
Rent Arrears Progress Report

April 2018 to March 2019

Housing Scrutiny Commission: 5th August 2019

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

Useful information

Ward(s) affected: ALL

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Report version number: V1a

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 2018 to March 2019.

2. SUMMARY

- 2.1 At week ending 31st March 2019 the cash amount outstanding for current tenant arrears was £1.627m, this is 12.81% 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 2019 was **99.46%**, which is above target.
- 2.3 Between April 2018 and March 2019 a total **£233,926** was paid by Discretionary Housing Payments (DHP's) for all Council tenants. From this figure a total of £92,219 was paid to support those tenants affected by the Bedroom Tax. A total of £13,285 was paid to support LA tenants in receipt of Universal Credit.
- 2.4 Evictions are carried out as a last resort and during year 2018/19 there were a total of 35 evictions that took place due to non-payment of rent. This figure is **lower** in comparison to the same point last year (2017/18) where the figure was 37. From the 20,155 current tenancies at the end of the year, this would amount to less than 1 percent (0.173%) of all tenants being evicted in the year.
- 2.5 Universal Credit Full Service was introduced on 13th June 2018. By the end of Quarter 4 (31st March 2019) a total number of 1,879 tenants had made a new claim for Universal Credit and the total value of arrears at the end of year was £443,967.
- 2.6 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 **798** council tenants were supported with their Universal Credit claim. Majority of the tenants only required short-term support and generalist advice.
- 2.7 The number of tenants in serious debt, (owing more than 7 weeks rent) was 1,451, this is 14.79% higher in comparison to the same point last year – see 3.5, Table 3.

3. REPORT

Current Tenant Rent Arrears

3.1 Current Rent arrears at the end of each quarter for the financial year 2018/19:

Table 1. Quarterly Arrears

Period	Arrears at end of quarter
Quarter 1	£1,713,799
Quarter 2	£1,819,237
Quarter 3	£1,504,978
Quarter 4	£1,627,034

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

Table 2 year end (quarter 4's) figures

Period	Arrears at end of financial year
2015/16	£1,532,816
2016/17	£1,461,354
2017/18	£1,442,250
2018/19	£1,627,034

3.3 The cash amount owing at week ending 31st March 2019 was £1.627m, this is **12.81%** higher than at the same point in the previous financial year and **8.47%** away from achieving the target of £1.5m.

3.4 There are various factors that contributed to the increase in rent arrears with the most prominent being welfare reform changes affecting council tenants. 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 2023. Following the introduction of UCFS anyone claiming help with housing related costs are required to claim from the DWP and the number of current tenants who have transferred to UC is increasing by the 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 managed payments through an APA. It is anticipated this increase will be higher during the transition period but is likely to reduce thereafter.

3.5 Despite these challenges the rent collection figures for Leicester remain good in comparison with other authorities with only **35%** of our current tenants in rent arrears.

Proportion of Rent Collected

- 3.6 The Income management 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 2019 was **99.46%**, which is above target.

Number of Cases

- 3.7 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 2018-19

Period	Owing 7 Weeks or more Net
Quarter 1	1,419
Quarter 2	1,656
Quarter 3	1,412
Quarter 4	1,451

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
2015/16	1,366
2016/17	1,205
2017/18	1,264
2018/19	1,451

- 3.8 The number of cases in arrears increased slightly by **4.90%** over the previous year end figure. The increase is reflecting Universal Credit caseloads and the wait times associated with DWP administering UC payments and Alternative Payment Arrangements (APA's).

Arrears per Tenancy

- 3.9 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 2018/19

Period	Average Debt
Quarter 1	£84.83
Quarter 2	£90.30
Quarter 3	£74.19
Quarter 4	£80.72

Table 6. Average debt by year end (Quarter 4)

Date	Average Debt
2015/16	£72.59
2016/17	£70.59
2017/18	£71.14
2018/19	£80.72

3.10 Tables 5 shows that the average debt increased in the early part of the last financial year 2018/19 and decreased by year-end. However, Table 6 shows that the debt increased in comparison to the previous year by **13.46%**. This figure is variable depending on the number of occupied properties at any given time and the figure is likely to continue at an incline due to the diminishing stock numbers through the Right to Buy Scheme.

