bills	25.4%
No Savings	Behind on rent / service charges	24.2%
	Behind on other bills	61.6%

Older residents

- Older residents were more likely to have savings at the start of the pandemic, and the least likely group to have taken on additional credit to pay bills.
- They were less likely to have suffered a drop income as pension payments were not impacted by the pandemic.
- 28% stated they found paying rent or service charge more difficult, this proportion is 10% or more lower than those in other age groups.

Homeowners

- Homeowner were less likely to have been furloughed or changed employment status over the pandemic.
- More likely to be up to date with service charge payments and bills, with a much larger proportion of households with a monthly income of £2,000+ (51%) compared to tenants (17%), and more likely to have had savings or investments before the pandemic.
- Less likely to have contacted a service charge officer, or agreed a repayment plan, and found it more difficult to engage with a service charge officer, suggesting experience of dealing with the Council is limited.

Black ethnicity group

- 35% of the survey respondents were of a black ethnicity group, with 76% of those reporting as Black African, 20% as Black Caribbean and 4% as Black Other. 19% of homeowner respondents and 40% of tenants were black.
- Least likely to have savings at the start of the pandemic, and the most likely group to have taken on additional credit to pay bills.
- Most likely to have suffered a drop income due to unemployment and cut hours, to be in arrears with rent or service charge payments and most likely to be behind with payments of other bills.
- The second most likely group after Asian respondents, to have spoken to a council officer regarding arrears, they are the most likely to have agreed a repayment plan, with 43% believing it to be likely that they would fall further into arrears.

SUPPORT DURING THE CRISIS

We heard evidence about the problems people faced and the support that was available to tenants and residents during the pandemic – both at a local and national level.

Witnesses told us about the terrible impact that the pandemic has had on some people's lives and how this often led to debt and rent arrears problems. We heard about residents skipping meals and going without heating, light and basic toiletries; about the impacts of physical and mental health (a complex two-way relationship between health and debt); and how it had affected relationships and family life. There were also recurring themes, with individuals in debt having multiple causes of those debt and having multiple debts (and creditors). These debts covered service charges, tax, rent, credit card, mortgage, and energy fuel debts and was not confined to Council Tax and rent arrears. Although the focus of the working group was on formal support available, it was emphasised that support from friends and family was often the first port of call for those facing financial difficulties.

Legal protection and financial support

All ongoing housing possession action in England and Wales was suspended at the start of the first national lockdown, initially for a period of 90 days and later extended. Repossession actions in the courts recommenced from 21 September 2020 but new requirements placed on landlords seeking possession are in force until November 2021. After that date, the position on possession action is set to return to the pre-pandemic status quo. We were told the Courts have recommenced consideration of repossession cases and bans on the enforcement of eviction orders by bailiffs have been lifted.

In their evidence, the Southwark Law Centre outlined the changing legal environment during the crisis, including the stay on possession, review hearings (to seek agreement between parties), and mediation pilots (which have not been used much). They told us that cases could be marked as 'Covid-related' where the impact of the pandemic (such as loss of job) was due to the pandemic, although we were told it was unclear what impact this had had. Mention was also made of the government's Debt Respite Scheme (Breathing Space) which gives someone in problem debt the right to legal protections from their creditors. There are two types: a standard breathing space which offers legal protections from creditor action for up to 60 days (including pausing most enforcement action and freezing most interest and charges on their debts) and a mental health crisis breathing space, which lasts as long as the person's mental health crisis treatment, plus 30 days.

Alongside legal changes, we were told about the financial support offered to people during the pandemic. This included the furlough (Job Retention Scheme), and later in April 2020 the £20 UC uplift. StepChange claimed these measures had been relatively effective at "keeping people's head above water."

Mention was also made of specific groups who had received little support during the pandemic, such as the self-employed. It was also noted by Southwark Law Centre that the UC standard allowance £20 a week increase did not help those on legacy benefits or those whose benefits were capped.

The Working Party were concerned about the removal of the UC £20 extra payment. It was said by several witnesses that the withdrawal of the uplift this would push more residents into debt.

Council intervention during Covid

We heard detailed evidence from Southwark Council about the interventions they had made in response to the pandemic. We were told that the Council – along with many other social landlords – had temporarily suspended all recovery and enforcement action in respect of unpaid rents and service charges in March 2020. This we were told went beyond the legal requirement and included an eviction ban, although – as mentioned - there were some limited exceptions such as Anti-Social Behaviour and substantial rent arrears (at least nine months, and later reduced to 6 months).

It was said that no council tenants have been evicted for rent arrears at any time during the pandemic though the Council is already preparing to reactivate evictions proceedings for high arrears cases that were halted at the start of the pandemic and where arrears pre-dated the pandemic.

Although public health considerations were paramount, we were told that the Council did not offer "payment holidays" or discourage tenants from making make payments where they could and that most tenants had continued to pay rent and service charges as normal. As lockdown measures were relaxed, the Council resumed recovery activity for unpaid rent and service charges. It was noted that the support for those in arrears continued, but that enforcement orders had now been lifted and that notice periods were reverting back to their pre-pandemic levels.

The Council said that during the pandemic their approach had been to shift from enforcement activity to supporting tenants, and that payments were now improving even without taking enforcement action though overall arrears have continued to rise.

The Council stressed that the Covid legacy debt will continue to be a challenge for the Council and tenants alike. We heard, for instance, that the Debt Respite Scheme (Breathing Space) placed a moratorium on creditor recovery for three months – including landlords. This stopped a landlord serving a notice and could be used more in the future. It was said that the scheme does not wipe out debt but provides an opportunity for the debtor to seek debt advice, make repayment plans and put their finances on a sounder footing. There were also other measures such as Financial Conduct Authority (FCA) forbearance rules, which included payment deferral for up to 6 months and suspension of debt enforcement that were more likely to protect homeowners/leaseholders.

We were told that there had been increased telephone contact between the Council and tenants and leaseholders, negotiating payment arrangements, extending payment terms and promoting use of income and expenditure forms to establish sustainable repayment arrangements. The Council had encouraged people - especially older, more vulnerable residents - to stay at home during lockdowns rather than visit shops or post offices to pay rent and had promoted the use of Direct Debit and other forms of self-service payment (which have increased in use despite the general drop in payments).

The Council told us that they continued to suspend possession cases where Covid is a factor, or where there were issues with UC or Housing Benefit (HB) claims. We also heard about the communication activity the Council had undertaken, including calls, letters and texts and noted the scale of referrals for support and advice.

It was noted that from May 2021, the Council had started to warn people in arrears they could be served a Notice of Seeking Possession (NOSP). From July 2021 the NOSP service was resumed, but only for those tenants with significant rent arrears who have no pending HB/UC claim, no Alternative Payment Arrangement (APA), and no arrangement in place. We were told that the Council is now allowing people with NOSPs four months' notice before a court application is made and that from October 2021 it planned to start reactivating possession claims.

