

**Name of meeting: Cabinet**

**Date: 14<sup>th</sup> December 21**

**Title of report: Amendment to Tenancy Agreement from Monthly to Weekly Debit**

**Purpose of report:** To seek Cabinet approval to vary the Council's Tenancy Agreement in order to replace the monthly payment (debit) period with a weekly one. It is proposed this change takes effect from April 2022.

<b>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?</b>	<b>Yes – affects all Wards.</b>
<b>Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u></b>	<b>Key Decision – Yes</b> <b>Private Report/Private Appendix – /No</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by <u>Strategic Director</u> &amp; name</b>	David Shepherd - 17 <sup>th</sup> November 2021
<b>Is it also signed off by the Service Director for Finance?</b>	Eamonn Croston – 6 <sup>th</sup> December 2021
<b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	Julie Muscroft – 6 <sup>th</sup> December 2021
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Cllr Cathy Scott - Housing and Democracy</b>

**Electoral wards affected:** All Wards

**Ward councillors consulted:** No

**Public or private:** Public

**Has GDPR been considered?** Yes

## 1. Summary

In 2016 the Tenancy Agreement for Council Tenants was changed from a weekly to a monthly debit period following a Cabinet decision. At the time many Local Authorities reviewed ways to reduce the impact of Welfare Reform and the roll out of Universal Credit (UC).

The change to a monthly rent debit was seen as a way to support tenants who would receive benefit payments directly on a monthly basis, rather than benefit being paid directly to their rent account weekly. The purpose behind aligning rent payments to monthly benefit payments was to make budgeting easier for tenants, mitigate the risk of rent arrears increasing and ultimately prevent tenants from losing their homes.

Following the change to the Tenancy Agreement, an unforeseen issue was identified with the Housing Benefit processing system. It could not align monthly payments to rent accounts without significant changes to its IT infrastructure, at a cost in excess of a £100k.

The cost was prohibitive, and the housing rent accounting system had to remain debiting rent payments weekly, whilst the Tenancy Agreement was based on a monthly payment period. This meant many processes that could be automated within the rent accounting system require manual and labour-intensive interventions by staff

Despite efforts to manage this, it impacts on the service we deliver and creates confusion for many tenants. Documentation needs to communicate monthly payments in line with the Tenancy Agreement, but also quote a weekly rent amount. The annual rent increase letter is an example of this, when sent, it prompts a surge of contact from tenants wanting clarity on what they should pay and when.

A new Housing IT system (CX Civica) is being implemented in 2022. It was envisaged the new system would remedy the existing issues, but Civica has advised that if monthly tenancies remain in place, the new rent accounting system will not be utilised effectively. Further, the existing inefficiencies, potential for inconsistencies and manual interventions would continue if Kirklees failed to align the Tenancy Agreement and rent charging period.

Aligning the Tenancy Agreement to a weekly debit period will improve the service for our tenants and avoid the confusion caused by differing rent debit periods.

It is acknowledged the recommendation made to amend the Tenancy Agreement from a Monthly to Weekly Debit period will reverse the decision made by Cabinet in 2016.

Despite the initial challenge of Welfare Reforms and the roll out of UC, Homes & Neighbourhoods (H&N) has worked to strengthen its relationship with the Department of Works & Pensions. This has enabled joined up working practices, and our officers have gained valuable experience of the UC claims process.

This approach supports tenants to make rent payments and take up the budgeting advice offered. The impact of Welfare Reform is therefore no longer a key driver for a monthly debit period.

## **2. Information required to take a decision**

### **2.1 Welfare Reform & Universal Credit**

The key driver for changing from a weekly to a monthly Tenancy Agreement was the roll out of Universal Credit, this commenced in Kirklees in June 2015. Tenants who had been used to budgeting on a weekly or fortnightly basis, received a month's worth of benefit payments in one lump sum to budget with.

This was a key change to how benefits were paid and posed a challenge for many tenants. It was also thought to pose a significant risk for collection of rental income. It was therefore seen as beneficial for both the tenant and the organisation to have a monthly rent debit period that aligned to when UC income was received.

