
Rent Arrears Progress Report

April 2019 to March 2020

Assistant Mayor Briefing: 22nd June 2020

Housing Scrutiny Commission: 7th July 2020

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

Useful information

Ward(s) affected: ALL

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1. PURPOSE OF REPORT

- 1.1 To inform Members of the Scrutiny Commission of progress in the above area of work over the full financial year, from April 2019 to March 2020.

2. SUMMARY

- 2.1 At the end of the financial year (5th April 2020) the cash amount outstanding for current tenant arrears was **£2.036m**, this is **25% higher** than at the same point in the previous financial year – see 3.2, Table 2.
- 2.2 The proportion of rent collected between April to March 2020 was **98.55%**.
- 2.3 A total **£389,327** was paid by Discretionary Housing Payments (DHP's) for all qualifying Council tenants during the financial year. From this figure a total of **£55,401** was awarded to support tenants affected by the Bedroom Tax and a total **£230,052** for tenants in receipt of Universal Credit.
- 2.4 A total of **1,222** tenants have registered to use the Housing Online Service.
- 2.5 A total of **3,390** tenants pay housing or garage rent by direct debit an **increase of 143** compared to previous financial year end.
- 2.6 Universal Credit Full Service was introduced on 13th June 2018. By the end of Quarter 4 a total of **3,771** tenants were claiming Universal Credit. A total of **76%** of those tenants were in rent arrears with a combined value of **£871,298** - see 3.17, Table 8
- 2.7 The Rent Management Advisors have been supporting vulnerable tenants, or those with complex needs who are claiming Universal Credit. By the end of quarter 4 a total of **447** council tenants were supported with their Universal Credit claim. Majority of the tenants only required short-term support and general advice.
- 2.8 Evictions are carried out as a last resort and during year 2019/20 there were a total of 37 evictions that took place due to non-payment of rent. This figure is comparable to the same point last year (2018/19) where the figure was 35. From the 19,869 current tenancies at the end of the year, this would amount to less than **0.2% percent** (0.186%) of all tenants being evicted in the year.

3. REPORT

Current Tenant Rent Arrears

3.1 Current rent arrears at the end of each quarter for the financial year 2019/20:

Table 1. Quarterly Arrears

Period	Arrears at Quarter End
Quarter 1	£2,101,776
Quarter 2	£2,175,527
Quarter 3	£1,754,084
Quarter 4	£2,036,496

3.2 Comparison of year-end figures for the last four years:

Table 2 Financial Year End Figures

Period	Arrears at Financial Year End
2016/17	£1,461,354
2017/18	£1,442,250
2018/19	£1,627,034
2019/20	£2,036,496

- 3.3 The cash amount owing at week ending 5th April 2020 was **£2.036m**, this is **25%** higher than at the same point in the previous financial year. There are various factors that have contributed to the increase in rent arrears with the most prominent being welfare reform changes affecting council tenants and the Covid-19 challenges in the lead up to year-end.
- 3.4 Universal Credit Full Service (UCFS) commenced in June 2018. The categories of people that can claim Universal Credit is broad and it is anticipated that UC migration will be completed by 2024. Following the introduction of UCFS, the number of current tenants transferring to UC is increasing week on week. The emerging trend is that tenants moving onto UC are already in arrears and as the claim takes 4-5 weeks this puts the tenant further behind. This increases to 8-9 weeks if we apply for an Alternative Payment Arrangement (APA) which involves the Housing costs being paid directly to the landlord.
- 3.5 Covid-19 challenges have attributed to the rent arrears increase; 4 weeks earlier (2nd March 2020), the rent arrears stood at **£1.715m**, which was a **£91k (5%) decrease** compared to the same point in 2018/19. IMT, like all areas of the Council, were significantly impacted operationally by the pandemic in March resulting in staff having to work from home where they had not previously been enabled to do so. This required a period of adjustment to new ways of working which when combined with the restrictions imposed to the rent arrears process impacted on levels of arrears and rent collection. The Lord Chancellor announced a suspension to housing possession cases in courts affecting new or existing

possession claims for a 90-day period. The above data shows the projected arrears finish would have been lower if not similarly to the previous year end if, the factors outlined above hadn't caused such a significant impact which resulted in an average arrears increase of £87k per week due to Covid-19.

- 3.6 Despite these challenges the rent collection figures for Leicester remain good in comparison with other authorities with only **38%** of our current tenants in rent arrears.

