



To: Executive Councillor for Housing (and Deputy Leader): Councillor Catherine Smart

Report by: Andrew Latchem

Relevant scrutiny committee: Housing Management Board 8/1/2013

Wards affected: All Wards

RENT ARREARS POLICY AND THE HOUSING RELATED DEBT POLICY Not a Key Decision

1. Executive summary

- 1.1 The Rent Arrears Policy was last approved in 2010 and is attached in appendix 1 with some minor variations from the previous version.
- 1.2 The Housing Debt Related Policy, attached as appendix 2, has been amended since approval in 2010 and extends the term of repayment to six months and a reduction of the original debt by 50%.
- 1.3 The performance of current and former tenant arrears is explained in the background of the report.
- 1.4 The City Council's approach to supporting tenants' affected by the Welfare Reforms is attached as appendix 3.

2. Recommendations

The Executive Councillor is recommended:

1. To approve the revised Rent Arrears Policy.
2. To approve the revised Housing Debt Related Policy.

3. Background

3.1 The **Rent Arrears Policy**, attached as Appendix 1, sets out the City Council's approach to prevention and collection of rent arrears from Council tenants. The Policy recognises that tenants may experience financial hardship and that advice and support will be offered at every stage of the recovery process. The Council acknowledges that the Welfare reforms may cause further financial difficulty to tenants and their families and we will take this into account when contacting tenants. The Council will work corporately where tenants have debts owed to several departments.

3.2 The **Housing Debt Related Policy** was approved in 2010 and is attached as Appendix 2. Since then it has become clear that former tenants who owed a significant debt could pay off only a fraction of the arrears before they were eligible for rehousing. This is because the previous policy only required minimum payments for four months. This meant that a tenant evicted for rent arrears in January for say £2,000 could be eligible for rehousing by May after paying just £56.00 and still owing £1,944.00. This was based on the minimum weekly amount of £3.50.

3.3 The revised Policy seeks regular payments for six months to show a commitment to repay the debt and a 50% reduction from the original debt to avoid situations where prospective tenants are housed still owing a significant amount of the original debt.

3.4 Former tenant arrears total £904,000 and this Policy aims to redress some of these debts by getting former tenants to repay a significant amount of their debt before they are rehoused. Additional resources have been directed at recovery and write off of former tenant debts over recent months. This will be reviewed after January 2013 and if necessary additional resources will be directed to this work.

3.5 Current tenant rent arrears total £764,806 as of the 12th November 2012 and this represents 2.27% of the annual debit of £33,700,000. The current rent arrears are about £30,000 less than twelve months ago but are about £100,000 more than two years ago. The arrears this year are following a seasonal pattern with a rise leading up to December and then a significant drop by January. It is anticipated that current rent arrears will drop to about £650,000 by early January 2013 partly due to the benefit of the “no rent due” fortnight. The rent collection target for the end of 2012 / 2013 is 98.70% and at the end of the second quarter the performance was 97.64%. This should improve by the end of the third quarter.

3.6 The Welfare Reforms could have significant implications for our Council tenants. To date 14 tenants have been identified as exceeding the cap on benefits due to come in to force in April 2013. The Department for Works and Pensions have notified the tenants and City Homes’ staff have visited them to explain the consequences. The average reduction for Council tenants affected by the Benefit cap is £57 per week. In addition about 600 Council tenants have been identified as losing either 14% or 25% of their Housing Benefit from April 2013 as they have either one or two “spare” bedrooms.

3.7 The support and assistance that has been offered to our tenants is included in Appendix 3.

4. Implications

(a) **Financial Implications**

(b) **Staffing Implications** - none

(c) **Equal Opportunities Implications**

(d) **Environmental Implications**

- Nil: to indicate that the proposal has no climate change impact.

(e) **Procurement** - none

(f) **Consultation and communication** - none

(g) **Community Safety** - none

5. Background papers

These background papers were used in the preparation of this report:

6. Appendices

Appendix 1 - Rent Arrears Policy

Appendix 2 - Housing Debt Related Policy

Appendix 3 - Welfare Reforms

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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Appendix 1 – Rent Arrears Policy

