



Report for:	Housing and Community Overview and Scrutiny Committee
Date of meeting:	4th July 2018
Part:	1
If Part II, reason:	

Title of report:	Income Management Strategy
Contact:	Responsible Officers: Councillor Margaret Griffiths, Portfolio Holder for Housing Authors: Katie Kiely, Housing Income Team Leader; Emily-Rae Maxwell, Strategy, Improvement and Engagement Team Leader
Purpose of report:	To provide the Committee with an overview of the draft Income Management Strategy and an update on the Income Team and its performance
Recommendations	That Members: <ul style="list-style-type: none"> • Review the proposed strategy • Review the commitments set out within the strategy to ensure they cover the service • Offer any further feedback on the proposed approach to income management • Members note the challenges faced by the Income Team
Period for post policy/project review	Will be reviewed under Income Team Plan in March 2019
Corporate objectives:	The Income Management Strategy is vital in supporting the Housing Revenue Account and ensures a secure income stream; as such it supports all of the corporate objectives: <ul style="list-style-type: none"> • A clean safe and enjoyable environment • Building strong and vibrant communities • Ensuring economic growth and prosperity • Providing good quality affordable homes, in particular for those most in need • Delivering an efficient and modern council.
Implications:	<u>Financial</u> The strategy supports collection of all Housing Revenue Account (HRA) income sources and is vital in ensuring a healthy income stream. It should be viewed together with the income procedures and policies as an operational document. The renewed focus on collection of recharges and former tenant debts as well as current tenant arrears should act as a counter-balance to some of the difficulties introduced by Welfare Reform, in particular the roll-out of Universal Credit.
'Value for money' implications	<u>Value for money</u> An efficient Income Management strategy contributes to value for money and ensures that the Council collects debts owed to the

	Housing Revenue Account
Risk implications	Housing Risk Assessment is presented on a quarterly basis
Community Impact Assessment	Attached
Health and safety Implications	N/A
Consultees:	Fiona Williamson, Assistant Director, Housing; Layna Warden, Group Manager Tenants and Leaseholders; Tenant & Leaseholder Committee DBC Housing Tenants Chartered Institute of Housing
Background papers:	Housing Revenue Account Business Plan
Glossary of acronyms and any other abbreviations used in this report:	TLC: Tenant and Leaseholder Committee DWP: Department for Work and Pensions HRA: Housing Revenue Account UC: Universal Credit HB: Housing Benefit

1. Introduction

1.1. The Income Management strategy is specifically focussed on all HRA income sources including rents, service charges, recharges, former tenant debts and leaseholder charges. It sets out how we will manage the collection of these with the aim of maximising income whilst supporting tenants to manage the financial aspects of their tenancies. Securing the income stream is essential in ensuring that we are able to provide high quality services to our tenants.

1.2. The vision for the Income Management strategy is to develop a culture of financial responsibility and one where we work with our tenants and leaseholders to tackle barriers. This report outlines the key elements of the strategy and gives members an oversight of the approach taken by the Income team.

1.3. Due to delays and uncertainty around Welfare Reform, and in particular around the implementation of Universal Credit (UC) it was judged appropriate to wait before finalising the strategy which has been in development for over a year and a half, and has been developed against a background of national and local factors which have impacted on the HRA Business Plan

- Self-financing: In April 2012 the HRA subsidy system for council housing came to an end following changes introduced in the Localism Act 2011 which gave councils the power to keep their rental income and thereby generate growth capital to finance investment in their housing stock (self-financing). This required Dacorum Borough Council to take on a debt of £354 million as a 'debt settlement' although the move to self-financing also enabled us to develop a robust 30-year business plan for building new homes and investing in our existing stock.
- Rent Reduction: In 2015 the Government announced a 1% cut in rents for general needs social tenants for the year 2016/17 with further 1% rent reductions for each of the following three years. This has had a significant effect on the HRA Business Plan and has meant that we have had to find new ways of creating efficiencies
- Welfare Reform: The Government's Welfare Reform agenda has already had a significant effect on many tenants' ability to pay their rent. The introduction of the social sector size criteria and the benefit cap has meant that the Housing service has had to develop strategies to support these tenants and mitigate the effects. The

introduction of UC is expected to have a further significant effect on rent collection. UC claimants are generally expected to be responsible for making their own rent payments and UC is normally paid monthly in arrears. This means that when a tenant first makes a claim for UC there is often a period during which they are unable to pay their rent. Whilst we currently have relatively low numbers of UC claimants in Dacorum we have seen that these tenants take up a disproportionate amount of officer time and have significantly higher arrears than tenants claiming Housing Benefit (HB) or those who do not receive any help with the rent.

