

**PERTH AND KINROSS COUNCIL**

**Housing and Communities Committee**

**29 January 2020**

**Rent Arrears and Universal Credit Management Report**

**Report by the Head of Housing (Report No. 20/30)**

This report provides Housing and Communities Committee with an overview of actions taken to manage rent arrears and understand issues around Universal Credit. The report also outlines the support provided to tenants who fall into arrears.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 Managing rent collection and arrears continues to be a priority for the service. The impact of the current economic situation, welfare reform and rent arrears performance within the Council's housing stock were highlighted in a report to Housing and Communities Committee in October 2019 (Report No. 19/300 refers).
- 1.2 The report detailed the number of tenants receiving Universal Credit (UC) and outlined issues arising in terms of rent arrears ([Rent Arrears Update and the Impact of UC](#)). Comprehensive performance and statistical information were also included and remain relevant to this report.
- 1.3 Committee requested a further report providing more specific details on the actions taken to understand the impacts of UC and manage rent arrears.
- 1.4 This report, therefore, provides Committee with an overview of the key actions undertaken to manage, and reduce, arrears, and support tenants to maximise their incomes. A briefing was also held for elected members on 20 January 2020 on the Council's approach.
- 1.5 UC has now been rolled out across Scotland for new claimants, and households that experience a change of circumstances. As of May 2019, 76% of households entitled to assistance with their housing costs continued to receive housing benefit. This will reduce over time as working age households are moved over to UC as part of planned migration to be completed by December 2023.
- 1.6 Nationally, Local Authorities face significant and similar pressures and challenges around rent collection and UC. As at March 2019, rent arrears across Scotland's Local Authorities amounted to £74m, an increase of £9m (14%) on the previous financial year.
- 1.7 The Rent 1<sup>st</sup> campaign promotes a payment culture, and offers support, advice and assistance. It recognises that some tenants need support to manage their finances and avoid falling into arrears.

- 1.8 As detailed above, the Housing Service clearly faces real challenges on a daily basis in balancing two important, and potentially conflicting, priorities in terms of support and action to prevent homelessness and maintain people within their homes, alongside the need to recover rent and income to ensure a sustainable Housing Revenue Account (HRA).
- 1.9 Balancing the business head, and the need to recover rent, with the social heart, to support our tenants, is an integral part of our culture, and underpins our staff training plan.

## **2. ONGOING ACTIONS TO ADDRESS RENT ARREARS**

- 2.1 All actions to limit the impact of UC are embedded within our approach to rent arrears management. Since the introduction of UC, and as further changes have arisen, all procedures have been updated and staff trained accordingly to ensure a cohesive approach. Our approach to managing the impacts of UC are now considered in a business as normal manner.
- 2.2 In order to do this and manage rent arrears effectively, the Housing Service has a range of mechanisms in place. These are underpinned by policies and procedures, a programme of staff training and a Rent Arrears and UC Action Plan. A summary of the action plan is attached in Appendix 1.
- 2.3 Our approach to managing rent arrears is broadly similar, regardless of the payment method. However, because tenants who do not request an advance payment, will wait 5 weeks until they have received their first UC payment, we take a different approach. This is detailed in Section 4.7 and 4.8 of this report.

### **Rent Arrears and UC Action Plan**

- 2.4 The Rent Arrears and UC action plan is structured around the following key themes:
- prevention
  - early intervention and support
  - formal escalation process
  - communication and engagement
  - staff training and Information Technology
  - performance monitoring

2.5 The overall purpose of the action plan is to:

- prevent rent arrears, and manage and reduce them with continuing support to enable tenants to sustain their tenancy;
- ensure high levels of awareness from tenants of the need to pay their rent;
- reduce the level of financial and social exclusion;
- ensure processes for the collection and recovery of rent are robust and reflect good practice;
- ensure effective ownership and accountability of staff responsible for managing rent arrears;
- understand against the impacts of UC
- maximise income levels for both tenants and the HRA