Proportion of Rent Collected

- 3.7 The team had a key performance management target to ensure the proportion of rent collected at the end of the financial year is 99%. The proportion of rent collected between April and March 2020 was **98.55%**. This is marginally less than the target figure and lower than 2018/19 when it was 99.46%. The figure reflects a rolling 52-week performance and considers the stock reduction throughout the year due to Right to Buy scheme which results in the lower amount compared to the previous financial year.

Number of Cases

- 3.8 The number of current tenants with rent arrears owing 7 weeks or more net rent is shown in tables 3 & 4 below:

Table 3. Breakdown of Arrears Cases by Quarter end 2019-20

Period	Owing 7 Weeks or more Net
Quarter 1	1,739
Quarter 2	1,765
Quarter 3	1,350
Quarter 4	2,319

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)

Table 4. Breakdown of Arrears Cases by Year End

Period	Owing 7 Weeks or more Net
2016/17	1,205
2017/18	1,264
2018/19	1,451
2019/20	2,319

- 3.9 The number of cases in arrears owing 7 weeks or more net rent increased by **59%** over the previous year end figure. The 7-week arrears include lower amounts of net rent, so this is not reflecting the severity of the debts. The increase in numbers is reflecting Universal Credit caseloads and the wait times associated with DWP administering UC payments and Alternative Payment Arrangements (APA's). In addition, the Covid -19 impact at year end has contributed to this sharp increase.

Arrears per Tenancy

3.10 The total arrears divided by the total number of currently occupied council tenancies are shown in tables 5 & 6 below:

Table 5. Average debt by quarter end 2019/20

Period	Average Debt
Quarter 1	£104.88
Quarter 2	£108.67
Quarter 3	£88.06
Quarter 4	£102.49

Table 6. Average Debt by Financial Year End

Date	Average Debt
2016/17	£70.59
2017/18	£71.14
2018/19	£80.72
2019/20	£102.49

3.11 Tables 5 shows that the average debt increased in the early part of the last financial year 2019/20 and decreased slightly by year-end. Table 6 shows that the debt increased in comparison to the previous year by **27%**. This figure is variable depending on the number of occupied properties at any given time and the figure will continue at an incline due to the diminishing stock numbers through the Right to Buy Scheme. Future reports will show arrears per debtor in place of arrears per tenancy.

Top 500 Arrears Cases (by value)

3.12 Table 7 (below) shows the top 500 accounts with highest arrears and total value of arrears at the end of each quarter regardless of tenant's payment methods.

