
Rent Arrears Report

April 2022 to September 2022

Assistant Mayor Briefing: 17th October 2022
Housing Scrutiny Commission: 7th November 2022

Assistant Mayor for Housing: Cllr Elly Cutkelvin
Lead Director: Chris Burgin

Useful information

- Ward(s) affected: ALL
- Report author: Zenab Valli
- Author contact details: Zenab.valli@leicester.gov.uk Tel: 0116 4543573
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1. PURPOSE OF REPORT

- 1.1 To inform the Members of the Scrutiny Commission on the rent arrears progress over the last 6 months, from April 2022 to September 2022.

2. RECOMMENDATIONS

- 2.1 The report is for information and Members are asked to note the contents of the report.

3. SUMMARY

- 3.1 At the end of Quarter 2 (30th September 2022) the cash amount outstanding was **£2.471m**, for current tenant rent arrears within the general housing stock. This is **5% higher** than at the same point in the year 2021/22. (see 4.1, Table 1).
- 3.2 The proportion of rent collected over the last 52 weeks was **100.15%**.
- 3.3 The team support tenants to apply for Discretionary Housing Payments. A total of **£249,095k** was paid in DHP for all qualifying Council tenants over the last 6 months.
- 3.4 Over the last 6 months the team supported **1,958 tenants** with food, fuel, and basic essentials by referring them to the Household Support Fund. (See 4.33 Table 6)
- 3.5 The total value of the top 500 arrears cases **reduced by 16%** when compared to the performance at the same point in the last financial year.
- 3.6 By the end of quarter 2, a total number of **6,022** council tenants were claiming UC and 72% of those tenants were in rent arrears which is **1% higher** when compared to the same point in the previous year. (see 4.14, Table 5).
- 3.7 The Rent Management Advisors have been supporting tenants with welfare benefit claims. By the end of the year, the Rent Management Advisors received **440 referrals**. A total of **65%** of tenants required short-term support and **35%** are being provided with longer-term support.
- 3.8 A total of **2 evictions** were carried out over the last 6 months. This is **lower** than at the same point in the last year where the figure was 4. Since April 2022, an average of **3 cases per month** were pursued with **legal actions** which is a dramatic **reduction** compared to pre-coronavirus levels at 80 per month.

4. REPORT

Current Tenant Rent Arrears

4.1 Rent arrears at the end of the second quarter (30th September 2022) and previous financial years were:

Table 1. Quarterly Arrears

End of Q2 Period	Arrears at End of Quarter 2
2019/20	£2,474,630
2020/21	£2,567,269
2021/22	£2,348,073
2022/23	*£2,470,861

* All payments collected up to week ending 2nd October 2022 and direct debits paid in 1st October 2022 are included in this figure

4.2 Table 1 shows the cash amount owing at the end of quarter 2 and comparisons against the same point in the last 4 years. The rent arrears are **higher by 5%** compared to the same point in the last year (2021/22) and resembles similarity to the performance in 2019/20, which saw the start of the covid pandemic. This figure does not represent non-dwelling properties.

This is an identifiable pattern seeing rent arrears at an upward trend during the first 6 months of the financial year. Furthermore, these are likely the first signs of impact due to the ongoing economic challenges. The cost-of-living is increasing at the fastest rate in 40 years and is driven by the record rises in the cost of food and energy. We are aware our tenants have started facing a struggling financial period in their lives and are left with making tough choices over their household budgets.

4.3 The team continue to adopt good working practices to ensure rent arrears are minimised and tenants are supported. Examples of this are shown below.