When UC is introduced more widely across the Borough we anticipate a spike in arrears which should reduce over time, though still remaining higher than before.

2. Proposed Strategy

2.1. Commitment One: We empower tenants to manage their finances and prevent unaffordable debt

We know that the majority of our tenants and leaseholders pay their rent and service charges. It is important that we continue to review our service to make this even easier for those who do so, whilst investing time and effort into supporting those that have fallen behind with their payments.

Our ability to maintain tenant debt at manageable levels has a direct impact on our capacity to deliver the commitments in our Business Plan. Factors such as education, life skills, changes in circumstance, knowledge of the welfare benefit system or lack of access to financial services all impact on tenants' ability to pay their rent regularly, in full and on time. Providing a supportive and accessible housing service that takes a holistic approach to tackling issues is therefore an important factor in maximising our ability to collect income.

To achieve this commitment, we will:

- Continue to work in partnership with the voluntary sector and continue to fund money advice services to ensure that tenants can access free and impartial money and debt advice quickly when they are in debt.
- Use our Tenant Academy as an opportunity to run informal courses or workshops on budgeting, Welfare Reform and managing household finances.
- Work with households moving to UC to reduce the number of tenants falling into arrears.
- Raise awareness of scams, loan sharks and high interest lending so that tenants do not become victims of unaffordable debt.
- Provide regular information on account balances, charges and payments using a variety of methods.

2.2. Commitment Two: We take action to recover money owed to the service.

Where tenants, leaseholders and others owe money to the service we will take action to make sure that the debts are recovered. To ensure that all those accessing the housing service understand the importance of paying the rent and other charges we run regular campaigns to raise awareness. The Income team provides targeted information for tenants who fall into arrears or fail to pay their rent regularly, in full and on time.

We work closely with tenants in rent arrears to help them manage their household budget and agree an affordable plan to repay their debts, offering one-to-one support from our dedicated Income officers. We accept that arrears may build up quickly whilst benefit claims are processed, so we take a consistent but fair approach to commencing legal action, which we regard as a last resort.

Whilst all action taken is proportionate it is essential that we consider the impact that failure to pay will have on the services that we are able to provide to tenants and leaseholders. We will develop a range of support and enforcement to enable us to better recover debts owed to us.

To achieve this commitment, we will:

- Take a new approach to collecting debt by creating specialist officers dedicated to collecting recharges and former tenant debt and to undertake court action
- Continue to use recharges to tackle tenancy breaches and offset debts to the council, ensuring that the tenant or leaseholder responsible is held to account
- Continue to use support plans for tenants in debt
- Keep in regular contact with those tenants who are in arrears, helping to ensure that they keep on track with arrangements and payment plans.
- Work with our homeless prevention team when arrears seems likely to result in eviction.

2.3. Commitment Three: We work with others to increase resources, expertise and service delivery.

Whilst it is important that we are able to focus on delivering our core responsibilities as a landlord we appreciate that tenants and leaseholders need a range of support and services. We believe that by investing in relationships we can provide better value for money, increase the range of services and explore new opportunities for income generation.

To achieve this commitment, we will:

- Review contracts and agreements to identify opportunities for improving services and increasing value for money for our tenants and leaseholders.
- Use Tenant Academy to increase access to local community services that as a landlord we are unable to deliver to our tenants and leaseholders.
- Identify joint priorities and pool resources with other social housing providers to address issues that affect both the individual tenant's wellbeing and that of the wider community.
- Use alternative funding to enable us to develop new ways of working without impacting service delivery.
- Continue to build our network of community and voluntary sector partners so that we know what services are available in the local area and can signpost tenants towards the most appropriate sources of support

2.4. Commitment Four: We are proactive and manage our income to meet current and future housing need

Data allows us to identify where there are high levels of demand or pressures within our service. Using this data we can develop an informed approach to allocating resources or identifying appropriate solutions. We also take pride in using our income to invest in the standard of our current homes as well as building new ones. Where possible, we will explore how to maximise income generation without creating unnecessary costs to tenants and leaseholders.

To achieve this commitment, we will:

- Use our understanding of new and emerging policy to review the HRA Business Plan and mitigate risks to our income.
- Continue to invest in building new homes and in new approaches to generating income to invest back into the housing service.
- Use data to analyse areas such as anti-social behaviour, rent arrears and repairs to reduce cost pressures on our service
- Explore opportunities to put more information online or allow tenants and leaseholders to resolve their own issues.