In August 2021, the Council extended its pre-existing, voluntary Step-by-Step[22] initiative to include current rent arrears. The pilot scheme takes a single view of debt owed to the Council, including Council Tax, Business Rates, rent arrears, housing benefit overpayments, and other debt. It places debts into one pot so the Council can take a consolidated approach, rather than each department contacting the resident. It means residents only have to fill in one income and expenditure form and make one arrangement, allowing automation of initial engagement to free up staff and enable an immediate response to a Debt Respite Scheme notification. Crucially Step-by-Step also allows debts to be repaid over a much longer period.

We were told that Step-by-Step is now targeted at current tenant with arrears between £1,000 - £5,000, and where there is no current arrangement, and where no Notice of Seeking Possession has been issued/or no court orders or money judgements in place. Around 500 households are eligible during the pilot phase. Should the pilots prove successful, Step-by-Step will be available to all residents with significant rent arrears and other debts to the Council.

We were told by debt advice organisations that the Council was working in partnership with advice organisations (such as Citizens Advice Southwark and Southwark Law Centre) on rent arrears. It was also said by witnesses that the Council's approach to stopping evictions was to be commended and that Discretionary Housing Payments (DHP – used to tackle homelessness) have been "extremely well used by Southwark".

Southwark Council's help with rent arrears

For those receiving Housing Benefit/Universal Credit the Council offers:
- Discretionary Housing Payment (short term help with housing costs for vulnerable tenants)
- Extended Payment Housing Benefit (for 4 weeks)

The Council also has:
- A Rent Arrears Fund, which provides a maximum payment of £500 to stop landlords evicting tenants because of rent arrears
- Offers advice and assistance to those affected by welfare reforms, such the Bedroom Tax and UC
- Helps with budgeting and finding alternative solutions to housing needs
- Working with StepChange Debt Charity, Citizens Advice and other agencies on free and confidential debt advice and personalised recommendations for resolving debt
- A discretionary Hardship Fund designed to help people in debt with household bills

Leaseholders

The Council stopped all leaseholder arrears action and chasing bills in March 2020. We were told leaseholders were later (in May 2020) asked to contact the Council if they had been adversely affected by Covid. In November 2020, during the second lockdown, leaseholders were told that the Council would continue collections, but that support for those in arrears would continue.

We were told that the Council had set up an e-form to understand how homeowners had been affected. The Council had also introduced an extended payment period/plan, offered interest free payment, and enabled people to indicate their preferred payment option. It was stated that some mortgage lenders had paid homeowner arrears so that it does not affect credit ratings and/or create additional costs. It was said that this had given residents a valuable breathing space.

22 https://www.southwark.gov.uk/council-tax/step-by-step-working-together-to-manage-your-debts

Community and voluntary sector support and advice

The Working Party heard from local organisations which provided support during the crisis. It was noted that support had switched from face-to-face advice to services provided online and over the phone. Witnesses told us that young people were more likely to use online services and that some groups, notably older people, were less likely to access their services. However, face to face services had now resumed.

Christians Against Poverty told us that they had good relationships with housing officers but links to referral agencies had been harder during the pandemic. It had also been harder for them to connect with people during the pandemic.

Several witnesses commented that while measures, such as the ban on evictions, had been successful it meant demand for debt advice had, paradoxically, been lower during the pandemic. It was noted that there is always a lag between the shock that creates the need for advice and the act of seeking advice. We were told that the legal halt to evictions and debt enforcement may have meant that people had not sought support during the period but that many would need support in the future.

We heard about the types of support provided to those in financial difficulty. Those presenting focused on income maximisation and forming plans to manage their debts. This included claiming the right benefits and maintaining a claim to avoid DWP sanctions which were being reintroduced. This is important given the high levels of benefit dependency. As noted by Christians Against Poverty, 85% of their client base receive income from social security, some 49% solely from social security.

Two examples of income maximisation were given by Citizens Advice Southwark: the first regarding a leaseholder in receipt of UC. This client had been on UC for some years but fell into service charge arrears. She had not had housing support as part of her UC claim. However, after nine months Citizen Advice found that she may in fact have been entitled. Contact was made with Southwark Council on behalf of the client and a request was issued that action be held off as Citizens Advice had made an application to cover the housing costs. As a result, the client was awarded £3,000 to put towards arrears. The client now sends invoices to DWP to cover the costs and continues to get help she needs.

The second example highlighted a specific issue facing EU nationals around the habitual resident test and pre-settled status. It was noted that in some cases the DWP only considers them jobseekers - who are not entitled to benefits. Citizens Advice highlighted the case of a single mother who had EU pre settled status. She lost her job during lockdown and struggled to pay her bills. Debt and arrears increased and she was worried she would lose her home. She was told she was not entitled to UC, although Citizens Advice provided assistance and helped her dispute the decision. This was successful and she is now paid her UC entitlement.

Future challenges

The general impression we had from witnesses was that the support given had – in the round - protected people from the worst of the financial impacts of the pandemic. However, as evident in our survey, some groups were not covered by the emergency measures, and some were more vulnerable.

Uncertainty around employment and the fear of under-employment (not working as much as you want or did) was also mentioned. We were told, for example, by the Southwark Group of Tenant Organisations that much of the increase in arrears can be attributed to the impact of the COVID-19 pandemic on employment, which reduced incomes both through increasing unemployment and also through putting large numbers of workers on furlough.

We were also told that many of those facing debt issues are not economically active. Besides concerns over benefit cuts, this group have serious worries over rising energy costs and concerns around fuel poverty. As the survey results showed, many tenants had already drawn down on their savings and cut back on buying essential items, like food and clothing.

There were also real concerns around the longer-term impact of the pandemic on household finances. The impact of the pandemic was mainly felt early in the pandemic but then UC claims, for example, started to flatten. However, that initial impact meant some got deeper into debt and credit (as earlier evidence highlighted) and support from friends and family ran out. There is therefore concern about how these households cope with meeting these debts over the longer term. Citizens Advice told us that people were coming to them with the same type of debt but at a much higher level.

We were told that there is a risk that rent arrears will continue to increase and impact most on those least able to cope. That without extra support we are likely to see an increase in homelessness and in the number of residents residing in insecure, temporary accommodation. As such, the Southwark Group of Tenant Organisations stressed that with the resumption of evictions, it is important that the Council exercise a large degree of discretion when dealing with evictions. The Council's progress in reducing the number of evictions pre-pandemic was noted. (see table below)

London Borough of Southwark Tenants Evicted Annually for Rent Arrears	
2010	279
2011	260
2012	146
2013	141
2014	148
2015	135
2016	87
2017	33
2018	45
2019	55
2020	0

Source: Southwark Council

We are especially concerned about any reduction in welfare support and Government cuts to Council funding, such as Discretionary Housing Payments. The removal of the £20 UC uplift, for instance, was mentioned by almost all those we heard from. StepChange told us that without the uplift in UC around 60-70% of their clients would have had a negative budget. When the UC uplift was introduced it brought this figure down to around 40%. These cuts are worrying and will leave more households facing serious financial hardship.