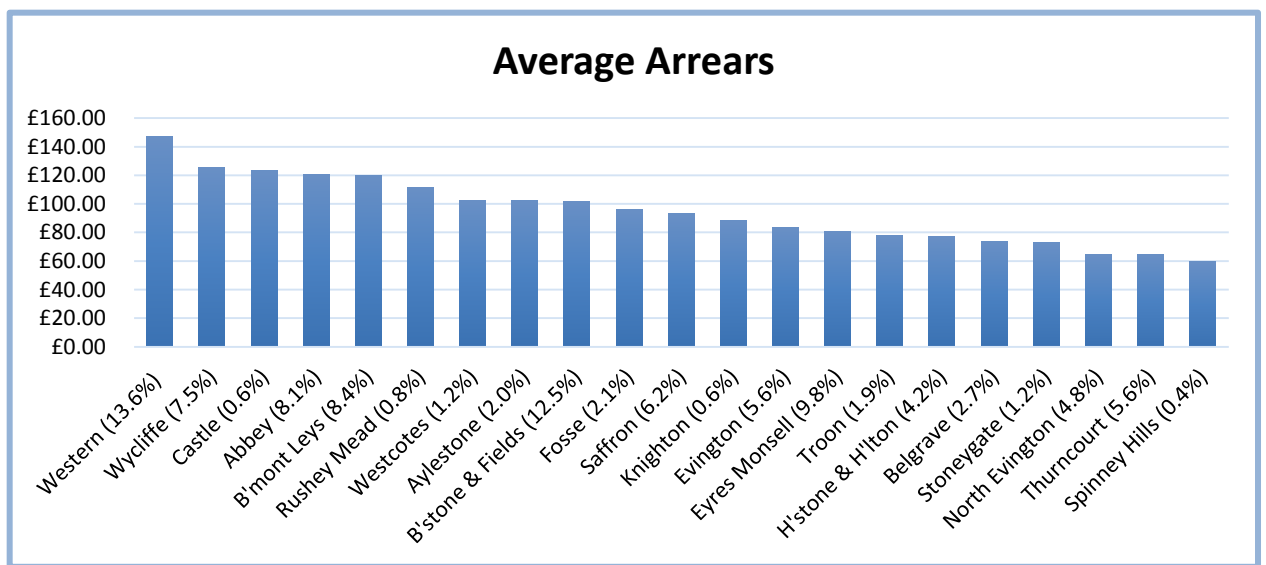
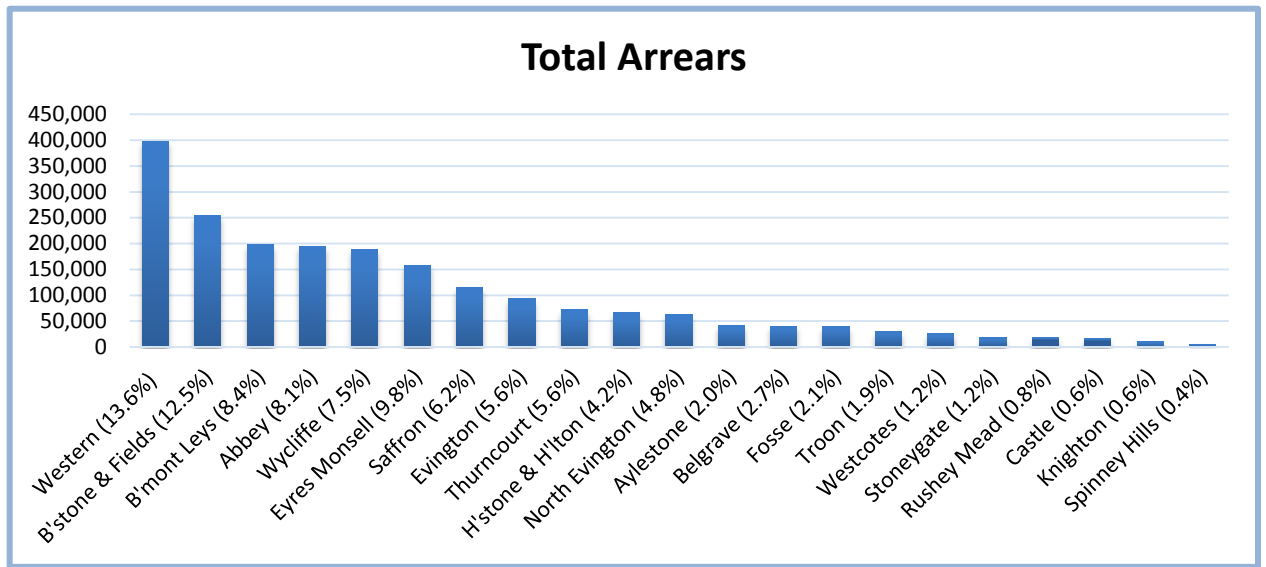
Table 7

Quarter End 2019/20	Highest case	Lowest case	Average	Total Value
Quarter 1	£3,962	£700	£1093	£546,653
Quarter 2	£3,393	£750	£1142	£571,079
Quarter 3	£3,567	£677	£1076	£537,977
Quarter 4	£3,535	£846	£1242	£620,823

3.13 Table 7 shows an incline of 14% of the total value of top arrears cases by year-end when compared to the start of the year 2019/20. This is in line with the increases seen in figures presented at the earlier tables. 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. In addition, higher debt cases are influenced by courts preventing the team from taking possession actions until such time the court orders.

Arrears by Ward

3.14 The graphs presented below show the total arrears and average arrears by ward at end of financial year 2019/20. The percentage of council stock in each of the ward areas can be seen in the brackets next to the ward area label.



- 3.15 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.
- 3.16 The average arrears chart presents areas like Castle, Westcotes and Rushey Mead as lower in stock but with high average arrears value. Within these areas there are flats and bedsits which are 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.

Impact of Universal Credit Full Service (UCFS)

- 3.17 Universal Credit (UC) was introduced on 13th June 2018 and **Table 8** (below) provides information about Council tenants claiming this DWP benefit.

