

The Highland Council

Finance, Housing and Resources Committee – 26 February 2014

Agenda Item	14
Report No	FHR/36/14

Review of the Rent Arrears Management Policy: Under-occupancy Charge

Report by the Director of Community Services

Summary

At the Finance, Housing and Resources (FHR) Committee in April 2013, the Council amended the Rent Arrears Management Policy so that for a transitional period of one year, where the Director of Housing and Property was satisfied that tenants who were subject to reduction in benefit through under occupancy were doing all that they reasonably could to avoid falling into arrears, the Council would use all legitimate means to collect rent due, except eviction. This policy change now requires review to agree the approach beyond March 2014.

1. Introduction

- 1.1 The Welfare Reform Act 2012 introduced a number of changes to the welfare benefits system, many of which impact adversely on low income and vulnerable households.
- 1.2 One of the most contentious of these changes was introduced in April 2013. The under-occupancy charge reduced the amount of housing benefit to Council and housing association tenants who are considered to be under-occupying their home under the UK Government definition.
- 1.3 At the Finance, Housing and Resources Committee in April 2013, Members expressed their unanimous opposition to the under-occupancy charge, stating that it would impact on the most vulnerable in society and also penalise tenants aspiring to secure a suitable level of housing for themselves and their families. At the same meeting, the Council adopted a policy that aimed to ensure that no Council tenant in Highland who was affected by the charge would be evicted from their home where arrears were due solely to this change in the welfare benefit system and where they were doing all they reasonably could to avoid falling into arrears. This policy would be in place for a period of one year.
- 1.4 This policy now requires a review to clarify the approach beyond March 2014.

2. Background

- 2.1 As Members are aware, maximising rent collection is crucial to the financial management of the Housing Revenue Account and our ability to provide quality services to our tenants. Any increase in rent arrears is of concern as this means a consequent reduction in income and impacts on areas such as repairs and maintenance of Council houses and other housing management services.
- 2.2 The Highland Council Rent Arrears Management Policy has always taken a “firm but fair” approach to the management of rent arrears. We give all tenants in arrears all

possible advice, support and assistance to help them pay their rent and address any financial and benefit problems they may have, but we also use all the legal options open to us to deal with arrears, up to and including eviction.

- 2.3 As at 25 January 2014 **1,715** Council tenants are affected by a reduction in housing benefit due to under-occupation:

Table 1

Date	Number of tenants affected	Total number of affected tenants in arrears	Value of arrears at date £	Number of affected tenants in arrears prior to April 2013	Value of arrears pre-dating April 2013 for currently affected tenants
27 July 2013	1759	1175	£269,687	662	£173,350
24 August 2013	1691	1130	£279,018	632	£162,487
25 January 2014	1715	550	£156,179	598	£153,408

- 2.4 The number of tenants affected by the under-occupancy charge who are in arrears has reduced significantly due to the support provided by enhanced Discretionary Housing Payments. The majority of those currently in arrears had arrears pre-dating the introduction of the under-occupancy charge, and these arrears are also reducing.

3. Support to tenants

- 3.1 On 30 July 2013 the Department for Work and Pensions announced that an additional £35m funding would be made available to help claimants affected by changes to housing benefit in the social sector who need extra support, particularly those in rural areas. Highland Council received **£987,115** with this representing an increase of **£771,009** on the original funding allocation of **£216,106**.
- 3.2 In the Scottish Budget an additional £20m was made available to top up Councils' DHP Budgets. The additional monies from the Scottish Government were intended to mitigate the impact of welfare reform including helping those families who could not avoid the short term consequences of the under occupation measures. This meant a maximum additional funding of **£1.466m** for 2013/14 which has increased the total fund to **£2.453m**.
- 3.3 As soon as the increase in funding was announced the Council adjusted its guidance to staff in order to ensure that maximum help was given to tenants affected by the under-occupancy charge. This meant that some tenants of the Council and Registered Social Landlords had their cases reviewed and DHP's granted where they had initially been refused. Others were able to have their period of entitlement extended. However, some tenants who did not engage with staff may not have had the maximum award available.
- 3.4 This increased funding has allowed us to better support those impacted by the under-occupancy charge, reducing the number of tenants affected in arrears as a result of the under-occupancy charge from **1,175** in July 2013 to **550** in January 2014.
- 3.5 Due to our ability to support tenants affected by the under-occupancy charge through DHP funding, no Highland Council tenant has to date been considered for eviction because of their inability to pay their rent when affected by the charge.
- 3.6 Information on the Discretionary Housing Payment award for 2014/15 is presented to

members in a separate report on Welfare Reform.

- 3.7 The Scottish Legal Aid Board (SLAB) was asked by the Scottish Government and the Money Advice Service to run a new grant funding programme for projects that would significantly increase the ability of people in Scotland facing debt and problems stemming from benefits changes to get advice and representation to resolve their difficulties. The Council and partners have been successful in securing funding for three projects through the Making Advice Work Programme and an up-date on these projects is available in the Welfare Reform Update report.

4. Conclusion

- 4.1 In considering a continuation of the policy change regarding eviction for those tenants impacted by the under-occupancy charge, the current situation regarding DHP and other Scottish Government mitigating funding should be considered. The continued funding will enable us to continue supporting tenants impacted by the under-occupancy charge to the end of March 2015.
- 4.2 The SLAB funding initiatives offer tenants affected by the under-occupancy charge and the wider welfare reform agenda further support to 2015.
- 4.3 The policy offers a safety net for tenants who may not engage with council staff or other support services and may find themselves facing eviction as a result of the under-occupancy charge although they are doing all they reasonably can to prevent arrears arising.
- 4.4 The increase in arrears levels in Highland for those not affected by the under-occupancy charge highlights concerns about the equality of the current approach as well as the promotion of a “non-payment” culture. This comes at a time when the income of Highland tenants has also been impacted by the other welfare reform changes such as the benefit cap; child benefit and working tax credits. Rising food and fuel prices are also impacting on the incomes of all our tenants, whether working or out of work.

5. Implications

- 5.1 **Resources:** there will be little impact on current resources given the continued level of DHP funding to the March 2015.
- 5.2 **Risks:** the following risks have been identified:
- There is a minimal risk that rent arrears will increase as a result of extending the policy for another year. This is unlikely so long as DHP's are appropriately targeted;
 - Possible differential treatment of one specific group of tenants affected by Welfare Reform;
 - Possibility of “mixed message” to tenants and a perception that the Council has a “no eviction” policy or is “soft” on arrears;
 - There is a risk that, if Scottish Government persuade the UK Welfare Minister to relax controls on the “cap” on DHP's, then there will be a revised basis of calculating the allocation of grant to Councils that is not tied to DWP funding for DHP as it is at present.

- 5.3 **Equalities:** An Equality Impact Assessment screening has been carried out to ensure that this change does not have a detrimental effect on any particular group. A full assessment is not required.
- 5.4 **Legal:** The changes proposed are consistent with current legislation as detailed in the Housing Scotland Act 2001.
- 5.5 **Climate change/carbon clever:** there are no implications arising from this report.

6. Recommendations

6.1 Committee is asked to:

- consider the risks detailed in this report;
- consider whether to extend the following amendment to the Rent Arrears Management Policy for a further year: that for a further period of one year, where the Director of Community Services is satisfied that tenants who are subject to a reduction in benefit through under-occupancy are doing all that they reasonably can to avoid falling into arrears, the Council will use all legitimate means to collect rent due, except eviction.

Designation: Director of Community Services

Date 18 February 2014

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