

 30th November 2016		Agenda Item No. 5
Title	Housing Revenue Account Rent Arrears Policy	
For further information about this report please contact	John Gallagher Income Recovery and Financial Inclusion Manager 01926 456411 john.gallagher@warwickdc.gov.uk	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	2006	
Background Papers	Draft Rent Arrears Policy	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	Yes, 748
Equality Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	8/11/16	Bill Hunt
Head of Service		
CMT	14/11/16	Chris Elliot
Section 151 Officer	14/11/16	Mike Snow
Monitoring Officer	14/11/16	Andy Jones
Finance	14/11/16	Andrew Rollins
Legal Services	14/11/16	Sheelagh Willis
Portfolio Holder(s)	14/11/16	Peter Phillips
Consultation & Community Engagement		
<p>This report was agreed by the Housing Advisory Group (HAG) on 13th September 2016. HAG is a representative body of councillors and tenants set up to scrutinise the work of Housing and Property Services.</p>		
Final Decision?	No	
Suggested next steps (if not final decision please set out below)		
This will be a recommendation to Council on 25 January 2016		

1. **Summary**

- 1.1 The Council's current Rent Arrears Policy relating to Council Housing Tenants was introduced in 2003. The Rent Arrears Policy has been reviewed to help the Council mitigate the risks of greater arrears that may arise from changes to the benefit and welfare system and to take account of the delivery of financial inclusion services to tenants, the pre-action protocol for possession claims for social landlords, as set out by the Ministry of Justice, the provision of a rent arrears policy and procedure for those purchasing Shared Ownership Properties, and amendments to the way we collect former tenant arrears.

2. **Recommendation**

- 2.1 That Executive recommends to Council that the revised Housing Revenue Account Rent Arrears Policy, attached at Appendix One, is approved.

3. **Reasons for the Recommendation**

- 3.1 The revised Housing Revenue Account Rent Arrears Policy, attached as Appendix 1, sets out the Council's proposed approach to the prevention and collection of rent arrears from Council tenants. The Policy recognises that tenants can experience financial hardship for a variety of reasons and that by offering advice and support at every stage of the arrears recovery process the Council can help individuals to reduce the risk of legal action being taken to recover monies due which could result in re-possession of their home.
- 3.2 The revised policy specifically addresses the following issues:
- 3.2.1 Social Security: The Council recognises that changes to welfare benefits, including the introduction of Universal Credit, may cause financial difficulty to tenants and their families while they are adjusting to the changes that are being introduced. The revised policy sets out clear guidance for the support and help that will be offered to tenants.
- 3.2.2 Pre-action Protocol: The revised policy will ensure that the Council is following the Ministry of Justice's Pre-action protocol for Possession Claims by social landlords as set out in Appendix 2. The aims of the pre-action protocol are:
- To encourage more pre-court contact and exchange of information between landlords and tenants
 - To enable parties to avoid litigation by settling the matter if possible without the need to commence possession proceedings
 - To enable court time to be used more effectively if proceedings are necessary
- Courts are expected to take into account whether the protocol has been followed when considering what orders to make. If the protocol has not been followed, the courts may not grant orders to support the timely recovery of rent arrears or, in extremis, possession of property owned by the Council.
- 3.2.3 Shared Ownership: The Council now provides properties for sale on a shared ownership basis, where the Council sells a share of a home to a purchaser and then charges rent on the remaining share. The current Policy has no provision for managing the collection rent arrears in the case of such properties and this is rectified within the revised policy.

3.2.4 Former Tenants Arrears: The national collection rates for former tenant debts vary between 5% and 18%. The Council last year collected 15% of such debts, and set aside £215,000 for bad debt provision. Information provided by the Midlands Best Practice Group show that housing providers that fare better than the national average for the recovery of former tenants' arrears are those that have structures in place to negotiate concessions to tenants for repayment of such debts. The revised policy provides for such an arrangement to be offered by this Council:

Level of Debt	Concession available (full payment)	Concession available (-staged repayment over a negotiated period)
£100 - £1000	5-20%	10%
£1000+	10-25%	10%

4. **Policy Framework**

4.1 The **Sustainable Communities Strategy** will benefit in the following ways:

4.2 **Housing:** The Rent Arrears Policy should have a positive effect on income collection. The recommendation in this report is consistent with and supports the delivery of the Council's adopted Housing Strategy 2014-17 action point 1.3: "working with our partners across all sectors to support people in financial difficulties".

