

Report of Chief Officer Housing Management

Report to Housing Advisory Board

Date: 13 September 2016

Subject: Rent Collection and Welfare Reform Update

Are specific electoral wards affected? If relevant, name(s) of ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

The report provides an update on the rent collection performance of Housing Leeds for Quarter 1 2016-17. Housing Leeds has made a positive start to the year in terms of rent collection and performance has improved significantly when compared to the same period last year.

In an attempt to continually improve performance, detailed profiling has been carried out of tenants using a number of Leeds City Council data sets and the Experian Mosaic system. The aim of this was to identify any particular groups of tenants who are facing higher degrees of difficulty in maintaining their rent payments. Appropriate steps have been introduced to support those groups.

The analysis includes reviewing tenants in arrears who are receiving full, part and no Housing Benefit. The analysis and profiling has enabled groups of tenants to be classified according to their risk of going into arrears or for existing arrears cases to increase. This information is extremely useful and has enabled teams to focus resources on providing additional support to these groups.

Recommendations

That Housing Advisory Board notes the contents of the report and supports the work being undertaken by Housing Leeds to maximise support to tenants affected by Welfare Reform, increase rent collection and reduce rent arrears.

Purpose of this report

- 1.1 The report provides Housing Advisory Board with information on rent collection performance for Quarter 1 2016-17. This includes profiling of tenants in arrears and activities being taken to maximise rent collection. The report provides an update on tenants affected by key Welfare Reforms along with what action is being taken to support those tenants.

2 Background information

- 2.1 Rent collection is a key priority for Housing Leeds. The report provides details of rent collection performance for Quarter 1 2016-17. This is compared to performance for Quarter 1 2015-16 to identify any trends and commentary is provided on this year's position.
- 2.2 Detailed profiling has been carried out on tenants to identify if any particular cohorts are struggling to pay their rent or are at risk of going into arrears. The information has been utilised to see what support can be offered to minimise the risk to those groups.
- 2.3 Information is provided on tenants rent payment methods and how Housing Leeds promotes the most effective and efficient methods of payment to increase both rent collection and value for money.

The report provides an update on Welfare Reform including the current position in 4 key areas, Under Occupation, Universal Credit, the Benefit Cap and Local Housing Allowance. Details are given on the current number of tenants affected by these reforms, the impact on rent collection and the support being given to these tenants.

Information is provided on key strategies and initiatives being implemented by Housing Leeds to increase rent collection and ensure the target of 97.5% is achieved.

3 Main issues

3.1 Table 1 - Rent Collection Performance Quarter 1

	Quarter 1 2015	Quarter 1 2016	Difference
City Performance	96.31%	97.15%	0.84%

- 3.2 Table 1 compares rent collection performance for Quarter 1 2015 and 2016. Performance is in a much stronger position this year and has increased from 96.31% to 97.15%, an increase of 0.84%. It is worth noting that an increase in collection of 1% equates to approx. £2.15M being collected.
- 3.3 Rent arrears have reduced from £6.13M at year end 2015 to £6.03M at Quarter 1 2016.

3.4 Rent Arrears by Full, Part and no Housing Benefit

3.5 Table 2 - Rent collection rate according to Housing Benefit entitlement.

	Week 22-2015	Week 13-2016
Housing Benefit Status	%	%
Full	99.47	101.99
Partial	97.69	98.37
Nil	91.49	91.62
Total	96.36	97.15

3.6 Table 2 provides information on the rent collection rates broken down according to full, partial and nil Housing Benefit entitlement. Tenants on full Housing Benefit clearly have the highest collection rate; this would be expected as their rent is paid by Leeds Welfare and Benefit Service direct to tenants rent accounts. 101.99% represents where the rent collected has exceeded the rent due, so this would either represent a reduction in rent arrears balance from previous years' or a credit balance.

3.7 On a positive note all three areas have had an increase in rent collection rates over the last 10 months.

3.8 The following sections of the report provide further insight into the three groups. Actions are in place to increase collection across all three areas with the nil Housing Benefit Status tenant group being the priority focus.

3.9 Arrears Profiling

3.10 This analysis was compiled using a number of data sets including tenancy and rent account records, customer profile, benefit information and the Experian Mosaic consumer and demographic profiling system.