### **3. PREVENTION**

3.1 Ensuring we support tenants to maximise their incomes and prevent arrears from arising at the start of a new tenancy is a key aspect of our approach. We, therefore, have a range of measures in place to support this, which include:

#### **Prevention Stage 1 - Housing Options**

- 3.2 Anyone applying for housing is invited to attend an enhanced housing options interview with a trained advisor. The purpose of the interview is to discuss the household's housing options which can include both the social and private rented sector. This allows the most appropriate solution, tailored to the individuals' needs to be identified.
- 3.3 In order to ensure that the most affordable housing solution is identified and to promote successful tenancy sustainment, a financial assessment and budget planning is undertaken. Where it is identified that the household may require assistance with housing costs, officers provide advice, assistance and information in respect of payment options, including UC and other benefits. Where appropriate, early contact is made with key support services and agencies such as Citizens Advice Bureau (CAB), Welfare Rights and the Credit Union.

## **Prevention Stage 2 - Offer of Housing**

- 3.4 It is important that, before moving into their new home, tenants are prepared and understand their responsibility to pay rent. When an applicant is made an offer of housing:
- officers provide support and assistance with arranging the move including access to furniture/white goods etc, and Community Care Grants. Contact is made by the Locality Housing Team with the prospective new tenant, to discuss and agree their rent payment method.
  - support is also provided to the new tenant, where necessary, to submit claims for UC or Housing Benefit.
  - information is provided about matters new tenants need to think about before moving, including income maximisation and budget planning. This information, in the form of leaflets and tools, is also available on our website.
- 3.5 When a tenant receives the keys for a property, this process is re-visited to ensure that all arrangements are in place to meet rent payments and ensure the new tenant's income is maximised.
- 3.6 Tenants have a wide variety of methods available to them, to pay rent and rent arrears. Collection methods include: Direct Debit; Standing Order; Automated Payment Line; Customer Contact Centre; Council Offices; Post Office and Paypoint outlets. Payments can be made in person, over the telephone or on-line.

## **Prevention Stage 3 - Settling in Checks**

- 3.7 Within 5 days of signing for their new tenancy, all tenants receive a settling in check. This gives tenants, and staff, an opportunity to discuss household budgets and to offer advice and support to prevent arrears arising. The importance of keeping rent payments up to date is also discussed in detail, and tenants are again reminded of the support available and encouraged to seek help as soon as difficulties arise.

## **4. EARLY INTERVENTION AND SUPPORT**

- 4.1 Where arrears do arise, either at the outset of a new tenancy or during an existing tenancy, we act early to provide support and prevent the situation from escalating. Our approach promotes early engagement with tenants through face to face contact, where possible.
- 4.2 Changes arising from welfare reform and the introduction of UC, alongside an increase in the complexity and vulnerability of households have meant that staff were spending 3 – 4 times longer supporting tenants to reduce arrears and maximise their incomes. This meant that there was reduced capacity for staff to provide this level of support to all tenants in need.

- 4.3 In recognition of this, during 2019, frontline resources were increased through the introduction of a mobile team of Housing Officers and Housing Assistants to support tenants. The team have the flexibility to work across all 4 localities, providing additional support and spending more focussed time in localities where arrears levels are higher.
- 4.4 Our policies and procedures ensure consistency. However, it is our person-centred approach, ensuring staff are considering cases on an individual basis to maximise the potential for successful engagement, which makes the biggest difference.

