

<b>Item No.</b> 11.	<b>Classification:</b> Open	<b>Date:</b> 17 September 2019	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		LBS Housing Rents Income Collection Policy	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Victoria Mills, Finance, Performance and Brexit	

## **FOREWORD - COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT**

The council is one of the biggest social landlords in the country and is strongly committed to its role as a social landlord. It is the rent that our tenants pay that enable the council as a landlord to ensure that the homes it provides are warm dry and safe for the tenants who live in them now and for those who may do so in the future – and that also ensure that our great estates continue to be clean and well maintained.

The rents paid by Southwark Council tenants are among the lowest charged by any social landlord in London and we are determined to ensure that they continue to remain as low as possible – but we will only be able to do that if tenants pay rent due. Paying rent is hugely important and both the council and its tenants recognise that. The vast majority of our tenants have always paid their rent in full and on time – including the large numbers who at times in their lives find themselves reliant on the benefit system to help them do so. However, ongoing Government welfare reform, most significantly the rollout of Universal Credit (UC), combined with the wider impacts of austerity have created new challenges for tenants who are required to pay their rent - and for the council which has a responsibility to collect it.

This new rent income collection policy is the council's carefully considered response to those challenges. It draws on findings from independent social research into the impacts of Government welfare reform and builds on previous commitments by the council. It ensures that those affected by Government welfare reform, or who are vulnerable for other reasons, and who find themselves temporarily unable to pay their rent or falling into arrears, are treated fairly and have access to the support they need. But the policy is also fair to all current and future tenants by making it clear to all tenants that while the council will do all it can to enable them to continue living in their home, their responsibility to pay rent due is in the end irrevocable. The council recognises the many shortcomings of the Universal Credit policy and will continue to stand up for its tenants and call on Government to make the changes required or if the system proves unfixable to scrap Universal Credit completely.

The policy also sets out how the council will modernise arrangements for paying rent, reducing costs to the council as landlord and ultimately to tenants and making it easier for all our tenants to pay their rents by a wider range of methods and at a time that is convenient for them.

## **RECOMMENDATIONS**

### **Recommendation for the Cabinet**

1. That cabinet agrees the rent income collection policy as set out within Appendix 1 and to be implemented from autumn 2019.

### **Recommendation for the Leader**

2. That the Leader delegate future updates or revisions of the rent income collection policy to the cabinet member for finance, performance and Brexit.

## **BACKGROUND INFORMATION**

3. The need for a new rent income policy is driven largely by impacts of Government welfare reform and, in particular, the introduction of Universal Credit (UC). This has resulted in major changes to how help to pay rent for council tenants is calculated and paid. The key changes are, firstly, UC for housing costs is paid monthly in arrears, where previously housing benefit to help council tenants pay their rent was always paid weekly in advance. Secondly, and just as significantly, UC housing costs payments are paid directly to council tenants by default, where previously they were always, and without exception, paid to the landlord – the council. For tenants in the private rented sector, or for tenants of other social landlords, neither of these conditions applied under the previous housing benefit arrangements.
4. A majority of council tenants - some working, some not - will rely on the benefit system to pay some or all of their rent, for a least part of any given year. Numbers rise and fall depending on factors such as the state of the economy, employment and wage levels but, typically, benefit payments account for almost half of the council's total annual rent income. This situation is not expected to change under UC but the payment behaviours required of tenants will change and it is part of the Government's policy intent that they should change.
5. Southwark was among the first places in Great Britain to see UC roll out and the council's response was consistent with commitments to stand up for residents and be more than a landlord. It has commissioned a series of independent research reports that evidences design failures in UC and the unintended consequences that have flowed from those - for example, rising levels of rent arrears among its tenants. The council has also sought to influence Government policy on UC, with some successes to date which include giving evidence to the Work & Pensions Select Committee, and will continue to do so.
6. When the first "Safe as Houses" research findings was published in late 2017, the council immediately responded by making its first rent policy statement on UC – that it would not commence possession action against any tenant who had claimed UC and fallen into rent arrears, or deeper into rent arrears, through no fault of their own.
7. The purpose of the proposed new policy is to build on that commitment and sets out how the council as a landlord will work with its tenants to ensure that rents continue to be paid and tenancies sustained. This is set within the context of UC which has already affected 8,000 council tenants, with a larger number expected to be affected over the next few years.