3.11 It is positive to note 85.2% of all Leeds City Council tenants (56,248) are managing to pay their rent and have not been in arrears during the last 10 months. Many of these tenants pay their rent in advance and are in credit.

3.12 The lowest collection rate at 91.62% is the nil Housing Benefit Status (this includes tenants in receipt of Universal Credit). This data set represents 39% of all tenants (22,158 out of 56,248 tenants). Full Housing Benefit represents 35% (19,686 tenants) and Partial Housing Benefit 26% (14,624 tenants).

3.13 The 91.62% data set shows:

- The age range of the tenants within the 91.62% group is below

Age	under 25	25-34	35-44	45-60	over 60s	Total
Number of tenancies	1013	4330	5261	6973	4581	22158

- From this data set 59% of these tenants with arrears live in houses, followed by 36% high rise/flats and 5% sheltered accommodation.

- Of the 91.62%:
 - 60% pay by cash
 - 40% by Direct Debit
 - Cash payers owe 85% of the arrears
 - Direct Debit payers owe 15% of the arrears
 - Direct Debit take up is low at 20% for tenants under the age of 25. Compared with take up for ages 25-60 being between 35-36% and aged over 60 being the highest level at 56%.
 - 80% of these tenants under the age of 25 have rent arrears (810 tenants). This is one of our key priority areas of focus.
- 3.14 There are a number of key themes associated with rent arrears and one or more of the following apply;
- Higher proportions of these tenants pay by cash and pay full rent or are on partial Housing Benefit.
 - Under Occupation is affecting a number of these tenants.
 - Higher numbers of tenants under the age of 25 pay by cash and have rent arrears.
- 3.15 This information is now being used to plan coordinated work to support tenants who fall within the high and critical risk groups. Details of this additional work are provided below in the Housing Leeds Key Actions section of the report.
- 3.16 It is important to note these tenants will already be identified within the arrears process and support will be offered within existing frameworks. It is intended to utilise this information to carry out additional work to support these tenants to further increase rent collection and reduce arrears.
- 3.17 Initially the 91.62% nil Housing Benefit Status cohorts are being targeted as these are most likely to be heading towards court action and possible eviction proceedings.
- 3.18 **Housing Leeds Key Actions**
- 3.19 **Payment Methods – Direct Debit Take Up.**
- 3.20 It is clear from the data set that higher proportions of tenants in arrears pay by cash and do not pay regularly. Direct Debit is the preferred method of payment, this ensures regular rent payments are made and is the most cost effective method of collecting rent.
- 3.21 Housing Leeds has implemented a number of actions to increase the level of tenants who pay by Direct Debit.

- 3.22 Staff are now able to set up a direct debit over the phone with the tenant. Several promotional campaigns have been undertaken over the last 10 months and the number of tenants, with a rent charge to pay, paying by Direct Debit has increased from 11905 (30%) to 12997 (34%).
- 3.23 Front line staff within Housing Leeds and the Contact Centre will be discussing the method of payment during all rent and arrears contacts and promoting Direct Debit. Direct Debit is promoted at every sign up as the preferred method of payment.
- 3.24 There was a strong campaign during June and July during which 390 new direct debits have been set up across the city. Further promotions and campaigns will take place through-out the year to further increase Direct Debit take up.
- 3.25 In the meantime, some exploratory work is taking place to examine options for bringing in mandatory Direct Debits, which is in line with the practice of other authorities
- 3.26 **Under Occupation**
- 3.27 There are approximately 300 tenants per month who are newly affected by Under Occupation as household circumstances change.
- 3.28 The total number of tenants affected by Under Occupation is 4818 (May 2016). Housing Leeds continues to provide additional support to tenants affected by Under Occupation which includes the following:
- Budgeting
 - Assistance with downsizing and undertaking a mutual exchange
 - Applying for Discretionary Housing Payment
 - Fuel switch and utility grants
 - Help finding employment and voluntary work
- 3.29 At the end of June Housing Leeds has supported tenants to access £104,097.55 in Discretionary Housing Payments and £39,903.03 in grants. This is helping tenants affected by Welfare Reform to maximise their income and be better able to maintain their tenancy. It is having a positive impact on rent collection rates and helping to reduce arrears.
- 3.30 **Tenants Under the age of 25**
- 3.31 Younger tenants under the age of 25 are a group facing particular difficulties maintaining rent payments. This group will face increasing challenges due to further reforms announced in the summer 2015 Budget. These include further restrictions to the Local Housing Allowance cap for single tenants under the age of 35. This cap will be limited to the shared room rate and will be implemented in April 2018.