### **Missed Payment**

- 4.5 All rent accounts are checked weekly for any missed payments. Where a missed payment is identified, we try to make immediate contact with the tenant to discuss the reason, provide any support needed and discuss options for repayment.
- 4.6 Our Housing Assistants and Housing Officers work on a “patch” arrangement to ensure clear ownership and responsibility for arrears with individual officers. Where needed, tenants are provided with low level housing support with any matters relating to their tenancy, which may be contributing to their difficulties in meeting their rent obligations.
- 4.7 Where tenants have applied for UC, a check is made to confirm the housing costs have been verified by us. On average, it can take 5 weeks for the first UC payment to be received. The ability to cope with this delay depends on each individual tenant’s circumstances, such as level of savings and their employment status. Many UC customers apply for advance payments and these can be provided the same day. The Citizen’s Advice Bureau – Managing Money on Universal Credit, stated that *‘whilst 60% of new claimants took up advance payments, those who did are more, not less likely to have to borrow in other ways. 70% of the clients the CAB saw who were on UC who took out an advance were also in arrears with other bills, compared to 53% who do not take out an advance.*  
[https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/Managing%20Money%20on%20Universal%20Credit%20\(FINAL\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/Managing%20Money%20on%20Universal%20Credit%20(FINAL).pdf)
- 4.8 Although tenants on UC are encouraged to make payments to their account, no further escalation action will be taken. Frontline staff continue to contact tenants to provide any additional support and to ensure that when UC is in payment, the tenant meets their rental obligations to avoid any further action.
- 4.9 We recognise that traditional office hour appointments do not, in all circumstances, meet the needs of our tenants. Our frontline housing staff offer evening appointments for individual tenants. On a wider basis, Locality Teams organise evening and weekend working on an ad-hoc basis to try to support successful engagement.

## **Enhanced Housing Support**

- 4.10 Each Locality Team also has a dedicated Housing Support Officer who work with Housing Officers to support tenants with more complex needs. Although housing support can be offered at any point throughout a tenancy and identified through a range of interactions with a tenant, a missed rent payment is often a trigger, indicating a need for more enhanced housing support.
- 4.11 Issues faced by tenants falling into arrears are numerous and can include financial difficulties, personal, health or family issues which may require a multi-agency approach with other Council services or agencies. Our Support Officers are professionally qualified and have a wide-ranging knowledge of other agencies and will refer tenants to support specific to their needs.

## **Payment Arrangements**

- 4.12 Tenants are encouraged to make up missing payments or arrears in full. However, we recognise some may not have the means to clear the balance in a single payment. In such situations, tenants are offered the opportunity to agree a payment arrangement. This agreement should be affordable, regardless of how long it will take to clear the balance. If the tenant keeps to this arrangement, no further action will be taken.

## **Universal Credit**

- 4.13 Tenants in receipt of UC often find themselves in arrears due to the initial delay in their first payment and receiving ongoing payments in arrears. Tenants can request UC payments be made directly to the Council. If a tenant in receipt of UC fails to agree to, or maintain, a payment arrangement, the Council can request housing costs to be made directly to us as landlord.
- 4.14 In addition, where there are more than 8 weeks of arrears, the Council can request a Third-Party Deduction from the tenant's overall UC entitlement. The value of this is then paid directly to us. This reduces the arrears monthly, and results in no further action being taken, sustaining the tenancy.

## **Tenancy Sustainment Fund**

- 4.15 The Tenancy Sustainment Fund was introduced in April 2018 with an annual budget of £150,000. The fund demonstrates our commitment to mitigating the impacts of financial hardship for our tenants, and our overall strategic objective to sustain tenancies.
- 4.16 Tenants who engage and work with their Locality Housing Team, and have a repayment arrangement in place, can be awarded an amount to reduce or clear their arrears.

- 4.17 This has led to a reduction in gross rent arrears of 0.52%. Applications for the fund are submitted by the member of staff most familiar with the case, with the consent of the tenant. Applications are considered monthly by a Tenancy Sustainment Fund Panel, which includes the Service Manager, Finance & Governance Team Leader and Team Leader Income Maximisation.

