

Name of meeting: **CABINET**
 Date: **23 August 2016**

Title of report: **Proposed changes to the current payment period for Kirklees Council housing tenancies.**

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes - affects all wards
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	Key Decision - Yes
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Director</u> & name	Jacqui Gedman - 12.08.16
Is it also signed off by the Director of Resources?	David Smith – 15.08.16
Is it also signed off by the Assistant Director (Legal, Governance & Monitoring)?	Julie Muscroft – 12.08.16
Cabinet member portfolio	Housing and Enforcement Management - Cllr Naheed Mather

Electoral [wards](#) affected: All

Ward councillors consulted: None

Public or private: PUBLIC

1. Purpose of Report

- 1.1 To seek Cabinet approval to vary the Council's secure tenancy agreement in order to replace the current weekly payment (debit) period with a monthly one. It is proposed that this change takes effect from Thursday 1st December 2016.
- 1.2 To provide details of the context and practical implications.

2. Summary

- 2.1 Weekly debits have been used in the social housing sector for decades because historically this represented the frequency that employees were paid their wages and it made commercial sense to align the two. Rent was charged in this way so that priority bills could be paid as soon as the income was received, thus allowing people to budget effectively until the next pay day. Times have changed and the majority of people are

now paid a salary into a bank account on a four-weekly or monthly basis. The full introduction of Universal Credit (UC) will mean that the majority of Kirklees Council tenants will also receive their benefits on a calendar month basis.

- 2.2 The alignment between income and rental periods is required to allow tenants to budget effectively for rent due in accordance with their income cycle, whilst helping KNH to maximise the collection of rental income

3. Information Required to take a Decision

3.1 Background

- 3.1.1 The introduction of monthly debit periods would complement and help to support a number of key Government, Council and KNH priorities. The key policy changes driving the move towards a monthly debit period are the introduction of UC and a reduction in central funding for local authorities, which has increased the need to deliver savings through efficiencies. The key KNH priority met by this proposal is to minimise the negative impact of welfare reform whilst maximising income.
- 3.1.2 When the roll-out of UC is complete within Kirklees, approximately 10,000 tenants currently in receipt of Housing Benefit (HB) will begin to receive their income on a monthly basis as a 'surrogate salary'. Tenants who have become used to budgeting on a weekly or fortnightly basis to match their benefits income will suddenly receive a whole month's worth of benefit payments in one lump sum and be expected to budget effectively for the rest of the month. This will be a challenge for many tenants and will have a significant impact on the collection of rental income. Introducing a monthly debit period that aligns the period over which income is received with the period over which rent is charged will benefit both the tenant and the organisation by helping to make it clear how much rent is due over the period for which income is received. Equal monthly debits can be charged as UC payments will not be varied according to the number of days in each assessment period.
- 3.1.3 The expectation and ability for tenants to pay a month's rent on receipt of their UC payment is a key element of KNH' response to the significant risk that welfare reform poses to income collection. Tenants making a claim for UC will not receive their first payment until at least a full calendar month and seven days has passed with their first payment intended to be used to cover their rent for the month in front. KNH are currently considering ways to mitigate the impact of this delay in payment on income collection.
- 3.1.4 A move to monthly debit will also resolve the issue of matching up a monthly charge to the monthly benefit payment as currently the UC the calendar month benefit payment does not match cases with the 4 or 5 weeks debits raised through the month.

3.2 Timescales

- 3.2.1 Monthly debits can be introduced at any time of the year but there are a number of factors which will influence the decision. They include:
- **Part apportionment of weekly rent during changeover** - This is one of the most complex parts of changing the system from weekly to monthly debits. It has now been thoroughly tested.
 - **Progress of Universal Credit roll-out** – The Department of Work and Pensions (DWP) have indicated that UC will not be rolled out to other claimant groups within Kirklees until at least April 2017. On this basis UC may not have a significant impact on arrears cases until 2017.

- **The cost of implementation** - Costs could be minimised by co-ordinating the legal notification process with the Pay to Stay notification.

