



**Report to:**

Northwards Housing Board  
14 September 2016

**Item No:**

**12b**

|  |   |                   |                      |
|--|---|-------------------|----------------------|
| <b>Title:</b>  | Use of Experian   |                   |                      |
| <b>Date:</b>   | 5th September 2016  |                   |                      |
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| <b>Confidential:</b>   | <b>NO</b>   |                   |                      |
| <b>For:<br/>(Please tick<br/>action required)</b>  | <b>NOTING</b>   | <b>DISCUSSION</b> | <b>APPROVAL</b><br>✓ |
| <b>PURPOSE OF REPORT</b>   |   |                   |                      |
| To outline the different reports offered by Experian and to present the reasons for our request to begin obtaining credit reports for new tenants. |   |                   |                      |
| <b>RECOMMENDATION</b>  |   |                   |                      |
| That Board approves a 6 month trial using the basic credit reports, with the understanding that approval would also be required from the Council.  |   |                   |                      |
| <b>IMPLICATIONS</b>  |   |                   |                      |
| <b>Risk Management</b>   | CRR-06a Failure to discharge the responsibilities of the management agreement and deliver against KPIs as detailed in the business plan |                   |                      |
| <b>Regulatory &amp; legal compliance</b>   | N/A   |                   |                      |

**Consultation/Consideration:**

|                          | <b>Yes, No or N/A:</b> | <b>Name:</b> | <b>Date:</b> |
|--------------------------|------------------------|--------------|--------------|
| <b>Sub-Committee:</b>    | N/A                    |              |              |
| <b>Task Groups:</b>      | N/A                    |              |              |
| <b>Ward Councillors:</b> | N/A                    |              |              |

## **1.0 Background**

- 1.1** The rent collection rate of Northwards has always exceeded the target set by the City Council. However, with the HRA under increased pressure, we acknowledge that we need to increase the amount of income we collect on the Council's behalf.
- 1.2** Our data shows that in the past six month there were 504 new tenancies created and 147 or 30 % of these have arrears over £100 as of 21 July 2016. We believe that part of this is of a result of Northwards holding poor financial information about these tenants at their application, resulting in them being allocated housing they cannot afford and Northwards not providing the tenants with enough support.
- 1.3** With more accurate information we could be more proactive and target our resources more effectively at those cases where arrears are more likely to occur. This will result in more income for the Council and sustainable tenancies in our communities.
- 1.4** We recommend that Northwards utilise reports from Experian to corroborate the information provided by a tenant at application to confirm whether the property in question will be affordable. We will also use this information to ensure that our Money Advice Service dedicate their time to these tenancies and not a universal offer.

## **2.0 Experian products**

- 2.1** Northwards joined the Rental Exchange earlier this year and by joining the scheme we now have access to a wide range of services provided by Experian. These range from the basic individual credit reports, which we would use at application, to more in-depth reports that we could use to assess existing tenants.
- 2.2** The basic credit reports will inform Northwards of whether the tenant has any outstanding debt and who this debt is owed to, including personal loans, credit cards and store cards. The report will inform us how the applicant manages this debt, i.e. do they make regular payments or do they allow arrears to build up. It will also tell us whether the individual has made any additional applications for credit in the last year, indicating whether they have additional financial needs.
- 2.3** The other reports provide information about our area as a whole, with the ability to drill down to individual tenants:
  - Tenancy Sustainability (TS) provides an illustration of each of our current tenants' payment performance on credit accounts held in the private sector. This report can be generated monthly, quarterly or bi-annually and would enable us to manage the many risks that welfare reform present, specifically Universal Credit.
  - Debt Prioritisation Service (DPS) helps identify where there are tenants who are not paying their rent but do have the resources to do so. This

way we can target these tenants rather than pursuing tenants with no means to pay.

- Tenancy Impact Planning (TIP) is a really useful tool that tells us a lot about our tenants in the context of new legislation, like Pay to Stay, and other, who qualifies for additional support or Alternative Payment Arrangements and even how many of our tenants would likely qualify for a mortgage under Right to Buy.

### **3.0 Costings**

**3.1** Credit reports cost £1.83 each. We sign on average between 900 to 1100 tenants per annum so the maximum cost would be £2,013 per annum.

**3.2** Assuming a 1 year agreement for quarterly reporting of 13,000 tenants the TS report would cost £20,200. But this includes a £2,500 set up fee that would not be payable if we continued to use the service beyond one year.

**3.3** DPS costs £1.50 per record processed. Experian can process a large file of debt to highlight how much rental income we might be able to collect.

**3.4** The TIP report is broken down into Pay to Stay (£20,085), Alternative Payment Arrangements (£12,021) and Right to Buy (£12,021).

### **4.0 Scope of reporting activities and use**

#### *Credit Reports*

**4.1** The most significant use of the credit reports is to corroborate the financial information provided by the client on their application form. We would be able to identify any inaccurate applications and take action.

**4.2** In addition, we would be able to check the financial position of prospective tenants. The purpose of this is not to exclude applicants but to understand their position on acceptance of a Northwards' tenancy and to offer the appropriate support if they are, or have been, in financial jeopardy. This would help us to build a clearer picture of individual tenants financial situation and get the tenancy off to a much better start.

#### *Other Reports*

**4.3** It can be difficult to predict which of our tenants might need financial assistance in future. Using these reports would allow us to identify those tenants who may find it hard to pay their rent in the future.

**4.4** Utilising the data would better allow us to manage the impact of future welfare reform. For example, Experian provided us with a snapshot of the data for our tenants using TIP:

- There are an estimated 723 (5%) tenants who would 'qualify' for Pay to Stay.

- 5,803 (38%) tenants display at least one DWP Alternative Payment Arrangements (APA) financial trigger.
- 5,508 (36%) tenants have a strong likelihood to be accepted for a Right to buy mortgage.

**4.5** Whilst we acknowledge that the reports are not cheap, we believe they are a cost effective solution. The information would allow us to better target our resources and ensure our tenants get the support they need.

**4.6** However, given the likely changes in the rents team and not knowing the full reporting capacity of the new housing management system we think that we should hold back on these other reports until 2017/18 at the earliest.

## **5.0 Recommendations**

**5.1** That Board approves a 6 month trial using the basic credit reports, with the understanding that approval would also be required from the Council.

**5.2** If approved, Northwards would review the potential use of other reports once the housing management system has been implemented and any changes to the rents team have been made in 2017/18.