Top 500 Arrears Cases (by value)

3.11 Tables 7 (below) shows the top 500 accounts with highest arrears and total value for all quarters, regardless of tenant's payment methods

Quarter	Top 500 Arrears	Highest case	Lowest case	Average	Total Value
Quarter 1 2018/19	500	£3,551	£614	£952	£475,859
Quarter 2 2018/19	500	£2,826	£658	£1032	£515,835
Quarter 3 2018/19	500	£3,616	£631	£1021	£510,623
Quarter 4 2018/19	500	£3,527	£604	£976	£488,458

3.12 The table above shows a **4.34% decrease** in the total value of top arrears cases in comparison to quarter 3 figures, however they increased slightly by 2.64% from the start of the year 2018/19. This is in line with the increase seen in table 3 (over 7 weeks net rent) and reflects on the impact and delay of Universal Credit payments. Higher debt cases are generally more complex to manage and require intensive support from the team. The team work collaboratively with other advice agencies and internal departments to help achieve positive outcomes and

resolutions which involves allowing the agencies additional time to work on cases. In addition, higher debt cases are influenced by courts preventing the team from taking possession actions until such time the court orders.

Impact of Universal Credit Full Service (UCFS)

3.13 Table 8 (below) provides the information about Universal Credit cases since its introduction on 13th June 2018.

Quarter End 2018/19	Number of UC Cases	Number in Arrears Before UC Started	Number in Arrears at Quarter End	Total Value of Arrears at Quarter End	Average Arrears per UC Case	Number of APA's
Quarter 1*	92	67 (72.83%)	77 (83.7%)	£22,377	£243	18
Quarter 2	735	465 (63.27%)	605 (82.31%)	£197,711	£269	212
Quarter 3	1,270	955 (75.2%)	919 (72.36%)	£265,988	£209	400
Quarter 4	1,879	1,264 (67.27%)	1,298 (69.08%)	£443,967	£236	590

*Not a full quarter as UC commenced 13th June 2018

3.14 By the end of quarter 4 (31st March 2019) a total number of 1,879 council tenants made a new claim under the new system which equates to **9.32%** of all current council tenants. This equates to an average increase of **47** council tenants moving onto Universal Credit claims every week since its introduction.

3.15 An estimated 8,000 council tenants of working age are in receipt of Housing Benefit. On average **200** council tenants will continue to move on to UC each

month until the managed migration process starts where the numbers moving over to UC each month may increase beyond the 200 mark. An additional 7,000 tenants are *not* in receipt of any housing benefit but may be claiming other Welfare Benefits such as tax credits and will also be expected to start claiming Universal Credit over the coming years.

- 3.16 The table above shows when tenants moved into Universal Credit over 60% had pre-existing rent arrears on their rent account. This is because when existing benefit claimant transition from one benefit to another, it results in periods of non-payment of rent whilst the benefit payments are being processed or if there are periods of non-engagement from tenants. Additionally, backdated benefits are only granted under very exceptionally circumstances. In other types of cases tenants claiming UC after a period of unemployment can result in the rent arrears starting to accrue.
- 3.17 A modest migration rate of just 200 cases per month can have a rapidly escalating impact on the arrears and the *estimated* increase in rent arrears by the time UC is fully implemented (2023) is **£1.26m**. Once the managed migration process is complete there would be around **£25.25m**, actual more cash to be collected in a *full year* as Universal Credit is not always paid directly to the landlord.
- 3.18 By year end a total of **590** tenants had successful APA's in place. This compares to a total of **297** tenants that are paying the council directly using other methods of payment once they receive their monthly UC award. The remaining tenants could be waiting for their UC to be awarded, waiting for the APA to be approved and received or there could be other delays due to tenant non-engagement.
- 3.19 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 the tenants UC pay day has been reached and UC payment has been made, the council then receive this in their next third-party schedule
- 3.20 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.
- 3.21 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.

