

First Month's Rent Flexibilities

Good Practice Guide

August 2017



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INTRODUCTION AND CONTEXT

Affordability is a growing concern across the housing sector. Welfare reform measures such as the capping of social sector rents at LHA levels, the benefit cap and problems with the implementation of Universal Credit are contributing to many households, both in and out of work, being under increased financial pressure.

Social housing provides an important housing option for homeless households, people on low incomes and for whom other tenures are inaccessible. It is therefore of paramount importance that these homes are financially accessible and remain affordable.

Welfare reforms continue to be rolled out and in practice means that there is less public money available to support tenants in social housing, perhaps contributing to less financial confidence and more risk-averse, less flexible behaviour among housing providers.

First Month's Rent

In the majority of cases, housing associations ask for rent at the beginning of or just before a tenancy begins. This is interchangeably called “first month’s rent”, “rent in advance” or “rent up front” and is usually between one week and one month’s rent.

Importantly, many housing associations who ask for the first

month’s rent upfront exercise discretion such as a gradual repayment arrangement if the prospective tenant has difficulty paying or is waiting for a housing benefit claim to be processed.

However, Shelter Scotland advisers have increasingly become aware of instances whereby housing associations are less likely or able to offer flexibility or discretion to tenants. Housing associations do invaluable work in helping people to access affordable accommodation and it is therefore imperative that we understand challenges facing them in order to offer the appropriate support, as well as to support tenants to access accommodation.

Again, flexibility is the key element throughout this paper and we wish to find ways to empower housing associations to continue to be flexible in regards to the first month’s rent.

Legal and Existing Guidance Considerations

Scottish legislation and guidance gives some steer to how social landlords should consider this type of issue.

Under Outcome 1 of the Scottish Social Housing Charter¹, it is stated that “every tenant and other customer has their individual needs recognised, is treated fairly and with respect, and

¹ Scottish Government (2017); [Scottish Social Housing Charter](#)

receives fair access to housing and housing services”.

Section 20 of the Housing (Scotland) Act 1987² provides that no discrimination should take place in the allocation of housing with reference to the “income of the applicant and his family”.

Lastly, the legal commentary to the model Scottish Secure Tenancy³ provided by the Scottish Government states that:

“Rent is normally payable in advance; however, housing benefit is always paid in arrears. Approximately 70% of social tenants receive housing benefit. To insist on rent being paid in advance therefore raises the global figure for rent arrears and places tenants unnecessarily in arrears. Hence, a choice is provided.”

² [Housing \(Scotland\) Act 1987](#)

³ Scottish Government (2002); [Model Scottish Tenancy Agreement, Section 4, Legal Commentary on Model Scottish Secure Tenancy](#)

SHELTER SCOTLAND AND SFHA'S POSITIONS

Shelter Scotland helped over half a million people experiencing bad housing or homelessness last year. Shelter Scotland want to see people being able to transition smoothly into safe and secure homes, regardless of income. Shelter Scotland encourage clients to prioritise paying rent but are concerned that there is a significant number of people who cannot afford upfront payments and wish to support housing associations to be flexible in supporting these tenants to pay this money.

The **Scottish Federation of Housing Associations** (SFHA) leads, represents and supports Scotland's housing associations and co-operatives. SFHA want to see a thriving housing association and co-operative sector providing sustainable and affordable homes. SFHA support the view of our members that tenants prioritise paying rent, particularly those in arrears to safeguard their own tenancy and safeguard the housing association model as a whole.

SFHA champions the good work that housing associations and cooperatives in Scotland do on behalf of their tenants, including the ability to offer flexibility to tenants who may be struggling financially.

SFHA are working to highlight to the DWP, UK and Scottish Governments the negative impact that welfare reform is having on housing associations and tenants. Delays to housing benefit payments through Universal Credit has led to many associations being unable to offer the flexibility to tenants that they may have offered in the past. SFHA are keen to work with Shelter Scotland to find a solution on behalf of both members and their tenants that will work to both reduce rental arrears and sustain tenancies.

It is in the interests of both Shelter Scotland and SFHA to research the issue of flexibilities around first month's rent and take steps to identify good practice and assist those organisations and individuals for whom rent in advance is problematic.

RESEARCH AND FINDINGS

Survey for Housing Associations

At the beginning of March 2017, Shelter Scotland and SFHA launched a survey designed to elicit better understanding of approaches to rent in advance for housing associations. Twenty-seven housing associations responded to the survey and their responses gave an insight into the challenges facing housing associations as well as several good practice examples.

The majority of the responding housing associations who said that they normally asked for rent up front varied between asking for a week or a month's rent upfront.

"We only do 1 week upfront as [we] don't feel one month is affordable."
(Respondent A)

Most said that they were often able to exercise discretion to allow low income households or households on benefits to access tenancies without having to pay the full amount of rent up front and arranging repayment arrangements was the most common approach to this.