Our survey showed that the majority of tenants and leaseholders are just about coping as we exit the pandemic. However, overall, it seems more households – and especially younger tenants and those from black ethnicity groups – are in more difficulty than before Covid began. Given the weak resilience of many low-income households, it is evident that the levels of arrears and problem debt are likely to worsen if the pandemic returns or the economy swings into recession. We hope these events don't occur, but the Council must have contingency plans in place based on what it has learnt from the pandemic. As the following section shows, there are valuable learning points and improvements to be made around the issues the Working Party have considered.

ISSUES TO BE ADDRESSED AND RECOMMENDATIONS

The Working Party highlighted the impacts that the pandemic has had on household finances. Unfortunately, the evidence shows that those on the lowest income have been affected the most. A situation which we fear may worsen as Covid protections and benefit support are withdrawn. What we are likely to see is an increase in the number of tenants and leaseholders who do not have sufficient income to meet all their housing costs as well as other household bills. Were that to happen, the consequence will be more rent arrears, and more problem debt.

The evidence to the Working Party suggests that there is a particular concern around the scale of rent arrears. This was seen in the data presented to us - and from comments from those providing support and advice. It was clear that the numbers in arrears remained similar during the pandemic, but the level of debt grew much larger (and with it the level of multiple debts, including Council Tax and other debts to the Council). This presents the Council with significant challenge around supporting greater recoverability.

Advocacy approach

We heard, for instance, how the Council's approach had been different to some other landlords in not immediately seeking possession for arrears. We were also told that the Council did not pass on debt to a third party for them to collect. We welcomed this and agreed – as did several witnesses - that an advocacy approach centred on the affordability of repayments rather than enforcement and bailiffs is most effective route. The Hyde Foundation, for instance, told us that there is a growing evidence base that early advice and support works best, and that some housing organisations are looking to move away from court action.

Similarly, StepChange stated that there were differences between councils that were supporting residents and others which were more "old fashioned" when it came to dealing with debt. It was stressed to us that if debt is seen narrowly as a collection problem, it can make the situation worse. It was therefore important to see debt as an issue of financial inclusion. This can be seen in council approaches to Council Tax enforcement and the use of bailiffs as a last resort. Avoiding eviction may also have wider financial benefits to the Council, not least regarding to the growing costs of homelessness and temporary accommodation.

We were also told that language is important and that the way the Council and other creditors communicate with debtors can sometimes appear threatening and discourage people from having a meaningful conversation and seeking mediation. We heard about work by the Council before the pandemic to address these issues. It was said that over-formalised 'legal speak' and warnings, rather than messages of support, disempowers people in need. It was said that the shift to online correspondence can also encourage this behaviour.

Recommendation 1:

As the end of the pandemic approaches, the Working Party believes that an advocacy and support approach to new debts and rent arrears will be more effective than warnings of penalties and evictions. We believe this will ensure that more arrears and debts are repaid over time. It is supportive of the Council's approach typified by 'Step-by-Step' and the sustainable payment arrangements it delivers. The Council should ensure it continues this approach to managing new rent arrears and other debts built up during the COVID pandemic.

Supporting people to come forward

The Working Party heard how problems build up and can quickly reach crisis point. StepChange told us that there was a stigma and shame around debt and that giving people confidence and trusting them to tackle their problems with tailored support and advice is critical. We were told that people try to manage by cutting back on expenses, juggling bills and borrowing. That the tendency is all too often to think things will "somehow improve".

We were told that people also worry about their credit rating if they seek advice or approach their lenders. Although councils do not pass on data to credit reference agencies, letting debts mount up is problematic. As Christians Against Poverty told us, people "bury their heads in the sand" and tend to contact them when they are about to be evicted.

It was said that interventions during the crisis had changed some of this mindset as payment deferral schemes were designed not to impact credit rating and the context of Covid meant there was less stigma seeking help. There are signs of behavioural change, although general levels of trust in public bodies, like social landlords, can be low, especially if they are the creditor.

The Working Party heard about different approaches to advice and support. Citizens Advice Southwark, for example, highlighted the outreach that they undertake. This includes running events around the borough and working with other agencies and charities. They also work with the Council, running information and advice programmes.

We were told that the Council sent letters to those in rent or Council Tax arrears informing them that they were undertaking a roadshow and could get support and advice. It had also worked with DWP and the Council to provide a one stop shop.

We heard from the Hyde Foundation about a different approach. They operated a referral-based system (which is not advertised) from frontline staff for those in priority debt who need the most support, with others signposted so they can support themselves.

Referrals are mandated by policy – if someone is in a risky tenancy or facing eviction then staff are mandated to make a referral. Hyde say they had breathing space in their approach before government policy and had done so for the past four years. This included stopping sending creditor letters when someone had sought support.

It was noted that the Council may also have a good understanding of those at risk. For example, the Council may know if a tenant is affected by the benefit cap or the bedroom tax and could contact the tenant. It was also said that sometimes the tenant thinks DWP is paying the rent. Contacting the tenant can help the Council and tenant understand whether they can afford the rent and how arrears might be reduced.

Recommendation 2:

Southwark has a long established and thriving voluntary and community sector. The Council should continue to actively support (and work in partnership with) community and voluntary sector debt advice agencies. These activities will become even more important as we emerge from the pandemic.

Recommendation 3:

The Council as a landlord has a strong relationship with the advice sector locally and nationally. To reach out to those facing problem debts the Council should continue to support roadshows and other neighbourhood events on debt advice and Covid support.

Recommendation 4:

The Council is a recognised sector leader in its management of debt. The Council should continue to build upon the work it was doing before COVID to reduce the stigma around debt and rent arrears and explore new ways of creating greater trust and confidence so residents impacted by COVID can seek help early.

Recommendation 5:

The Council should take additional steps to ensure those newly at risk of debt or in need of support due to COVID impacts are given priority support and advice.

Getting the communication right

We heard about how debts build up and concerns about people not coming forward. It was noted that people usually reach out at their lowest point and problems arise when they could have been dealt with earlier. Attempts to consolidate debt and maximise incomes often came too late. The Hyde Foundation remarked that there is a difference between those who can't pay and those who won't pay. They said that it is easy to send a threatening letter and create an incentive to pay for those who can. However, for those who cannot pay, a threatening letter won't achieve anything. This is why advice and support – and early intervention – is so much more effective. When someone is operating on a low or negative budget the only thing that can be done is to address the circumstances.

