

## Summary Sheet

### **Council Meeting:**

Cabinet and Commissioners' Decision Making Meeting – 10 October 2016

### **Report Title:**

Housing Income - Service Development and Change Proposal

### **Is this a Key Decision and has it been included on the Forward Plan?**

Yes

### **Strategic Director Approving Submission of the Report**

Anne Marie Lubanski, Strategic Director of Adult Care and Housing

### **Report Author(s)**

Paul Thompson, Interim Project Manager – Housing Rents and Revenues Service Development

### **Ward(s) Affected**

All

## Executive Summary

The Council's Housing Income Service collects circa £84m per annum in rent and other charges from circa 21,000 council homes. A large proportion of our tenants are in receipt of full housing benefit (34%) or partial housing benefit (30%). The collection of income is becoming more and more challenging due to changes in the benefit system, rolling out of Welfare Reform. This is evidenced by an increase in tenant arrears. Between April 2015 and April 2016 current tenants rent arrears increased by £904k or 33.77%, and a further £491k of arrears accrued between April 2016 and the end of July 2016.

The Council has a number of challenges to overcome in order to maximise its housing related income streams into the Housing Revenue Account (HRA). Generating the income allows for effective delivery of essential services and also for the investment in new social housing funded by the HRA.

To fully understand the issues and explore options for change the Council commissioned an external review of the Housing Income Service. The key findings and recommendations of the report are set out in the main body of the report.

The purpose of this report is to seek approval for the implementation of the preferred option; A Service Development Proposal, as set out in the report. This will require significant additional investment of £638,000 to implement the proposal, which will be funded from the Housing Revenue Account (HRA).

The new delivery model for Housing Income resulting from a service development proposal will enable the Council to provide more focus and capacity on better sustaining Council tenancies (reducing homelessness and poverty in doing so), maximising housing income collection in all of its forms and minimising debts of tenants as customers of the service. This will contribute to the Housing Services and Council's ambition to strengthen and sustain communities.

A new operating model for the provision of more effective and timely Financial Inclusion and Tenancy Support Services will act as a catalyst for further potential service development across the Council by using this change platform to initiate broader cross cutting reviews of a number of Council services which provide both income collection and advice or support services to all citizens in the Borough, not only Council tenants.

### **Recommendations**

1. That approval be given to implement a service development and change proposal for the Housing Income Service, which will deliver a new operating model for the provision of more effective and timely Financial Inclusion and Tenancy Support Services.
2. That approval be given to an additional £638,000 from the Housing Revenue Account, to invest in and implement the new operating model.

### **List of Appendices Included**

Housing Income Review – Detailed Business Case, 11 April 2016

### **Background Papers**

None

### **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

No

### **Council Approval Required**

No

### **Exempt from the Press and Public**

No

# Housing Income Service Restructure and Service Development Proposal

## 1. Recommendations

- 1.1 That approval be given to implement a service development and change proposal for the Housing Income Service, which will deliver a new operating model for the provision of more effective and timely Financial Inclusion and Tenancy Support Services.
2. That approval be given to an additional £638,000 from the Housing Revenue Account, to invest in and implement the new operating model.

