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Consultation: Managing Rent Collection

Introduction

The Northern Ireland Federation of Housing Associations (NIFHA) represents registered and non-registered housing associations in Northern Ireland. Collectively, our members provide around 32,000 good quality, affordable homes for renting or equity sharing. Further information is available at www.nifha.org

Background

NIFHA recognises that managing rent collection is an important area of work for all Housing Associations and we welcome this draft guidance which supplements our own publication “A Guide to Rent Arrears and Recovery Procedures for Registered Housing Associations”. The Federation have responded to consultation on a previous version of this document on 19 November 2009 and 04 January 2010. Many of the issues raised during the previous consultations have not been addressed or responded to satisfactorily and, where necessary, are raised again for response prior to the issue of a final document.

General Comments

The Federation questions the practicality and / or the cost effectiveness of a few aspects of the draft guidance. If all the recommendations were to be implemented in full then they would have significant practical and staffing implications for Housing Associations in terms of the development of systems and operational procedures and management.

A number of Housing Associations have had difficulties regarding delays brought about by courts and the enforcement of judgements. The Federation requests the assistance of Department for Social Development in sponsoring reform to address these problems. For example, could a facility for “fast tracking” more serious arrears cases be put in place.

The proposed performance indicator for non-technical arrears is novel and untested. The Federation recommends that it be tested for a year or two before being made a permanent feature of the system. Secondly, the diverse nature of some of the client groups and the range of services required to support those means that a “one size fits all” approach to measuring rent arrears performance may not be capable of presenting a fair picture.

As is the case with other Departmental guidance issued to registered housing associations, our members request explicit clarification if they will be criticised or sanctioned if they decide not to follow some aspects of the guidance

because they consider it inappropriate in their individual or local circumstances.

Specific Comments

Tenant Support

Managing the recovery of Housing Benefit overpayments separately from rent arrears would have practical and staffing implications for Housing Associations in terms of the development of systems and operational procedures and management.

The bullet point suggesting that tenants make a contribution to rent payments while their benefit claims are being considered would be impracticable and perhaps perceived as unethical to enforce. Housing Associations could be perceived as asking people with low income levels to make payments for rent that they may not be required to pay once their housing benefit has been assessed. These rent payments may further contribute to the financial hardship suffered by some tenants and their families. For example would DSD consider it to be appropriate for Housing Associations to ask for rent payments if the tenant is claiming income support?

Housing Associations could only realistically be aware of tenants housing benefit claims being assessed when they are new tenants. They would not be aware of a reassessment of their housing benefit during their tenancy, arising through changes in their tenants' circumstances as they may not necessarily be aware of those changes taking place.

IT Support

The bullet point suggesting that Housing Associations provide tenants with practical advice on financial issues such as budgeting and home insurance should be removed or re-worded to say that where necessary the Housing Association will act as a sign post for appropriate agencies such as Housing Rights Service and Citizens Advice Bureau where the tenant could access specific detailed advice on financial matters. Advising tenants with regard to benefits implies that staff have detailed knowledge of a wide range of benefit entitlements. Given the complex and changing nature of social security and tax regulations this would be difficult and costly for Associations. Staff within Housing Associations would be required to be authorised by the Financial Services Authority prior to giving advice on insurance or insurance products.

Clarification is required concerning the requirement for the Housing Association to identify different types of debt, does this mean different types of arrears such as those accruing to service charges, housing benefit overpayments or rent.

Arrears Collection

The guidance states that the Housing Association should establish liaison points within NIHE to assist with Housing Benefit problems. Housing Associations are often unable to find out information regarding their tenants because of the legal restrictions surrounding data protection and the lack of an information sharing protocol. This is outside the control of Housing Associations and whilst they try to develop and maintain good working relationships with their colleagues in NIHE, NIHE may not always be able to provide them with the information they require regarding their tenants benefit claims.

Legal Action

Housing Associations are in many cases hampered by delays and the lengthy process involved in bringing court action and enforcements of judgements following court action. NIFHA considers that the credibility of Housing Associations' rent arrears management has been undermined by delays in the Courts and the Enforcement of Judgements Office and we have asked the Department for Social Development for assistance in sponsoring reform to address problems in these areas. We mention again the possibility of a facility for "fast tracking", more serious arrears cases to be put in place?

The draft guidance is not clear about the process for implementing legal action i.e. the procedure to be followed when serving a Notice Seeking Possession. The bullet point suggesting that a Notice Seeking Possession not be served on a tenant with an outstanding Housing Benefit claim would be very difficult to judge as NIHE in many cases, because of legal restrictions, would not be able to give information to the Housing Associations regarding their tenants benefit claims. This could mean that tenants rent arrears would be increasing and the Housing Association would have to rely solely on information coming from the tenant because of the lack of shared data.