3. Performance of the Team

- 3.1. Despite the difficult financial climate faced by many of our tenants and leaseholders, the Income team is rising to the challenge. Performance in the last financial year was above target with a collection rate of 99.8%, rising to 100.3% collection of support charges. The Recharge Officer, which is a new post, collected in excess of £67,000 of rechargeable debt with instalment arrangements for much more. A further restructure has meant that additional focus is on former tenant and other static debt and we are seeing increasing successes in this area.
- 3.2. We have already started to put in place changes and restructure the Income team in order to better meet the challenges of Welfare Reform. We are proposing further changes to the team and hope to appoint an officer to focus on tenants claiming UC in order to support those moving onto this benefit and to minimise arrears which arise as a result of the difficulties many are experiencing with their claims.
- 3.3. We have refocussed the roles of the two Lead officers within the team, who no longer have their own patches to manage. One Lead officer is now for all of the patch-based Income officers, whilst the other deals with the specialist officers within the team, and the Debit Control Officers. This allows them to provide additional support with more difficult cases as well as given them the opportunity to monitor specific cases more closely, carry out targeted and general training and, together with the Team Leader and the Strategy, Improvement and Engagement Team, to review procedures.
- 3.4. Specialist officers deal with Introductory tenants, with Court applications and procedures and with recharges and former tenant debts. This approach enables a more detailed knowledge of legislation and procedures to be developed and it is hoped that this will bear more fruit in terms of income collection. Court officials and Judges have praised Dacorum's efficiency and the clear information that we provide to them when taking cases before the Courts
- 3.5. The introduction of the Recharge officer post has not only been a notable success in terms of the amount of debt collected but is also proving successful in promoting a culture change amongst tenants, ensuring that they take responsibility for such things as rubbish left in communal areas and unauthorised alterations which have previously meant significant costs for the Council.
- 3.6. We have recently completed a project, working with local water companies, to pass collection of water charges back to the providers. This involved a number of 'Roadshows' across the Borough, which were generally well received by tenants and which contributed to the smooth implementation of the project. This should substantially reduce the number of low level debts owed to the Housing service and should free up officer time to deal with tenants with more significant levels of debt.
- 3.7. We have run a number of campaigns, for example 'Pay Your Rent'. This encouraged tenants in arrears to continue to pay their rent during the 'free weeks' when many would otherwise treat these as a 'payment holiday'. We are currently running a joint campaign with the Council Tax team encouraging tenants to pay by Direct Debit, which is both cheaper and generally more reliable. We have also run our 'Don't Get Ripped Off' campaign warning tenants (and others) of the risks and costs of high-interest credit
- 3.8. We work to enable tenants to better manage their tenancies, particularly with regard to improving their financial wellbeing through education and by providing a range of information about benefits, income maximisation advice and debt management support. We do this in partnership, not only with our colleagues in Housing, particularly the Tenancy Sustainment team, but also with a range of voluntary and statutory organisations including Social Services, Citizens Advice Dacorum and Turning Point/Housing Link. We are working on building these relationships further.

- 3.9. There are undeniably further challenges ahead, particularly in relation to the roll-out of UC, as the timetable beyond the initial introduction of full-service UC in December is unclear. We are working on improving communication with the Department for Work and Pensions (DWP) as this is causing some problems at present. The proposed appointment of an officer to deal specifically with tenants in receipt of UC should help with this and should also speed up receipt of housing costs owed to us. It is vital that we support tenants through these changes.
- 3.10. The closure of some local Courts has meant substantially increased travel times, particularly for our Court officer, and causes problems for many of our tenants who are simply unable to attend hearings or who can only do so with great difficulty
4. Conclusion
- 4.1. The Income Management strategy sets out four commitments that focus on the underlying principles of maximisation of income whilst supporting tenants and leaseholders to manage their financial situation and promoting financial independence and responsibility. There are continued challenges posed by the wider financial landscape and in light of Welfare Benefit changes but taking steps to re-organise our resources will help meet these challenges.
- 4.2. A coordinated approach has been adopted working with colleagues across Housing and other Council services, partner organisations in the statutory, community and voluntary sectors and with tenants and leaseholders themselves. This supports and educates tenants to better manage their own financial circumstances whilst taking a firm but fair approach to those who fail to comply with the terms of their tenancy and pay their rent or other charges.
- 4.3. The new Recharge officer post has been instrumental in increasing income collected by the Council and driving a change of culture amongst tenants and leaseholders. We are intending to build on this and continue with the excellent performance by the Income Team in the collection of rent other debts owed to the Housing service.
5. Recommendations
- 5.1. For members to review the proposed strategy
- 5.2. To review the commitments set out within the strategy to ensure they cover the service
- 5.3. To offer any further feedback on the proposed approach to income management
- 5.4. That Members note the challenges faced by the Income Team