## 2. Background

- 2.1 This report demonstrates the results from an independent review of the Housing Income Service and provides recommendations to develop and improve the service in the future. Importantly the proposal is to provide additional focus on both rent collection and in delivering an improved model for Financial Inclusion and Tenancy Support which will help the Council's tenants sustain their tenancies when they are suffering from financial hardship. A Business Case was completed to support the proposal.
- 2.2 The new service will also support a 'One Council' approach to helping its most vulnerable and disadvantaged citizens, by promoting benefit take up campaigns, increasing and developing new multi-agency and partnership activity in order to reduce financial exclusion and in delivering bespoke advice and support to those who need it most.
- 2.3 The timing of this review has allowed for the consideration of a number of challenges to how the Council collects rent and other charges from its circa 21,000 tenancies, in order to sustain these tenancies and protect the provision of essential housing services.
- 2.4 In the context of the size of Rotherham MBC, the Housing Income Service is relatively small, but it is currently responsible for the collection of circa £84 million per annum in rent and other charges. Presently a large proportion of tenants are in receipt of full housing benefit (34%) or partial housing benefit (30%). The actual income due for collection by the service aside from housing benefit is now increasing due to significant challenges for the rented housing sector as a whole.
- 2.5 The collection of income is becoming more and more challenging due to changes in the benefit system and the rolling out of the Government's Welfare Reforms. This is evidenced by an increase in tenant arrears. Between April 2013 and April 2015 current tenants rent arrears increased by 57.6%.
- 2.6 From January 2016 Rotherham experienced the effects from the phased roll out of Universal Credit which replaced other previously paid welfare benefits. This poses a significant risk to the effective and timely collection of rent and other charges as Universal Credit (including the housing element that previously was housing benefit) is paid to the claimant one month in arrears and they are then responsible for paying their rent and other bills.

- 2.7 Nationally there has been an increase in rent arrears for Universal Credit claimants which is at a higher level than the Government itself anticipated. On 13 July 2016 the Welfare Reform Minister requested an urgent review into the high rate of rent arrears owed by Universal Credit Claimants. Stating, “We need to understand what the existing arrears are. They are much higher than we expected – 50% – and that is a frightening fact.”
- 2.8 The external environment in which the Housing Income Service sits is changing in unprecedented and challenging ways. The Housing Income Service has a considerable role in ensuring Council tenants in Rotherham can remain in their homes for as long as they need them. The business case highlight an evidence based requirement to modernise and develop both the functionality and structure of the service, and deliver a new model for the provision of financial inclusion and support services to tenants and citizens.
- 2.9 The current service does not have the required capacity to deliver against the increasing challenges which face many of the Borough’s most vulnerable tenants who are in, or could face, severe financial hardship, making them vulnerable to losing their home. Included in this model there will be a far better equipped Financial Inclusion and Tenancy Support Service which will identify, engage with and support those tenants who may be at risk of not paying their rent in the early stages of their tenancy.
- 2.10 This new model of delivery will contribute to the Council’s wider ambitions as set out in the Corporate Plan which acknowledges that “deprivation has been increasing in the poorer parts of the Borough, but reducing elsewhere, risking an even more polarised borough in future if this trend continues.” The new service will be resourced to have the capacity to develop and deliver the practical interventions and projects around financial inclusion and financial wellbeing which will mitigate this risk.

### **3. Key Issues**

- 3.1 The Council has a number of challenges to overcome in order to maximise its housing related income streams into the Housing Revenue Account (HRA). Generating this income allows for effective delivery of essential services and also for the investment in new social housing funded by the HRA.
- 3.2 In addition to the challenge of maximising rent collection further significant challenges to the 30 year HRA Business Plan have resulted from recent Government policy change. These policy changes include the enforced 1% year on year rent reduction for all social housing, the further incentivising of the Right to Buy which may see the Council’s housing stock reduce further and outcomes from the Housing and Planning Act 2016. When considered collectively these place a significant strain on the HRA Business Plan, which is the subject of a separate report to Cabinet.
- 3.3 Since the Housing Income Service returned to the Council’s control in 2011-12, when the ALMO (Arm’s Length Management Organisation) was brought back in house, a number of new initiatives to maximise rent collection have been introduced. This has included the process of collecting one week’s rent in advance before all new tenancies commence and much improved

monitoring of how rent arrears cases are being managed. However despite these initiatives, added to with the recent introduction of robust performance management and monitoring arrangements, including varied personal targets for individual staff, rent arrears have continued to increase. Also of concern is that the overall responsibility for housing income recovery is split, with the collection of former tenants arrears sitting outside of the service in Revenues and Benefits. The service development proposal will address this by ensuring one senior officer in the Council is responsible for maximising housing income in all of its forms.

- 3.4 Using a bespoke benchmarking report for 2014-15 (the last year data is available) comparing income collection performance against other similar organisations, Rotherham is highlighted as being in the lower quartile. Actual performance for rent collected from current and former tenants was 98.37%. Median (middle) performance was 99.45%. RMBC performance in fact ranked as 67<sup>th</sup> from the 72. If the service had collected the median amount of income during 2015-16, this would have meant that it would have generated a further £933k of income.
- 3.5 Importantly the benchmarking also highlighted that the income service has the fifth lowest amount of staffing resources. The manner in which these resources are currently deployed has been challenged and will also be addressed. The service development proposal recommends a flatter, leaner management structure, which reduces the vertical nature of several layers of management and which puts 70% of budget provision into front line service delivery and 30% into management costs. This is a significant change to the current arrangements.
- 3.6 In summary the service is very low cost in comparison to others; is not structured in an output and customer focussed way and it is currently delivering poor performance. It is clear from information received from other organisations that many have already invested in additional resources, and reshaped their operating models to focus more activity on tenancy support in order to meet the challenges posed by welfare reform.
- 3.7 In respect of more recent income collection performance, year end reporting highlights that in the financial year 2015-16 current tenants rent arrears increased from £2,677m to £3,581m: a one year increase of 33.77%. In respect of the current financial year 2016-17, at the end of July 2016 current tenant arrears were £4.072m, an increase of £491k since the end of last financial year.
- 3.8 It is increasingly clear that more tenants require timely help and support and there is evidence that this trend is set to continue, posing a threat to the level of rent being collected, and for many Council tenants the potential threat of losing their home.

#### **4. Options considered and recommended proposals**

- 4.1 As part of the review process a number of potential options for the future delivery of the Housing Income Service have been considered. Consideration has also been given to bringing the collection of all housing related charges into one service, as presently some are managed in different departments.

- 4.2 The review also tested the merits of where the Housing Income Service should sit within the Council's wider organisational structure, and also if there were other opportunities for the service to be delivered.
- 4.3 In summary the four options considered were:
- Option 1: The Potential for Service Outsourcing
  - Option 2: Transfer Income Services to Revenues and Benefits
  - Option 3: Merging Income Service into Housing and Estates
  - Option 4: A Service Development Proposal – Preferred Approach
- 4.4 Consideration of each option has resulted in a view that the preferred approach for the service in the short term is that it should be developed and restructured, and for it to remain in the Adult Care and Housing Directorate.
- 4.5 However, this proposal has highlighted the potential to better co-ordinate and potentially consolidate Council services which provide both income collection and advice or support services to all citizens in the Borough, not only Council tenants. This will act as a catalyst for further service development by using this change platform to initiate broader, cross cutting reviews of a number of Council services.
- 4.6 The proposal is to grow the capacity of the Housing Income Service and also to add resources to a more clearly defined and remodelled Financial Inclusion and Tenancy Support Service to target activity towards those tenants and residents who need most help.
- 4.7 The service development and change proposal will equip income recovery staff with new tools, including sector leading software which filters and accurately prioritises those cases most in need of action. Staff will be better positioned to identify those tenants who need early support and advice (even before they are offered a Council tenancy), but also will take firm but fair recovery actions against those who have the means to pay their rent as a priority bill, but who choose to use their income for other expenditure.
- 4.8 The proposal also sets out the need for some degree of culture change across the wider housing service. Many housing organisations are moving towards an approach best expressed as 'Commercial Mind-Social Heart'. Benefits being achieved elsewhere in the sector can be replicated using customer insight and 'nudge theory' in order to deliver more consistent messages on tenancy compliance and tenant responsibility. This in time will modernise the relationship with tenants creating a payment culture where the payment of both rent and Council tax are recognised as being priority bills or debts.
- 4.9 The recommended approach delivered by this proposal for service development and change will have a number of benefits and anticipated outcomes. While a full listing is included in the detailed business case, these include 'key benefits' summarised below:
- Modernising the relationship with tenants to create a payment culture, and in highlighting the requirement to pay priority bills, rent and Council Tax,
  - Ensuring tenants have a much clearer pathway to more accessible housing income and financial inclusion/tenancy support services with staff

working on a rota basis during early evenings midweek and a half day on Saturday's

