



Report to:	STOCKPORT HOMES MEMBER COMMITTEE		
	11 October 2021		
Report of:	DIRECTOR OF RESOURCES		
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Type of Report	Assurance		
Title of Report:	STRATEGIC ANALYSIS OF RENT ARREARS 2021		
Purpose of Report:	To present a strategic review of arrears and show how the associated trend analysis is informing targeted actions to continually improve rent arrears management		
Recommendation(s):	That the Member Committee notes and comments on the report.		
Confidentiality	Non Confidential		
Resource Implications	There are no resource implications		
Impact on Risk Appetite and Risk Register	Stockport Homes has an open appetite to Finance and Income Collection and this report provides assurance to the Board that measures are taken to continually monitor trends and take targeted actions to improve collection.		
	Risk Number	Risk Description	Risk Mitigation
	3	Rent and Water arrears levels increase to an unsustainable level following the full rollout of Universal Credit (UC) and worsening	The recommendations in this report will ensure that rent and water charge collection is maximised and arrears minimised. The findings and actions will feed

		prevailing economic conditions caused by Covid-19	into organisational plans to ensure that the effects of UC roll out is minimised
Customer Voice	There is no direct Customer Voice insight into this report.		
Equality, Diversity & Inclusion implications	Stockport Homes aims to support customers to pay rent and have successful tenancies		
Regulatory compliance	Ensuring a proportionate approach to customer debt is in accordance with the principles of the Value for Money standard.		
Comments of the Stockport Homes Monitoring Group	<p>The Stockport Homes Monitoring Group provided comments relating to the Strategic Analysis of Rent Arrears. The comments covered:</p> <ul style="list-style-type: none"> • The customers praised Stockport Homes' approach to providing money advice to its customers. The innovative approaches to understand and support the customer base are apparent and have worked well. • The customers highlighted that there will likely be some issues which present themselves after the end of the additional £20 to Universal Credit claims and the end of the furlough scheme. They noted that all the support currently in place such as employment support, money advice and energy advice will be required to help customers through some difficult times. • The customers understood why Covid-19 would have had an impact on the number of customers being evicted and therefore impacting the level of rent arrears. 		

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to present a strategic review of arrears and show how the associated trend analysis is informing targeted actions to continually improve rent arrears management.
- 1.2 It is crucial to fully understand the tenant base and their respective payment profiles in order to respond and continue to deliver effective and efficient, sector leading, rent collection and Money Advice services.
- 1.3 Since 2018 targeted support actions have largely been focussed on managing the continued transition of customers to Universal Credit. The Coronavirus pandemic and restrictions on legal actions has provided a real test into the effectiveness of these support mechanisms and the supportive approach to income collection at Stockport Homes.

2. OVERVIEW OF PERFORMANCE DURING 2020/21

PERFORMANCE STATISTICS

- 2.1 The total amount of arrears outstanding at week 52 2020/21 was £1,101,116 an increase in cash terms of just over £45k compared with the previous year. The total number of cases in arrears increased by 229 over the year from 3,030 to 3,259.
- 2.2 Compared to estimates made at the start 2020/21, year-end performance for rent arrears was very positive, despite a large increase in new Universal Credit claimants during the Covid-19 pandemic. The number of new claimants increased in line with the predictions made at the start of the year, however, the resulting arrears were much lower than predicted. In cash terms, rent arrears increased by around £45k compared with the previous year, which is much lower than the £330k increase that was anticipated based on the estimated increase in Universal Credit claimants. Despite the increase in arrears cases overall numbers of customers in arrears remain lower than in March 2021, the year before national welfare reforms started to impact customers.
- 2.3 Year-end arrears (including water) were £1.1m (2.01%) out of a total rent and service charge debit of over £54.3m. Based on Housemark's benchmarking data (at 1st June 2021), Stockport Homes was 2nd best performing ALMO and ranked 10th housing provider¹ in the country for levels of rent arrears as a % of rental debit.

¹ Housing organisations with lower arrears as a % of annual debit at Q4 2020/21 were; Coastline Housing, Lancaster City Council, Leeds and Yorkshire Housing Association, Medway Council, Mid Devon District Council, Teign Housing, Livin, Blackpool Coastal Housing, Newark and Sherwood DC

