



National Audit Office

The UK's independent public spending watchdog

Comptroller and Auditor General
Gareth Davies

Stephen Timms MP
Chair
Work and Pensions Select Committee
House of Commons,
London, SW1A 0AA

Date 5 August 2020

Dear Mr Timms

DWP ANALYSIS OF RENT ARREARS OF UNIVERSAL CREDIT CLAIMANTS

Thank you for your letter of 27 July in which you asked a number of questions around my recent report on *Universal Credit: getting to first payment* (HC 376, Session 2019–2021, 10 July 2020).

You asked if we agree with Neil Couling's evidence to you that if the analysis presented in Figure 7 of the report was continued it would show the arrears beginning to be cleared. Neil was accurately quoting our report, referring to the analysis in paragraph 1.19 which summarised DWP's work in this area. As you recognise, Figure 7 does not show all this data and you asked if I could explain why we chose 17 weeks as the cut-off point.

Figure 7 is based on analysis and research conducted by the Department, which it intends to publish later this year. This data used a 17 week cut-off, and we adopted the same approach. This allowed us to focus our analysis on the five week wait after submitting a UC claim, given this period of 'getting to first payment' was the focus of our report. It led to our finding that: *"Tenants' rent arrears increase in the weeks before they make a Universal Credit claim. They continue to increase until around seven to eight weeks after the claim, when they begin to decline. Average arrears have improved over time."*

You also asked whether we could share a graph that supports our finding in paragraph 1.19 that "it takes around a year for claimants' arrears to return to the level they were at the start of a claim". This finding is also based on the Department's analysis. The Department had data for a small number of Housing Associations going to 52 weeks after the claim was made. It concluded that for the latest cohort *"A year after the UC claim, our raw weekly rent balances returned to within a week higher than that at the UC start date."*

I enclose the relevant slide from the Department's analysis presented to us during the study. Our descriptions of the data in paragraph 1.19 relates the latest cohort as the most up to date. I would also note that the Department's research notes that the majority of people with rent arrears with social landlords put an Alternative Payment Arrangement in place whereby the social landlord is paid directly by the Department. This tends to lead to social renters' rent arrears reducing while they are on Universal Credit

I hope this answers your queries.

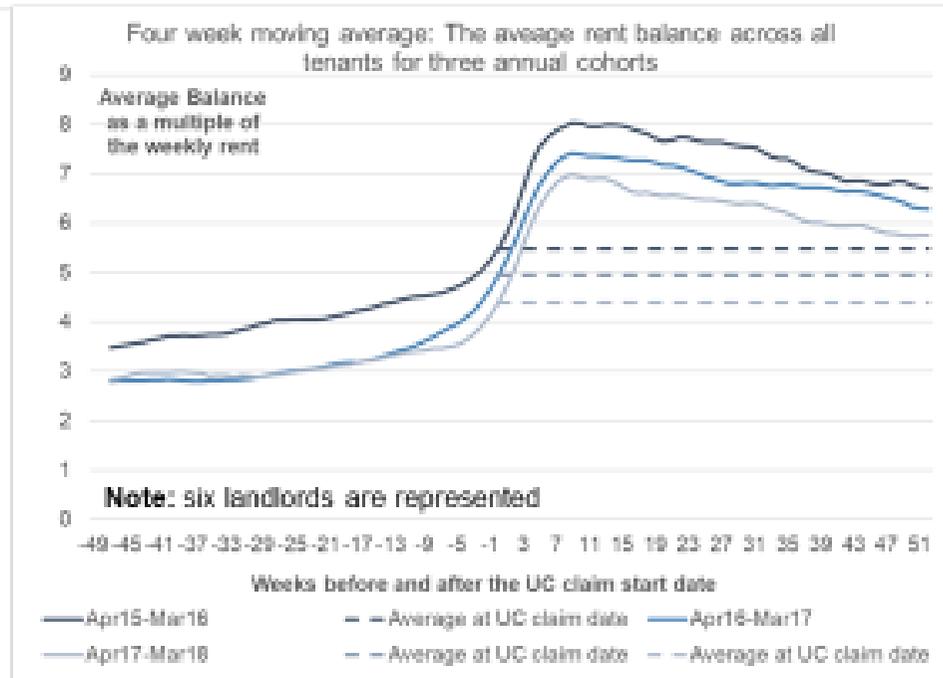
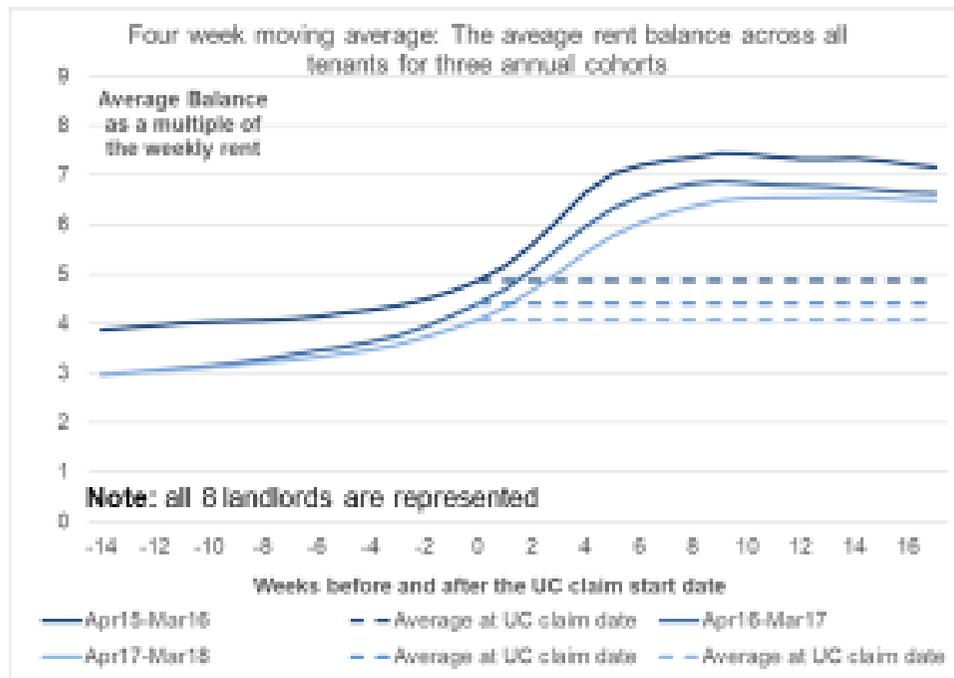
Yours sincerely