Hyde stressed that the language used was hugely important. A simple offer of support upfront, telling people that they can get help and how to get in contact, rather than issuing a demand notice, was seen as a lot more effective. It said that raising awareness – and communicating respectively – were critical to making prevention-based policies work.

It was suggested by the Southwark Group of Tenant Organisations that the Council should review how it communicates with those in arrears who speak limited English – perhaps considering options such as providing residents with a translator, to ensure they fully understand the help offered.

Recommendation 6:

The Council ensures easy access for debtors to independent, free and impartial debt advice. The policy and practice of the Council and debt advice agencies should focus on prevention and getting people to seek help as early as possible, continuing the innovation and good practice developed before the pandemic.

Recommendation 7:

The Council is a sector leader in its approaches to communication with residents in debt. The Council should continue to develop its approach to communicating with those in arrears - including the language used - to engender greater trust and confidence and maximise responses especially among those with new debts. In particular, the Council should review how it communicates with those in arrears who speak limited English.

Support and advice: capacity and capability

The Working Party heard concerns about the removal of government support. It was emphasised that even the withdrawal of small sums is very likely to negatively affect household budgets, lead to higher levels of indebtedness and ultimately to more people struggling to repay Covid-related debts. Less support for vulnerable people obviously leads to more pressure on support and advice. The Working Party were told that in some places local debt advice agencies are overwhelmed and that some vulnerable tenants seeking specialist face to face help were not being fully supported.

The Working Party was told about how Covid had placed the spotlight on health inequalities and the essential connection between debt and health. Work by organisations, like Impact on Urban Health (part of Guy's & St Thomas' Foundation) had shown how important it is to take a much wider view of public health – one which looks at the relationship between multiple long-term conditions and problem debt. It was reported that there are new pilot schemes on health and debt in the Borough, such as the 'Covid Financial Shield' which seeks to get GP practices, Social Prescribing Teams and other health agencies and the Council and other creditors working together to improve people's financial, physical and mental health. The pilot scheme, run by the Centre for Responsible Credit and supported by the Council, will report next year.

Citizens Advice Southwark told us how they supported people in hospital and how important GP outreach was in dealing with creditors. We were told that people with mental health problems were much more likely to be in rent arrears and in need of help.[23] It was said that some may feel powerless to resolve their situation or just unable to access the help they need.

The Council said they are open to ideas as to how they may further improve the support offered to people with mental health issues. One way forward could be for the Council to work with the Money and Mental Health Policy Institute, which is a leading centre of expertise on financial and mental health problems and provides best practice advice and mental health awareness training.

Recommendation 8:

The Council should continue to work with the Borough's voluntary/community groups and charities to ensure adequate support and advice is available should demand rise as emergency Covid support is withdrawn.

Recommendation 9:

There is a proven link between problem debt and poor mental health. The Council should build on its good practice in this area and consider working work with the Money and Mental Health Policy Institute towards becoming accredited as a Mental Health Accessible organisation (for local income collection purposes).

23 According to the Money and Mental Health Institute, people with mental health problems are three times more likely to be in problem debt

Negative budgets

We heard about the rising incidence of negative budgets. Citizens Advice Southwark told us, for example, that a third of their clients had a negative budget in 2016. This rose to two in five in 2020 and to 41% in 2021. There was now a real concern that the situation would worsen further.

What is a negative budget?

A negative budget is where a debt adviser assesses that a client cannot meet their living costs. To do that, they use a tool called the Standard Financial Statement (SFS). The SFS was developed by the Money and Pension Advice Service in agreement with the debt advice sector, financial service providers, and other creditors. It enables advisers to build a detailed budget, recording levels and types of income, fixed costs such as rent, and flexible costs such as food. Guidelines are set to inform how much people should spend in each category and it doesn't include any unsecured debt repayments. When someone has £0 or less after their expenditure they are considered to have a 'negative budget'.

Negative budgets put residents in a financially vulnerable position and at a higher risk of rent arrears and eviction. StepChange noted that if someone had money left after essential costs then they could get a suspended possession order (which allows you to stay in your home as long as you keep to certain condition). The Council has used the Standard Financial Statement for several years. We feel that it is essential that support should be focused on income maximisation and reducing costs through help with debt consolidation, extending rent arrears and through initiatives such as switching energy providers and grants for white goods. We believe the Council's 'Single view of debt' and splitting arrears from on-going rent exemplified by Step-by-Step is the right approach.

Recommendation 10:

The Council has a proud record of ensuring that vulnerable residents get the support they are entitled to. As part of a continuing financial inclusion approach to debt recovery, the focus of efforts to support tenants and leaseholders facing arrears after the pandemic should be on income maximisation. The Council should build on its successful pre-pandemic work through 'Rightfully Yours' and 'Income Max'.

Recommendation 11:

Negative budgets are a growing risk as the Council and its residents emerge from the pandemic. The Council should continue to explore how it can best identify the growing number of those at risk of negative budgets and offer support before debts build up. This should include better use of data held by the Council to identify vulnerable households not claiming benefits or other forms of support to which they are entitled.

Digital exclusion and online forms

The Working Party were told about the issue of digital exclusion and how for some people web chat or other online services were not a viable alternative to face-to-face services. Christians Against Poverty said that 20% of their clients are digitally excluded. It was noted that many people have poor IT skills, work off a phone that is "not that smart", and face issues around cost of broadband and connecting to the internet when libraries were closed. Those who phone sometimes face long delays. It was stated that getting through to the Council was not as problematic as some other organisations but that getting to the right person first time could be hard. It was said that there are multiple options and if you pressed the wrong one you would be sent back to the switchboard.

Hyde's evidence highlighted the negative impact of digital exclusion in seeking to claim DWP benefits. It was said that tenants with lower levels of digital literacy are more likely to have a negative experience of making a claim and that around a quarter of those that start a claim do not complete it.

Attention was also drawn to the issue of online Council claims forms. It was stated that DHP and Council Tax support forms could be complicated, particularly the income and expenditure sections. It was said that a lot of clients have struggled with them which has created problems accessing the right support. The Southwark Group of Tenant Organisations suggested that it would help if the Council were to publish and promote a directory of community facilities that offer free internet/computer access to council residents in arrears.

Recommendation 12:

The use of digital channels has increased during the pandemic. As such, the Council's approach to arrears should continue to ensure that digital channels are accessible and simple for all of those who use it and that adequate provision is there via the phone for those most in need.

Recommendation 13:

Some residents lack digital skills. The Council should review its online forms to ensure that they are made as easy as possible to complete. Consideration should also be given to the idea of publishing a local directory of community facilities that offer free internet/computer access.