- 2.4 The in-house Money Advice Team continued to be invaluable providing advice and reassurance to customers financially affected by the pandemic to access Covid financial support schemes as well as assisting customers to access additional benefits/grants and challenge benefit decisions. In September 2020 the Money Advice Team were delegated responsibility from Stockport Council to administer the Discretionary Housing Payment scheme for applications made by Stockport Homes customers. Over the year the team assisted 2,714 customers to obtain over £7m in income gains.
- 2.5 Universal Credit roll out continues to be the greatest factor affecting rent collection and arrears performance. The number of customers claiming UC at the end of March 2021 had increased to 3,662 or 32% of the customer base. The proportion of Housing Benefit received annually had reduced £5m in cash terms compared to 2018 when the Full UC service first went live in Stockport.
- 2.6 New UC claims made by Stockport Homes customers had started to reduce towards the end of the 2019, this trend continued into early 2020 with claim numbers averaging less than 20 per week. Then the pandemic hit. During April 2020 around 80 new claims per week were made by customers affected by the first national lockdown, however by the summer months claims were back to around 25 per week and remained at that level throughout the remainder of 2020/21.
- 2.7 At the end of March 2021, seventy-seven per cent of overall arrears were owed by UC claimants. Average arrears on UC claimant rent accounts remained significantly higher than average arrears on non-UC accounts, being £481 compared to £181 on non-UC accounts, and 51% of UC claimants were in arrears with their rent compared to 18% of non-UC claimants.
- 2.8 Monitoring of accounts over time, however, continues to demonstrate that average arrears reduce where households have been claiming UC for over three months. At the end of March 2021 average arrears on UC claimant accounts had reduced by £13 per case compared to 12 months earlier and there were 5% fewer UC claimant accounts in arrears.
- 2.9 Where rent arrears represent eight weeks or more of outstanding rent, or where tenant vulnerability issues can be demonstrated, landlords can submit a request to the DWP for the housing element of a claim to be switched back to the landlord. This is known as an Alternative Payment Arrangement (APA). At the end of March 2021, APAs were in place on 1,146 accounts.
- 2.10 Specialist Money Advisors continue to provide intensive support to all new UC claimants during the first six weeks of their claims. Of the 1,008 new UC claimants during 2020/21, 87 per cent engaged with the team and paid as requested after receiving their first payment.

KEY ACHIEVEMENTS AND INITIATIVES ROLLED OUT DURING 2020/21

2.11 Many initiatives rolled out during 2020/21 were actions and priorities identified in the Group Income Collection Strategy 2020-23. A brief selection of key highlights and outcomes are as follows:

- Several wider teams across Stockport Homes continue to support rent collection and arrears management initiatives. This wider support is reviewed annually to ensure that it remains effective. The One Number team continued to support with basic incoming telephone calls for balance checks and payments. They supported during busy periods following the issue of bulk communications such as statements and rent increase letters. During April 2020 they supported with outbound calls to around 2,500 UC claimants to ensure that Housing Costs had been updated following the rent increase.
- The Block Recovery Team contributed to the Vision 2020 project at Lancashire Hill and Mottram Street blocks enabling a more collaborative approach to housing management in these areas. In the absence of normal outcome comparisons around reductions in legal action etc, several positive case studies have been identified by the team to demonstrate the success of the project which is now due to be rolled out across all multi-story blocks.
- A conversation quality framework was fully embedded across the team during 2020/21. This allowed managers to remotely review and audit calls between customers and officers ensuring that correct advice was being provided around pandemic financial support and that the team were having effective conversations with customers that resulted in sustainable repayment agreements without the threat of legal action.
- The team maximised the use of available digital contact channels during 2020/21 making use of WhatsApp and web chat conversations. WhatsApp was particularly successful around engaging younger customers and supporting customers remotely with their online UC claim.
- In the early stages of the first national lockdown functionality to obtain e-signatures from customers by SMS was implemented, allowing customers to remotely provide authority for Money Advisors to discuss their claim with relevant agencies.
- A buddy system was put in place between Money Advisors and Recovery Officers to increase cross team engagement, further improve Recovery Officers knowledge around complex welfare

benefit issues and improve collaboration to target pro-active support on their team patch.

- The Money Advice Team created a suite of self-help guides for customers based on feedback provided in the Covid-19 customer surveys. The guides enable advisors to sign post some customers to information to make claims themselves, freeing up time for advisors to provide one to one support to more vulnerable customers.
- Since September 2020 the Money Advice Team have administered Discretionary Housing Payment (DHP) applications for Stockport Homes customers. This removed some duplication of work between SMBC and Stockport Homes officers and improved the claim process for customers. During 2020/21 the full allocated DHP budget was awarded to customers.
- Annual reviews and improvements to performance management across the team ensured effective remote management of the team. Real time dashboards, weekly and monthly monitoring provided information needed to ensure consistent levels of quality and outputs across the team.
- By the end of March 2021, the Customer Finance team had supported 12% of customers to successfully apply for United Utilities (UU) affordability tariff schemes. This was well ahead of the 4% target set by UU and secures payment of a £25k bonus commission payment until at least 2024 when the current collection agreement ends if current levels are maintained.