## **5. FORMAL ESCALATION PROCESS**

- 5.1 Where early intervention and support fail to engage the tenant in working with the locality team to reduce arrears, the service has no alternative but to commence formal action. This is because tenants have a legal obligation to meet their rent responsibilities, and the Council are required to ensure that income to the HRA is maximised, to enable all housing services to be fully delivered. However, before commencing formal action the service will ensure that all alternative, less formal approaches, have been fully exhausted.
- 5.2 In the first instance, the tenant will be issued with a Notice of Proceedings for Recovery of Possession. This advises the tenant of the Council's intention to take formal action to recover the property. The notice also advises the tenant that unless they address the outstanding rent arrears balance, their case may be lodged in Perth Sheriff Court to recover possession of their home.
- 5.3 The process that is then followed may ultimately result in the service being awarded a decree by the Sheriff Court for eviction. An eviction prevention panel, involving a range of services, aims to protect the interest of vulnerable households and children and, in many cases, a technical rather than full eviction is undertaken. This is a positive approach followed by Perth and Kinross Council where the household either remains within the property or is offered alternative accommodation under a Short Scottish Secure Tenancy (SSST).

## **6. COMMUNICATION AND ENGAGEMENT**

- 6.1 The importance of paying rent is the building block upon which our Rent First campaign is based. The campaign and communications plan were introduced in 2016 and promote a payment culture among our tenants, reinforcing their legal responsibilities in respect of rent, the support available and the potential sanctions where rent payments are missed. The plan is also aimed at staff and wider services to ensure joint ownership of arrears management activities, awareness of any changes in procedures, updates on locality and service wide performance along with national legislative changes and good practice information.
- 6.2 Through normal tenant engagement and consultation arrangements, tenants are consulted on a range of matters in relation to arrears management and can influence the approach taken.

## **7. STAFF TRAINING AND INFORMATION TECHNOLOGY**

- 7.1 Ensuring all staff are well trained and aware of rent collection procedures, welfare benefits, UC, and income maximisation matters is crucial to ensure the effective management of rent arrears. Of equal importance is having staff confident in initiating often sensitive and challenging conversations around debt.
- 7.2 There are occasions when, despite earlier support work, a tenant continues to accrue arrears and the focus moves to recovery. This requires a different approach, as well as more specialist skills, to achieve the twin objectives of reducing arrears and supporting tenants to sustain their tenancies.
- 7.3 Securing a positive outcome needs a combination of soft and technical skills, and knowledge. These form the basis of our ongoing training plan. We continue to review and update the plan through benchmarking activity across the housing sector. This ensures that our approach reflects best practice and that staff have the skills and knowledge necessary to deliver this important aspect of their role.
- 7.4 Our locality Housing Support Officers receive training from the Council's Welfare Rights Team to enable them to provide low level benefits advice and ensure that our tenants can easily access their statutory and other entitlements. We have a seamless referral agreement in place where our Housing Support Officers can refer tenants for complex benefits advice and representation from the Welfare Rights Team.

## **8. PERFORMANCE MONITORING**

- 8.1 A comprehensive Performance Management Framework for Rent Arrears and UC is monitored on a monthly basis, by Locality Lead Officers and the Housing Management Team. This allows us to track both service wide and individual locality teams' performance and supports us to ensure that our staff resources are appropriately aligned to deliver ongoing performance improvements. In addition, it supports the identification of good practice and the positive impact of any ongoing improvement activities within each team.
- 8.2 Since the roll out of UC in June 2018, the Service has been undertaking predictive analysis activity, around the impact of UC on future arrears levels and the HRA. Senior Management Team and the Executive Officer Team have been provided with reports detailing the current and projected impacts on the HRA and average arrears levels.



## **9. FUTURE DEVELOPMENTS**

### **“Think Yes” Locality Team Budget**

- 9.1 Often individuals face many different pressures financially and personally, which can impact on the sustainability of the tenancy as well as health and wellbeing. Examples include lack of funds to attend claimant commitment appointments (potentially resulting in the DWP applying sanctions), small outstanding debt for utilities and one-off costs, such as replacement of white goods.
- 9.2 We have proposed the introduction of a small “Think Yes” budget for each of our Locality Teams. This will allow frontline staff to offer financial support with tenancy sustainment and well-being as a main consideration. By providing this type of financial support to address other financial pressures we will increase the potential for tenants to continue to meet their rent liability.