Local welfare and other grant schemes

The Working Party heard about how grants and low interest loans could support people's financial situation. It was said that living without a cooker, for example, can add £2,000 to a household's annual bills. Those without a washing machine can be £2,500 out of pocket. It was said that this was money that people could spend on their rent. As such, some social landlords, like Hyde, were offering some tenants grants to pay for white goods. The Council offers similar support through its Southwark Emergency Support Scheme (SESS).

We also noted the important work of credit unions. They offer repay and save models which includes fronting the cost of white goods and have repayment plan for the loan and rent arrears. Other not for profit organisations, like Fair for You, provide affordable and ethical loans for white goods.

Recommendation 14:

Changes to SESS (local welfare) policy were one of the Council's most effective responses as Southwark entered the pandemic. As we exit the pandemic, the Council should consider further changes to its local welfare policy to support those without white goods but saddled with new debt. This could help prevent negative budgets and enable residents to manage their debts in future.

Recommendation 15:

The Council already signposts those in need to other support available outside the welfare system. The Council should examine how it can work in partnership with credit unions and other charities – to further support tenants and leaseholders make one-off purchases of white goods for example that may reduce day to day living costs and make it easier to pay priority bills.

Leaseholders' concerns

We were told that some leaseholders were unhappy about the quality and cost of repairs and that this issue should be considered in relation to service charges and debts. Better standards should be part of the overall strategy for improving the health of the Council's Housing Revenue Account.

The Working Party felt that value for money was an important component of minimising arrears. For example, it was said that if housing repairs were undertaken properly the first time around then costs could be minimised, and leaseholder's bills thereby reduced. It was said that if leaseholder bills (or tenant rents) were lower, then arrears would also be smaller.

It was said that the debt recovery process could be problematic for some leaseholders. In some circumstances, it could quickly lead to leaseholders being in breach of their mortgage policies. It was noted that the Council does offer a Hardship Buy Back scheme but leaseholders can't convert to a council tenancy unless the discounted sale proceeds cover all of the mortgage balance and homeowners' debts.

It was also said that information on sub-letting is patchy, but that anecdotal information suggested that some non-resident leaseholders were facing insolvency and that some were putting their rents up. This could lead to an increase in rent arrears and evictions, which in turn is likely to create more homelessness.

It was said that private renters living in leaseholder owned properties (often on short-term lets) – can be apprehensive about seeking help for fear of being evicted. It was remarked that the consequence would be even higher levels of turnover of residents on some estates, which could in turn undermine the sense of community.

We were told that private tenants in council homes often feel excluded from tenant and residents' associations, forums and discussions. The Working Party felt that this "was not right" and that Tenants and Residents Associations were for all local residents, including private renters in leasehold council housing.

The Working Party was also told about illegal sub-letting and the bad practices by rogue landlords who flout the law. It was said that the problem "had not gone away" and that some landlords simply bully renters and push people out of properties by increasing rents. We were told that the Council needed to ensure it differentiates between rogue landlords and legitimate homeowners who are subletting to other people.

Mention was made of the 'Debt Pre-Action Protocols' introduced by the courts to help leaseholders who have problems paying their service charges. It was said that it is important that the Council continues to make full use of the Protocols.

Recommendation 16:

Southwark Council rents are among the lowest social rents in London. The Council should continue to ensure the efficiency and value for money of services so that bills - and therefore debts - are lower.

Recommendation 17:

As homeownership has grown, so has the number of private tenants living in council properties under sub-letting arrangements with non-resident homeowners/ leaseholders. Greater effort should be made to ensure that this group is not excluded from participation in tenants and residents' forums.

Recommendation 18:

The Council should review the situation facing private renters (see recommendation 17) in council leasehold properties, including landlord practices and the levels of and access to advice and support.

Covid Rent Hardship scheme

As the evidence shows, the pandemic has seen large arrears build up for a minority of tenants and leaseholders. This led us to discuss the issue of how some debts may need to be dealt with in a different way – possibly through an enhanced Hardship Fund. It was said that the first step was to understand someone's income and expenditure and how they were prioritising debts – with debts to the Council for rent or service charges being the priority. The view from witnesses was that if after this there was still a negative budget then there would be little point in writing off debt as the debtor would soon face problems again.

It was said that priority debts could be managed through hardship funds, such as the scheme piloted by Hyde Housing's 'Successful Tenancies' team. They have created criteria for accessing the fund including around benefit claims, accessing and engaging with advice, income maximisation, debt advice and debt consolidation. After this, they decide whether to offer an award under the hardship scheme and take arrears to a level where a sustainable plan become viable.

It was noted by Hyde that trials of this approach had been successful, and that debtors remaining debts kept going down. They found – even if only over a short period – that the scheme is likely to pay for itself over two years (and this does not include the cost recovery or evicting someone). As such, we were told there was an emerging business case for such an approach. It was said to work because it is the end of a process and that this kind of support on its own would not work without advice and other support that precedes it. The view was that it also gave people confidence to tackle other areas and create mental space to improve financial circumstances.

Recommendation 19:

The unique nature of COVID debt requires new approaches to managing it. The Council should be innovative when dealing with the most vulnerable problem debtors with negative budgets – possibly through an expanded or enhanced Hardship Scheme. The Council should test new approaches, starting with small-scale pilots. Access to enhanced support would require willingness on the part of a debtor to engage with advice and agreement of a sustainable repayment plan. If pilots show the new approaches are successful as a means of increasing income collection over the longer term, they could become permanent.

Tracking progress with residents

The pandemic caused a deep financial shock for many households. While some households have recovered as support was rolled out and the economy re-opened, others will face the scarring effects of the pandemic, including higher levels of debt. The Working Party heard about the considerable efforts the Council is making and has put forward its recommendations on what further action could help.

However, the efficacy of these current and future actions for those with Covid debts are unknown. As we approach the end of the pandemic, a recovering economy that is still fragile creates further uncertainty and could leave people vulnerable to further financial shocks and mounting personal debt. Understanding what has worked, tracking progress, and understanding who remains in a vulnerable position will be vital to ensure support from the Council is as effective as it can be. And to do so properly will require further engagement with tenants and leaseholders.

Recommendation 20:

Residents of council housing have a strong and legitimate interest in the health of the Council's Housing Revenue Account. The Council should build on the experience of the Council Housing Residents' Working Party and work with residents to regularly review tenant and leaseholder arrears and council initiatives to reduce them.

Action from central government

The Working Party heard how the structural challenges residents faced were driving debt and arrears. Issues that predated the crisis were said to have left tenants and leaseholders in financially vulnerable positions. This included issues around low pay and insecure work as well as what was said to be the inadequacy of the welfare system. This meant people went into the crisis with low resilience.

