

## Rotherham MBC

<b>1.</b>	<b>Meeting:</b>	<b>Cabinet</b>
<b>2.</b>	<b>Date:</b>	<b>5 November 2014</b>
<b>3.</b>	<b>Title:</b>	<b>Rent Collection and Arrears Recovery Policy</b>
<b>4.</b>	<b>Programme Area:</b>	<b>Housing and Neighbourhoods Service</b>

### **5. Summary**

This report outlines the proposed Rent Collection and Arrears Recovery Policy and associated processes which have been refreshed given the challenges faced to maximise income recovery to the Housing Revenue account (HRA) given the ongoing Welfare Reform agenda. The report provides information about the service challenges brought about by the implementation of welfare reform and proposes in light of the current and ongoing changes the new rents collection policy and processes required. The report was submitted to the Improving Places Select Commission on 16 September 2014 which recommended particular emphasis be placed on minimising the number of tenants falling into increased debt by targeting support work when arrears are below £250.

### **6. Recommendations**

**That Cabinet:**

**6.1 Note contents of the report.**

**6.2 Comments on the Rent Collection and Arrears Recovery Policy.**

**6.3 Approve the Rent Collection and Arrears Recovery Policy.**

## **7. Proposal and details**

### **7.1 Introduction**

7.1.1 The government's ongoing Welfare Reform agenda including the introduction of under occupancy criteria is having a direct impact on the number of active arrears cases being managed by the Housing Income Team. The number of tenants affected has remained relatively stable since April 2013 at around 3,300 tenants, of which approximately 2,500 are in arrears. During the first twelve months of welfare changes there has been limited intervention in these cases by the Income team due to the low level of arrears that exist. However if unaddressed over time, this will become a significant issue for both tenants and the councils finances.

7.1.2 The report outlines the revised policy and procedure for the recovery of unpaid rent to recover an increase in collectable income as a result of the Welfare Reforms.

### **7.2 Background**

7.2.1 The Housing Income Service has a proven track record in terms of the level of rent it recovers. This is supported by continuous improvement in its rent collection rates and upper & middle quartile performance nationally in a number of key performance indicators associated with rent recovery. For the first time in several years performance dipped slightly in 2013-14 following the introduction of the Under Occupancy Supplement but the service still maintained upper & middle quartile performance when compared nationally.

7.2.2 Over the years the service has sought to achieve an objective balance between enforcement action and its preventative techniques, which saw the number of evictions halve from 110 in 2007 to 55 in 2012/13. The change in approach has been brought about by working more closely with tenants from the onset of the tenancy and forging strong links with other stakeholders such as Housing Benefits, debt support agencies and Credit Unions to ensure customers get the best possible advice and assistance. It is fair to say since the onset of welfare reforms we have seen the reducing trend reverse with a total of 107 evictions in 2013-14 and 35 evictions to the end of June in 2014-15.

7.2.3 The environment in which we operate is changing as a direct result of the Welfare Reforms. One element of the reforms currently affecting Council tenants in Rotherham is the under occupancy charge. 3,349 Council tenants in Rotherham now have some rent to pay as a result of having a spare bedroom and of these 2,145 (64%) have fallen into arrears. The new charges have increased rent arrears by over £390,000 (as at end June 2014). As a result of the charge 200 tenants now have sufficient arrears where legal proceeding will commence because the value of arrears are now sufficient to pass the Department of Justice Pre-action Protocol Proportionality tests (i.e. £500+, this has recently increased from £250+ due to an increase in court costs, if we had remained at £250+ the total number of cases would be 489).