### **Mobile Working**

- 9.3 Currently, our frontline housing staff are unable to access our systems while out working in tenants’ homes. However, we are now in the final stages of testing suitable devices to allow us to move to a fully mobile solution. This will mean that staff will be able to access and update systems at the point of visit, including arranging further appointments and making referrals to other agencies for support. As a result, this will free up staff capacity to support key activities across the Housing Service, including rent arrears.

### **Benchmarking**

- 9.4 The service are currently considering the introduction of a tenant reward scheme, and will undertake benchmarking with other social housing providers, who have introduced similar schemes to identify the potential benefits and savings of such a proposal. Approaches taken by other landlords have included a financial incentive for tenants who maintain a clear rent account, pay their rent by Direct Debit and keep all pre-arranged repairs appointments amongst others.

## **10. CONCLUSION AND RECOMMENDATION**

- 10.1 This report provides an overview of actions taken to manage rent arrears and address issues around Universal Credit. Although the introduction of UC has impacted on arrears levels the report highlights the support provided to tenants who fall into arrears and outlines the many positive measures in place to support tenants to sustain their tenancies.
  - 10.2 It is recommended that Housing and Communities Committee approves the contents of this report.
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**Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Barbara Renton	Executive Director (Housing & Environment)	17 January 2020

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan	<b>None</b>
Corporate Plan	<b>None</b>
<b>Resource Implications</b>	
Financial	<b>None</b>
Workforce	<b>None</b>
Asset Management (land, property, IST)	<b>None</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>None</b>
Strategic Environmental Assessment	<b>None</b>
Sustainability (community, economic, environmental)	<b>None</b>
Legal and Governance	<b>None</b>
Risk	<b>None</b>
<b>Consultation</b>	
Internal	<b>Yes</b>
External	<b>Yes</b>
<b>Communication</b>	
Communications Plan	<b>None</b>

### 1. Strategic Implications

#### Community and Corporate Plan

- 1.1 This report and the work of frontline housing staff contribute to the following Perth and Perth and Kinross Community and Corporate Plan priorities:

- i) Giving every child the best start in life
- ii) Developing educated, responsible and informed citizens
- iii) Promoting a prosperous, inclusive and sustainable economy
- iv) Supporting people to lead independent, healthy and active lives
- v) Creating a safe and sustainable place for future generations

### 2. Resource Implications

#### Financial

- 2.1 There are no direct financial implications arising from this report other than those reported within the report itself.

#### Workforce

- 2.2 There are no workforce implications as a result of this report.

#### Asset Management (land, property, IT)

- 2.3 There are no asset management implications as a result of this report.

### **3. Assessments**

#### Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties. The Equality Impact Assessment undertaken in relation to this report can be viewed clicking [here](#).
- 3.2 The information within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- (i) Assessed as **not relevant** for the purposes of EqIA

#### Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 No further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

#### Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. Under the Climate Change (Scotland) Act 2009 the Council also has a duty relating to climate change and, in exercising its functions must act:
- in the way best calculated to delivery of the Act's emissions reduction targets;
  - in the way best calculated to deliver any statutory adaptation programmes; and
  - in a way that it considers most sustainable.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

#### Legal and Governance

- 3.7 The Head of Legal and Governance has been consulted on this report.

### Risk

- 3.8 None arising from this report.

## **4. Consultation**

### Internal

- 4.1 The Head of Legal and Governance has been consulted on this report.

### External

- 4.2 The Tenant Committee Report Panel noted that the report shows how proactive Perth and Kinross Council staff have been in dealing with Universal Credit. Ongoing staff training with early alerts and intervention have helped to prevent huge arrears and evictions. It's a credit to the staff.

## **5. Communication**

- 5.1 N/A

## **2. BACKGROUND PAPERS**

- 2.1 None

## **3. APPENDICES**

- 3.1 Appendix 1 – Summary Action Plan