The Government is also restricting the automatic entitlement to housing costs for 18-21 year olds from April 2017. There will be some exemptions from this but the Government are yet to release the details.

Housing Leeds will assist any young tenants affected by providing support with:

- Budgeting Support and Debt Advice through partner agencies in house and through partner agencies.
- Benefit advice and applying for Discretionary Housing Payment
- Fuel switch and utility grants
- Help finding employment and voluntary work

3.32 Many of the under the age of 25 group are obtaining their first tenancy and have no experience of managing a home, budgeting etc. A number of these will be care leavers who are particularly vulnerable and need additional support to sustain their tenancy.

3.33 Housing Leeds is working with partners to provide additional support to this group of tenants. This includes;

- Introduction of pre tenancy training to tenants who are at a higher risk of not being able to manage a tenancy. This includes care leavers and many within the under the age of 25 group. The training includes help with budgeting, ways to pay your rent, repair obligations, maintaining the property and garden, and how to be a good neighbour.
- Developing stronger relationships with Children's Services and the third sector to provide increased levels of coordinated support, particularly to care leavers.
- All new tenants are visited at least 4 times during the first year as part of the Introductory Tenancy Period.
- All tenants are visited each year as part of the Annual Home Visit programme, staff will be made aware of the higher risk groups detailed in this report so support needs can be better identified and measures put in place to deliver what is required.

3.34 **Changes in Housing Benefit & Payment Method**

3.35 It is evident from the data set that changes in a tenant's income and Housing Benefit are major factors affecting people's ability to pay their rent. Many tenants who are in and out of work, on zero hours contracts, and have regular changes in their salaries fall within this group.

3.36 It is well recognised that tenants with fluctuating incomes find it difficult to budget and maintain regular rent payments. Arrears will often accrue whilst tenants are

waiting for Housing Benefit to be paid, or if there has been a Housing Benefit overpayment and this is being recovered from their ongoing benefit.

3.37 Housing Leeds have implemented a number of initiatives to further support tenants within this group, these include;

- Speeding up the process of contacting tenants when we are notified from Leeds Welfare and Benefit Service that their Housing Benefit has been cancelled.

Housing Officers attempt to contact the tenant within 2 days of receiving the notification. This will enable advice to be given earlier and a rent payment agreement set up to limit the amount of arrears.

- Additional numbers of surgeries will be in place across Leeds from September for tenants to access advice around benefit entitlement and income maximisation.
- Housing Leeds is contacting all new Universal Credit claimants to support them through the transition process. Payment arrangements are being set up via direct debit to tie in with the Universal Credit payment date. Managed Payments are being promptly applied for to the DWP if the tenants are in arrears. This will ensure the housing costs element of Universal Credit is paid direct to the Council.
- Training is in the process of being delivered to front line teams to further highlight the issues facing this group and reinforcing key messages to be given to tenants whilst awaiting payment of Housing Benefit. This includes all Housing Officers being able to undertake a pre calculation of tenants Housing Benefit.
- The tenant will be made aware of how much their rent charge is likely to be and the need for them to pay this amount whilst the Housing Benefit claim is being processed.

3.38 **Further Actions To Improve Rent Collection**

3.39 In addition to the activities detailed above Housing Leeds have introduced a number of strategies and campaigns to further improve rent collection. These include;

- Detailed quarterly arrears plans for staff to work towards with key activities to be undertaken on a weekly basis as well as specific themed campaigns e.g. Direct Debit take up, Christmas Campaign, Anti-Loan Shark, Leeds City Credit Union etc.
- A robust performance management framework is in place. This includes a series of “Arrears Challenge Days” with the Chief Officer where detailed scrutiny of office performance takes place. Action plans for any under-performing areas are developed and regularly reviewed.
- The rent arrears procedures are being reviewed during Quarter 2 to ensure they continue to be robust, supportive and incorporate best practice.

