

PERTH AND KINROSS COUNCIL**Housing and Health Committee****25 May 2016****Rent Arrears – Cash Collection within Localities****Report by Director (Housing and Social Work)****ABSTRACT**

This report seeks approval for a cash collection pilot introduced in January 2016, to be extended for a further 12 months in order to continue to collect Council house rents and reduce the current high level of rent arrears.

1. BACKGROUND / MAIN ISSUES

- 1.1 On 24 June 2009 a report to Council (Report No 09/325) agreed that cash collection within rural localities would cease, with the exception of the Council's main office in Pullar House, Perth and in Letham, Perth, and that the Council would promote alternative methods of payment.
- 1.2 This decision was based on the costs of cash collection in rural Council areas compared to similar services offered through Post Offices and Paypoints and in recognition that there had been a reduction in the number of payments made at rural offices.
- 1.3 In the meantime, however, the level of rent arrears for Council houses has continued to increase and is currently significantly higher than the Scottish average. The Council is aware of the challenge of collecting rent and the need to improve our rent arrears performance. In 2015/16 although our collection rate rose to 98% from the previous reporting year, this performance is lower than that of our peer group and our arrears levels remain higher.
- 1.4 In a report to Housing and Health Committee on rent arrears in August 2015 (Report 15/343) members were asked to note the report and endorse key actions, one of which was a plan to pilot cash collections in some areas. The piloting of cash collection, primarily in local offices, was to be offered to tenants with rent arrears as an easy and effective way of making payments. Following the introduction of procedures and risk assessments to manage this activity, the pilot was introduced in January 2016 and has been operating for four months. It covers the housing area offices in Perth and Kinross where cash collection had previously ceased, namely Blairgowrie, Pitlochry in the North, and Crieff and Kinross in the South. Cash continued to be collected in Perth City at Pullar House and in the Letham office. The pilot also included flexibility to collect rent in tenants' homes where appropriate.

2.0 THE NEED FOR CASH COLLECTION OF COUNCIL HOUSE RENTS

2.1 As part of the improvement plan to prevent and reduce rent arrears, the Housing Service has introduced a number of initiatives and processes, including piloting local cash collection as appropriate, and these are summarised below:

- Rent in Advance – encouraging tenants to pay rent upfront rather than in arrears
- Referral and support to sign up to Budget Account Card through the Credit Union
- *Rent 1st* Campaigns which are launched quarterly
- Extended hours contacts – where staff work in the evenings and weekends to contact tenants face-to-face or by telephone to encourage payments
- Use of text messaging to alert tenants in arrears and encourage payments
- Introduction of a new smart phone app to make it easier for tenants to pay their rent
- Use of Sheriff Officers to collect arrears from former tenants and to serve notice on tenants reaching the formal legal process
- Reducing the time tenants in arrears have before formal court proceedings are instigated

All of these have been introduced to support rent collection and promote a payment culture to reduce arrears.

2.2 The Rent in Advance initiative involves prospective tenants, at the point they are offered their tenancy, being advised of the Rent 1st Campaign and the need for them to pay one week's rent in advance before or at the point they sign for their tenancy. This is to ensure that tenants meet the condition of their Tenancy Agreement to pay their rent weekly in advance.

2.3 The underlying ethos of the approach to prevent and minimise rent arrears is to maximise face-to-face contact with tenants. This means officers working locally, meeting tenants in their homes, offering support, but also having challenging conversations about the need for tenants to keep their rent payments up to date. It has been important and very useful for officers to have the flexibility to accept payments where tenants agree to pay towards their rent arrears and critical that staff are able to accept cash payments when offered.

2.4 On 25 April 2016 Universal Credit was introduced in Perth and Kinross. This means that claimants will receive one single monthly payment, paid into their bank account in the same way as a salary. Housing costs will be included as part of the payment which will be made monthly in arrears. This is a completely different way of benefits (previously including housing benefits) being made, i.e. direct to individuals rather than to housing services.

- 2.5 First time claimants of Universal Credit will wait on average seven weeks from their date of application until they receive their first payment. Although enhancements to our information systems will ensure we can react prior to and on expected payment dates, it is essential that staff are able to accept any payment method offered by tenants, including cash.
- 2.6 It is reported that as many as 4-14% of the population have no bank account, preferring to operate in the cash economy. For example, there are around four million Post Office Card Account holders in the UK who fall under the 'unbanked' category, as these accounts are only capable of receiving money (including Universal Credit) but not paying bills (such as rent payments) electronically ([CIH - Rent Payment and Collection Under Universal Credit](#))
- 2.7 The Chartered Institute of Housing's (CIH)'s UK office produced detailed guidance on this topic in February 2013 entitled *How to...manage income collection effectively* within which they recommended a value for money review could include considering:
- The reintroduction of cash collection as an option making use of existing public access points to minimise capital and revenue overheads

3. LESSONS FROM THE CASH COLLECTION PILOT

- 3.1 Having the ability and flexibility to collect cash from tenants able and willing to pay to reduce their rent arrears locally has been very positive, with over £31k collected in four months. The table below summarises the amount collected, the majority of which was accepted at local housing offices.

Locality Team	Amount paid to reduce arrears
North	£ 15,302.48
Letham	£ 8,873.28
South	£ 6,127.91
City (excludes Pullar House)	£ 993.68
Total	£ 31,297.35

- 3.2 The service will continue to encourage tenants to pay by direct debit as this is the most efficient payment method, however, not all our tenants are in a position to do this and many set up direct debits and then cancel them. We therefore need to offer and support tenants to pay their rent in as many ways as possible, and so propose to extend this rent cash collection pilot for another 12 months until May 2017 and report to Committee thereafter with the results.
- 3.3 Many of our tenants are very vulnerable with multiple and complex issues, often with little or no budgeting skills and live from day to day. We offer support and advice for people, for example, to set up budget account cards

with the Credit Union, so that their rent goes directly into this account and it is not used for other purposes.

- 3.4 There are no extra staff costs associated with local rent collection, as housing officers are including this as part of their tenancy duties, taking the opportunity to accept cash when meeting tenants for a wide variety of other reasons, including arrears. The pilot has enabled flexibility of payment arrangements with a small number of tenants who are in arrears and staff continue to be in regular contact with them encouraging them to make payment plans and pay by direct debit. We do not anticipate a large number of transactions, but will keep this closely monitored.
- 3.5 This pilot is not about recovering people's debt and we will not be doing this. This initiative is to give housing staff the flexibility to reduce increasing rent arrears, so is focused on rent payment. The Council's Internal Audit Team have been consulted and have helped develop a new cash collection procedure and risk assessment.

4. CONCLUSION AND RECOMMENDATIONS

- 4.1 This report summarises the successful outcome of the pilot cash collection initiative which supports staff and tenants to reduce rent arrears. It highlights the ongoing and future challenges facing the Council in relation to maximising income to the Housing Revenue Account to make sure the Council can continue to deliver high quality housing services, meet tenants' priorities and deliver on our key service outcomes.
- 4.2 It is recommended that Committee
- (i) Approves the proposal to extend this for another 12 months to May 2017, recognising that this is discrete work focused on collection of Council house rents and not for other services.
 - (ii) Requires the Director to submit an update report on the impact of these arrangements in August 2017.

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Approved

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Bill Atkinson	Director (Housing and Social Work)	16 May 2016

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	No
Workforce	No
Asset Management (land, property, IST)	No
Assessments	
Equality Impact Assessment	No
Strategic Environmental Assessment	No
Sustainability (community, economic, environmental)	No
Legal and Governance	Yes
Risk	Yes
Consultation	
Internal	Yes
External	No
Communication	
Communications Plan	No

1. Strategic Implications

Corporate Plan and SOA/Community Plan

1.1 The Council's Corporate Plan 2013 – 2018 and the SOA/Community Plan have five strategic objectives all of which are relevant to this report:

- (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; and
- (v) Creating a safe and sustainable place for future generations.

1.2 This report relates to all of these objectives.

2. Resource Implications

Financial

2.1 None arising from this report.

3. Assessments

3.1 Equality Impact Assessment

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 proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) and are not relevant

Strategic Environmental Assessment

3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. However, no action is required as the Act does not apply to the matters presented in this report.

Risk

3.3 A Risk Assessment and associated procedures for cash collection and cash handling to support and protect staff have been developed.

4. Consultation

Internal

4.1 The Head of Finance has been consulted on this report

External

4.2 The Tenant Committee Report Panel were consulted on this report and commented that “this paper addresses some of the practical issues, however, the introduction of Universal Credit is likely to have a major impact, particularly on first-time claimants.”

5. BACKGROUND PAPERS

None

6. APPENDICES

None