

Item 8

Briefing Report to the Decent & Affordable Homes Policy Development Group (PDG): The Implementation of New “Traffic Light” Letters for Rent Arrears

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The regulatory framework for social housing is operated by the Homes & Communities Agency (HCA). The regulatory framework consists of a number of standards, some of which apply to local authority landlords. In accordance with the Tenant Involvement and Empowerment Standard, Registered Providers of social housing (RPs), such as the Council, must demonstrate that they understand the different needs of their tenants, including those relating to the equality strands and tenants with additional support needs. RPs should also develop and provide services that will support tenants to maintain their tenancy and prevent unnecessary eviction, as stated in the Tenancy Standard.

The Housing Service raises a debit of over £12 million each year in respect of current tenancies. Performance in relation to the collection of income remains very good despite the current economic climate and the impact of welfare reform. At the end of July 2013, just over £177k was outstanding in respect of current rent arrears, which was 1.48% of the annual rent debit. Although outside target, this compares favourably with the performance of other RPs and, for the first quarter of 2013/14, performance was in the top quartile.

However, welfare reform continues and the impact of the spare bedroom deduction of Housing Benefit (sometimes called “the bedroom tax” in the media) is beginning to affect the ability of some tenants to keep their rent accounts up to date. Just over 200 tenants have been affected but some tenants have advised that the cumulative effect of the on-going deductions has been causing them hardship. Only a small number of Council tenants have been affected by the benefit cap so the impact of that has been minimal in terms of arrears management.

However, the introduction of Universal Credit, where those on benefits will be expected to manage their own money as they would if they were working, is expected to have a much larger impact. Although Lord Freud, the Minister for Welfare Reform, has recently announced what appears to be a more flexible approach to paying rent to landlords for Universal Credit claimants, the transfer away from rent rebates to direct payments is still likely to lead to reduced rental income for the Council. The new approach announced by Lord Freud will include automatically making managed payments (that is, paying rent to the landlord) when the tenant has the equivalent of two months’ rent arrears. The average rent for a Council home is £81.15 per week, over 48 weeks, so clearly this new initiative could have a detrimental impact on income levels.

Other changes, such as those relating to help with Council Tax, meaning that some working age tenants are now having to make a contribution where they did not before, are also now affecting the ability of tenants to pay their rent.

The Housing Service routinely collects information about tenants and so we are aware that some tenants do not respond well to traditional rent arrears letters. The Council is expected to house vulnerable people and not all of those housed will therefore have high levels of literacy. We encourage tenants to provide information about themselves and their households and they do this by completing a "Getting to Know You" form. A number of tenants have informed us that they have difficulties which could affect their understanding of standard letters. 6.64% of those who have told us about themselves have told us that they have literacy difficulties; a number of tenants (115) have asked for information to be provided on audio tape. We send information in large print to 15 tenants and a further 22 people have other language issues. We house those with learning disabilities (2.42% of those who have told us about themselves) and people whose first language is not English (0.46% of those who have responded) and therefore it seems appropriate to review the way in which we communicate with people about their rent arrears in order to ensure that those who owe rent understand the possible consequences.

Good practice suggests that "prevention is better than cure" in terms of rent arrears and consequently early intervention is seen as positive. We use Orchard Housing, an integrated housing management system, which prompts escalating actions, to manage rent accounts. Our procedures allow for contact at a very early stage and telephone calls are made in the first week when an account goes into arrears.

The tenancy agreement states that rent must be paid weekly on a Monday and, as failure to do this means that a contractual term has been broken, the Neighbourhood teams are able to commence possession proceedings through the Courts, if necessary. However, in accordance with good practice, they should continue to make contact with tenants throughout the process to discuss arrangements for reducing the arrears in instalments and to give assistance to those tenants who may be experiencing financial difficulty. They should give advice on budgeting, as appropriate, and make referrals to other agencies, as necessary.

It has been agreed that the Council will review the often long and complicated letters sent to tenants about their rent arrears and introduce a "traffic light" system for people experiencing difficulty paying the rent. Other landlords, such as Nottingham City Homes and Croydon Churches Housing Association, have already introduced such a suite of letters and found it successful. Green letters will be for information only but those with amber or red on them should prompt tenants to contact the Council immediately. The aim of this initiative is to highlight the seriousness of the problem and the urgency with which someone needs to contact the Council in the event that their arrears are increasing. It is designed to give a clear indication to people that they need to respond if they are having problems paying the rent. In particular, it should help those who experience difficulty understanding the written word as it will give a visual indication to them that there is something that they need to address.

The replacement of the existing letters will be time-consuming because each letter template on the Orchard system will need to be updated manually. It has not been possible to devote the resources necessary to the project before now but plans have been put in place to start work on it in mid-October. It is anticipated that the work to

upload the new templates will take two months, after which the new system will be introduced.

Other landlords also have calling cards for unsuccessful visits printed in the three colours, again, to highlight the seriousness of the matter for individual tenants, and this is something that will also be considered.

Sample letters will be available at the meeting.

Background papers: The Regulatory Framework for Social Housing 2012 (HCA)

<http://www.homesandcommunities.co.uk/sites/default/files/our-work/regfwk-2012.pdf>

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