GARETH DAVIES

Similar pattern across annual cohorts

The charts below shows the average rental balance trends across all landlords for three consecutive annual cohorts. For both, the average rent balance drops between the first and last cohort. The dashed lines highlight the level of rent arrears at the UC claim start date. (See slide 16 for details on how we've constructed the averages). The annual cohorts of tenants:

- The left chart - All tenants from the **8 landlords** that were present from 17 weeks before and after UC.
 - In general: Tenants had 3-4 weeks of arrears before a sustained increase leading up to their claim which quickened nearer their UC claim start date. The rent balance then peaks at 6 ½ -8 weeks of rent at around 2 months after the claim before declining.
- The right chart - All tenants from the **6 landlords** that were present from 52 weeks before and after UC.
 - The rent balances follow a similar pattern over a wider period. A year after the UC claim, our raw weekly rent balances returned to within a week higher than that at the UC start date. This measure is amplified to 1.3 weeks by the lagged smoothing using a 4 weekly average.





Work and Pensions Committee

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From the Chair

Gareth Davies
Comptroller and Auditor General
National Audit Office

27 July

Dear Gareth,

The Work and Pensions Committee is currently running an inquiry into the wait for a first payment in Universal Credit. We took evidence from Minister Will Quince and Neil Couling from DWP on 15 July, shortly after the publication of the NAO's report into Universal Credit: getting to first payment.

The Committee is considering any link between the wait for a first payment of Universal Credit and financial hardship, including rent arrears, as part of its inquiry. During the session, Neil Couling referred to Figure 7 of your report (on page 26), which shows the average level of rent arrears faced by Universal Credit claimants from 14 weeks before the date of their claim up to 17 weeks after.

While the chart shows an increase in arrears from four to six-and-a-half weeks after the claim, he suggested that, if "[the NAO] had carried that analysis on, as we have, it shows that the arrears start to clear".¹

On that basis, it would be helpful to know:

- 1. Does Neil Couling's description correctly reflect the NAO's assessment?**
 - a. Neil Couling also said that "the NAO decided to cut off the analysis at plus week 17".² Please could you explain to us why you chose 17 weeks as the cut off point for this chart?**
- 2. Paragraph 1.19 of your report says that "it takes around a year for claimants' arrears to return to the level they were at the start of a claim". Could you share with us a chart which shows the level of arrears for this period—that is, for the full year following the date of the claim?**

It would be helpful to have your response by 24 August.

Yours sincerely,

¹ [Q213](#)

² Ibid

A handwritten signature in black ink, reading "Stephen Timms". The signature is written in a cursive style with a horizontal line above the name.

Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee