

**MEETING OF THE LEADER OF THE COUNCIL CABINET MEMBER MEETING**

**TUESDAY, 31 MARCH 2020**

## **ADDITIONAL PAPERS**

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Likely to contain exempt information under paragraph(s) 3 of  
Part 1 of Schedule 12A of the Local Government Act 1972.

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Title of Report	RENT POLICY OPTIONS IN RESPONSE TO COVID-19	
Background Papers	None	Public Report: Yes
		Key Decision: Yes
Financial Implications	By agreeing rent repayments will not need to be made with some tenants, there will be a negative impact on the income to the Housing Revenue Account.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications		
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications		
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To provide a policy framework within which officers can work with tenants to minimise the impact of the Covid 19 restrictions with respect to rent payments	
Reason for Decision	To provide a supportive policy environment to help tenants deal with the financial impact of the Covid 19 situation in line with constitutional requirements.	
Recommendations	<b>IT IS RECOMMENDED THAT</b>  <b>1. CABINET ADOPT OPTION D (MANAGED NON-COLLECTION) AS AN APPROACH TO THE ISSUE OF RENT COLLECTION AND COVID 19 FOR AN INITIAL PERIOD OF THREE MONTHS, AND FURTHER EXAMINE OPTION F WITH A SUBSEQUENT REPORT AS THE SITUATION DEVELOPS.</b> <b>2. CABINET DELEGATE AUTHORITY TO THE STRATEGIC DIRECTOR IN CONSULTATION WITH THE HOUSING AND CUSTOMER SERVICES, AND CORPORATE PORTFOLIOHOLDERS, AND THE SECTION 151 OFFICER, TO EXTEND THIS POLICY BEYOND 3 MONTHS FOLLOWING COMPLETION OF A REVIEW OF ITS EFFECTIVENESS.</b> <b>3. CABINET AGREE THAT IF THIS POLICY IS NOT EXTENDED USING THE DELEGATED AUTHORITY AT 2, THE PREVIOUS POLICIES WITH RESPECT TO RENTS WILL BECOME EFFECTIVE AGAIN AFTER A PERIOD OF 6 MONTHS FROM THIS DECISION.</b>	

## **1.0 Background**

- 1.1 This report offers the Portfolioholder on behalf of Cabinet, options and a recommended way forward to provide financial support to tenants during the current crisis. It only covers rent charges, not service charges through which we recover the direct cost of providing some services.
- 1.2 The report examines the options available and recommends that we adopt Option D, a Managed Non-Collection of rent from tenants affected by the current situation.
- 1.3 Any agreed approach would be shared with the Housing Regulator to offer them the opportunity to comments in due course, and any comments will be included in a review of the scheme.

## **2.0 Government policy context**

- 2.1 Any local support we decide to offer must be seen in the context of the Government's response, which as yet is not clear regarding rents, beyond a moratorium on all evictions for three months. We could make a local decision and then find a national policy must be implemented in addition to the local policy causing confusion and unknown impacts. The Government's decision to protect salary income at 80% of normal levels and provide help for the self-employed will mean people affected will not all require support from the benefits system. However, this support will take some time to come though, and the recommended approach needs to allow people time to adjust to their new financial circumstances.

## **3.0 Options**

- 3.1 There are six types of support we could offer –
  - A - Await Government guidance – proposals are being considered but no timetable for announcement.
  - B - Rent Holiday – rent charges removed for a period of time, to be recovered later.
  - C - Rent Free Period – rent charges removed for a period, and not recovered.
  - D - Managed Non-Collection – rent charges still made but no recovery action taken, with possible write-off of debts later.
  - E - Cancel/Postpone Rent Increase (2.7%) – could be delayed by a few months or removed altogether. Can be combined with other options.
  - F - Hardship scheme - Credits made to tenants rent Accounts, payments could be made direct into rent accounts as a one-off grant. Can be combined with other options

## **4.0 Tenants and Benefits**

- 4.1 We have circa 4250 tenants, their breakdown by benefits category immediately prior to the Covid 19 situation was as follows -
  - Full rent payers 1941
  - Partial rent payers 900
  - Full housing benefit 740
  - Universal Credit 553
- 4.2 For tenants on any existing benefits the removal of their rent charge will reduce their benefits entitlement nullifying any positive impact on their net financial position. In effect, the government gets the benefit NOT the tenant. This group represents over half our

tenants. Anyone becoming unemployed and then claiming benefits would have a zero rent charge so would get no benefits for housing costs.