- 1) Cambridge City Council will endeavour to collect all rent due by striking a balance between the financial needs of the Council and the social needs of tenants. The City Council will take into account the changes affecting tenants as part of the Welfare Reform programme.
- 2) City Homes has the responsibility for reducing rent arrears and for prevention of further debt by giving advice and assistance to existing tenants in arrears and to new tenants. A sensitive approach will be adopted to those tenants adversely affected by the changes to Welfare Benefits.
- 3) City Homes will help new tenants and transferring tenants seek assistance via the Benefits service and the Housing Benefit system and will give financial advice to those in difficulty. The approach to arrears recovery will be through early contact via a variety of methods including, letters, visits and phone calls.
- 4) Tenants will be offered a number of payment methods at a time and place to suit their circumstances including Direct Debit, Pay point, online and at the Council cashier offices. Where appropriate, tenants in rent arrears, will be offered the opportunity to pay arrears by instalments.
- 5) The use and development of IT systems is crucial to enable staff to keep on top of arrears cases and for tenants to have easy access to payments. These IT systems will be used to closely monitor tenants in arrears and in particular those affected by changes to Welfare Benefit.
- 6) City Homes and other Council sections will work together to further develop a corporate co-ordinated approach to debt recovery. Whilst recognising that evictions may occur as a last resort the staff of all sections and departments will work together to keep such evictions to a minimum. The use of Rent Arrears Panels and liaison groups, such as the rent arrears best practice team and the Housing Benefit liaison meeting will ensure all staff follow the approved process and procedures in recovery of rent arrears.
- 7) The city council will adopt a performance culture where money advice and arrears recovery are given high priority. Managers and staff will be given appropriate resources, including staff and IT to achieve targets. Staff working in the area of rent advice and recovery will be fully trained and be given flexibility and empowerment to enable them to achieve realistic repayment agreements which where possible avoid the need for Legal action.

January 2013

Appendix 2 – Housing Debt Related Policy

1. Introduction

This policy is concerned with how we respond to our customers requesting a service from us and who owe **us** a form of housing related debt.

The purpose of the policy is to provide clarity and consistency for both staff and customers.

It is not a policy about taking enforcement action in relation to debts owed to us and therefore policies and procedures around eviction and possession procedures, and the terms of reference for existing forums such as Tenancy Enforcement Panel (TEP) and Rent Arrears Panel (RAP), remain unchanged and unaltered by this document.

2. Definitions

- a) A **Customer** is defined as either a tenant of ours (including those in temporary accommodation) or an applicant on the Housing register
- b) **Housing Related Debts** are defined as current rent arrears, former tenant arrears, outstanding re-chargeable repairs, current and former housing related service charge arrears, bed and breakfast charge arrears, the Council's private rented Access Scheme arrears, Housing Benefit overpayments, and court costs. They do not include Council Tax debts.
- c) Housing **Service** includes the offer of housing, transfers, assignments and succession and requests for joint into sole or sole into joint tenancies.

3. Overview and General Principles Relating to Debt

- a) The Council has a responsibility to help, encourage and enable customers make affordable arrangements to repay debt.
- b) Training on basic Debt Counselling and Money Advice should be made available to frontline staff.
- c) Agreements on repayment of debts should be based on realistic and standardised Income and Expenditure sheets. In calculating payments the City Council will take into account other debts owed to the City Council such as Council Tax and sundry debts.
- d) We need a flexible policy that balances our responsibility to collect debt with the needs of our customers combined with a recognition that the majority of debt is caused by genuine financial hardship rather than an unwillingness to meet financial responsibilities. All staff will consider debtor's personal, family and social circumstances, and will ensure benefit take-up has been maximised.
- e) We should refer customers with complex multi-debt problems to specialist money advice services for specialist help. Where customers have multiple

debts we must liaise with other sections of the City Council to present a “one Council” approach to debt advice and debt recovery.

- f) We should accept as reasonable any repayment proposals made by specialist money advice practitioners on behalf of their clients when they are supported with Income and Expenditure sheets.
- g) Where customers have more than one debt owed to the Council both 3e and 3f above should be adhered to by the Council but the “six month and 50 % reduction rule” as **highlighted** in 4a below should apply for each debt separately before the customer can receive a service.

4. Debts Owed to Cambridge City Council and RSL’s with whom we have Nomination Agreements.

- a) The starting point is that we will expect customers to clear any debts that they owe us before we offer them a tenancy, transfer, mutual exchange etc. (see definitions of “Service” above) where it is clearly within their means to do this (for example where the debt is relatively low and the customer has a reasonable disposable income or significant savings to draw on).

However, when a financial assessment shows that the debt cannot be cleared immediately then a realistic and affordable repayment arrangement should be agreed to clear the debt.

