

REPORT TO CABINET

31st JANUARY 2008

REPORT OF DIRECTOR OF HOUSING

Portfolio Housing

INTRODUCTION OF HOUSING INCOME PAYMENT CARDS

1. SUMMARY

- 1.1 The Housing Department with key stakeholders reviewed the Audit Commission's Key Lines of Enquiry (KLOE's) and developed a Service Improvement Plan (SIP) which received Cabinet approval on the 2nd March 2006. The prevention and effective management of rent arrears was identified as a key priority for the Housing Service and the Council in the SIP.
- 1.2 The KLOE for housing income management highlights the importance of taking prompt and appropriate action to recover both former and current tenant's arrears and other debts in order to minimise income loss. On the 4th April 2007 Management Team approved a report on results of a review of housing income collection carried out by the Rent Income Excellence Network (REIN) based on the relevant KLOE. This report included a SIP that identified a number of areas of improvement including consideration of the implementation of housing income payment cards.
- 1.3 The use of housing income payment cards is recognised as good practice by the Audit Commission when carrying out inspections of social housing landlords. These cards are used both regionally and sub regionally by a large number of Registered Social Landlords, Arms Length Management Organisations and retained housing services.
- 1.4 This report evaluates the value for money issues associated with introducing housing income payment cards for the collection of Former Tenant Arrears (FTA's), the benefits to tenants and the service in adopting this technology along with any corporate implications. This would be seen as a pilot on the effectiveness of this new payment option prior to its potential extension to other areas of housing services subject to a value for money assessment.
- 1.5 The Council has 1177 accounts with former tenant arrears amounting to £630,000. Currently 124 customers are paying their FTA's by arrangement based on an average arrangement of £5 per week the expected income collection is £32,240 per annum. Research into payment cards has found that the introduction of payment cards offer customers choice and a convenient method of payment and has encouraged people to pay, which in turn has increased income collected by the organisation.

2. RECOMMENDATIONS

- 2.1 That the Council introduce housing income payment cards for the recovery of former tenant arrears.

3. ENSURING AN EFFECTIVE APPROACH TO INCOME COLLECTION

- 3.1 The Housing Service has developed its aims and objectives taking account of the full range of the overarching ambitions of the Local Strategic Partnership (LSP) which the Council has adopted within the Corporate Plan. This includes a clear commitment by the Council to drive forward service improvements, and to provide services that are customer led and focussed whilst providing value for money.
- 3.2 Ensuring that rental income is collected effectively is a key function for social landlords with the emphasis firmly on sustainability of tenancies. The Audit Commission Key Lines of Enquiry (KLOE's) for housing income management highlights the importance of minimising loss of income by taking prompt and appropriate action to recover both current and former tenancy arrears along with other debts. The Office of the Deputy Prime Minister (ODPM now the Communities and Local Government) produced in 2005 a good practice guide (An Effective Rental Income Collection) which further informed our approach to service improvement.

4. INTRODUCING HOUSING INCOME PAYMENT CARDS

- 4.1 The Council currently offers a number of payment options to those people who have former tenant arrears including Standing Order, Trans Cash via a Post Office, Rent Collector and Cash Desk Service (at four localities across the Borough coterminous with our area housing offices with the exception of Trimdon where no service is provided). However the Audit Commission's KLOE's and other guidance recommends that the range of payment options be further broadened for tenants subject to it representing value for money. This has resulted in the consideration of the introduction of payment cards which have a number of proven benefits including:-

- Offering flexibility and multi-channel payment methods providing choice, and convenience to former tenants outside of normal office hours;
- The provision of further payment options for the East of the Borough which has no cash desk service;
- The potential increase in cash collection due to the extra payment option;
- A proven service serving 75% of the UK's largest Registered Social Landlords, plus a large number of ALMO's and retained housing services.

However before introducing the use of income payment cards universally across the Housing Service, it is appropriate to consider a pilot to assess value for money in one area of the service with the potential for improved

performance set against minimal initial costs.

- 4.2 To provide further background to the introduction of housing income payment cards information has been provided on the number of accounts with former tenant arrears and the total amount of former tenant arrears. The Council has 1177 accounts with former tenant arrears amounting to £630,000. In 2007/08 to date the Housing Income Management Service (formerly the Debt Recovery and Rent Accounting Team) have collected £57,000 in former tenant arrears. Currently there are 124 people paying their FTA's by arrangement equating to 14% of the total FTA debt with the average arrangement being £5 per week collecting approximately £32,240 per annum. Most Landlords have difficulties in collecting FTA's. However Bristol City Council have FTA's totalling approximately £1,000,000 found that the introduction of the payment cards encouraged people to pay their FTA's and acted as a reminder that the Council was intent in collecting the arrears. Bristol City Council collected an additional £10,000 in the first 3 months of the introduction of income payment cards.
- 4.3 The use of Housing Income Payment Cards for FTA's would broaden these options considerably and provide a payment option outside of office hours. Evaluation of the use for collection of FTA's would be carried out to examine the possible extension of Housing Income Payment Cards as a future payment option.
- 4.4 However providing such a service does have a number of implications that have to be considered including:-
 - A revenue cost of £2,977 to implement the service in 2007/08.
 - A transaction cost of 49p per transaction based on a projection of 12,220 transactions this is likely to be a maximum of £5987.80 per annum which will be paid for from extra income collected. This figure is based on 20% of all FTA accounts (1177) making one transaction per week for 52 weeks.
- 4.5 Investigations were carried out into the providers of Income Payment Card services, which included discussions with organisations that employed both Allpay, Alliance & Leicester and the COOP as service providers. The majority of organisations favoured Allpay stating a number of factors including advanced technology, security of the service, ease of use of the service and excellent back-up support.
- 4.6 Additionally the Council is a member of the Northern Consortium of Housing Authorities (NCHA) who conducted a full OJEU compliant procurement process for the provision of housing income payment cards and related services for its members. The successful company tendering for the work was Allpaynet Ltd. The use of this partnership approach is to ensure compliance with the tendering arrangements and represents value for money.
- 4.7 Allpaynet is a payment solution specialist company based in Hereford. They have been providing payment cards and payment facilities to support revenue