- 4.3 For people making new claims for Universal Credit due to reduced income, a Housing element of their monthly benefit payments will be included to allow them to pay their rent.
- 4.4 It is accepted that in many circumstances, people may have exceptional expenses, which require them to reprioritise their outgoings in the short term, and any approach to rents would need to support them in doing that.

## 5.0 Evaluation of options

- 5.1 The following table provides a summary evaluation of the options. Financial impacts of each option are summarised as well. The budgeted surplus on the HRA for 2020/21 is £2.8m.

Options	Advantages	Disadvantages
<b>A – Wait for clarity on Govt. position.</b>  <b>Reassure tenants with a firm but un-committing communication message to support them</b>  <b>No costs</b>	<p>Flexible and keeps our options open whilst we await government policy clarity (We may want to shape our response around Govt, policy).</p> <p>Means we can claim any national compensation for Government policy, which may be compromised if we have a local scheme.</p> <p>Low fraud risks</p>	<p>May not reassure all tenants</p> <p>Does not help those with immediate needs</p> <p>Perception of doing nothing by the community/tenants</p>
<b>B – Rent Holiday –</b>  <b>Offer tenants a payment holiday with the expectation of repayment over a period of time.</b>  <b>3 months rent is circa £2.7m, some of which would be recovered through subsequent charging and collection</b>	<p>Offers real benefit to non benefit claiming tenants in the short term</p> <p>Consistent approach across all tenants (but with differential benefits).</p> <p>Low fraud risks</p>	<p>Not targeted at those affected the most.</p> <p>Subsequent collection after the holiday could cause hardship.</p> <p>Tenants may pay anyway because they know they are going to have to later, so no better off.</p> <p>Significant impact on benefits, this will result in benefit entitlement being reduced through U/C or HB so no net income increase to claimant tenants.</p>

		<p>Considerable extra administrative work to for HB and UC services to implement changes</p> <p>Subsequent adjustment to rent to recover holiday period may breach benefits rules (LHA) and leave tenants out of pocket.</p> <p>Significant additional cost if needs to be extended.</p>
<p><b>C – Rent Free Period</b></p> <p><b>Offer all tenants a 12-week payment holiday, with no expectation of repayment.</b></p> <p><b>3 months' rent is circa £2.7m none of which would be recovered.</b></p>	<p>Significant economic help to working tenants. Average rents circa £100 p/w.</p> <p>Straightforward to implement</p> <p>Consistent approach across all tenants (but with differential benefits).</p> <p>Low fraud risks</p>	<p>Not targeted, all tenants benefit irrespective of impact on them.</p> <p>No net impact for tenants on benefits, as declaring this change will result in benefit entitlement being reduced through UC or HB.</p> <p>Considerable extra administrative work to for HB and UC services to implement changes</p> <p>Highest cost option</p> <p>Significant additional costs if needs to be extended.</p>
<p><b>D – Managed Non Collection</b></p> <p><b>Rent charged as normal but with no expectation of payment/recovery, accepting high loss through non-payments and subsequent write off.</b></p> <p><b>(can be completed with</b></p>	<p>Flexible as scheme can be designed to help those in greatest need the most.</p> <p>Controllable as can be increased or decreased as the circumstances changed.</p> <p>Short-term impact on HRA with limited longer-term</p>	<p>More difficult to explain to tenants as not a sound bite policy like holiday or rent free period.</p> <p>Implementation challenging as need to speak to tenants and keep records of individual agreements. Technology is in place to do this.</p>