8. There are a number of key strands in the new policy which reinforce traditional messages on the importance of paying rent and the likely consequences of persistent or wilful failure to do so. But the new policy also tempers those messages in ways that recognise the impacts of UC for tenants as revealed by research findings and other data.
9. We know that tenants claiming UC struggle to pay their rent as they wait for their first UC payment and the policy refers to the *reasonable forbearance* that the council will demonstrate during that period. It sets out clearly what is meant by *reasonable forbearance* and is equally clear on what the council as a landlord expects of its tenants at that time.
10. A key finding from the research is that *alternative payment arrangements* under which help to pay rent in UC is paid directly to the landlord - not the tenant – are an effective means of keeping rent arrears under control for those struggling to cope with the impact of UC. The new policy sets out clearly the circumstances in which the council will use *alternative payment arrangements*, when they may be used and how it will inform tenants of its decision to do so. Codification of the already greatly increased use of *alternative payment arrangements* sits at the heart of the new policy.
11. We know from research and other evidence that tenants can protect themselves from the impacts of UC by paying rent in advance and overpaying rent if they believe they may have to claim UC in the future. Those who do so are much less likely to fall into rent arrears after claiming UC. The policy encourages and enables tenants to pay their rent monthly in advance but does not require them to do so.

## **KEY ISSUES FOR CONSIDERATION**

### **Policy implications**

12. Southwark Council's corporate income policy states that each department is responsible for the creation and maintenance of its own income policy for each income stream. The corporate policy's aim is to maximise income generation and collection to enhance the social and economic well being of the community Southwark Council serves.
13. The new policy ensures that rent collection within Exchequer Services, along with its other income streams, adheres to the council's corporate policy. It aims to maximise collection at the same time as sustaining tenancies.

### **Community impact statement**

14. The policy is consistent with 'a place to call home' fairer future commitment set out in the Council Plan 2018 – 22 as well as the values to treat residents as if they were a valued member of the family and to be open, honest and accountable. We have engaged with tenants and stakeholders through a series of consultation activities to ensure service users have contributed to the policy.
15. The policy provides equality of application across all residents and does not discriminate against protected characteristics as defined in the Equality Act 2010.

16. Following the introduction of the new policy and prior to any decision that may be made to amend it, further equality analysis will be conducted to measure the impact and whether it has had any unanticipated, disproportionate affect on any particular groups.

### **Resource implications**

17. New and revised work procedures based on the new policy are currently being developed. The new policy has been developed to work within existing resource frameworks, will not require increased resources and is cost neutral.
18. It is not expected to have significant financial impacts for the HRA. Future impacts of UC will be reflected in HRA Budget setting reports.

### **Legal implications**

19. The statutory framework for income collection and recovery of council rent is set out in the Housing Acts 1985 and 1988. In addition to this the Ministry of Justice's Pre-Action Protocol for Possession Claims by Social Landlords prescribes the specific procedures that social landlords should follow before issuing possession claims.
20. The new policy is set within these governing frameworks. It will not abridge or weaken council tenant's current rights or make it more likely that they will lose their home. The new policy will help reduce the risk of tenants losing their home as a result of rent arrears.
21. The number of tenants evicted by the council in the last two years has been at a historically very low level in spite of UC impacts and rising rent arrears. The number of evictions is expected to remain low after implementation of the new policy reflecting both the priority attached by the council to tenancy sustainment and the legal protections that already exist for its tenants.