- Tenants are receiving ongoing support with Discretionary Housing Funds (DHP), Household Support Funds and food parcels. Referrals were made to specialist agencies for tenants that were facing financial, or debt worries.
- Effective joint partnership working with the District Managers (Tenancy management) and the repairs managers to agree decisions to progress complex cases and discuss any tenant issues which might be causing reasons to withhold rent payments.
- Developing system messages to identify cases at threat of legal action or where tenants are not engaging so all staff across Housing are able to identify tenants that need to engage with the team urgently enabling the team to offer them support.
- Developing electronic court files to improve efficiency of the court process and providing time savings for the team.
- Bulk text messages to tenants in rent arrears reminding them to contact the team
- Offering tenants, a more support-led approach compared to enforcement which is helping towards compliance of rent obligations.
- The Rent Management Advisors (RMAs) continue to deliver all financial and welfare benefit support for Council tenants in-house
- The Multi-Agency Meetings chaired by members of the team. This enables tenants, internal and external agencies to explore all available options and find solutions on tenant issues, to support tenancy sustainment and prevent homelessness.

- A non-engagement strategy has been launched to give the team a renewed focus on non-engagers and focussing on creative ways to enable tenant engagement.
- Frequent complex case review meetings with Manager and Team Leaders to explore serious arrears in excess of £1,500. The meetings help produce a plan of action and kept the team challenged as the cases were overseen by management.
- An ongoing emphasis on performance management to ensure output and productivity is not affected whilst the service continues operating from home.
- Regular training, briefings, and meetings with the team to support changes to ongoing working practices.

Proportion of Rent Collected

4.4 The team have a key performance target to ensure the proportion of rent collected at the end of the financial year is 99%. The proportion of rent collected over the last 52 weeks is **100.15%**. The figure reflects a rolling 52-week performance and demonstrates the hard work and tremendous efforts made by the team in maximising rent collection.

Number of Cases

4.5 The number of current tenants owing 7 weeks or more net rent is shown in table 2 below:

Table 2. Breakdown of 7 weeks or more net rent

End of Q2 Period	Owing 7 Weeks or more Net
2019/20	1,765
2020/21	1,771
2021/22	1,380
2022/23	1,375

N.B. Where no net rent is payable (i.e. on full benefit), full rent has been used as a default value to calculate number of weeks owing)

4.6 The number of cases in arrears owing 7 weeks or more net rent **reduced very slightly by 0.36%** in the same point in the last financial year. The 7-week arrears include lower amounts of net rent, so this is not a true reflection of the serious debt cases.

Arrears Per Debtor

4.7 The total arrears divided by the total number of tenants in rent arrears at the specified intervals are shown in table 3 below:

Table 3. Average Arrears per Debtor by end of Quarter 2

End of Q2 Period	Average Arrears
2019/20	£259.49
2020/21	£267.05
2021/22	£252.70
2022/23	£254.44

4.8 Table 3 shows the average arrears increased slightly when compared to the same point in quarter 2 of the previous financial year. The current figure remains lower

than the earlier 2 years when the impact of Covid had started. This figure is variable depending on the number of tenants in arrears at any given time.

Top 500 Arrears Cases (by value)

4.9 Table 4 (below) shows the top 500 accounts with the highest arrears and total value of arrears at the end of each quarter regardless of tenants payment methods.

