

## **Briefing paper: the financial impact of COVID-19 on Southwark council tenants**

### **Introduction**

This briefing paper examines the impact of COVID-19 on council tenants in Southwark. It focuses on an examination of rent arrears and evictions in Southwark, in the context of fluctuating levels of Government support, employment and Council action. The final section offers some concluding advice to the Council.

### **Overview**

Between June 2019 and June 2021, average arrears for council tenant households in Southwark had risen from 7% to 9% as a proportion of annual rent. In June 2021, this was the equivalent of each of these households being over a month behind in rent.

Between January and December 2020, the number of universal credit claimants increased in Southwark by just over 12,000 (representing an increase of around 48%). By May 2021, the number of households in Southwark claiming universal credit lay at 38,996, with 33,695 in payment.

Much of this increase in arrears and universal credit 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.

In March 2020, the UK unemployment rate stood at 4%, yet this rose to a peak of 5.2% by November 2020. Yet these unemployment figures do not represent the full impact of the Pandemic on employment. Between the announcement of the furlough scheme (the Coronavirus Job Retention Scheme - CJRS) on 20<sup>th</sup> March 2020 and early April 2020, just under nine million jobs were put on furlough. Until August 2020, the Government paid furloughed workers 80% of their usual salary, while offering financial support to businesses forced to close or reduce operations during the Pandemic.

In April 2020, a £20 per week uplift in Universal Credit was also introduced.

### **Reduction in support**

The CRJS furlough scheme is due to end on 30<sup>th</sup> September 2021, and on 6<sup>th</sup> October, the £20 per week universal credit uplift will end. In addition to this, the amount of funding allocated to Southwark for Discretionary Housing Payments (DHP) is being reduced by 44%, meaning Southwark Council are less able to use this additional payment to support council tenants who still struggle to pay rent with their universal credit.

These reductions in support are most likely to hit council tenants in arrears the hardest, as universal credit can be reduced to allow for deductions covering rent arrears.

### **Southwark Council's approach to arrears, possession, and eviction**

Southwark Council is able to evict council tenants who consistently don't pay their rent. Yet the Council is required to take action to try and prevent this stage from being reached. Actions include trying to reach an individual arrangement with the tenant or household in question; helping with housing benefit or universal credit; writing to the tenant about the arrears; and offering other relevant support.

Between 27<sup>th</sup> March and 20<sup>th</sup> September 2020, Southwark Council paused all possession claims, so no evictions could take place. The Court had the ability to act in an individual case but indicated that it would very rarely do this.

Between 17<sup>th</sup> November 2020 and 31<sup>st</sup> May 2021 there was also an eviction ban, but with some evictions still going ahead under limited circumstances. Since 31<sup>st</sup> May, there has been nothing to stop evictions from taking place. On 1<sup>st</sup> August 2021, the notice seeking possession (NSP – the notice before an eviction takes place) was reduced from 4 to 6 months, to 2 months.

### **Conclusions**

While unemployment is currently falling (yet it has not reach pre-pandemic levels), the end of furlough and the reductions in universal credit and Discretionary Housing Payments are likely to reduce the income of council tenants in Southwark.

There is a risk that rent arrears will continue to increase. With the resumption of evictions, it is important that Southwark Council exercises a large degree of discretion when dealing with evictions. This is an incredibly challenging time for tenants and unless this is reflected in Southwark Council's actions, we are likely to see an increase in homelessness and in the number of residents residing in insecure, temporary accommodation.

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