### **7.3 Recovery Processes**

7.3.1 The recovery process starts on the third week of non-clearance when a first reminder letter is sent to the tenant outlining what's owing. This letter is only triggered when the balance exceeds £30 to ensure the process is cost effective and equitable. A second reminder is sent on the fourth week of arrears when balances exceed £45. If the debt remains outstanding and no contact has been made we will visit the tenant to establish their personal circumstance. At this stage we will make an arrangement with the tenant to clear the balance by instalments. If balances remain outstanding after 5 weeks and/or the agreement is breached we will consider serving a Notice of Intention to Seek Possession which is the first step prior to litigation. All cases must meet the requirements of the Court pre-action protocol which determines we must make personal contact with the tenant prior to the case being entered into County Court. Entry into Court does not guarantee an outright possession order; common outcomes are payment orders and adjournments. Before considering litigation we take the view that commencing action below a threshold of £300 is disproportionate to the debt hence why very few tenants affected by Under Occupancy Charge have been submitted prior to the current year. A summary of the arrears Rent Collection and Arrears Recovery processes can be viewed at Appendix 2.

### **7.4 Proposed changes to the Rent Collection & Arrears Recovery Policy**

7.4.1 Some organisations have proposed 'no eviction policies' in response to the changes brought about by Welfare Reforms. For example both Brighton and Edinburgh Councils have said they will not evict a tenant if the individual's circumstance were "solely due to the under-occupancy penalty". They estimate the average loss in rental income per property per year will be in the region £600. They argue that with the average cost of eviction being £6000 and the authority having to incur temporary homelessness charges, costs to the public purse could be in the region of £6 to £10k per eviction.

7.4.2 There are, however some serious risks associated around the fairness of protecting a single group of tenants from eviction, which could carry the risk of legal challenge. For these reasons it is felt inappropriate to adopt this tactic as it sends out mixed messages to tenants that it's ok to not pay your rent if your difficulties result from the under occupancy charge, whereas other tenants with debts for other reasons will still be subject to existing recovery processes. Such an approach would inevitably see the tenants' debt rise over time to unmanageable levels.

7.4.3 The favoured approach therefore is the introduction of a mixed range of initiatives targeted to support tenants in financial hardship caused by welfare reforms. The key changes within the policy are detailed below and should be read in conjunction with the Rent Collection and Arrears Recovery Policy at Appendix 1 and Rent Collection Procedures at Appendix 2. These include:

## **Payment of one week's rent up front**

It is a condition of the Tenancy Agreement that one week's rent is paid up front. To date it is fair to say that this has never been actively implemented, with rent being paid following the tenant being signed up and moving into the property. In future it is proposed that all new tenants have to pay their first week's rent up front at time of sign up as per the tenancy agreement even where they may be eligible for Housing Benefit. This will ensure new tenants understand it is their responsibility to pay rent given the future proposals for Housing Benefit to be paid direct to the tenant through Universal Credit.

## **Advocacy and Support**

Prospective tenants and tenants affected by welfare reform will be able to access 5 key areas of advocacy. The newly created posts of Tenancy Support Officer, Money Advice Officers, Employment Solutions Officer and CYPS Support Workers will enable tenants to access areas of specialist advice via self-referral or by the Housing Options or Income staff as part of the revised recovery process. Agreement has already been reached with CYPS to provide alerts at the proposed court action stage and similar agreements are being worked on with the other agencies. Under the new process recovery action will be suspended pending review by CYPS; this will ensure tenants have income maximisation and budgetary skills to enable them to prioritise their debts.

In addition to the above support, all Income officers within the team now ensure no court action will be taken against a tenant unless Housing Benefit and DHP applications have been submitted where they are eligible. This is seen as key to reducing arrears for those tenants having debts over £250 as more often than not many are eligible for Housing benefit payments but due to chaotic lifestyles they have not been completed. The challenge with this approach is getting the tenant to engage to provide support in completing the applications to assist in clearing arrears.

## **Tenancy Agreement DVD**

The existing Tenancy Agreement DVD is being updated to promote sustainable tenancies and to encourage prospective tenants to "think it through" more before they take on a tenancy. The DVD is split into chapters to include steps the customers must consider before they become a tenant eg have some savings to buy furniture and other essential items, and will also cover the responsibilities of becoming a tenant which include paying their rent. The DVD's will also be used at the Young Persons Moving on Panel and will be distributed to support providers.

## **Risk Assessments**

The Housing Options team will now advise the Housing Income team of all new tenants they deem to be at potentially high risk of not paying their rent given income levels and/ or lifestyle choices. For all such referrals the Housing Income Officer will contact the tenant to confirm they are paying the correct

rent, check Housing Benefit eligibility, support applications for DHP and offer an appointment with tenancy support, Money Advice or Employment Solutions.