- Delivery of a new Housing Income Service, which has a single and complete view of a customer's overall housing debts
- Working to an ethos of 'get in early' and making 'every contact count'
- Better use of customer insight and business intelligence software to focus work priorities and drive up performance
- Much improved pre-tenancy affordability checks and an improved tenancy support package with much earlier interventions, particularly for those claiming, or moving onto Universal Credit
- Develop cross cutting, targeted interventions in partnership with others, in order to increase capacity and deliver focussed activities enhancing financial inclusion and financial wellbeing, which adds value to residents and maximises benefit take up and minimises bad debts.

4.10 The new way of working will result in opportunities to:

- Maximise rent and housing income collection in all of its forms, ensuring an improved culture of tenancy compliance and reduced tenancy failure,
- Minimise costs by removing waste, increasing low cost payment opportunities and moving towards service access using 'digital by default',
- Deliver excellent customer service in a challenging service environment; recognising the diverse needs of customers and working to sustain their tenancies to enhance community stability across Rotherham.

4.11 There is a great opportunity to significantly change and improve the way this work is delivered, creating a fresh and fit for purpose Housing Income Service. In redesigning the delivery of this function there is the opportunity to create far greater accountability for performance as well as targeting enhanced resources in a manner which will deliver improved outcomes both for Council tenants and residents, as well as contributing to the delivery of the Council's Corporate Plan Priorities as follows.

#### **Every child making the best start in life**

The service will be able to offer more timely and intensive support to all families living in Council housing at risk of losing their home due to rent arrears. We will continue to fund a Family Support worker within the Children's and Young Persons Service who will offer help and advice to any family referred by the Housing Income team. This should contribute to reducing the number of children living in poverty and that more children live in a safe and secure environment.

#### **Every adult secure, responsible and empowered**

The service will support Council tenants in rent arrears by providing advice and guidance in financial issues. We will work with colleagues to provide preventative support to contribute to sustaining tenancies, reducing homelessness and poverty.

#### **A strong community in a clean, safe environment**

The service will assist Council tenants to manage their finances better, which will lead to reduced rent arrears and increased income for the Council to spend on improving communities in which tenants live.

### **Extending opportunity, prosperity and planning for the future**

We will refer Council tenants to other services who can provide support with accessing employment and money advice. Working with other teams the service will encourage contractors and suppliers to offer apprenticeships to Council tenants and their families to support them into work.

- 4.12 Recent and current performance for rent collection from current tenants is referenced in 3.7 above. There are in fact a suite of performance measures already established for the service which will be closely monitored following the implementation of this proposal in order to establish the success the service development and change has generated.

## **5. Consultation**

- 5.1 Informal consultation has taken place with all staff in the Housing Income Service, various internal stakeholders working in other Council service areas, and with two external stakeholders, Rush House (providing supported housing and floating support for young people) and Rotherham CAB.

## **6. Timetable and Accountability for Implementing this Decision**

- 6.1 To deliver this service development and change proposal successfully and to include a full service restructure it will require the appropriate level of management, planning and resources. An indicative timetable covering the high level actions and key stages is shown below:

• Informal consultation	Undertaken
• Detailed business case	Undertaken
• Draft and refine proposal	Undertaken
• DLT approval	31 August 2016
• SLT consideration	13 September 2016
• Seek Cabinet approval	10 October 2016
• Implementation Phase	November'16 to March 2017
• New ways of working	From April 2017
• Formal Year 1 Review	April 2018

- 6.2 The officers responsible for implementing this decision are:

Anne Marie Lubanski – Strategic Director - Adult Care and Housing  
Tom Bell – Interim Assistant Director - Housing and Neighbourhood Services