3. COLLECTION ANALYSIS 2020/21 AND NEW ACTIONS FOR 21/22

- 3.1 Stockport Homes continue to operate a rent system that incorporates four non-payment weeks during each financial year. The non-payment weeks in 2020/21 were applied on weeks 1, 14, 39 and 52. This analysis of arrears was conducted at the end of week 52 so that technical arrears were minimised.
- 3.2 At the time that the analysis was conducted 3,259 tenants owed £1,101,116. The arrears figures contained in this report are inclusive of rent, water and service charge arrears. The total number of occupied dwellings managed by Stockport Homes at the end of the financial year was 11,302.
- 3.3 The following analysis has been conducted over eleven themes. A high-level synopsis of findings per theme is set out in the table below, highlighting corresponding positive actions that will be completed during 2021/22.

Theme	Findings	High Level Action
Comparison of Legal Actions and Customer Contact	<ul style="list-style-type: none"> • Both inbound and outbound contact actions logged on Northgate were higher than previous years across all contact methods apart from home visits. This was expected as only essential home visits were carried out for the majority of 2020/21 • The proportion of customer contacts by digital channels such as text, e-mail, web chat and WhatsApp are increasing at a significantly higher rates than phone calls. • Government restrictions on landlords taking legal action and carrying out evictions meant that very few legal actions were undertaken during 2020/21. While two eviction applications were made in early 2021 due to substantial arrears, no evictions took place in both cases the eviction date being set prompted the customer to engage with the team. 	<p>Use customer contact during 2021/22 to collect and record customer communication preferences in order to make best use of Civica CX communications suite</p> <p>Review and update current rent arrears communications and arrears escalation policy using lessons learnt from pandemic – where inability to take legal action was replaced successfully by additional stages and persistent contact attempts</p> <p>Continue to work with Digital Transformation and One Number Teams to implement improvements to digital communication channels not linked to Phoenix e.g. automated outbound contact, intelligent web bot functionality and WhatsApp integration with Netcall system</p>
Breakdown of RentSense Rules	<ul style="list-style-type: none"> • The RentSense rule set at the end of week 52 2020/21 placed 9% of rent accounts owing £572,765 (52% of overall arrears) in contact rules 	<p>Review effectiveness of weekly feed from RentSense to CXM system</p>

	<ul style="list-style-type: none"> The remaining 91% of accounts owing the £528,912 (48% of overall arrears) in non-contact rules. In these cases, the account was either clear of any arrears or an arrangement was in place with a history of payments enough to reduce the account balance. 	<p>Move all account monitoring to RentSense by the end of September 2021</p> <p>Conduct 3-month trial of RentSense daily processing option and carry out VFM analysis in order to make decision on whether it should be implemented in the long term.</p>
Housing Benefit	<ul style="list-style-type: none"> 43% of tenants at week 52 2020/21 were still receiving HB HB income received annually has reduced significantly over the past 5 years, by almost £7m HB receipts as a % of annual income have reduced by 14% since March 2017 Average arrears owed by tenants claiming HB are significantly lower than tenants without a HB claim - £110 compared to £445 	<p>Reduce the number of HB claims being closed causing tenants to claim UC instead</p> <p>Maximise two week run on claims for customers transitioning from HB to UC</p> <p>Review continued need to fund HB processor role beyond 2021/22</p>
Universal Credit	<ul style="list-style-type: none"> Average arrears outstanding for new UC claimant were lower during 2020/21 compared to previous years Households with a female lead tenant had higher average arrears balances than households with a male lead tenant UC claimants paying their rent by Direct Debit were least likely to be in arrears and cash payers had lowest average arrears Tenants living in multi-story properties, maisonettes and studio flats were more likely to be claiming UC. 	<p>Target cases where HB claim suspended to ensure they continue where possible.</p> <p>Maximise HB backdates and 2 week run on's</p>