<p><b>option A)</b></p> <p><b>Costs difficult to assess but likely to be circa £1.5m over 3 months.</b></p>	<p>consequences.</p> <p>Scalable at manageable costs if needs to be extended.</p> <p>Medium fraud risks, false information etc.</p>	<p>Parity / similar to the mortgage offer being made by lenders.</p>
<p><b>E – Cancel or postpone rent increase</b></p> <p><b>(being considered by the industry)</b></p> <p><b>Reduction in income by circa £300k. Compounded reduction in subsequent years.</b></p>	<p>Low cost gesture in the short term</p> <p>Low fraud risk</p>	<p>Minimum 6 weeks implementation period would be required for limited net benefit.</p> <p>No impact on tenants that claim benefits.</p> <p>Small impact on working tenants, less than £2 p/w average.</p> <p>Compound impact over subsequent years means a total loss to the HRA of £19.2m over 30 years.</p>
<p><b>F – Hardship scheme</b></p> <p><b>Credit to rent accounts</b></p> <p><b>Reassuring to tenants as removes any arrears from the account.</b></p> <p><b>Costs controllable depending on level of credit</b></p>	<p>All tenants benefit depending on the scheme developed.</p> <p>Can be implemented by bulk credit run on rent accounts.</p> <p>Could be used in addition to other options.</p> <p>Low fraud risk as we control payments.</p>	<p>Management of refund requests complex due to remote working.</p> <p>Potential benefit issues if has to be declared as an “income”.</p>

## 6.0 Recommended option

- 6.1 Having considered the options, it is recommended that the Council adopt Option D Managed Non-Collection, as this has no negative impact on tenants income and allows

them additional financial flexibility. Access to this support would be through contact with Housing Officers, who are working remotely and accessible by phone and email. Housing Officers will then make individual agreements with tenants based on their circumstances, which will include deferred rent payments. Records of all agreements reached will be maintained and monitoring data to test the effectiveness of the policy, and will be analysed weekly.

- 6.2 Many tenants may not have any direct financial impact from the Covid 19 situation and will want to continue to pay their rent as normal. This will be an important source of cash flow to the Council to sustain critical services.
- 6.3 For those tenants that are experiencing financial difficulties, this approach will give us the short term flexibility to agree non-payment, and then the medium to long term option to write off debts as necessary, having been through formal write off procedures first.
- 6.4 Option F Hardship Scheme would offer a way of providing funds in short term emergency funding requirements (details to be defined) to tenants adversely affected by the Covid 19 situation. This scheme would need to take account of the emerging national support environment being established to avoid any duplication, and will therefore be developed over the weeks ahead and put forward for consideration at an appropriate time in the near future.

## 7.0 Duration

- 7.1 It is recommended that the initial period of support via Option D Managed Non-Collection be up to 3 months with an effective commencement date of 1 March 2020 to reflect when the impact of the Covid 19 situation started to occur. The policy's impact is to be kept under ongoing review with a formal reconsideration by the end of April 2020. The report recommendations delegate authority to extend these arrangements to the Strategic Director in consultation with the Section 151 Officer and relevant portfolioholders. If this delegation to extend is not enacted, the new policy arrangements will lapse after a period of 6 months and predecessor policies will become effective again.

Policies and other considerations, as appropriate	
Council Priorities:	<ul style="list-style-type: none"> <li>- Local people live in high quality, affordable homes</li> <li>- Our communities are safe, healthy and connected</li> </ul>
Policy Considerations:	Rents Policy Former Tenants Arrears Policy
Safeguarding:	None apparent
Equalities/Diversity:	Communicating the new arrangements will need to be completed in a comprehensive manner to ensure all customers have access to the new flexibilities available irrespective of their circumstances.
Customer Impact:	The positive impact on customers (tenants) and their families will be to offer greater flexibility regarding rent payments during the Covid 19 situation, to assist with budgeting in the short to medium term.
Economic and Social Impact:	Additional flexibility over rent payments.
Environment and Climate Change:	None apparent
Consultation/Community Engagement:	Consultation with Housing and Resources Portfolioholders, Leader and Deputy Leader in developing the proposed approach.

Risks:	Risk of fraud from tenants claiming support when they do not qualify will be managed through Housing Officers making proportionate checks to confirm eligibility when agreeing arrangements with tenants
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