## 7. Financial and Procurement Implications

- 7.1 In summary the proposed service development and change proposal, including a full service restructure will require additional annual funding totalling a maximum of £638k from the Housing Revenue Account, which increased the existing staffing structure from 21 FTEs to 40.8 FTEs This includes £125k of temporary capacity, included in order to build in income recovery capacity at a time when evidence highlights it is most needed. Should the additional temporary capacity not be required after two years the annual growth would in fact be £513k.
- 7.2 However these overall proposed budget increases can be mitigated in a number of ways:
- a) The Housing Income Service had lower quartile performance for rent collection during 2014-15 when comparator data was last available. For rent collected from current and former tenants this totalled 98.37%. For the year 2015-16 a slightly lower amount of 98.05% has been collected. The service development proposal will allow for just below median level resources. By using an 'invest to save approach' this should ensure that income collection performance improves to at least a median level. If performance to this median level had occurred in 2015-16 this would have generated an additional £932,966 of income. In considering this modelling moving forward the proposal is self-financing and should also generate additional HRA income.
  - b) By removing circa £40,000 of HRA funding per annum from the Revenues and Benefits Service in Financial Services for the collection of Former Tenant Arrears. This would happen as this function would transfer back into the new Housing Income Service. The Service Manager in Revenues and Benefits has been consulted on this proposal and the officer covering this function would be allocated other relevant work within the Revenues service.
  - c) By removing circa £40,000 (£37,963 outturn for 2015-16) funding per annum currently provided to Legal Services. The post holder delivering this role retired from the Council in March 2016 and temporary arrangements have now been put in place, pending the outcome of this review. This work would transfer into the new service although there would still be a need to use Legal Services for complicated case support, which is the sector norm.
  - d) By varying the arrangements in place with the Customer Contact Centre who currently receive first point of contact enquiries from tenants who have been sent rent recovery letters in the early stages of the recovery process. Taking this element of work back into the Housing Income Service would ensure an 'income recovery expert' negotiates and agrees appropriate repayment arrangements with the tenant.

- 7.3 However the extent of the impact which Universal Credit will have on rent collection performance remains estimated in Rotherham and across the social housing sector. The service development plan will include a range of systems and process changes focused on maximising rent collection from tenants moving to Universal Credit from other welfare benefits, and then being responsible for paying their rent instead of this being paid by Housing Benefit.
- 7.4 The success of this work and the overall change and restructure programme will be considered as part of a 12 and 18 month post implementation review. This will be carried out to ensure resources have been allocated appropriately, or whether due to any significant variation on performance Universal Credit has, there is a need for further staffing proposals. Anticipated performance outputs and benefits across all housing income collection functions will also be reviewed to see if these have been achieved.
- 7.5 The funding for the service comes entirely from the Housing Revenue Account. General Fund budget provision and any implications to the General Fund are minimal as referred to in 7.2. There will be additional payments to the General Fund for extra office accommodation and support required from the restructure. This is estimated at 40k and is included in the total investment required of £638k.
- 7.6 Historically the HRA has generated significant surpluses against approved budgets for the past 4-5 years. It is proposed these savings are used to fund the Year1 implementation costs. Thereafter costs will be factored into the HRA Business Plan.

## **8. Legal Implications**

- 8.1 In respect of the Housing Income Service RMBC meets legislative and regulatory requirements. This includes but is not limited to, the Homes and Communities Agency Regulatory Code and Guidance, the Ministry of Justice Pre-Action Protocol, the Housing Act 2004 and the Data Protection Act 1998.
- 8.2 There are no direct legal implications arising from this service development proposal aside from those relating to employment law given there will be an impact on staff as described in 9 below. The Council has well established policies and procedures which will be implemented in order to ensure full compliance with all relevant legislation.