Quarter End 2019/20	Number of UC Cases	% UC Cases in Arrears before UC Started	% UC Cases in Arrears at Quarter End	Total Value of Arrears	Average Arrears per UC Case	No. of APA's*
Quarter 1	2,355	66%	79%	£738,053	£313	692
Quarter 2	2,821	65%	80%	£918,374	£326	760
Quarter 3	3,168	65%	67%	£768,612	£243	823
Quarter 4	3,771	64%	76%	£871,298	£231	905

*APA = Alternative Payment Arrangements are when the DWP pay the housing Costs directly to the

- 3.18 By the end of the financial year 2019/20, a total number of **3,771** council tenants were claiming UC equating to **19%** of all current council tenants. An average increase of **47** council tenants are moving onto UC every week since its introduction. This compares to **49%** of council tenants in receipt of Housing Benefit.
- 3.19 Table 8 shows when tenants moved onto Universal Credit between 60-66% 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.
- 3.20 By year end a total of **905** tenants had successful APA's in place. 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 APA to reach their rent account.
- 3.21 The current value of rent arrears on UC cases has steadily increased as more tenant's transition into Universal Credit. The value will vary depending on when the APA payment schedules are received from the DWP. Although APA's can be requested, they are not always guaranteed to arrive as changes in tenants' circumstances or benefit sanctions can impact upon the payment being received as expected. The first set of payment is delayed by up to 8 weeks as payments can only be made once tenants UC payment date has been reached, the council then receive this in their next APA payment schedule.
- 3.22 The team are 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 and continue to make suggestions to improve the way APA's are paid to landlords. Any issues that surround the joint working arrangements are elevated to the DWP Partnership Manager's for resolution.
- 3.23 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.
- 3.24 To help mitigate this risk of Universal Credit **4** new Officers were recruited in May 2018 called Rent Management Advisors. Their role is to support vulnerable tenants, or those with complex needs who are claiming Universal Credit. They have been helping tenants to set up e-mail accounts, supporting people to make and manage their UC claims, promoting and helping to set up Clockwise Rent Payment Accounts which ensures rent is paid on time and encouraging people to attend digital learning courses.

- 3.25 By year-end 2019/20, the Rent Management Advisors had received a total of **447** referrals and most of these tenants only required general advice or short-term support whilst they make their initial UC claim. Around a quarter of these (109) were identified as requiring more long-term support which the officers are providing.
- 3.26 In June 2018, we started a 3-month pilot of co-locating Income Management Team Officers in the 3 Job Centre Plus sites (JCP). This was to enable us to meet with our tenants at the same time they were having their first meeting with their Work Coaches. This opportunity was used to advise tenants about their rent obligations and identify any support needs particularly to manage their UC claim. There was positive feedback from staff during the initial start-up phase and the pilot was reviewed at the end of each quarter for its effectiveness. By the end of the year, the service offer continued but on an appointment basis only due to the decline in the number of tenants being referred by the Work Coaches.
- 3.27 The co-location is now suspended due to Covid-19 and its envisaged it will re-start again on an appointment basis once it's safe to do so.
- 3.28 Overall the key risks to the council with the introduction of Universal Credit Full Service is the potential increase in rent arrears, as majority of tenants will be responsible for paying the rent themselves. From the total number of people claiming UC a higher proportion of tenants are in arrears which relate to the initial assessment period of claims and delay in the payment of APA's. The team are supporting those tenants in arrears by making affordable repayment agreements for the outstanding debt and continually seeking to network with the DWP to mitigate the risks of increased arrears.

Evictions

- 3.29 Evictions remain at a relatively low level compared to earlier years and this is despite the economic difficulties experienced over the period and ongoing welfare reform challenges. Management scrutinise 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.
- 3.30 There were **37** evictions carried out for non-payment of rent from April 2019 to March 2020. This compares to 35 evictions in the previous year (2018-19).
- 3.31 Of the 37 evictions, 6 were family cases and 31 were single people.
- 3.32 From the 37 evictions 34 tenants had no Housing Benefit (HB) in payment prior to the eviction and 10 had Universal Credit in payment including the Housing element. A total of 6 tenants had previously been awarded DHP's and in some cases they received multiple awards. A further 4 tenants had made applications

for DHP but got refused as they failed to meet the qualifying criteria. The remaining tenants were either not engaging or had no benefits in payment therefore could not be supported with a Discretionary Housing Payment (DHP).

- 3.33 Prior to taking eviction action the team work closely with Social Care & Health (SCH) department to help sustain tenancies. From the 37 evictions, 21 tenants were *not* known to the Adult Social Care (ASC) team and were identified as having no community care needs. A total of 16 tenants had previous involvement with the Children and Young People Services (CYPS) and ASC teams and attempts to contact tenants failed due to non-engagement.

DHP's (Discretionary Housing Payment)

- 3.34 Between April 2019 and March 2020 a total **£389,327** was paid by Discretionary Housing Payments (DHP's) for all qualifying Council tenants. From this figure a total of **£55,401** was awarded to support tenants affected by the Bedroom Tax and a total **£230,052** for tenants in receipt of Universal Credit.