Table 4. Top 500 Arrears Cases

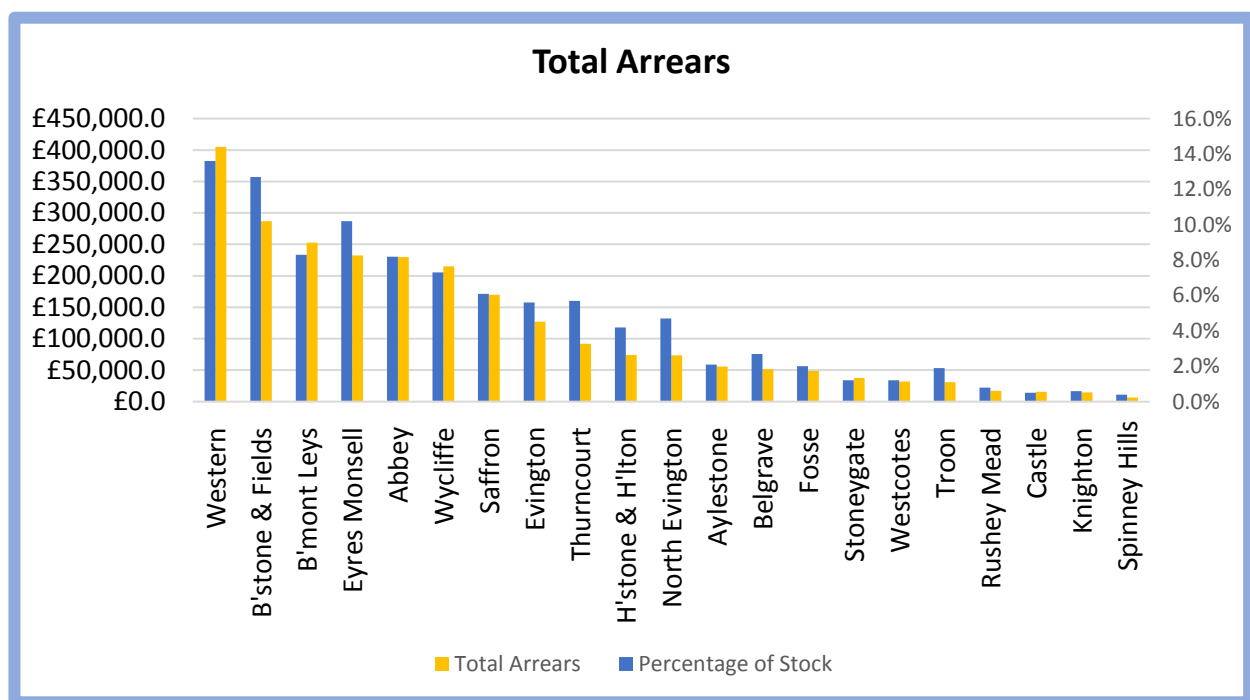
End of Q2 Period	Highest Case	Lowest Case	Average	Total Value
2019/20	£3,393	£750	£1,142	£571,079
2020/21	£5,152	£864	£1,459	£729,304
2021/22	£6,038	£781	£1,367	£683,502
2022/23	£3,849	£777	£1,143	£571,770

4.10 Table 4 shows that the total value of top arrears cases **reduced by 16%** when compared to the performance at the same point in the last financial year. The figure is similarly to the performance pre-coronavirus. Higher debt cases are generally more complex to manage and require intensive support from the team. The team work collaboratively and in partnership with other advice agencies and internal departments to help achieve positive outcomes and resolutions for tenants. At times these serious cases are influenced by courts preventing the team from taking possession actions until such time the court orders.

Arrears by Ward

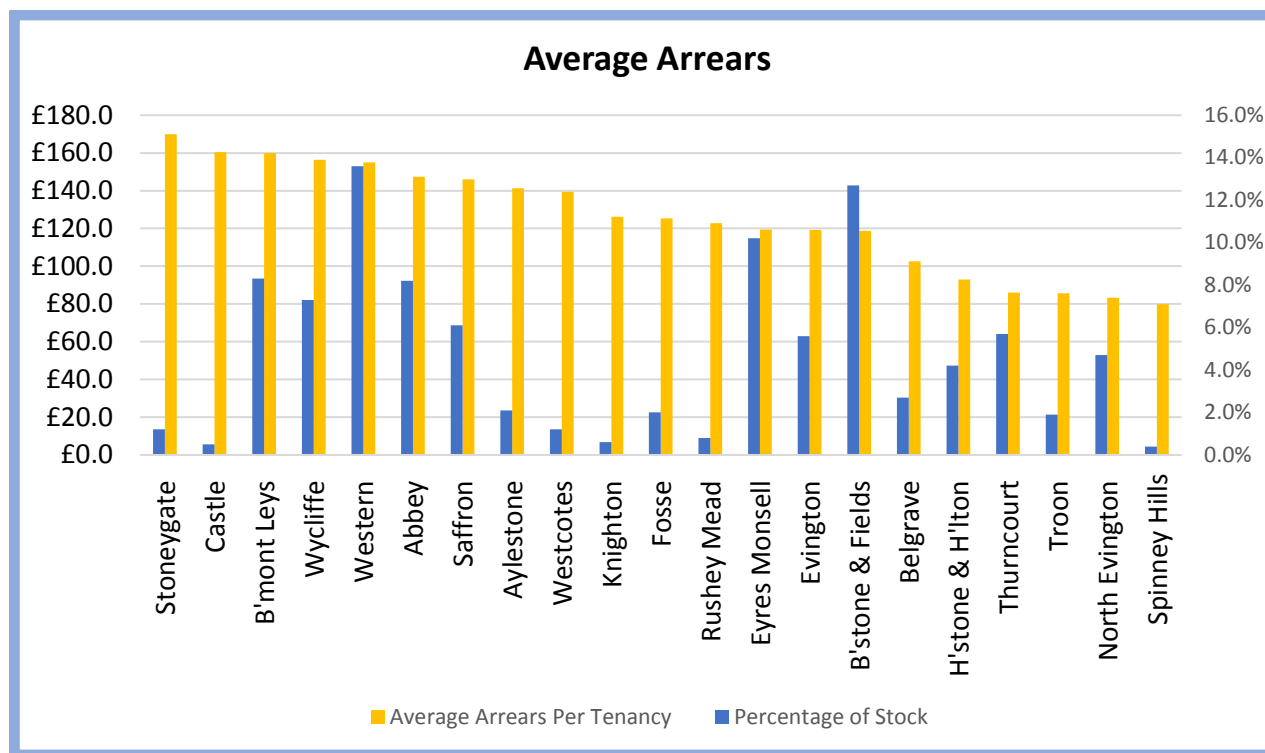
4.11 The graphs presented below show the total arrears and average arrears by ward at the end of quarter 2.