### **Peer Case Review**

Cases deemed to be a high risk, for instance involving the potential eviction of young children or people with mental health issues will be subject to a peer review to ensure all necessary support actions have been undertaken prior to any court action being taken.

### **Change the rent arrears policy for new lettings (from 28 October 2014)**

Revisions to the Allocations Policy are due to come into effect on 28 October 2014 which are intended to help promote more sustainable lettings and place more emphasis on customers to pay/ reduce any housing debts already owed. This will include affordability checks with a right to refuse prospective tenants who are unable to demonstrate that they can afford to pay the weekly rent. As part of this process tenants will be subject to credit check to ensure all debts (with the exception of any through unregulated money lenders) have been declared as part of the affordability assessment.

The revised Allocations Policy will also require prospective tenants with arrears from a previous tenancy (including Housing Associations) to pay back a minimum of 25% prior to being accepted onto the housing register where the debt exceeds £800. If the debt is less than £800 they will be placed on the register but suspended until 25% of the debt has been repaid.

Further joint-working is underway with the Housing Options team to improve the focus on income collection both before and during new tenancy sign-up, ensuring tenants deemed to be at a high risk of falling into arrears are highlighted to the Income Team immediately after sign up. In addition the Housing Options team actively encourage new tenants to sign up to Direct Debit payment.

### **Right to Reviews**

The Housing Assessment Panel or the Evictions Review Panel would consider the critical cases under the Right to Review of None Qualification due to debt to the Council or Housing Associations.

### **Targeting of arrears balances below £250**

Work is ongoing to target all arrears balances below £250 through telephone calls by the Contact centre. At this level of arrears it is still manageable for tenants to agree low value repayment plans to repay the debt over a 12 month timeframe. Once arrears exceed this value it is often inevitable that the debt will take several years to repay or result in eviction and consequently in the majority of cases the debt not being recovered. Where additional support is required by the tenant to meet rent payments these cases will be referred to the Housing

Income team for intensive support including assistance with Housing Benefit and DHP claims.

### **Tenants with arrears balances over £1000**

We have started to gather a greater understanding of tenants with arrears balances over £1000 as this group of tenants contributes the most towards current arrears. From this work we have identified the majority of tenants are aged 25 to 45, single and not claiming Housing Benefit. Of the 435 cases in arrears over £1000+, 67% are not claiming Housing benefit and £736,000 of the arrears within the £1000+ category of attributable to single tenants (total balance of arrears for accounts more than £1000+ is £834,000)

As a result a targeted campaign for promoting the take up of Housing Benefit is being implemented for this group of tenants to try and increase take up and tackle ongoing increase in arrears. Alongside this if it is evident the tenant will not be eligible for Housing Benefit we will attempt further negotiation on repayment of the debt and ongoing rent via Direct debit, as if no eligibility for Housing Benefit they will most likely be in paid employment.

In addition to the changes in approach to how we tackle arrears we have also introduced a number of projects to assist tenants to increase income, become more independent or reduce rent charges. These initiatives include:

### **Funding for Age UK Rotherham**

The HRA has provided £30,000 of funding to Age UK Rotherham who are delivering a project targeting over 65's to assess if tenants are eligible for Attendance Allowance and providing support in the application process. This provides tenants with a potential important source of additional income to pay for care needs and general day to day living expenses, including their Rent, District Heating and Rothercare charges.

### **Homeswapper**

This allows tenants to register for down sizing. This is especially important for those families affected by under occupancy supplement or generally struggling to make rent payments. The table below provides details on number of tenants that have down sized since 1 April 2013 to present.

	Number
Number of people registered for down sizing	341
Number of people registered for down sizing that were affected by the under occupancy supplement	243 (71% of total registered)
Number of people successfully down sized	113 (33% of total registered)
Number of people successfully down sized that were in financial difficulty	94 (27% of total registered)

## **Families For Change Project**

Intensive support is provided where we offer additional support with budgeting, job search and sourcing alternate accommodation to reduce weekly rent payable where tenants are no longer able to afford rent due to the benefit cap.