4.3 **Prosperity:** By providing financial inclusion services for our tenants we will increase the prosperity of the local communities as more income will be available for local goods and services

4.4 **Health and Well Being:** The link between health and well-being and being financially excluded is well known. Without access to appropriate mainstream financial services, people pay more for goods and services and have less choice. The impacts of exclusion are not just financial but also affect education, employment, health, overall well-being and housing.

4.5 **Community Sustainability:** Evidence from other organisations indicate that as circumstances for tenants improve through being financially included they are more likely to engage positively with their landlord in local communities

4.6 **Impact Assessments:** There are no negative changes to the policy proposed in respect of Equalities.

4.7 **Fit for the Future:** This policy will help the Council in both the Service and Money strand of its change programme by offering appropriate support to tenants to maintain their homes (Service) and helping to ensure that the Council maximises its rental income (Money).

5. **Budgetary Framework**

5.1 The collection of rent and prevention of rent arrears is of critical importance in making sure the Council has sufficient income to deliver the Housing Revenue Account Business Plan. With additional financial costs falling on the HRA as a result of the Housing & Planning Act 2016, the changes proposed in the revised

Rent Arrears Policy will further improve our rent arrears performance and so help support the viability of the Council's landlord services.

- 5.2 The table below shows the historic rent arrears performance for the Income Recovery Team. The Arrears figure shown is the cumulative level of rent not paid in total by our current tenants at the end of each year. The rent collection figure is the total percentage of rent collected at the end of each financial year.

Year	Arrears	Rent collection	Arrears as a % of Debit
2013/14	£804,631	99.8%	3.3%
2014/15	£942,718	98.9%	3.7%
2015/16	£820,611	100.3%	3.05
To 6/11/16	£766,445	102.1%	3.01%

- 5.3 The arrears expressed as a percentage of the debit is a figure usually used to benchmark our service. We currently use HouseMark benchmarking data which currently lists us in the bottom quartile compared with 36 other Borough or District Councils. We are already on a continuous improvement journey and aim to be in the top half of our benchmarking group which would currently require our arrears as a percentage of our debit being below 1.8%.
- 5.4 We aim to achieve this in the medium term (within 3 years) despite the continuing impact of welfare reform cuts and the introduction of Universal Credit. Performance at the moment is strong and the Council has bucked the national trend since April 2015 by collecting in excess of 100% of the rent debit. We will provide annual information to HAG members on what we have achieved in the year and our aspirations for the forthcoming year.

6. Risks

- 6.1 There are no major risks arising from this proposal. Indeed the new Rent Arrears Policy reduces risk in certain areas of activity.
- 6.2 If the Council failed to adhere to the pre-action protocol then there is a high risk that when it applied to the County Court for a possession hearing the case could be dismissed by the District Judge. This would mean a cost to the Council as it would have to re-submit the case once the pre-action protocol has been adhered to. It would also damage the reputation that the Council has with the District Judges.
- 6.3 If the Council did not operate a positive financial inclusion policy then it would be at risk of rent arrears increasing as a result of tenants falling into what may be avoidable financial hardship. This in turn increases the risks of tenants falling behind with their rent payments, adding to the costs of income recovery for the HRA and the risk of eviction and loss of home for the tenants.
- 6.4 The loss of income will cause problems when the Housing Revenue Account is going to be under severe financial pressures due to the Housing and Planning Act which will the costs to the Council of being a landlord.

7. Alternative Option(s) considered

- 7.1 The rent arrears policy could remain unchanged but this would mean that the Council would not have a policy to make sure that it is able to adhere to the pre-action court protocol. Neither would it be able to make a commitment to deliver financial inclusion services to its tenants and so help reduce financial risks to both the Council and individual households. It would mean that there would be no provision of a rent arrears policy and procedure for those purchasing Shared Ownership Properties, and no amendments to the way we collect former tenant arrears, resulting in reduced income to the HRA.

8. Background

- 8.1 Financial Inclusion is now at the core of services delivered to tenants by the Sustaining Tenancies team. Financial inclusion means belonging to a modern mainstream financial system that is fit-for-purpose for everyone, regardless of their income. It is essential for anyone wanting to participate fairly and fully in everyday life. Without access to appropriate mainstream financial services, people pay more for goods and services and have less choice. The impacts of exclusion are not just financial but also affect education, employment, health, housing, and overall well-being.
- 8.2 While financial exclusion affects a wide range of people at different times in their lives, it mainly impacts on people with low or unstable incomes, or who have experienced a significant life shock. Lone parents, single pensioners, migrants, long-term sick, disabled people, the long-term unemployed, and households headed by students or part-time workers are some of the groups most commonly excluded from affordable and reliable financial services and so at risk of debt arising from insecure and unpredictable incomes.