collection for local government and housing associations since 1996. Currently they provide this service to over 750 public and private sector companies.

- 4.8 Housing income payment cards enables organisations collecting payments to offer their customers choice and convenience when they pay. Customers are issued with a durable plastic payment card which is encoded and embossed uniquely to identify the individual payer. Once in receipt of the payment card customers use their card as an identifier to pay their former tenant arrears at their convenience using a payment method that suits them. Customers can pay over the counter in conjunction with 45,000 outlets in UK locations including all Post Offices, Payzone, E-pay, Paypoint and Woolworths. There are pay points in every major settlement of the Borough. Customers use their payment card at one of the above outlets making payment either by cash, debit or credit card. A receipt is issued to the customer, funds are then transferred by Allpay into the Council's designated account 6 days later.
- 4.9 Implementation is a simple process, customers owing former tenant arrears will have their details forwarded to Allpay who will make, emboss and despatch the payment card by first class post the same day or following day. Tenants can begin paying off their arrears immediately. Lost cards can be replaced simply by an officer ordering a new payment card via Allpaynets website.

5. RESOURCE IMPLICATIONS

- 5.1 The Council is part of the North Consortium of Housing Authorities who on behalf of its members carried out a full OJEU compliant procurement process to obtain the best provider for these services for its members, this arrangement offers value for money. Consultation has taken place with the Council's Procurement Officer and Audit & Resource Manager and this arrangement delivers value for money.

6. OTHER MATERIAL CONSIDERATIONS

6.1 Consultations

Consultation has been carried out with the Tenants Housing Services Group who supports the implementation of the housing income payment cards.

6.2 Links to Corporate Ambitions/Values

The Community Strategy for Sedgefield Borough has adopted 4 key outcomes for the Borough one of which is "*a Borough with strong communities where people can access the housing and services they want in attractive and safe neighbourhoods.*" The Borough Councils ambitions can contribute to the delivery of this outcome.

6.3 Health and Safety

No additional health and safety issues have been identified.

6.4 Equality and Diversity

Full account has been taken of the Council's obligation to promote equality and diversity in the implementation of this report. Exploring alternative payments methods is a key recommendation in the Rent Collection and Debt Recovery INRA. The implementation of payment cards will offer more choice and improve the payment methods available to our customers.

6.5 Links to Corporate Objectives/Values

The Housing Department contributes to the key ambitions of the Council through the aim of a Borough with Strong Communities and underpins the corporate value of the Council by being responsible with and accountable for public finances.

6.6 Equality and Diversity is a Corporate cross cutting priorities for all Council services to which the Housing Department is committed to making a full and meaningful contribution. We have developed a number of action plans identifying areas for improvement. The Rent Collection and Debt Recovery INRA recommendations have been fed into the Rent Income Service Improvement Plan. Implementing payment cards ensures continuous improvement of our services and reinforces our commitment to promoting equality of access to appropriate users of its services.

6.6 Risk Management

The implementation of Housing Income Payment Cards has resulted in the identification of a number of risks that are set out below:

- Training Issues for staff and customers have been identified, this will be addressed as part of the outcome of the Rent Collectors review;
- Soft ware testing is not an issue as Allpaynet handle all transactions and related soft ware;
- It is expected that all new and existing people paying their FTA's by arrangement will take up the Housing Income Payment card option as a way of paying their former tenant arrears. It will also be offered to those people paying their FTA's by other means as an additional payment method. It is projected that if 20% of people pay their FTA's using the payment card at £5.00 per week giving a total income of £61,100.00. Anticipated income will be £28,860.00 will be collected per annum.

6.7 There are no other material considerations applicable.

7. OVERVIEW AND SCRUTINY IMPLICATIONS

7.1 There are no overview and scrutiny committee implications.

8. LIST OF APPENDICES

8.1 None.

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Wards: All

Key Decision Validation: Not a key decision

Background Papers: Audit Commission KLOE 4 Housing Income Management.
Report of Director of Housing, Housing Service Improvement Plan provided to Cabinet on 2.3.06.
ODPM Good Practice Guidance – Improving the Effectiveness of Rent Arrears Management.
CIH Good Practice Briefing – Managing Rent Arrears.
Report of Director of Housing, Housing Management Income Collection on 18.12.06.

Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Council's Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's S.151 Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The report has been approved by Management Team	<input checked="" type="checkbox"/>	<input type="checkbox"/>