The collection of rent from UC claimants remains a challenge, and the delays in DWP processing claims continues to impact on rent arrears. However, six years on from its implementation, tenants and staff have become more experienced in managing UC payments. The expectation that UC claimants would pay rent monthly in-line with the new Tenancy Agreement does happen in cases where tenants can manage their budgets but remains problematic for those who can't.

To support tenants who claim UC, H&N has worked closely with the DWP and holds Trusted Partner status. This gives H&N staff access to the Landlord Portal to verify the rent the tenant must pay to ensure the correct amount of benefit is paid to them.

As Trusted Partner, the DWP has also appointed H&N to identify tenants who are unlikely to pay their rent due to vulnerability or support needs. In these circumstances, a direct payment can be requested from benefit payments for rent and arrears and is paid directly to their rent account by DWP. This prevents the risk of homelessness and encourages the tenant to access support to budget and to manage their finances.

## **2.2 Management of a Monthly Tenancy Agreement**

Managing a monthly tenancy agreement with a weekly rent account presents a number of key challenges.

- The monthly condition of the Tenancy Agreement means monthly rent payments should be made in advance to avoid arrears. This is a challenge for tenants especially those paid in arrears by Universal Credit or have a low income.
- At tenancy sign up the new tenant should pay a month's rent in advance
- Communication with tenants, such as the annual rent increase letter display the weekly rent amount, and a monthly payment amount. This is not clear and causes confusion for many tenants.
- The manual processes involved in trying to make a monthly tenancy agreement work within a weekly accounting system is resource intensive. Officers spend valuable time on manual interventions that should be spent engaging with, and supporting tenants faced with financial hardship.

This is not an exhaustive list of the challenges faced but it was envisaged that the implementation of the new Housing IT system (CX Civica) would resolve some of the existing issues.

Advice from CX Civica is that the Income Management module will not be utilised effectively and the inefficiencies, potential for inconsistencies, and manual interventions would continue if Kirklees Council does not align the Tenancy Agreement and rent charging period.

This means the opportunity to enhance the rent income service to support our tenants could be lost, and existing issues would remain.

All other financial systems linked to the rent accounting system are weekly and amending the Tenancy Agreement from a monthly to weekly debiting period is seen as the best option.

A weekly charging period is also easier to communicate if we need to discuss or write to tenants about rent payments.

The proposed amendment will ensure the Tenancy Agreement aligns with the rent accounting module when the new CX Civica housing system is implemented.

## **2.3 Options for consideration**

### **Option 1 – To change the Tenancy Agreement from a Monthly to Weekly Debit Period**

All financial systems linked to rental income are managed on a weekly basis, an amendment to the monthly Tenancy Agreement is seen as the best option to ensure the Tenancy Agreement and account management systems align with each other. There is opportunity to improve services by utilising the new Housing IT, CX Civica system to its full extent.

This option requires consultation with tenants regarding the proposed changes, the Service Director of Homes & Neighbourhoods reviews feedback from tenants and provides final sign off for the amendment to the Tenancy Agreement. Should the consultation raise any significant

issues these will be fully considered by the Portfolio Holder who will consider these in conjunction with the Service Director of Homes & Neighbourhoods.

If the change is approved this will provide clarity for tenants about payment and charging periods.

There is a budget consideration for this proposal as approximately 22,000 tenants will require notification of the proposed amendment.

The cost of sending the initial letter, followed by the formal notice of variation by 2<sup>nd</sup> class post will be £30,360. This cost can be reduced by half (£15,180) if the first letter is sent with the annual rent increase letter.

There will be legal costs to vary the Pinnacle PFI Contract, these are unknown until Legal Services has reviewed the full detail of the contract.

### Option 2 – Leave the Councils Tenancy Agreement for Monthly Debit as it is

The Tenancy Agreement could remain as it is. This is not believed to be the best option as the differing payment periods is confusing for tenants, and difficult for staff to communicate accurate arrears figures.

The management of the rent accounts with the current arrangement is challenging and requires the manual intervention of processes that could be automated. The time taken with manual processes could be better used supporting tenants faced with financial difficulties.