Graph 1. Total Arrears by Ward



4.12 The total arrears chart shows that the ward areas with the most stock have the highest arrears values and the arrears are proportionate against the percentage of stock.

Graph 2. Total Average Arrears by Ward



4.13 The average arrears chart presents the total average arrears per tenancy. Areas like Castle, Stoneygate and Rushey Mead are lower in stock but with high average arrears value. Despite low stocks sizes even the smallest number of cases with very high arrears can cause the average arrears to spike up.

Furthermore, these area's contain flats and bedsits which predominantly occupied by single people. We know from research that single people are known to have more changes in circumstances on multiple occasions within a year compared to families or tenants of pension age. Changes in circumstances when applying for welfare benefits can cause increase in rent arrears until such time benefit claims are resolved and in payment. Changes in employment status or zero-hour employment contracts can cause a spike in arrears whilst the tenant adapts to changes in their personal circumstances.

Comparing this with an area like Thurncourt where there are a higher number of houses and bungalows, the average in this ward is lower despite the higher percentage of stock. This shows the stability of Income expected from tenants in this type of accommodation such as, older tenants in receipt of Pensions with less changes in circumstances results in a more manageable arrears position within those areas.

Universal Credit & Rent Management Advisor Support

- 4.14 It's 4 years since the introduction of Universal Credit (UC) in Leicester. Table 5 (below) provides information about Council tenants claiming this DWP benefit.

Table 5. Universal Credit Key Performance Indicators

End of Q2 Period	Number of UC Cases	% UC Cases in Arrears before UC Started	% UC Cases in Arrears at Quarter 2	Total Value of Arrears	Average Arrears per Debtor	No. of APA's*
2019/20	2,821	65%	80%	£918,374	£326	760
2020/21	4,766	65%	73%	£1,161,199	£243	1,135
2021/22	5,885	62%	71%	£1,278,576	£305	1,455
2022/23	6,022	59%	72%	£1,285,421	£293	2,968

*APA = Alternative Payment Arrangements are when the DWP pay the housing Costs directly to the Council from the tenants Universal Credit Housing costs entitlement