## **9. Human Resources Implications**

- 9.1 The restructure element of the service development and change proposal will affect 25 staff employed in the service. The proposal will affect all staff in the current service in some way, although in some cases this may only be revised reporting arrangements. All existing job roles have been reviewed and a number of posts in the existing structure will be proposed for deletion from the establishment. In real terms there will be enough posts for staff.
- 9.2 In addition, the remaining new posts would provide potential retraining opportunities for other Council staff including those in the Talent Pool at risk of redundancy due to the implementation of restructures in other areas. This proposal could reduce the costs of staff facing redundancy particularly as a

number of positions in the redefined Housing Income Service could be recruited to using a 'recruit for attitude and train for skills' approach.

- 9.3 Service access times will be extended to include staff working on a rota basis during early evenings midweek and a half day on Saturday's, while also promoting 'channel shift' for standard customer enquiries. Advice has been taken from Human Resources which highlights that this will have a small budget implication relating to non-standard hours of work for Saturdays and will need to be factored into staff consultation.
- 9.4 One further challenge for a new Housing Income Service relates to the availability of adequate desk space in Riverside House to allow for effective team working. However, officers will work with the Council's Corporate Property Team in order to ensure appropriate provision.

## **10. Implications for Children and Young People and Vulnerable Adults**

- 10.1 Presently the Housing Income Service provides temporary funding for one Family Support Worker Post within CYPs. The post holder works closely with families at risk of eviction. The proposal does not recommend any change to this arrangement.

## **11. Equalities and Human Rights Implications**

- 11.1 The Housing Income Service is responsible for collecting rent and other charges promptly in order to sustain tenancies and maximise income for the Council and the service has an important role in minimising the bad debts of tenants, as customers. When implemented this service development and change proposal will ensure more tenants are able to sustain their tenancies and will have a positive impact in respect of equalities.
- 11.2 When a tenancy does fail due to continued non-payment of rent, the relevant legislation is in place in order to ensure that a tenant's human rights are protected. For example any decision to evict a tenant is made by a judge taking account of the legislation and the individual circumstances in each case.
- 11.3 An Equalities Assessment has been completed, considering both the service development and restructure proposal for the service. This will be reviewed as the implementation of the proposal moves forward.

## **12. Implications for Partners and Other Directorates**

- 12.1 The relevant elements of the report and detailed business case have been produced in conjunction with officers in other Directorates.
- 12.2 In addition, where the Housing Income Service is working with partner organisations the service review methodology included holding discussions with these partners in order for these to inform the overall findings. At appropriate points in the service development timeline these partners will be updated on any changes affecting the respective working arrangements.
- 12.3 This proposal will initiate a number of cross cutting reviews involving Council services which provide either an income collection or advice and support

function, in order to ensure future consolidation, shared best practice and the realisation of efficiencies.

### **13. Risks and Mitigation**

- 13.1 There are significant risks to future Housing Revenue Account income given ongoing welfare reforms and the general financial squeeze on low income households. The Council must consider the impact to the service and future long term viability of the HRA Business Plan given the ongoing increase in rent arrears and bad debts. In 2015-16 there was an increase of 33.77% and during the financial year 2016-17 there has been a further £491k rise in current arrears to the end of July. This level of increased bad debt is unsustainable in the medium to long term.
- 13.2 As rent arrears increase, this may result in increased evictions, which will put greater pressure on the Homelessness Service, funded through the General Fund. During 2015-16 108 households in Council tenancies were evicted, including 12 households with dependent children.
- 13.3 Through not adopting this proposal to change and develop the Housing Income Service, to include a new operating model for the provision of more timely Financial Inclusion and Tenancy Support Services it could result in greater numbers of Council tenants being financial excluded and failing to lead independent lives.
- 13.4 A robust Year 1 post implementation review will be carried out (potentially in April 2017) in order to test the success of the new service and inform further service development and change.

### **14. Accountable Officer(s)**

Anne Marie Lubanski – Strategic Director - Adult Care and Housing  
Tom Bell – Interim Assistant Director - Housing and Neighbourhood Services

Approvals Obtained from:

Strategic Director of Finance and Corporate Services: (Via) Kathleen Oakes  
Director of Legal Services: (Via) Stuart Fletcher and Neil Concannon  
Human Resources: Odette Stringwell  
Head of Procurement: N/A

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