We also heard time and gain about the withdrawal of emergency support and the damaging impact this could have. In particular, we are concerned that the withdrawal of the £20 uplift in UC will inevitably create financial hardship among residents. Any resulting increase in homelessness and temporary accommodation not only creates poverty but adds extra strain on the Council's finances.

Adequate long-term funding for local debt advice is clearly necessary to combat poverty and tackle problem debt.

As such, it is important that the Council (and local debt advice organisations) secure the funding they need from central government – not least from the Money and Pensions Service authority (MaPS, which funds debt advice). There are concerns that the MaPS funding will be cut back, especially for local face-to-face debt advice.

Funding to the Council under the Discretionary Housing Payment system and the new Household Support Fund (which may be used in some circumstances to help with rent arrears) is also uncertain. The worry is that cuts will feed through to more debt and homelessness.

All the London boroughs will be exploring how to support tenants and leaseholders in housing arrears, in part through collective forums like London Councils. This will range from debt recovery, communicating with residents and the financial support offered. As such, there is the opportunity for London's boroughs to learn from what has and hasn't worked in other parts of the capital.

Recommendation 21:

A properly functioning and adequate social security system is one key to preventing and managing debt. Problem debt fosters and deepens the dependency we are keen to end. Government should ensure support to individuals through grants and funds to the Council is adequate to prevent evictions and financial hardship. For example, the £20 uplift in Universal Credit should remain in place.

Recommendation 22:

The GLA, LGA and London-wide groups, such as London Councils, should make the case for greater resources for individuals and housing providers to reduce arrears and evictions. This should include renewed pressure for sufficient Discretionary Housing Payment funding and other forms of relief.

Recommendation 23:

The GLA and London Councils should work with the London boroughs to share best practice on their approaches to rent arrears and debt recovery.

RWP RECOMMENDATIONS AND RESPONSE FROM THE COUNCIL

Recommendation	Response
Recommendation 1: As the end of the pandemic approaches, the Working Party believes that an advocacy and support approach to new debts and rent arrears will be more effective than warnings of penalties and evictions. We believe this will ensure that more arrears and debts are repaid over time. It is supportive of the Council's approach, as typified by 'Step-by-Step' and the sustainable payment arrangements it delivers. The Council should ensure it continues this approach to managing new rent arrears and other debts built up during the COVID pandemic.	Step-by-Step will be at the heart of the Council's response to the new debt issues arising from the impacts of the pandemic. The Council commenced pilots to test the inclusion of council rent arrears within Step-by-Step from late summer/early autumn 2021. The Council consulted residents through Tenant and Area Housing Forums meetings in September 2021. Following completion and evaluation of the pilots - expected to take place in summer 2022 - the Council will report on the outcomes from pilots and any proposals on the future rollout. Early learning from the pilots is encouraging. For example, 33% of council tenants with rent arrears owe another debt to the Council (22% have Council Tax debt).
Recommendation 2: Southwark has a long-established and thriving voluntary and community sector. The Council should continue to actively support (and work in partnership with) community and voluntary sector debt advice agencies. These activities will become even more important as we emerge from the pandemic.	The Council will work ever more closely with community and voluntary sector debt advice providers. The Council is already a member of the Money and Pension Service (MaPS) and Money Adviser Network and continues to offer access to free, independent and impartial debt advice to debtors who engage with the Council. The Council also provides generous funding for general advice and debt advice - and existing contracts with providers will continue until 2025. Free debt advice is readily available for any Southwark resident needing it but engagement with debt advice services by those with problem debt is not as high as it could be. The Council will aim to make it easier for residents to engage with debt advice and do more to assess outcomes from debt advice. We will consult with the VCS sector through the LBS Financial Inclusion Forum and will seek to engage the tenant representative bodies and wider tenant movement in that effort. Additionally, Debt Free London is a unique partnership of charities that provides free, expert advice to Londoners with problem debt. The Council will work with Debt Free London and Citizens Advice Southwark who provide the Debt Free London service in Southwark to ensure greater and easier access to debt advice for those dealing with the financial impacts of the COVID. For example, the Council will support and promote pop up events run by Debt Free London at locations around the borough from spring this year. First events took place in March 2022 at the Tesco Superstore on Old Kent Road and at SGTO offices at Bells Gardens in Peckham.

Recommendation	Response
Recommendation 3: The Council as a landlord has a strong relationship with the advice sector locally and nationally. To reach out to those facing problem debts the Council should continue to support roadshows and other neighbourhood events on debt advice and Covid support.	This year the Council will support multi-agency roadshows and other events to take place in community-based settings around the borough starting from March 2022 and at least quarterly thereafter. Events will be co-ordinated by Citizens Advice Southwark and will offer residents a range of advice and other support including debt advice, employment support, housing advice, energy advice, and income maximisation. Council officers, representatives of community advice organisations and staff from local Jobcentres will attend and the Council will further support events through direct mail and other marketing.
Recommendation 4: The Council is a recognised sector leader in its management of debt. The Council should continue to build upon the work it was doing before COVID to reduce the stigma around debt and rent arrears and explore new ways of creating greater trust and confidence so residents impacted by COVID seek help early.	It is proposed that resident representative groups supported by the Council commission a suitable provider (research institute/higher education institution) to work with residents on a co-research project that addresses the issue of stigma in the context of both housing tenure and debt. This work would be funded from a mix of private and public sources. The aim of such a project is to identify how stigma impacts residents in council housing on a daily basis, and what practical steps can be taken – by the Council, residents and other relevant stakeholders - to overcome the negative impacts of stigma for their health and wider wellbeing.
Recommendation 5: The Council should take additional steps to ensure those newly at risk of debt or in need of support due to COVID impacts are given priority support and advice.	From this year, the Council has further increased its analytic capability to support its Prevent, Resolve, Recover (PRR) approach to managing rent arrears debt among tenants. Weekly analysis of all rent accounts identifies early evidence of potential distress or trigger points for residents, enabling prompt and timely interventions.
Recommendation 6: The Council ensures easy access for debtors to independent, free and impartial debt advice. The policy and practice of the Council and debt advice agencies should focus on prevention and getting people to seek help as early as possible, continuing the innovation and good practice developed before the pandemic.	From this year, the Council will offer faster access to free, independent and impartial debt advice through the Money Adviser Network to tenants who may be experiencing distress but are not yet in "serious" rent arrears where they may be at risk of losing their home. We know that debt advice is most effective as a preventative measure - before the recipient falls into problem debt when debts can become unmanageable. Where tenants face multiple debts e.g. including Council Tax, the Council will always consider Step-by-Step (see also responses to recommendations 1,2,3, and 8).
Recommendation 7: The Council is a sector leader in its approaches to communication with residents in debt. The Council should continue to develop its approach to communicating with those in arrears - including the language used - to engender greater trust and confidence and maximise responses especially among those with new debts. In particular, the Council should review how it communicates with those in arrears who speak limited English.	The Council will review its existing debtor communications products during 2022/23 making changes where required. The Council will draw on learning from wider work to better understand and reduce stigma associated with indebtedness (see recommendation 4). The Council will ensure that all communication products are more easily available in languages widely spoken in the community such as Spanish and Portuguese. The Council will consult on changes with the community sector and with residents via the Tenant and Area Forum structure.