- 4.15 By the end of quarter 2, a total number of **6,022** council tenants were claiming UC equating to **32%** of all current council tenants. This compares to **36%** of council tenants in receipt of Housing Benefit. By the end of the year a total of **72%** of tenants claiming UC were in rent arrears which is **1% higher** when compared to the same point in the previous year.
- 4.16 Table 5 shows when tenants moved onto Universal Credit, **59%** of tenants had pre-existing rent arrears on their rent account. This is a common theme when existing benefit claimants transition from one benefit to another, resulting in periods of non-payment of rent whilst the benefit payments are being processed. A tenants non-compliance with the process can add to rent arrears increasing and backdating of UC can only be granted under very exceptional circumstances.
- 4.17 By the end of quarter 2, a total of **2,968** tenants, had successful APA's in place which is almost half of the tenants on UC and double the figure compared to the same point in the last year. The remaining tenants on UC are either waiting for UC award, paying the council directly using other payment methods, waiting for APA approval or for the first payment to reach their rent account.
- 4.18 The team continue working collaboratively with the Department of Works & Pensions and Work Coaches from the local Job Centre Plus to minimise any impact of Universal Credit on rent arrears. Any issues with complex cases or with the joint working arrangements are escalated to the DWP Partnership Manager's for resolution. The team continue to provide an appointment service form the Job Centre Plus where appropriate and if tenants require urgent appointments to support benefit claims.
- 4.19 The DWP granted the council 'Trusted Partner' status which gives access to their Landlord Portal IT system. This has meant the Income Management Team can verify housing costs quickly to prevent delays in UC claims being assessed. The Trusted Partner status also allows the council to apply for Alternative Payment

Arrangements (APA's) for vulnerable people who may struggle to pay their rent and any arrears themselves.

- 4.20 The teams **8 Rent Management Advisors** (RMA) are responsible for supporting our most vulnerable tenants, or those with complex needs with claiming and maintaining Universal Credit claims. They have been helping tenants set up e-mail accounts, supporting people to make and manage their UC claims, supporting tenants with backdated payments and reconsideration of welfare benefits and encouraging people to consider digital learning courses. Additionally, they are regularly conducting research and sharing information within the team so we can respond to tenants needs and provide the most appropriate advice.
- 4.21 By the end of quarter 2, the RMAs received **440 referrals** which is **63% higher** than at the same point in the last year. From the 440 referrals a total of **167 cases** have now closed due to the support ending and **11 referrals** were refused as they did not meet the criteria for support. The current active caseload is **262 cases**.
- 4.22 The cases are separated into two types of support 'Short-Term' usually up to two months and 'Long-Term' up to six months. From the 167 cases that have been closed so far, a total of **65%** of the tenants required **short-term support** in making benefit claims or basic budgeting advice and the remaining **35%** required **longer-term support** to help manage their claims and also, to apply for any additional elements within their claim for example, Limited Capability for Work Related Activity which can take several months to resolve.
- 4.23 The average wait time for the referrals to be allocated was **2 working days** and the average time to make the first contact with the tenant was **1 working day**. This demonstrates a waiting list process did not need to be used, as the team effectively managed the workloads and tenants were offered support without any unnecessary delays.
- 4.24 The referrals were marked within a priority banding high, medium, and low. **High** defines tenants at immediate risk of homelessness i.e., pending evictions which amounted to **17%** from the 440 referrals received. **Medium** priority referrals where tenants who were at risk of court possession proceedings equated to **64%** of the referrals. **Low** priority referrals where tenants had low level arrears with no legal action being considered were **19%**.
- 4.25 The team pursue legal action only as a last resort when all opportunities to sustain tenancies have been exhausted. From the 167 closed cases, **11 cases were** pursued with legal actions due to non-engagement or persistent non-payment despite RMA intervention. This demonstrates that **93%** of households were supported with tenancy sustainment and any threat of possession proceedings as removed. On current and active cases, it demonstrates there is further scope to provide tenancy sustainment and support. For ongoing eviction cases RMAs provide frequent support and maintain efforts to engage with tenants until such time the eviction is cancelled or goes ahead.
- 4.26 RMA's supported tenants to claim welfare benefits, discretionary housing payments (DHP), backdated payments, reconsiderations, and underpayments. In the last 6 months a total value of **£102k** was achieved by supporting **167 households**. This amount includes any potential entitlements for the next 12

months for disability related benefits which are awarded for a minimum of 12 months before reviewed. Decisions on mandatory reconsiderations and backdates can take a few months to resolve and reconsiderations on disability related benefits can take even longer for resolutions.