	<ul style="list-style-type: none"> • Multi-storey properties had the highest proportion of UC claimants with accounts in arrears and highest average arrears levels, this was the case both at point of making a claim and at year-end • Tenants under the age of 25 had the greatest proportion of accounts in arrears and the 25-39 age group had the highest average arrears balance. • Average UC arrears have reduced over time and the proportion of UC claimants with arrears balances is also starting to reduce • 33% of UC claimants have an APA in place. Half of tenants under 25 have had payments switched back to paying housing costs direct. 	<p>Develop and deliver awareness campaign aimed at encouraging customers to claim UC straight away</p> <p>Continue to work with National Federation of ALMOs to lobby for continued improvements to UC processes</p> <p>Raise awareness around the withdrawal of Covid financial support e.g. £20 weekly UC uplift which is likely to be removed from Sept 2021</p>
<p>Property type</p>	<ul style="list-style-type: none"> • Average rent arrears balances owed by tenants in multi storey properties and maisonettes were higher than all other property types. • Average arrears on UC claimant accounts managed by the Block Recovery Team, whilst still higher, saw the greatest reduction during 2020/21 compared to other team patches. • Further analysis of multi-story property accounts managed by the Block Recovery Team show that over that past 12 months they were the only Team to reduce the overall number of accounts in arrears on the patch. • Overall arrears on UC claimant accounts reduced on the Block Team patch whereas the other team patches saw arrears increase on UC claimants accounts. • Bungalows continue to be property type with the lowest average arrears. 	<p>Continue with Block Recovery Team patch and their contribution to the Vision 2020 project</p> <p>Allocate additional properties at Victoria Park to Blocks Recovery Team so that they are managing same properties as expanded Vision 2020 project</p> <p>Improve recording and reporting of Vision 2020 rent related outcomes</p>

Area	<ul style="list-style-type: none"> • Town Centre, Lancashire Hill and Brinnington were the three areas with the highest average arrears balances. • Brinnington, North Reddish and Offerton North had the highest proportion of households with accounts in arrears 	Tailor contact methods on team patches based on success rates of different contact methods.
Age of tenant	<ul style="list-style-type: none"> • Highest average arrears levels were found in the 16-24 age group (£464), followed by 25's-39's (£454). • The 18-24 age group continued to be the most over-represented group compared to the tenant base with 54% of this age group having an arrears balance. Of the other high rent arrears groups 43% of 25-39 year olds were in arrears. 	Utilise contact method success data to tailor contact methods based on age of tenant
Payment method	<ul style="list-style-type: none"> • Only 22% of Direct Debit payers had an arrears balance at the end of 2020/21 compared with over 37% of Post Office/Paypoint and Debit Card payers. • The highest average arrears were owed by tenants that were claiming Universal Credit with an Alternative Payment Arrangement in place where housing costs had been switched back to paying landlord 	Carry out exercise to ensure that all customers with an APA in place have updated their housing costs to 2021 rent levels
Tenure type/ Rent status	<ul style="list-style-type: none"> • The greatest amount of arrears was owed by secure tenants who had generally been tenants for a longer period than their introductory counterparts. • Introductory Tenants had the highest % of tenants in arrears closely followed by Assured Shorthold Tenancies. • Use and Occupation accounts (£409) and Assured (£428) tenure types had the highest average arrears • Properties with rents set at affordable rent levels had the highest proportion of tenants in arrears compared to other rent levels and tenants paying rent at target levels had the highest average arrears 	<p>Carry out targeted audit of arrears cases on Assured and Assured Shorthold Tenancies</p> <p>Make more use of ability to extend introductory tenancies and publicise risk of falling into arrears</p> <p>Work with Neighbourhoods team to review processes around Use and Occupation accounts</p>

Level of debt	<ul style="list-style-type: none">• An analysis of arrears by level of debt noted that most arrears were owed by a small number of tenants. In fact, it was determined that 50% of all debt was owed by only 20% of all tenants in arrears.• The majority of tenants in arrears 39% owed less than £100.	<p>Utilise buddy system between Money Advisors and Rent Officers to identify and support customers with high balances to access Discretionary Housing payments</p> <p>Improve processes around terminating tenancies and avoiding high rent arrears debts where tenancy abandoned, customer deceased, in care home or in prison.</p>
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7 CONCLUSIONS

- 7.1 Analysing arrears by theme not only highlights actual performance by theme but more importantly it prompts questioning as to the reasons for different patterns within the Borough which then informs actions to address those areas.
- 7.2 While increasing numbers of UC claimants continues to be the main factor impacting on rent arrears, the UC system successfully supported large volumes of new UC claimants at the start of the pandemic. Arrears owed by UC claimants and the number of claimants falling into arrears are both reducing and two thirds of working age customers claiming benefits have already moved over to UC.
- 7.3 Inability to take legal action did not significantly impact on performance. Persistent contact and effective conversations in many cases resulted in engagement and payments from the customer. The majority of debt is still owed by a minority of customers. That minority will continue to be targeted with tailored contact and support or limited enforcement action will take place where tenants fail to engage with officers.
- 7.4 In many ways 2020/21 was a success story demonstrating how, combined with considerable national financial support, Stockport Homes had effective mechanisms already in place which supported many customers to avoid significant rent arrears debts and remain in their homes during the pandemic. This support will continue to be essential as financial support schemes come to an end in September 2021.

8 RECOMMENDATION

- 8.1 That the Member Committee notes and comments on the report.