- Further training is in the process of being delivered to front line staff on arrears recovery, benefit changes and Welfare Reform.
- Housing Leeds continues working with all relevant partners such as Credit Union, Welfare Benefits and the Young Adults Getting Involved group (YAGI) who support tenants aged 35 and under.

3.40 **Welfare Reform Update**

3.41 **Under Occupation**

There are currently 4818 (May 2016) tenants affected by Under Occupation and the rent arrears as a result of Under Occupation is £701,457. The number of tenants affected by Under Occupation is gradually reducing although the pace of this has slowed down over recent months.

There are approximately 300 tenants per month who become newly affected by Under Occupation as household circumstances change.

- 3.42 Housing Leeds continues to support the tenants affected by Under Occupation as described earlier in this report.

3.43 **Benefit Cap**

- 3.44 At the end of May 2016 the number of tenants affected by the Benefit Cap was 79 and the average level of arrears was £38.00. The number of tenants affected by the Benefit Cap has been gradually reducing over the last 15 months.

- 3.45 The Benefit Cap will be reduced from £26K to £20K per annum in autumn 2016. No implementation date has been confirmed but it is expected to be in November. The reduction in the Benefit Cap will mean the number of tenants affected will increase to approx. 520.

- 3.46 Housing Leeds will be contacting all tenants who will be affected by the Benefit Cap during the next 3 months. A check will be made of their circumstances to see if they may qualify for any exemptions and support will be offered with budgeting, housing options, DHP applications, fuel switch, utility grants and help finding employment and voluntary work.

3.47 **Universal Credit**

- 3.48 Universal Credit went live in Leeds in February 2016 for single new jobseekers. At the end of June the following data is available for council tenants claiming Universal Credit;

- 391 Universal Credit claims for council tenants, 10 of these also have under occupancy charges.
- 55% of tenants have accepted the support offered by and a further 8% are in the process of being contacted to book their initial appointment.

- 37% of tenants have refused support, the most popular reason being the tenant stating they do not require any support.
 - Tenants on Universal Credit have seen an average increase in arrears of £200.
- 3.49 All tenants claiming Universal Credit are contacted to arrange an initial support interview. A number of support measures are offered including;
- Advice and support on making the Universal Credit claim, this includes follow up calls to the DWP expediting the claim.
 - Agreeing a rent payment date to coincide with the payment of Universal Credit and setting up a direct debit.
 - Assistance with claiming an advance payment of Universal Credit if the tenant has insufficient income to see them through to the Universal Credit payment date.
 - Referral to partners who will provide additional support in finding employment and undertaking voluntary work.
 - Maximisation of income by help with budgeting, switching energy supplier and applying for Discretionary Housing Payment and hardship grants where appropriate.
 - Applying for the managed payment from DWP to ensure any arrears are paid direct to the council to prevent arrears further increasing and reduce the need for court and eviction proceedings.

3.50 **Local Housing Allowance**

- 3.51 The 2015 Summer Budget announced other significant Welfare Reforms. This included an intention to cap Housing Benefit payments in the social rented sector at Local Housing Allowance rates used in the private rented sector. For the majority of council tenants this is unlikely to be an issue but there are some tenants who will be affected by this change.
- 3.52 Single tenants under 35 who pay a rent higher than the Shared Room Rate in Leeds of £62.48 will be affected. Analysis shows that there are around 1600 single tenants in Housing Leeds properties receiving Housing Benefit with a rent higher than the Shared Room Rate. There will be some exemptions from this but the Government are yet to release the details.
- 3.53 The cap will apply from April 2018 and will only apply to new tenancies created from April 2016. In reality the majority of tenants who will be affected by the Local Housing Allowance cap are also likely to be affected by Under Occupation. The reduction in benefit due to Under Occupation is likely to be greater than the reduction required to meet the Local Housing Allowance cap.
- 3.54 Housing Leeds is making new tenants affected by this change aware of the implications at the sign up. Contact will be made with these tenants during late 2017 to remind them of the forthcoming change.

3.55 The Lettings Procedures are currently under review. As part of the review it is intended that strengthened affordability checks will be introduced to reduce the incidence of signing up tenants who will be unable to pay their rent and may face court & eviction proceedings.

4 Corporate considerations

4.0 Consultation and engagement

4.1 Housing Leeds is actively involved in the development of the Council wide response to Welfare Reform, via the Council's Welfare Reform Strategy Board, which is a multi-agency board led by Citizens and Communities. This group is responsible for co-ordinating a joint Leeds response to Welfare Reforms.