Recommendation	Response
Recommendation 8: The Council should continue to work with the Borough's voluntary/community groups and charities to ensure adequate support and advice is available should demand rise as emergency Covid support is withdrawn.	The Council will continue to fund existing general and debt advice provision through contracts that will run until 2025. The Council warmly welcomed MaPS very recent announcement that funding for face-to-face debt advice services in England will rise by 50% for the next two years. This will ensure that more free, independent and impartial debt advice is available for Southwark residents for at least the next two years (see also response to recommendations 1, 2, 3, 5 and 6).
Recommendation 9: There is a proven link between poor mental health and problem debt. The Council should build on its good practice in this area and consider working with the Money and Mental Health Policy Institute towards accreditation as a Mental Health Accessible organisation (for local income collection purposes).	The Council will work with the Money and Mental Health Policy Institute with the aim of achieving partial accreditation next year, and full accreditation as a Mental Health Accessible organisation by 2024 (there is a waiting list). However, the Council will immediately review the language we use to explain the criteria for severe mental illness related discounts ensuring that these are transparent, easy to understand and non-stigmatising. Data will be key to the realisation of underlying aim of addressing links between poor mental health and problem debt. The Council will join the Vulnerability Registration Service this year. The Money and Mental Health Policy Institute say that only one in seven (14%) people with mental health problems in England have ever told their council about their mental health problem. The Vulnerability Registration Service (VRS) is a not-for-profit organisation that operates nationwide. It provides a central, independent register of vulnerable people that is free to use and that helps creditors to identify vulnerability – including vulnerability due to poor mental health – more easily and keep people safe. The Council will work with local partners and residents to promote wider use of the service. Additionally, the Council recognises that many vulnerable residents with debts to the Council will also have debts to other Government departments (for example, overpayments of tax credits by HMRC and overpayments of Universal Credit by DWP). The Council will work with a new cross government programme (provisionally entitled VULCANO) tasked with enabling customer's vulnerability status to be shared across government. This is so that Government and local authority departments may tailor customer journeys to ensure that debtors receive appropriate support and a more consistent treatment for all their debts. We will update and consult tenant representative bodies as this work progresses.

Recommendation	Response
Recommendation 10: The Council has a proud record of ensuring that vulnerable residents get the support they need and are entitled to. As part of a continuing financial inclusion approach to debt recovery, the focus of efforts to support tenants and leaseholders facing arrears after the pandemic should be on income maximisation. The Council should build on its successful pre-pandemic work through 'Rightfully Yours' and 'Income Max' services.	The pandemic and social distancing measures disrupted the 'Rightfully Yours' and 'Income Max' services. Before the pandemic, service users, usually the most vulnerable residents, received advice and support with form filling in their own homes or other community-based settings such as doctor's surgeries. This form of delivery was not possible during the pandemic and online or telephone-based alternatives were less effective. The Council expects community-based activity to resume and get back to normal this year. Much of the support provided by these services derives from the poor health and disability of recipients. As services resume, they will face backlogs and pent-up demand for example due to health services identifying previously undiagnosed conditions. Partly for this reason, the Council aims to build on lessons about the power of mutual aid and social capital during the pandemic to support its income maximisation efforts in the future. Initially, those efforts will focus on the Walworth area and we expect to work with local residents and partner organisations there on a range of neighbourhood-level challenges this year, testing and trialling improvements to coordination between partners and the outcomes they deliver for the community.
Recommendation 11: Negative budgets are a growing risk as the Council and its residents emerge from the pandemic. The Council should continue to explore how it can best identify the growing number of those at risk of negative budgets and offer support before debts build up. This should include greater use of data held by the Council to identify vulnerable households not claiming benefits or other forms of support to which they are entitled	The Council holds a wealth of data about its residents as tenants and council tax payers and has developed its data-analytic capability in recent years as the market for products tailored to the sector has matured. The Council will continue to identify and work with suitable social policy, software and analytics suppliers to implement this recommendation while respecting resident's privacy. We will monitor engagement of residents impacted, and the effectiveness of interventions to tackle problem debt and arrears or to maximise income to households, for example as part of wider efforts to target support at the most vulnerable and excluded through the Council's Supporting Families programme. The Council will consult and engage residents as this work progresses.
Recommendation 12: The use of digital channels has increased during the pandemic. As such, the Council's approach to arrears should continue to ensure that digital channels are accessible and simple for all of those who use them, and that adequate provision is there via the phone for those most in need.	The Council's aim is to promote and facilitate greater use of digital channels through an improved and expanded digital service offer. However, telephone-based options will continue to be available for tenants and residents who are most vulnerable and the Local Support team will continue to act as guarantors of access to services for those who are most excluded. The Council will review all its online forms relating to payments and awards this year. We will consult with residents and tenants on proposed changes. The Council team responsible for resident involvement will support implementation of this recommendation, potentially through formation of a resident panel or reading group. The Council's commitments in respect of Digital Inclusion were set out in recent Digital Inclusion Report approved by Cabinet in January 2022 and the Councils revenues teams will support the work of the council-wide Digital Gap project run by the Council's Public Health team.
Recommendation 13: Some residents lack digital skills. The Council should review its online forms to ensure that they are made as easy as possible to complete. Also, consideration should be given to the idea of publishing a local directory of community facilities that offer free internet/computer access.	

Recommendation	Response
Recommendation 14: Changes to SESS (local welfare) policy were one of the Council's most effective responses as Southwark entered the pandemic. As we exit the pandemic, the Council should consider further changes to its local welfare policy to support those without white goods but saddled with new debt. This will help prevent negative budgets and enable residents to manage their debts in future. **Recommendation 15:** The Council already signposts those in need to other support available outside the welfare system. The Council should examine how it can work in partnership with credit unions and other charities – to further support tenants and leaseholders make one-off purchases of white goods for example that may reduce day to day living costs and make it easier to pay priority bills.	The Council already provides white goods to the lowest income and most vulnerable household applying for help through its local welfare assistance scheme (SESS), or where referred by other agencies. Hundreds of vulnerable residents have been provided with new or replacement fridges, cookers or washing machines. The Council will do more to promote access to affordable white goods for residents with rent arrears. We are firmly committed to working closely with organisations such as End Furniture Poverty, the Renewal Network and In Kind Direct so that more households needing them have access to white goods – including safe recycled white goods. The Council will engage and consult residents through the resident engagement structure as these changes take place.