Housing Online Account

- 3.35 The Housing Online (Rent Self-serve) portal went live in January 2019. This is where council tenants can view their rent balance, manage their rent account, print rent statements and update their contact details. The Housing Online will further expand allowing tenants to log new repairs and make housing related enquiries. Currently a total of **1,222** tenants have registered to use this service. The team are promoting this new service to encourage council tenants to become more independent in managing their Housing accounts online.

Direct Debits

- 3.36 Direct Debits have always been the most preferred method of payment for the council. There is now more flexibility and option for tenants to encourage the direct debit scheme there are 4 different dates tenants can choose to pay their rent – 1st / 7th / 15th and 22nd of each month. Currently a total of **3,390** tenants pay housing or garage rent by direct debit an increase of 143 compared to previous financial year end.

Clockwise

- 3.37 In the past year, the team focussed on Promoting Clockwise Rent Payment Accounts (RPA's) which can help tenants budget and manage their rent payments efficiently and prevent rent arrears due to delays caused by the administration of UC and APA's.
- 3.38 By year-end a total of **12** Clockwise Rent Payment Accounts were successfully set up and used to collect rent, this is 6 accounts more than at the same point last year. Throughout the year we found some tenants decided to cancel their accounts and opt for a different payment method despite agreeing to set them up initially. We also found a range of issues and some complications as RPA's were designed before UC introduction causing some issues around delivery of the

product in line with changes to UC. The response from Clockwise and the partnership working has been effective and they have kindly offered to disregard the one off £10 fee payable by the Council to encourage promotion however, the £0.75 per transaction fee remains payable with assurances from Clockwise that they are looking to review, develop and enhance this product to avoid any negative impact on partners and members.

- 3.39 In December 2019, the DWP announced they started a small-scale test with a small group of social landlords to align the way that APA's are paid to landlords. They are exploring the possibility of landlords receiving the housing cost element at the same time as tenants receive their UC payment. If this new process is implemented there is strong likelihood this will cause a negative impact on the number of new RPA's that are signed up in the coming years.

4.0 Key Challenges 2020/21

- 4.1 The team are facing significant challenges in the coming year due to Covid-19. The arrears performance will remain unstable and likely to increase due to the recent challenges. The Lord Chancellor announced the suspension of housing possession cases in the courts affecting new or existing possession claims for a 90-day period from 27th March 2020. Government advised to suspend warrants of possession and not to make any order that risks impacting on public health such as evictions resulting in homelessness. This will make it challenging for the team to maximise rent collection alongside not being able to take punitive actions if non-payment of rent continues. A further extension was announced by the Housing Secretary on 5 June 2020, which now takes the moratorium on evictions to a total of 5 months up to the 23rd August 2020.
- 4.2 The Government guidance is to not commence possession proceedings during this challenging time without a very good reason and Notices of Seeking Possession (NOSP) have needed to be modified as per the Coronavirus Act 2020. We must now allow tenants 3 months before issuing possession proceedings which means, NOSP expiry dates are extended to 3 months opposed to the previous 1-month rule and this applies to all NOSP's served up to and including 30 September 2020. Consequently, this will cause increase in rent arrears before possession proceedings can be started on cases where it's appropriate to take these measures.
- 4.3 All face to face contact is currently suspended so tenants can't be invited to discuss their rent arrears by face to face appointment and it's anticipated that some small number of tenants may be reluctant to engage by phone / email / text. Alternative creative ideas and ways to reach these tenants is being considered for example inserts offering support within food parcels.
- 4.4 The team are supporting tenants facing hardship and increased expenditure due to Covid by maximising the use of DHP however, there is no increase of funding in this area and the current value of funds remains at £1,139,971, effective from April 2020 to March 2021.
- 4.5 We are working with County Court to discuss the future of rental possession

hearings as it's reasonable to assume that social distancing will remain in place for the foreseeable future. County Court have already indicated it's not possible to return to block listed claims at the rate of 10 cases per hour. This will adversely affect the volume and frequency of cases causing delays in recovering possessions where appropriate and consequently causing accrual in rent arrears. It has been recognised, face to face hearings should continue where possible as tenants may face difficulties complying with remote hearings due to limited technology, engagement and/or limited access to legal advice. There is possibility a combination of face to face and remote hearings can be considered only where matters have been agreed.

- 4.6 Despite the challenges up ahead, the team remain focussed and prepared to work incredibly hard and continue achieving high performance, alongside maximising support for tenants during this extremely difficult time, ensuring their Income is fully maximised and any hardship is eased.

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