The customer shall become eligible to receive the service as long as the agreed repayments have been in place for at least six months and the total original debt reduced by 50%. The agreed repayments should be clearly logged on the Orchard system and on the applicant’s Home-Link application on Locata.

- b) If payment by the customer demonstrates a clear commitment and effort to stick to the arrangement, but a small number of payments have been missed due perhaps to financial difficulties or other genuine reasons, then the case should be referred to Senior Officer Review Panel (SORP) for a decision.
- c) Where applying this 6 month rule and reduction by 50 % would lead to severe hardship or put the customer at serious risk in some way (say of violence, harassment, ill health or other special reason), or where there is a council interest in providing the service (e.g. prevention of homelessness or a homeless applicant in occupation of our temporary accommodation who we need to move on) then the case should be referred to SORP who will decide whether it is appropriate to dispense with the six month payments and 50 % reduction rule and offer the service more quickly.
- d) Cases where the customer’s vulnerabilities (e.g. mental health problems, learning difficulties, substance misuse) make maintaining regular payments difficult or impossible should also be referred to SORP for consideration. In situations like this attachment of Job Seekers Allowance or other benefits should always be considered as an option before referral to SORP.
- e) A referral to SORP can be instigated by the customer, a supporting agency/individual or a member of staff.

- f) The 6 month and 50 % rule will generally not apply to Mutual Exchanges as there will be an expectation that tenants rent accounts will be up to date before any consent to an exchange is given. In exceptional circumstances (maybe in a case involving violence or severe ASB) an exchange request could be approved by the local Area Housing Manager when arrears are still outstanding. In this circumstance the outstanding debt will be transferred into a sub-account to go with the tenant when they move to the new property following the completed deed of assignment.
- g) Debt in itself will not prevent an applicant registering on the Housing Needs Register or Transfer List or prevent their application being properly assessed and awarded the correct priority based on their level of need. It will only become a barrier, to which this policy shall be applied; at the point they qualify for the service (e.g. at the point they become eligible to be offered housing).
- h) Repayment agreements for former tenants debts owed to the Council can form contractual obligations of Secure and Introductory Tenancies (IT) and therefore non-payment of former tenant debts can lead to either service of a Notice or commencement of the possession procedure against Introductory Tenants or a Notice of Seeking Possession against a Secure Tenant. However, all customers with former tenant arrears who are housed under Introductory Tenancies will need to undergo a financial reassessment before an agreed repayment schedule is reached and by which the repayment obligations in respect of the tenancy agreement will be established. The City Council will look holistically at former tenants with multiple debts particularly those with separate debts owed to the City Council.
- i) A letter should be sent to someone being offered an IT reiterating that it is expected that realistic repayment agreements are adhered to and that recovery of the debt, including County Court Possession action or action to obtain a Money Order, may result, in the event of non-payment.
- j) Any customer who is being denied a service due to the application of the 6-month and 50 % reduction rule will be able to complain using the council's complaints procedure.
- k) When a customer has a housing-related debt, is being bypassed for accommodation offers for this reason and no agreement to repay has been reached, Choice Based Lettings Officers should refer the applicant to an officer in City Homes or (as in 3e above) to Money Advice Services. These services can then advocate for the customer in negotiating a repayment plan.

5. Debts Owed to RSL's we have no Nomination Agreements with, Private Landlords, Mortgage Lenders and Other Local Authorities

- a) Housing related debts owed to these organisations or individuals will not be a barrier to someone receiving a service from us

- b) Housing staff will encourage customers to make appropriate repayment arrangements to these bodies and refer customers on to money advice agencies who will assist them in doing so.

6. Use of discretion and Senior Officer Review Panel

- a) In order to develop a flexible policy on housing related debt that meets both the needs of the customer and the Council it is necessary to build in a degree of discretion for officers to use. This allows each case to be considered on its own merits and prevents us from fettering our discretion or being too rigid in our approach.
- b) However on the other hand using discretion in this area must not lead to an inconsistent approach. If officers are unsure whether it is appropriate to use discretion to offer a service to a customer or are not sure how the application of this policy should be applied in individual circumstances then a referral to SORP should be made for a decision on the case.

January 2013

Appendix 3 – Welfare Reforms

One Council Approach To Welfare Reform: Version 1.0 – December 2012

What is Welfare Reform?

On 8 March 2012, the Welfare Reform Act received Royal Assent. This was the outcome of the Comprehensive Spending Review in 2011 and introduces a wide range of reforms.