- 4.27 RMAs measured “Soft Outcomes” to help identify tenants confidence levels *after* their support had ended. It also helped to determine if the tenant felt empowered to be able to manage their claims for benefits without support in the future. An initial assessment gives scores between 1 and 5 based on tenant confidence. When the case is closed the assessment is then carried out again and re-scored to establish any improvement. If the score is higher than when the support initially started, it demonstrates an improvement in tenants confidence. Based on the 167 closed cases, **75%** of tenants confirmed they had a **marked improvement** in their level of confidence. The remaining **25%** were tenants who felt their confidence levels **did not improve** or did not engage with the service

Court & Evictions

- 4.28 The Coronavirus Act 2020, provided protection to tenants by delaying when landlords could evict tenants. Provisions in the act increased the notice periods landlords were required to provide tenants when seeking possession of properties. However, from 1st October 2021, all notice periods returned to pre-pandemic positions and for many of our tenants this meant 4-weeks. The stay on possession proceedings, which was a separate measure imposed to mitigate the effects of the pandemic, expired on 20th September 2020 and the Council was able to progress possession claims through courts from this date. Legislation also protected tenants from evictions until 31st May 2021.
- 4.29 The team have continued careful consideration before instigating possession proceedings and ensured all avenues of supporting tenants had been explored in advance of any legal action. Any potential court case was reviewed by management before submissions to courts. Since April 2022, a total of **20 cases** were submitted to court for rental possessions which equates to an average of **3 cases per month**. In previous years, the average has been around **80 cases per month**. This is a dramatic reduction in the number of cases being listed for possessions and demonstrates the effective prevention and management of rent arrears by the team, the tenancy sustainment support provided to tenants, all of which subsequently removed any threat of possession proceedings.
- 4.30 Evictions are being pursued only where it is absolutely necessary, with a view that ongoing efforts to sustain tenancies continue to be provided until such time an eviction takes place. Tenants were encouraged and provided with ample opportunities to reach reasonable payment solutions to avoid possession orders and evictions.

Management scrutinises all potential eviction cases to ensure that all avenues of maximising tenant income and sustaining tenancy have been explored. This includes ensuring that any vulnerability has been identified and the necessary referrals to supporting agencies are considered well in advance of any eviction process being followed. The eviction route is pursued as an ultimate last resort and after all efforts to sustain tenancy has been demonstrated and exhausted.

4.31 In the last 6 months, **2 evictions** were carried out for non-payment of rent, and this is the lowest number of evictions when compared to the same point in the previous financial year. This figure compares to 4 in year 2021/22 by end of quarter 2. Evictions remain at a relatively low level compared to earlier years despite the economic difficulties experienced over this period, the ongoing welfare reform challenges, and the continued aftermath of the pandemic. From the 2 evictions, both tenants were single households and in both cases the tenants had abandoned their homes.

DHP's (Discretionary Housing Payment)

4.32 Between April 2022 and September 2022, the team supported tenants to apply for Discretionary Housing Payments (DHPs). A total **£249,095k** was paid in awards for all qualifying Council tenants. The team use DHPs to provide assistance to the most vulnerable tenants to sustain their tenancies and to safeguard them in their homes. The support helps alleviate poverty, prevent homelessness, and enables tenants time, to seek alternative accommodations and to better their financial position. However, in the recent months due to limited funding, many DHP applications are being rejected .

4.33 Table 6 shows the current DHP forecast in comparison to the last 2 financial years. The current years forecast is bleak and worrying as central government have **reduced DHP funding by 29%** compared to last financial year. Alternative sources of funding must be considered for supplementing the DHP fund to prevent council tenants being put at risk of homelessness. DHPs are a crucial lifeline for tenants and support reductions in rent arrears. It is anticipated that lack of funding will cause **rent arrears to increase** which makes it imperative to explore and pursue alternative funding.

Table 6. DHP forecast for qualifying tenants and residents of Leicester City.