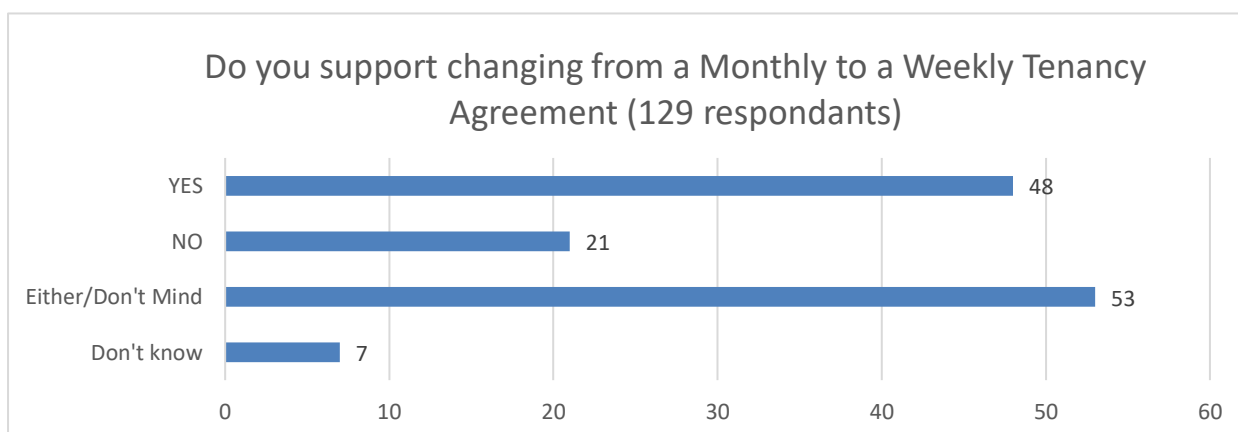
The advice from CX Civica is that the new system will not be utilised effectively if Kirklees failed to align the Tenancy Agreement and rent charging period. The existing inefficiencies, potential for inconsistencies and manual interventions would continue.

## 3. Implications for the Council

- **Working with People**

Consultation about the proposal has been undertaken with tenants making contact with H&N to access services, they were invited to feedback on the proposal.

129 tenants agreed to provide feedback, and **53 (41%)** said they didn't mind either a monthly or weekly Tenancy Agreement, **48 (37%)** supported a weekly agreement, **21 (16%)** did not support the change, and **7 (6%)** tenants said they were unsure.



Although this is not the full statutory consultation process that will be required if Cabinet approves the recommendation, it does provide some initial feedback from tenants, who appear supportive of the change to a weekly Tenancy Agreement.

To vary conditions of a tenancy agreement requires a full consultation exercise, and there is a duty under Section 103 of the Housing Act 1985 to consult tenants affected by a change in the terms of the tenancy agreement.

Legal Services has advised of the following process must be undertaken to meet this requirement:

- Letter sent to all affected tenants advising them of the proposed change, with a period for and deadline for making comment about the change.
- A requirement for the comments to be assimilated into a reporting mechanism in the final decision- making process
- Once decision is made the tenancy amendment is served giving the required 4 weeks' notice before effecting the change.

The statutory process gives tenants opportunity to comment on the proposed variation and requires the Council to consider these comments. It is requested that the Service Director of Homes and Neighbourhoods reviews consultation feedback and, subject to any significant objections, authorises the amendment to the Tenancy Agreement.

It is crucial that the tenants voice is heard in relation to the proposal made. To ensure tenants have every opportunity to feedback comments, the Communications Team will utilise all available communication methods to publicise the consultation period, including social media, website, press release, telephone contact, and face-to-face.

- **Working with Partners**

We will work with a range of internal and external stakeholders to ensure we capture the tenants voice about the proposed changes.

This report was discussed with the Tenant Advisory Grant Panel on the 24 November 21, and the panel were supportive of the recommendation made.

H&N's, Customer Support and Information team handle in excess of 1300 calls a week from H&N's customers. The team will work proactively to inform tenants of the proposed change and capture their feedback.

- **Place Based Working**

Housing teams deliver a range of services out in our communities, in Community HUB meetings, with Fusion, Customer Service Centres, Libraries etc and will be in a position to assist with informing tenants about the consultation period.