Recommendation	Response
Recommendation 16: Southwark Council rents are among the lowest social rents in London. The Council should continue to ensure the efficiency and value for money of services so that bills - and therefore debts - are lower.	The Council has a long history of low or inflation-linked rent rises, and it has consistently adhered to the government's rent formula when setting tenant rents. Southwark's rents remain between 8% – 9% lower than the Government's assumed target rent and ranks 8th lowest of the 29 London boroughs with retained housing stock. Council rents are considerably below market rents. The Welfare Reform and Work Act 2016 compelled councils and housing associations to reduce rents by 1% each year for the financial years 2016-17 to 2019-20. This had a significant negative impact on the Council's resources to make improvements to council housing over the longer term. In 2017, the Government affirmed that rent increase levels would revert to September CPI+1% increases for five years post-2020. The Housing Revenue Account (HRA) – Final Rent-Setting and Budget Report 2022-23 included a rent increase for 2022-23 set at 4.1% and agreed by Cabinet in January 2022. The report also included proposals to make savings in expenditure on landlord services but also noted a list of unavoidable additional commitments, principally around government requirements with regard to the Fire Safety Act 2021 and the Building Safety Bill currently going through Parliament. With rent policy constrained to CPI+1%, the reality is that resources will never fully match the needs of the housing stock. This requires the prioritisation and re-profiling of works programmes in order to achieve best value and ensure long-term financial sustainability. Tenants and homeowners pay their rents and service charges into the HRA and this money is then used to fund all the activity needed to ensure our homes and estates are well run and in good condition. We are committed to consulting tenants and leaseholders to ensure the HRA is always used in ways that best meet their needs and improve their homes, ensuring value for money through efficient use of resources.
Recommendation 17: As homeownership has grown so has the number of private tenants living in Council properties under sub-letting arrangements with non-resident homeowners / leaseholders. Greater effort should be made to ensure that this group is not excluded from participation in tenants and residents' forums. **Recommendation 18:** The Council should review the situation facing private renters in council leasehold properties (see recommendation 17), including landlord practices and the levels of and access to advice and support.	The Council recognises the need to make targeted attempts at encouraging the active participation in the Council's resident participation structures of private renters living in HRA stock. This need will be reflected in business planning for the Resident Participation Business, and future work programmes. Commitments set out in the Council's Housing Strategy to improve standards in the private rented sector apply equally to those renting former Council properties.

PULLING AT THE ROOTS

Recommendation	Response
Recommendation 19: The unique nature of COVID debt requires new approaches to managing it. The Council should be innovative when dealing with the most vulnerable problem debtors with negative budgets – possibly through an expanded or enhanced Hardship Scheme. The Council should test new approaches, starting with small-scale pilots. Access to enhanced support would require willingness on the part of a debtor to engage with advice and agree to a sustainable repayment plan. If pilots show that the new approaches are successful as a means of increasing income collection over the longer term, they could become permanent.	In February 2022, the Council created a new Vulnerable Renters Fund for social housing tenants who have built up new rent arrears during the COVID pandemic and who may be at risk of losing their home. £250k has been set aside to provide support for vulnerable tenants through the new fund and those receiving support will form the basis of a pilot as recommended by the RWP. The deadline for use of the funding is in April with all costs met from a time-limited Homelessness Prevention Grant from the Government. The Council will use most of the funding to support council tenants but tenants of housing associations who are resident in Southwark are also eligible. The fund is not open for applications and the Council - and other landlords - will exercise reasonable discretion on which tenants should receive help. The power to provide support is from a temporary extension to the existing Council Hardship Fund. The Council will consider each case on its merits but expects to apply a 50:50:50 principle: • No more than fifty percent of the tenant's total rent arrears are covered • More than fifty percent of the tenant's total rent arrears should have built up during the pandemic (after March 2020) • The Council will provide up to fifty percent of the support offered at the start. All support through the fund will be conditional on engagement with the Council's rent income team and a genuine commitment to reduce rent arrears reflected in an agreed arrangement to repay. Some support will be held back until after the recipient has complied with an arrangement to repay for a significant period The accounts of those receiving support and the accounts of a similar number in a similar position will be monitored over the next two years and pilot results evaluated from 2023. The Council believes that the Government funding is welcome but falls short of what will be needed. We will press for the grant to be renewed and expanded next year (2022/23).
Recommendation 20: Residents of council housing have a strong and legitimate interest in the health of the Council's Housing Revenue Account. The Council should build on the experience of the Council Housing Residents' Working Party and work with residents to regularly review tenant and leaseholder arrears and council initiatives to reduce them.	The Council will ensure that the issue of tenant and homeowner arrears – and council initiatives to reduce arrears – are subject to periodic review by both the tenant and homeowner forums, at intervals agreed with the latter.

Recommendation	Response
Recommendation 21: A properly functioning and adequate social security system is one key to preventing and managing debt. Problem debt fosters and deepens the dependency we are keen to end. Government should ensure support to individuals through grants and funds to the Council is adequate to prevent evictions and financial hardship. For example, the £20 uplift in Universal Credit should remain in place.	The Council has spoken up for its residents in response to the ongoing major programme of Government welfare reform which began in 2013 - challenging and engaging Government through every avenue available to it. Those efforts have had some success, though less than we would have liked. The Government has made a number of welcome changes that the Council called for – including a run-on of housing benefit to soften the impact of the transition to Universal Credit for some residents. However, the Government's continuing refusal to change the five-week wait for first payment of Universal Credit and its recent decision to end the £20 a week uplift were particularly disappointing. The transition to Universal Credit and the phasing out of housing benefit have had the greatest impact on council tenants and that transition will continue, affecting tens of thousands more residents in next few years. Additionally, we expect that the phasing out of housing benefit for pension-age residents and its replacement by a top up to Pension Credit to meet housing costs for older residents on low incomes will commence from around 2024. The Council will continue to engage and challenge Government as it plans those changes and will consult with residents as it does so.
Recommendation 22: The GLA, LGA and London-wide groups, such as London Councils, should make the case for greater resources for individuals and housing providers to reduce arrears and evictions. This should include renewed pressure for sufficient Discretionary Housing Payment funding and other forms of relief.	The Council will work with local government associations, the GLA and other social housing providers to share best practice and make the case for more resources – seeking to influence Government departments responsible for housing and other forms of support.
Recommendation 23: The GLA and London Councils should work with the London boroughs to share best practice on their approaches to rent arrears and debt recovery.	

NOTES

NOTES

NOTES

PULLING AT THE ROOTS

Published April 2022