Financial Year	DWP Grant	Council Funding	Total Awarded
2020/21	£1,139,971	£91,594	£1,231,565
2021/22	£884,372	£900,000	£1,784,372
2022/23	£626,948	TBC	£626,948

4.34 Historically, the use of monies provided by Central Government and the top up locally has always been positive helping to alleviate financial pressures for those on Housing Benefit or the Housing Element of Universal Credit (over 60% of council tenants are in receipt of these benefits). The release of funds from an alternative source will provide financial assistance and support, to those tenants experiencing significant financial hardship and those facing increasing worries, due to household budget deficits which impact tenants abilities to meet their housing costs. The funding will support Council tenants through their personal and difficult journeys and sustain local communities and keep families together, at a time of national crisis where the financial burdens could leave many families homeless and destitute.

Household Support Fund (HSF)

4.35 Due to the impact of Covid and the cost-of-living crisis, the Government introduced

support funds which are being administered by the Council. The fund focusses on supporting people primarily with fuel, water costs, food, and white goods. Over the last 6 months the team referred **1,958** council tenants for this support which equates to 10% of all council tenants. Many tenants received multiple awards for different things. See Table 6.

Table 7. Household Support Fund

Description of Assistance Provided	Number of Households
Food	1,892
Utilities	1,804
Water / Sewerage	676
Other essential items (white goods)	563
Referral to Energy wise	63
HB / UC advice offered	112
Council Tax advice offered	174

5.0 Key Challenges 2022/23

- 5.1 The team continue to face significant challenges and pressures this year due to the cost-of-living crisis. The arrears performance may become unstable and a rise in rent arrears is expected as tenants are forced to choose between prioritising expenditure on their rent, or essentials such as food or heating. Despite this, the team remain resilient and will continue their best to respond to challenges. The primary focus during this difficult time will be on supporting tenants with their financial burdens, helping them to ease this by maximising incomes wherever possible and improving their financial stability.

6. Financial, legal, equalities, climate emergency and other implications

6.1 Financial implications

This report sets out the position in relation to net rent arrears for current tenants at the end of September 2022. Not documented in this report are the arrears associated with non-dwelling properties (such as garages and parking spaces), hostel bedspaces and former tenants. The overall debt outstanding for all Council tenancies increased by 5% over the last 12 months; close monitoring of this trend will be required. A provision for bad debt is made to recognise that a proportion of debt will go uncollected.

Stuart McAvoy – Acting Head of Finance

6.2 Legal implications

There are no specific legal implications arising from this report.

Jeremy Rainbow – Principal Lawyer (Litigation) - 371435

6.3 Equalities implications

A public authority must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; this includes the need to: (i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic; (ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.

Foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard. The report is to inform the Members of the Scrutiny Commission on the rent arrears progress over the last 6 months, from April 2022 to September 2022.

There are no direct equality implications arising from this report, however it would be useful in relation to tenants in serious debt to have these monitored by protected characteristics as defined by the Equality Act (sex, sexual orientation, gender reassignment, disability, race, religion or belief, marriage and civil partnership, pregnancy and maternity, age) in order to address any adverse impact and put in place mitigating actions.

The cost-of-living crisis is having a huge effect across society, with tenants some of the hardest hit. It is important that officers continue to offer early appropriate professional support and guidance to tenants to reduce rent arrears. Some tenants may have an identified need for specific information in other formats such as large print or braille. The council provides a range of payment options suitable to tenants to maximise collection rates whilst ensuring that it can sustain tenancies and support the most vulnerable.

The work carried out by the Rent Management Advisors in relation to supporting vulnerable people some of whom will have complex needs helps to impact positively on people from across all protected characteristics. The report mentions that that amid the cost-of-living crisis, life will be made even harder for tenants in financial difficulty and could risk sending more people into arrears. Tenants have started facing a struggling financial period in their lives and are left with making tough choices over their household budgets.

Equalities Officer, Surinder Singh, Ext 37 4148

6.4 Climate Emergency implications

There are no significant climate emergency implications directly associated with this report.

Aidan Davis, Sustainability Officer, Ext 37 2284