### **Consultation**

22. The council consulted widely with both internal and external stakeholders at all points throughout the development of the policy.
23. We consulted with tenants through a series of meetings with Tenant Council and Area Housing Forums. The new policy was first presented to Tenant Council on the 13 May 2019 and cascaded thereafter to Area Housing Forums before a final consideration at Tenant Council on the 22 July 2019.
24. Separate consultation was carried out with local community advice organisations in April 2019 and their feedback incorporated into the policy. We have committed to continue consulting at regular intervals with advice organisations once the policy is implemented and prior to any future amendments. Additional consultation was carried out with Solace Women's Aid during July to address issues of domestic violence.
25. A survey was sent to all Tenant Management Organisations (TMOs) that provide housing management services for Southwark residents in August 2018. The purpose of this survey was to understand their current rent collection working practices and response to the challenge of UC. Whilst not in the scope of this

policy, further consultation will be carried out to assess the extent that TMOs should be brought into the scope of the policy.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Law and Democracy**

26. It is good practice and in certain situations legally required for the council to consult with secure tenants on matters of housing management and policy. Section 105 of the Housing Act 1985 includes a requirement to consult in matters of housing management which represent a change in policy likely to substantially affect secure tenants. The principals of consultation, to meet legal requirements and procedural fairness for a reasonable decision to be made require that consultation is undertaken when the proposals are still at a formative stage, include sufficient reasons for the proposals to allow any interested party the opportunity to consider the proposal and formulate a response and allow adequate time for interested parties to consider the proposal and formulate their response. The results of the consultation must be conscientiously taken into account when decisions are made. These central requirements for fair and proper consultation should be applied at all stages of the consultation process and Members should satisfy themselves as to consultation and take this into account when making a decision on the recommendation.
27. The Equality Act 2010 requires the council in the exercise of its functions to have due regard to the need to eliminate discrimination, advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it. Relevant protected characteristics for the purposes of the Equality Act are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The duty also applies to marriage and civil partnership, but only in relation to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct.
28. When considering the recommendation Members should have due regard to the need to identify any potential disproportionate effects on groups sharing protected characteristics so that these can be considered, and any appropriate mitigation that might be required can be put in place for the council to meet its public sector equality duty.

### **Strategic Director of Finance and Governance**

29. The new LBS Housing Rents Income Collection Policy sets out how the council as landlord will work with its tenants to ensure that rents continue to be paid and tenancies sustained. Effective rent arrears control and recovery is critical to ensure that rental income is maintained so that all tenants receive the best possible services.
30. There are no immediate financial impacts arising from this report. The new policy has been developed to work within existing resources.
31. As set out in the Report, the revised Policy is not expected to have any immediate financial implications for HRA rental income. Any future impacts of UC will be reflected in HRA Budget setting reports.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Safe as Houses: The impact of Universal Credit on tenants and their rent payment behaviour in the London boroughs of Southwark and Croydon, and Peabody	Exchequer Division, Southwark Council, 1 <sup>st</sup> Floor, 160 Tooley Street	Paul Anderson 020 7525 708
<b>Link (please copy and paste into your browser):</b> <a href="http://www.southwark.gov.uk/assets/attach/5092/Safe_as_Houses.pdf">http://www.southwark.gov.uk/assets/attach/5092/Safe_as_Houses.pdf</a>		
Safe as Houses 2: A follow-on report into the impact of Universal Credit on Southwark Council's housing tenants rent payment behaviour	Exchequer Division, Southwark Council, 1 <sup>st</sup> Floor, 160 Tooley Street	Paul Anderson 020 7525 708
<b>Link (please copy and paste into your browser):</b> <a href="https://www.southwark.gov.uk/assets/attach/8291/safe-as-houses-2.pdf">https://www.southwark.gov.uk/assets/attach/8291/safe-as-houses-2.pdf</a>		

## APPENDICES

No.	Title
Appendix 1	Rent Income Policy 2019-20

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Victoria Mills, Finance, Performance and Brexit	
<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Dominic Cain, Director of Exchequer	
<b>Version</b>	Final	
<b>Dated</b>	6 September 2019	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	6 September 2019	