Our Partnerships team work closely with tenant and leaseholder representatives, and this will provide the opportunity to discuss the proposal directly with those groups.

The ability to work with an IT system that will automate, existing manual process will free up officer time to spend out in the communities, supporting tenants.

- **Climate Change and Air Quality**

There will be no change to Climate Change and Air Quality if this proposal is approved.

- **Improving outcomes for children**

Providing support to tenants to manage their tenancy is a key objective. We are aware of the impact of losing a home can have on a family. Tenants faced with financial hardship are fully supported and we offer support from Housing, Money Advice Unit, Employment Support Team and Young People Pathways teams.

Ensuring these vital services are delivered efficiently ensures families can sustain their tenancy and in turn help to keep more children in their homes. The knock-on effects of those faced with financial hardship or homelessness is well known, and this can impact on children's health, education and general wellbeing.

- **Other (Legal/Financial or Human Resources)**

There is a budget consideration for this proposal as approximately 22,000 tenants will require notification of the proposed amendment.

The cost of sending the initial letter, followed by the formal notice of variation by 2<sup>nd</sup> class post will be £30,360. This cost can be reduced by half (£15,180) if the first letter is sent with the annual rent increase letter.

There will be legal costs to vary the Pinnacle PFI contract, these are unknown until Legal Services has reviewed the full details of the contract.

An Integrated Impact Assessment has been completed to ensure the proposal does not impact negatively on people with protected characteristics.

#### **4. Consultees and their opinions**

- The report was discussed with the Tenant Advisory Grant Panel on the 24 November 21, and they were supportive of the proposal.
- The proposal was discussed with Councillor Scott, the Portfolio Holder on 30 November.
- Consultation about the proposal has been undertaken with tenants making contact with H&N to access services, they were invited to feedback on the proposal.
- 129 tenants agreed to provide feedback, and **53 (41%)** said they didn't mind either a monthly or weekly Tenancy Agreement, **48 (37%)** supported a weekly agreement, **21 (16%)** did not support the change, and **7 (6%)** tenants said they were unsure.

#### **5. Next steps and timelines**

Prepare implementation plans for Option 1, subject to the Cabinet decision.

Following the statutory period of consultation with tenants and full consideration of the feedback from tenants, subject to no major issues being raised in this consultation, the implementation of the amended Tenancy Agreement will be in April 2022. The Service Director of Homes & Neighbourhoods may make any necessary changes to the proposal as raised by the consultation responses, the matter may need to be referred to Cabinet for further consideration if major issues are raised.

## **Officer recommendations and reasons**

6. Cabinet is requested to approve Option 1 - to change the existing Tenancy Agreement from a monthly to weekly debit period.

This approval is subject to the period of consultation with tenants and evaluation of the issues raised in that consultation. The Service Director of Homes & Neighbourhoods has delegated authority to consider feedback from tenants and provides final sign off for the amendment to the Tenancy Agreement in consultation with the Portfolio Holder. The Service Director of Homes & Neighbourhoods will decide whether to implement Option 1 by serving Notice of Variation of tenancy.

If Option 1 is to be followed following evaluation of the consultation, the variation of the terms of the conditions of tenancy shall take effect from 1 April 2022

This change will align the agreement with the rent accounting system and provide much needed clarity to tenants about when they should pay rent.

Manual interventions by officer will reduce as processes can be automated within the new Housing IT system.

### **7. Cabinet Portfolio Holder's Recommendation**

8. The Cabinet Portfolio Holder recommends that Cabinet approves Option 1 - to change the existing Tenancy Agreement from a monthly to weekly debit period.

The Cabinet Portfolio Holder also notes the following;

- tenants can choose whether to make payments weekly or monthly
- the proposal will align the Tenancy Agreement with rent accounting system within the new Housing IT System

### **9. Contact officer**

Lisa Ramsden – Service Manager – [lisa.ramsden@kirklees.gov.uk](mailto:lisa.ramsden@kirklees.gov.uk) Ex: 72919

### **10. Background Papers and History of Decisions**

Cabinet Report – 23 August 2016

### **11. Service Director responsible**

Naz Parkar, Service Director Homes & Neighbourhoods