## **Laser Credit**

Where we have tenants struggling with arrears and through completing income and expenditure assessments we identify high cost debt from companies such as Provident and Brighthouse, we will sign post the tenant to Laser Credit Union to arrange a lower cost loan to repay the debt or purchase white goods etc. This approach will free up additional monies for the tenant to put towards payment of rent.

## **DHP Top Up**

We have made a £60,000 contribution to top up the Discretionary Housing Payment budget from HRA funds in 2013-14 to assist tenants affected by welfare reform and the challenging economic climate. We are currently reviewing with Revenue & Benefits if further top up funding is required in 2014-15.

## **8.0 Finance**

8.1 Since 2012-13 total income to collect has increased by £9.23mm due to rent increases. Total income due during 2014-15 is £82.55m.

At the same time we have seen an increase in tenant arrears from £4.47m in 2012-13 to £5.31m in 2013-14, an increase of £840k within year, of which approximately £340,000 is attributable to the under occupancy supplement. The remaining balance of approximately £500k is due to tenants being generally unable to honour their rent due to ongoing budget pressures given the wider economic environment.

As at 30 June 2014 cumulative rent arrears for current tenants was £2,067,734. Since 1 April 2014 there has been an increase in current tenant arrears of £329,629.

We are currently forecasting all rent arrears (current and former tenants) for 2014-15 to be approximately £980k by 31 March 2015. This would be an increase of £140,000 against all rent arrears of £840,000 for 2013-14.

There are currently over 10,000 tenancies with some form of arrears, which depending on the time of month can peak at over 14,000. There are 5,500 tenants subject to ongoing arrears proceedings and 2,444 owe greater than £250.

The profile of current tenant arrears is detailed in the table below:

<b>Arrears £</b>	<b>Total Value £</b>	<b>Number of tenancies</b>
00.01 to 99.99	183,343	3,802
100 – 249.99	639,730	2,953
250 – 499.99	521,848	1,226
500 – 999.99	645,568	783
1000+	852,141	435
	2,842,630*	9,199

\*figure differs from arrears quoted for 30 June 2014 as this is an in month snap shot

## 9.0 Risks and Uncertainties

9.1 Legislative changes presents considerable risks to the HRA's projected income as housing benefit is gradually phased out. Under current proposals all tenants soon will be expected to make payments to their own rent accounts ultimately increasing the pressures on the housing income team to income collection and arrears recovery processes.

9.2 If the Council fails to review and adapt its recovery processes to meet the challenges posed by changes in legislation it runs the risk of:

- ✓ Increasing poverty
- ✓ Widening the gap between the most and least deprived areas
- ✓ Failing to collect rental income
- ✓ Drop in performance on certain indicators including income collection and void repair costs / re-let times
- ✓ Increasing homelessness due to evictions
- ✓ Increasing personal debt as some tenants may resort to high interest and illegal lenders, possibly leading to increasing crime levels
- ✓ Increasing costs to the NHS as a result of stress and anxiety which can be caused by debt and threat of eviction and homelessness

The Rent Collection Policy sets out one element of the strategy to mitigate the impact of Welfare Reform on our tenants and ultimately the long term viability of the HRA 30 Year Business Plan. Greater emphasis has also been placed on providing support to tenants that are willing to work with the Council to access individual financial assessments, advocacy and support.

## 10. Policy Performance and agenda implications

Previous Cabinet and DLT reports have highlighted the impact the Welfare Reforms will have on service. The reports have brought in additional resources to tackle issues such as increased indebtedness amongst tenants and provision for advice and support services. These combined with the Rent Collection and Arrears Recovery Process will clearly help tenants sustain their tenancies and mitigate the impact on HRA 30 Year Business Plan.

## **11. Background papers and consultation**

- RMBC's Rent Arrears and Collection processes
- RMBC's Housing Allocation Policy
- Localism Act 2011
- Homelessness Code of Guidance
- Welfare Reform

## **12. Contact details**

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