3.2.2 Further details on the proposed implementation can be found in Appendix A

3.3 Cost of Implementation

3.3.1 The costs of implementation are estimated as follows:

DESCRIPTION	COST
Civica Consultancy (min. 15 days + expenses)	£16,000
Printing and postage(23,000 x 60.24p x 2)	£27,710
Staff time (30 days @ £143.12 per day (£19.34 per hour) for System Consultant)	£4,300
KIT	TBC
Contingency (10%)	£5,000
TOTAL	£53,010

*Civica is the software supplier of the KNH Universal Housing and Contact Manager housing management systems

3.4 Practical Implications

The Variation of the Tenancy Agreement

3.4.1 Each Council tenant has a tenancy agreement with the Council which is in a standard form. This tenancy agreement is a legal document and states the period for which rent is due. To introduce a monthly debit period a formal legal process under Section 103 Housing Act 1985 would have to be instigated to change the tenancy agreement. This includes consultation with all existing tenants. The outline implementation plan is fully set out in Appendix A.

3.4.2 It is a three stage process to vary the Council's tenancy agreement. The first stage is to serve what is called a Preliminary Notice on each tenant. The notice must set out the proposed changes to the Council's tenancy agreement and inform the tenant of the nature and effect of the changes. The notice must also invite the tenant to comment upon the proposed changes and give sufficient time for such changes to be made. This consultation requirement is in addition to any requirement for consultation with tenant representatives.

3.4.3 The second stage is the analysis and evaluation of the comments received in response to the Preliminary Notice. All comments received within the consultation period must be considered and evaluated by the Council and in the light of the evaluation the Council must then consider whether it is appropriate to proceed with the proposed changes. Officers recommend that the evaluation of the consultation and the decision of whether to proceed to proceed with the proposed changes should be delegated to the Portfolio Holder.

3.4.4 The third stage is if and when the Council decides to proceed with the changes to the secure tenancy then the Council must serve a notice of variation on each tenant not less than four weeks before the change is to take effect

System Implications

- 3.4.5 Monthly debiting has now been implemented in the test environment of the Universal Housing and Contact Manager housing management systems. We have tested that the concept works by raising the rent debit over several periods, starting and ending tenancies and generating rent statements. These are all working as expected.
- 3.4.6 In order to implement monthly debits on the 1st December 2016 a part weekly apportionment charge needs to be applied. This has been successfully run in the test environment.
- 3.4.7 From a resourcing point of view, monthly debits would help to spread the workload of the Arrears Recovery Team over a longer time period and focus recovery interventions at the right time with the right people. The rent debit would be raised at the start of each month. Software has been developed to incorporate analysis of arrears based on an expected payment date. This would allow arrears recovery officers to send reminders and to monitor missed payments on a daily basis allowing timely intervention throughout the month.

4. Implications for the Council

Transaction Costs

- 4.1 Reducing the number of debit periods each year from 52 to 12 will result in up to 73% less rent payment transactions and generate cost savings of £122k per annum based on the 12,400 tenants not currently on full housing benefit. It is anticipated that the realisation of such savings will be maximised over time as more tenants move to making one monthly payment.

Universal Credit

- 4.2 Universal Credit was rolled out for new single claimants within Kirklees in June 2015. When it is fully rolled out to all benefit claimants the approximate value of rental income considered to be at risk from working age tenants is £30m per annum or 37% of the 2015/16 annual rent debit. To ensure that rent continues to be viewed as a priority payment for tenants and to maximise rent collection it needs to be charged on a basis consistent with the income being received.

Interface with Customer and Exchequer Services (C&E)

- 4.3 During discussions it has been identified that to implement a monthly debit C&E would have to assign new claim numbers to all existing claimants. This is a significant task that would require input from Northgate, who are the main software supplier of the C&E management systems. Following the change a high volume of manual changes would need to be made to claimant accounts in order to backdate claims and recover overpayments. This would be time consuming and expensive and would potentially affect the accuracy of the Housing Subsidy claim. Due to the risk associated with this piece of work a further option has been put forward as per 4.4.
- 4.4 The Housing Benefit export has been tested to ensure that the monthly debit can be converted into a weekly amount for transfer on the interface with Northgate. In this way KNH could achieve the benefits of implementing monthly debits without requiring C&E Services to change their own systems.

Equalities

- 4.5 Monthly debits will end the inequality between tenants receiving HB and those who are not as everyone will be required to meet a monthly debit. Providing the rent account is clear at the end of the month no recovery action will be necessary. If tenants choose to continue to pay their rent weekly they will still be able to do so.