4.2 Housing Leeds is engaged with a number of regional local authorities and landlords to learn good practice from others in relation to Welfare Reform, and has used this learning to support preparations for change.

4.3 Housing Leeds is participating in a research project along with other organisations led by the Northern Housing Consortium analysing the impacts of Universal Credit. The Northern Housing Consortium are engaging with local and regional DWP managers to share the findings and are currently trying to set up a meeting with the national DWP Universal Credit lead.

4.4 Housing Leeds meet with the local DWP Relationship Manager to discuss how Universal Credit is operating in Leeds. Any operational problems are raised as well as the management of individual cases.

4.5 The service is working closely with tenant groups to ensure that tenants are aware of and as prepared as possible for Welfare Reforms. This has included consultation with the Voice of Involved Tenants Across Leeds and Young Adults Getting Involved groups on the development of the Tenant Communication Plan. Regular consultation takes place with other groups, e.g. Housing Advisory Panels.

5 Equality and Diversity / Cohesion and Integration

5.1 Housing Leeds has an important role in minimising the negative impact of Welfare Reform on tenants, and in doing so promoting community cohesion and integration. Housing Leeds will continue to support to tenants to assist them in managing with the changes to welfare benefits.

5.2 It has been identified in this report that particular tenant groups are disadvantaged by specific changes and are struggling to pay their rent. Housing Leeds is developing individual actions to provide additional support to these groups with a view to minimising the impact upon them.

5.3 Housing Leeds will continue to review and amend the support provided to ensure appropriate support continues to be offered to those tenants.

6 Council Policies and Best Council Plan

6.1 The work Housing Leeds is undertaking contributes towards the Best Council Objectives of supporting communities and tackling poverty and becoming a more efficient and enterprising Council.

6.2 This work also supports the delivery of the Housing Strategic Priority of maximising tenants' incomes and rent collection.

7 Resources and value for money

7.1 The actions implemented by Housing Leeds have resulted in a positive rent collection performance outturn for Quarter 1 2016. Rent collection performance is in a much stronger position than for the same period last year and rent arrears have reduced since the financial year end.

7.2 More tenants are now paying by Direct Debit (4% increase in 10 months) which is the most cost effective and efficient means of collecting the rent. Additional activities are planned to further promote Direct Debit which will increase rent collection and make efficiencies with reduced transaction costs.

7.3 Since January 2016 Housing Leeds has supported tenants in accessing additional income amounting to £144,000. £104,098 of this has been Discretionary Housing Payment paid directly onto tenants rent accounts and is contributing to the reduction in rent arrears.

7.4 Future actions detailed within this report will ensure further support is provided to tenants who need it the most. This will enable them to maximise their income and be better able to maintain their rent payments. This will in turn increase rent collection rates.

8 Legal Implications, access to information and call In

8.1 The report does not contain any exempt or confidential information.

9 Risk management

9.1 Welfare Reform has an adverse impact on the Council's financial position and creates financial hardship. As such it has been deemed a high risk to the Council and this risk is regularly monitored and reviewed in the Corporate Risk Register.

9.2 The content of this report will help to minimise the risk of Welfare Reform by supporting tenants to move to a better financial position and therefore be more able to pay their rent.

9.3 It is essential Housing Leeds maximises rent collection and achieves the target this year so that essential and quality services can be delivered to tenants.

9.4 Performance management arrangements are in place to ensure increased levels of rent collection are achieved and rent arrears reduce.

10 Conclusions

- 10.1 Housing Leeds has made a positive start in rent collection performance this year. Further measures and strategies are in place to ensure this trend continues.
- 10.2 Housing Leeds will utilise the detailed profiling information to arrange specific measures of support to be provided to tenants who are particularly at risk of going further into arrears and may face court and eviction proceedings.
- 10.3 Additional support will continue to be provided to tenants who are affected by Welfare Reform to ensure that the impact on rent collection performance is minimised.

11 Recommendations

- 11.1 That Housing Advisory Board notes the contents of the report and supports the work being undertaken by Housing Leeds to maximise support to tenants affected by Welfare Reform, increase rent collection and reduce rent arrears.

12 Background documents¹

- 12.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.