- 3.22 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.
- 3.23 By the end of the year 2018/19 the Rent Management Advisors had received a total of **798** referrals and most of these tenants have only required general advice or short-term support whilst they make their initial UC claim. Around **160** had been identified as requiring more long-term support, which the officers are providing.
- 3.24 In June we started a 3-month pilot of co-locating Income Management Team Officers in the 3 Job Centre Plus sites (JCP). This is so we can meet with our tenants at the same time they have their first meeting with their work coach. We use this opportunity to advise on their responsibility to pay their rent themselves and establish whether they need any support to manage their claim, for which a referral to a Rent Management Advisor is made. There has been some positive feedback from staff working as part of co-location. The pilot has been reviewed at the end of each quarter since implementation. The pilot continues, and the new service offer combines two separate service areas from Housing who provide services from JCP on an appointment basis. This includes IMT and the Homeless Prevention Team.
- 3.25 Around **704** Universal Credit claimants have been seen by Income Management Officers since the start of co-location (June 2018) and **46%** of these were council tenants. Other enquiries have included those from JCP staff (work coach), private sector and housing association tenants. In these circumstances our officers have provided housing related advice or signposted to other services available.
- 3.26 The pilot continues to be reviewed and evaluated to determine if co-location is proving effective and productive for the council and to help decide on the longevity of co-location.
- 3.27 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

- 3.28 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.
- 3.29 There were **35** evictions carried out for non-payment of rent from April 2018 to March 2019. This compares to 37 evictions in whole of the previous year (2017-18).
- 3.30 Of the 35 evictions, 8 were family cases and 27 were single people.
- 3.31 From the 35 evictions 20 tenants had no Housing Benefit (HB) in payment prior to the eviction or were not engaging therefore could not be supported with a Discretionary Housing Payment (DHP). A total of 10 tenants had previously been awarded DHP's and in some cases they had been awarded DHP multiple times. A further 3 tenants had made applications for DHP, but the award was refused as they failed to meet the qualifying criteria.
- 3.32 Prior to taking eviction action the team work closely with Social Care & Health (SCH) department to help sustain tenancies. From the 35 evictions, 20 tenants were not known to the Adult Social Care (ASC) team and were identified as having no community care needs, 15 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)

- 3.33 Between April 2018 and March 2019 a total **£233,926** was paid by Discretionary Housing Payments (DHP's) for all Council tenants. From this figure a total of **£92,219** was paid to support those tenants affected by the Bedroom Tax. A total of **29** council tenants in receipt of Universal Credit were supported by DHP with the total value of **£13,285** in payments being awarded.

Housing Online Account

- 3.34 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 **185** tenants have registered to use this service with an additional 363 tenants have shown interest but are yet to fully complete the registration process. The team are promoting this new service to encourage

council tenants to become more independent in managing their Housing accounts online.

Direct Debits

- 3.35 Direct Debits have always been the most preferred method of payment for the council. Historically there has always been two payment dates offered when paying rent by Direct Debit (1st and 15th of each month). During the last financial year, the team have successfully added two further dates creating more flexibility and option for tenants and to encourage the direct debit scheme. In addition to the existing two dates tenants can now pay rent on the 7th and 22nd of each month creating 4 different dates for tenants to choose from. Currently a total of 3,247 tenants pay housing or garage rent by direct debit.

Clockwise

- 3.36 The team have renewed their focus on Promoting Clockwise Rent Payment Accounts. The Rent Management Advisors can help set up the accounts with tenant consent. This in turn helps tenants to budget and manage their rent payments much more efficiently preventing arrears that can occur due to delays caused by the administration of UC and APA's.
- 3.37 By the end of the year the team had set up a total of **6** Clockwise Rent Payment Accounts and collected a total of **£8,320** using this payment method. The vision is that the number of account and value collected will continue to grow throughout this new year.

REPORT AUTHOR

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