5. Consultees and their opinions

- 5.1 Consultation has taken place with Communities Who Can (CWC) in January 2016 and Tenant and Resident Committees in March 2016. CWC were happy with the proposals but wanted assurances that customers could still pay weekly if they wanted. They also wanted communications in an easy to understand format.
- 5.2 Tenant and Resident Committees fully understood why we would want to move to a monthly debit. They believe tenants are already familiar with the concept of monthly payments through Council Tax and other utilities which charge monthly. They believed a monthly charge would be easier for tenants to manage. The only concern raised was how the elderly or vulnerable would be affected. We assured them that tenants paying weekly could continue to do so.

6. Next steps

- 6.1 Subject to Members approval Council and KNH officers will prepare for the implementation of Monthly Debits from 1 December 2016 as set out in Appendix A.

7. Officer Recommendations and Reasons

- 7.1 It is recommended that Cabinet:
- 7.1.1 Approves the service of a Preliminary Notice under Section 103 Housing Act 1985 informing Council tenants of the proposals to vary the Council's tenancy agreement to require tenants to pay rent monthly, such rent to be due at the end of each monthly period.
- 7.1.2 Delegates to the Cabinet Portfolio Holder for Housing and Enforcement Management the decision, following her evaluation of consultation received in response to the Preliminary Notice, on whether the Council should proceed to implement the proposals to vary the Council's secure tenancy to require tenants to pay rent monthly, such rent to be due at the end of each monthly period
- 7.2 The change from weekly to monthly debits is largely a systems and administrative change. Monthly debit periods will not have an impact on the value of rent due from a tenant over the course of a year it will merely change the individual periods over which the same rent is charged. Tenants may still choose to pay rent weekly but as long as expected payments are received during the month, no recovery action will be necessary.
- 7.3 The introduction of monthly debits will produce a reduction in the number of debit periods from 52 to 12 thus reducing transaction costs.
- 7.4 Once UC is fully rolled out the potential rental income at risk is £30m. By introducing monthly debits the alignment between income and rental periods will be maintained. This will allow tenants to budget effectively for rent due in accordance with their income cycle, whilst helping KNH to maximise the collection of rental income.

8. Cabinet portfolio holder recommendation

The Cabinet Portfolio Holder, for Housing and Enforcement Management, Councillor Naheed Mather, recommends that Cabinet:

- Approves the proposed introduction of a monthly debit period for housing tenancies from 1 December 2016.
- Notes that the change from weekly to monthly debits is largely a systems and administrative change. Monthly debit periods will not have an impact on the value of rent due from a tenant over the course of a year it will merely change the individual periods over which the same rent is charged. Tenants may still choose to pay rent weekly but as long as expected payments are received during the month, no recovery action will be necessary.
- Notes that the introduction of monthly debits will produce a reduction in the number of debit periods from 52 to 12 thus reducing transaction costs.
- Notes that by introducing monthly debits the alignment between income and rental periods will be maintained. This will allow tenants to budget effectively for rent due in accordance with their income cycle, whilst helping KNH to maximise the collection of rental income.

9. Contact officer

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10. Background Papers and History of Decisions

January 2016 - Portfolio Briefing

11. Assistant director responsible

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Appendix A

OUTLINE IMPLEMENTATION PLAN FOR MONTHLY DEBITS

DATE	ACTION REQUIRED
MAR – JUN 2016	Test the set-up and working of monthly debits for a sample group of 100 tenants within the Universal Housing (UH) test system
MAY-JUN	Review arrears policy in UH to ensure it can be made to work effectively on a monthly basis. Confirm that the new functionality within UH based on expected payment dates works as intended for mid-month account monitoring.
JUN-AUG	Further testing and amendment to scripts as required.
JUL	KNH and KC Legal to agree the wording of the preliminary notice and amended tenancy agreement
	Detailed implementation plan to be agreed with stakeholders and go live date confirmed.
5 SEPT	STAGE 1 legal consultation period with tenants begins (4 weeks)
3 OCT	STAGE 1 legal consultation period with tenants ends
5 -10 OCT	Feedback from consultation presented to the Portfolio Holder and a decision made on whether to proceed with implementation.
18-26 OCT	STAGE 2 - Legal notice of variation to the tenancy agreement printed and posted to all tenants
2 NOV	STAGE 2 deadline for tenants to be notified of the change to their tenancy agreement (28 day notice period)
NOV	Staff training
24/26/27 NOV	Joint Civica/KNH work to prepare for the system to go live.
1ST DEC	LIVE IMPLEMENTATION OF MONTHLY DEBITS - change to tenancy agreement takes effect