The main reforms affecting Cambridge City Council and its current delivery of Welfare Benefits are:

- Replacement of Council Tax Benefit with a local support scheme
- Application of the Benefit Cap
- Social Sector Size Related Criteria
- *Local Housing Allowance uprating and transitional relief*
- Universal Credit
- Social Fund

Council Tax Support

This will no longer be a centrally administered benefit by LA's on behalf of DWP but each LA will have to design a scheme to support residents in financial need from April 2013. The current central government funding for Council Tax Benefit will be reduced by 10% and savings will have to be made from either reducing current support levels or by using new income generation measures within Council Tax Discount and Exemptions rules. Pensioner households will have levels of support protected.

Benefit Cap

The total amount of benefits received by a working age household is being capped from April 2013 to £350 for single adult and £500 for couples and households with children. Incomes included in the cap calculations are: Child Tax Credit, Child Benefit, Carers Allowance, Employment and Support Allowance, Housing Benefit, Incapacity Benefit,

Income Support, Jobseeker's Allowance, Maternity Allowance, Severe Disability Allowance and Widows Pension. Households who receive Working Tax Credit and some disability allowances will not be subject to the cap.

Social Sector Size Related Criteria

This affects working age households where there is deemed to be additional bedrooms to the households' needs using the bedroom criteria rules currently used in Local Housing Allowance. Some exemptions apply where there are overnight carers or some specific support arrangements are in place.

Universal Credit

A new form of support that will replace Housing Benefit, Income Support, Income based Jobseekers and Employment and Support Allowance and Tax Credits, paid by Department for Work and Pensions (DWP) primarily directly to claimants and not landlords for the housing element. Timeline for conversion of claims is from October 2013 to March 2017. Housing Benefit for pensions will transfer to Pension Credit from October 2015 to March 2017.

Social Fund

Community Care Grants and Crisis/Budgeting Loans are currently administered by DWP but from April 2013 this function is devolved to County and Unitary Authorities. Work is taking place to see how this will take place within Cambridgeshire.

Recommendations/Actions

- Create an Officer Working Party drawing representatives from Revenues and Benefits, Housing, City Homes, Customer Service Centre, Housing Options and Advice and Accountancy.
- Inform Councillors of the changes and engage with them for the Localisation of Council Tax decision, including financial impact for the authority and for residents.
- Use Open Door and Cambridge Matters to inform residents of the changes.
- Train officers within all of the above sections on the changes and how they affect their work directly and the council as a whole.
- Mail shot affected claimants advising them how each change affects them and signpost them to advice and support.
- Support partners such as CAB, Housing Providers, Landlords, District Councils, County Council, healthcare providers on how changes may affect their clients.

Impact in Cambridge

More than 15% of household in Cambridge receive Housing Benefit or Council Tax Benefit and the effect of individual changes within Welfare Reform will therefore be significant but the cumulative effect on the wider population should be considered. Where individual households have less money coming in there will be less money being spent in the locality, affecting local businesses as well.

There are approximately 8460 people receiving Housing and or Council Tax Benefit in Cambridge.

Social Sector Size Related criteria affects working age tenants in CCC Housing stock and Registered Social Landlord and there are over 4700 tenancies in this group, 600 Council tenants affected.

Where tenants are over accommodated by one room, the eligible rent used in the calculation is reduced by 14%. 484 Council tenants and 195 Housing Association tenants are affected.

Where tenants are over accommodated by 2 or more rooms, the eligible rent used in the calculation is reduced by 25%. We have identified 147 claimants, 107 are Council tenants and 40 are Housing association tenants.

The numbers affected by the Benefit Cap are much less at 29 but the value of reduction in benefit is much higher. Average reduction for Council tenants is £57 pw and £69 pw for Housing Association and private tenancies and will affect large families or those in high rental properties.

What has been done so far?

	What it involves
<i>Revenues and Benefits</i>	
Officer Working Party Meetings	These regular meeting have been running since early Summer 2012 and have involved officers from Revenues and Benefits, Housing, City Homes, CSC, Housing Options and Advice and Accountancy. Now held on a monthly basis.
Consultancy	Consultant has been engaged to develop the Council tax Support strategy and to assist in the consultation process.
Consultation	A draft Council tax Support Scheme has been distributed to all Precepting Authorities and public consultation ran from 14 September 2012 to 31 October 2012. Mailshots to 2,500 Council Tax charge payers and 1,000 working age Council Tax Benefit recipients were sent. Letters and emails to 200+ interested bodies were sent and flyers in all documents leaving Revenues and Benefits advertising the consultation.
Engagement	Through meetings attended by CAB, Housing and healthcare providers in conjunction with County Council and other groups, the affects of the Welfare Reform have been advertised. Managers Briefing took place on 6 December 2012. This was a joint presentation by several members of the Officer Working Party. Welfare Reform an agenda item on Customer and Community Services DMT.
General Tenant Arrears	Data gathering exercise for number of bedrooms has been ongoing during October 2012 and have been sent to Housing Associations of the tenants affected by the size related criteria. Mailshots went to tenants in November 2012. Letters to claimants affected by Benefit Cap went on the 16 November 2012. Looking at joint Landlord Forum with South Cambs to further discuss Welfare Reform.