Housing Benefit Overpayments

The unavailability of shared information because of data protection requirements between NIHE and Housing Associations is unhelpful to Housing Associations. The lack of information may increase the potential for arrears as there is normally a time lag between the processing of new claims and claims for change of circumstances and notification of the amount of benefit entitlement to the tenant.

In the first bullet point in this section the work "Encourage" is unenforceable. Regarding the second bullet point, it would seem unrealistic for each Housing Association to undertake a benefit check for every tenant every 6 months. Housing Associations should be using their resources to focus on those tenants who are experiencing difficulties with payments, taking immediate action, through careful monitoring of Arrears Reports to prevent small arrears from becoming big problems rather than undertaking routine benefit checks.

The fourth bullet point in this section states that Housing Associations should “ensure that there is early notification should a tenant leave a property without notifying the Housing Association”. It is assumed that this is to prevent the abandonment of the property which will then accrue arrears and therefore becoming a past tenant debt with all the difficulties that this brings. Housing Associations ask tenants to give notice prior to the termination of their tenancy but realistically speaking they can do very little to prevent the occurrence of abandonments.

Clarification is needed regarding how to separate the operational aspect of the housing benefit and rent accounts systems. Most Housing Associations would have difficulty implementing this and would need to develop new operating systems to fulfil this part of the guide, which in itself would bring training implications for staff.

Having to confirm with the tenant which account each of their payments are to be posted to would further complicate the rent accounting and payments system from both the tenants and Association’s perspective.

Incentive Schemes

Care needs to be taken by Housing Associations when accepting the payment of rent in advance as this may have money laundering implications.

Rent Collection Target

This part of the proposed guide is difficult to understand when examined side by side with the Rent Arrears Targets.

It firstly states that Housing Associations should collect 98% of the total rent receivable for the current financial year, following on from this it may then be assumed that this means the total arrears target should be 2% i.e. to bring the total to 100%. The technical (1%) and non technical arrears targets (5%) bear no relationship to the total non rent collection target of 2%, so is this in fact no longer a target and is it to be ignored?

The target for Housing Associations to collect 98% of the total rent receivable seems unrealistic. In 2008/09 the NIHE was £14m in arrears with a rental income of £242m so its arrears represented 5.7%. In examining the 2008/09 performance indicator table for Housing Association rent management only 5 out of 34 Associations were within the 2% target. The guide is therefore setting a target which is unattainable, for a number of different reasons, for the majority of Housing Associations.

The Technical Arrears Target

Housing Benefit is generally paid 4 weeks in arrears but this is not always the case. Difficulties with processing for a number of reasons, not attributable to the tenant, may mean an increase in timescales which may contribute to the Housing Associations levels of arrears. These arrears are not within the

control of the Housing Association, as they cannot influence how quickly the benefit claims are processed by NIHE. It therefore seems inappropriate to measure Housing Associations against a target that they have no direct control over. The method of calculating this target has not been given in this case and should be given for completeness.

1. Policies and Procedures Checklist

These look like a tool to measure Housing Associations against when undertaking inspections. Housing Associations need to be told if this is the case to ensure they know what is expected of them.

Regarding the Board of Directors and Management providing on-going support and guidance to the staff on rent collection, it is envisaged that this will be from a strategic rather than operational viewpoint.

2. Rent Collection

The tenants entitlement to benefits would only realistically be checked where there is an indication that something is wrong with the payments the tenant is making. There would be no need for the Association to do this for tenants who are maintaining their rent payments as required.

The Association should only be providing very general financial advice to tenants and should, where necessary, be sign posting them to an appropriate agency for more specialist advice.

3. Arrears Prevention

Associations should seek to have the home visit with the tenant within 6 weeks as this would allow time for the Housing Benefit claim to be processed and be posted to the Associations rent account.

4. Arrears Recovery

Two weeks for early reminder action is considered to be too soon as this would not allow for non payment of rent resulting from Housing Benefit processing.

Interviewing a tenant within four weeks is also considered to be too soon because of difficulties with the processing of Housing Benefit.

The confirmation of payment arrangements within 3-5 days is considered to be too tight a timescale.

Clarity is need surrounding Board Members in evictions cases as once the case goes to court for a notice seeking possession then the matter is in the public domain. It isn't clear how following on from this to eviction the decision could be taken on an anonymous tenant basis.

8. Monitoring and Performance Review

Clarification is needed regarding how Housing Associations would have rent collection targets that reflect the circumstances of their local areas. It is assumed that different areas within the Housing Associations stock would have varying collection targets. It is unclear how or why this would be done for example how will the areas be defined and will the collection targets correlate with those set by DSD?

In compiling this document NIFHA has consulted with and asked for the views of all Registered Housing Associations. This document reflects the composite views of the Associations where a response was given.

I hope you find our comments useful

Submitted on behalf of NIFHA by:

Maire Kerr
Housing Policy and Research Manager