"We would accept a reduction in first rent payment and set up an affordable arrangement over a period of 6 months to get rent in credit."
(Respondent B)

However, several housing associations said emphasising a "payment culture" was extremely important, especially with the ongoing transfer from legacy benefits onto Universal Credit (UC). This change

means that a greater number of tenants would have responsibility for paying rent out of their total UC payment, rather than the previous system of housing benefit being paid directly to the landlord. Further, housing associations were concerned that this change combined with flexibility will lead to rent not being prioritised by tenants:

"...a significant proportion of new tenants who are not entitled to full HB [housing benefit] don't pay the rent due by them from the start of their tenancy and this sets up a pattern of sporadic or non-payment."
(Respondent C)

"Although we house people who are vulnerable (and this will always be the case for some), we feel strongly that we should be encouraging independence/opportunities and aspirations through supporting and guiding our tenants to take ownership of their lives and not to start off their relationship with a tenancy breached before it is even signed." (Respondent D)

Several responses highlighted the detrimental effects that delayed Universal Credit payments are having on tenants and landlords. Delays to housing benefit, and poor communication from the DWP to landlords places tenants in debt before their tenancy even begins. This has also drastically increased the level of arrears for housing associations which threatens their sustainability. This ultimately undermines the social housing model

and instead of sustaining tenancies and supporting vulnerable tenants, puts tenants in an even more difficult position.

A number of housing associations voiced their concern that access to resources such as welfare advisers and organisations which help with furniture and white goods are being gradually rescinded, especially in rural areas. That support was pivotal in helping to successfully set up tenancies, but there is now the risk that tenants will not prioritise paying rent if they also have to budget for big expenses such as furnishings and therefore get into arrears.

“Support services by the Local Authority have been cut therefore, our tenants do not have access to the same support services.” (Respondent E)

“Rent in arrears helps and we have always charged this way. I think it’s a big ask for people to pay upfront in advance when they have high housing start-up costs.” (Respondent F)

SFHA Housing Management Conference Workshop

In June 2017, Shelter Scotland presented the interim findings of the survey at SFHA's housing management conference in the form of a workshop. Around 40 delegates attended the workshop and were invited to provide feedback to the findings. The feedback element of the workshop asked the delegates to consider:

- whether this research reflected their own experiences;

- whether there was any support they would benefit from to allow them to support their tenants to pay rent and be flexible regarding rent in advance and;
- if they had any good practice examples to share around rent in advance.

The workshop provided an invaluable insight into the work of housing associations. While there was general consensus that the findings of the survey more or less echoed delegates' views and experiences, some SFHA delegates challenged our thinking as to whether rent in advance should be charged at all.

Good practice examples

Respondents provided a great number of good practice examples around the first month's rent, with many referring to repayment arrangements and assisting tenants with housing benefit applications as a priority. Many respondents also highlighted the importance of communicating to tenants the whole cost of a tenancy and identifying potential problems early so that they could be dealt with. Some teams also employed or used the services of specialist financial officers.

“...we carry out a settling in visit with new tenants to help identify problems in the early days of their tenancy.” (Respondent G)

“The Lettings Team work closely with new tenants discussing affordability, Income and Expenditure prior to sign up. They receive a Moving Home book which provides lots of information and advice as well as

laying out the likely cost of running a tenancy. They assist with HB application at sign up and provide different options for paying.”
(Respondent H)

“We employ an in house Income Maximisation Officer (IMO) who will carry out financial health checks & assistance with welfare benefits. Our arrears policy allows for tenants to make payment arrangements - the IMO & Housing Officer will work closely with tenants to reach an affordable agreement.” (Respondent I)

“We provide welfare benefit advice surgeries in partnership with CAB [Citizens Advice Bureau].”
(Respondent J).

RECOMMENDATIONS

Based on the findings of the survey and the workshop, Shelter Scotland and SFHA make the following recommendations:

Local Level

- Housing associations should reduce the amount of rent up front to weekly instead of monthly, or apply as much flexibility to the first month's rent as possible.
- There should be a consistent approach to the first month's rent and what help is available in the area e.g. Discretionary Housing Payments.
- There should be faster processing of Community Care Grants.
- There should be better access to pre-tenancy information and preparation for tenants, including budgeting in the face of changes relating to Universal Credit.
- An assessment for potential financial vulnerability at allocation stage should be introduced in order to better understand tenants' needs.
- Housing associations should continue to improve their engagement with tenants and prioritise tenancy support meetings.

- Joint working arrangements between local authorities and housing associations should be improved to ensure a holistic service is provided.

National Level

- The Scottish Government should consider introducing a national repayable loan scheme for helping with the first month's rent.
- More resources should be made available to assist with financial, budgetary and welfare advice.
- There should be an increase in funding for tenancy sustainment activities.
- The Scottish Welfare Fund should be improved and made more responsive to the provision of essential items and funding.

Shelter Scotland helps over half a million people every year struggling with bad housing or homelessness through our advice, support and legal services. And we campaign to make sure that, one day, no one will have to turn to us for help.

We're here so no one has to fight bad housing or homelessness on their own.

Please support us at shelterscotland.org

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