E-forums	Developing an intranet page giving an introduction to Welfare Reform, which will be a forum for updates. This will form the basis for a webpage giving advice and updates. Customers and interested groups can then be signposted to this page.
Audit	Internal Audit carrying out an audit of Welfare Reform, brief is 'To review preparations for the introduction of Local Council Tax Support and for changes in Housing Benefit payments in April 2013'.
Legal Services	To ensure process for adoption of new scheme is appropriate.
Accountancy	To ensure co-ordinated approach to council tax base, localisation of council tax support and NNDR1 completion.
City Homes	
Housing Rent Arrears Support – advice and prevention	Data sharing with Housing on the numbers and people affected by Benefit Cap and Social Sector Size Related allow a strategy on contact and advise to be formulated. Letters have been sent by the Rent Advisor to those affected by the Benefit Cap and mailshots from Revs and Bens to tenants affected by Size Related Criteria were sent in November. City Homes are visiting tenants in December 2012. Article in December 2012 OPENDOOR.
Collection costs	Engagement with Housing Management re move of housing costs to Universal and Pension Credit and direct payments to tenants. Data exchange of effect of Benefit Cap and Size Related Criteria on build up of arrears. Cumulative effect of the Welfare Reform on level or arrears and on difficult debt collection discussed with a view to staffing levels and debt policies. Increased contact from tenants a possibility.
Training and Staff Advice	Two training sessions in area offices have been given and additional places on training for assessment staff offered.
Housing Advice Service (HAS)	
<i>Discretionary Housing Payments</i>	Meeting held with Mariette Mears and David Greening to discuss role of DHP to assist with Welfare Reform. DHP Policy is be revised and will be re-launched to HAS and CSC with a view to front line officers completing the request for a DHP to go to Revs and Bens Teamleaders.
Training and Staff Advice	HAS officers invited to Welfare Reform training 27/28 November. DHP training given 21 November.
Homelink	Allocations policy for Homelink being revised to match in with Social Sector Size Related Criteria. DHP Policy is being updated to reflect short term help until household makeup matches Benefit rules.
Customer Service Centre	
Training and Staff Advice	Officers invited to training 27/28 November.
DHP	New DHP Policy and form to be issued with a view that CSC advisors can recommend to Team Leaders

	instances where a DHP will support customers who are affected by Welfare Reform.
Community Development	
Credit Unions	Working with Community Development and CSC to expand the role of Credit Unions to assist with money management. Paragraph to go out in mailshot letters regarding Benefit Cap and Size Related Criteria.
Safeguarding	Presentation from Jackie Hanson on safeguarding issues when dealing with vulnerable people.
Members	
Briefings	Members Briefing given 28 September and next one due February 25 th . Additional briefing paper sent on 1 October.
Strategy and Resources	Draft report for Localisation of Council Tax went to S&R on 9 July 2012, final report go to S&R 20 December 2012.
Exec Councillor	Regular meetings, briefing notes and emails to Cllr Julie Smith and updates via Communications meetings with Cllr Catherine Smart.
External Engagement	
Landlords	Joint Landlord forum with South Cambs and Huntingdon District Council early summer 2012. Another one is planned for January 2013.
Shadow Health & Wellbeing Board	A task and finish group to report back on implications across wide range of service organisations
County Revenues and Benefits	Regular meetings
Social Fund	Engagement with other Cambridgeshire LAs and County.
Healthcare Professionals	Joint awareness sessions with County Council to mental health and children's services workers.
Financial Capabilities Forum	Meetings every 6 weeks attended by CAB, Registered Social Landlords, Credit Unions, County Council and Third Sector support agencies.
Benefit Forum	Meets quarterly at DWP offices. Attended by DWP officers including Pension Service, CAB and social landlords.
Diversity Forum	Presentation on Welfare Reform to Diversity Forum 19 November 2012.

January 2013