

Report to Housing Scrutiny Commission

Date of Commission Meeting: 18th March 2015

Rent Arrears Progress Report

October 2014 to December 2014

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 on a quarterly basis, as requested.

2. SUMMARY

- 2.1 This report covers the period from the 6th October 2014 to the 2nd January 2015.
- 2.2 The cash amount owing as at 2nd January was £1.300m, this is 1.69% lower than the same quarter last year – see 3.1, table 1.
- 2.3 The number of tenants in arrears is 3,816, which is 19% more than the same quarter last year – see 3.5, Table 2.
- 2.4 The number of tenants in more serious debt, (owing more than 7 weeks rent) is 1,617, some 45% **higher** than this quarter last year.
- 2.5 For the current financial year from April '14 to March '15, c. £1.34m extra (based on latest estimates) rent will be collectable as a result of the "bedroom tax." See 3.16 below.
- 2.6 £218,350 was paid by Discretionary Housing Payments (DHP's) for all Council tenants, of which £145,376 was for those affected by the Bedroom Tax, from April to December 2014.
- 2.7 The arrears among those affected by the Bedroom Tax has fallen by £5,864 since 6th April 2014.

3. REPORT

Rent Arrears

- 3.1 Rent arrears at the end of the second quarter (3rd October) of 2014 and previous financial years were:

Table 1. Quarterly Arrears

Financial year	Arrears at end of Quarter 3
2011 / 12 Q3 (Oct to Dec)	£ 1,032,325
2012 / 13 Q3 (Oct to Dec)	£ 1,084,656
2013 / 14 Q3 (Oct to Dec)	£ 1,322,406
2014 / 15 Q3 (Oct to Dec)	£ 1,300,041

(N.B. Depending on calendar variations, week 26 or 27 figures have been used to provide consistent comparisons)

- 3.2 There is a clear seasonal trend for rent arrears to increase in the first part of the year, falling rapidly towards the latter part of the financial year. The rent collection figures for Leicester remain good in comparison with other authorities.
- 3.3 Rents rose by 3.2% on average in April 2014. The increase in the arrears between April 2013 and April 2014 is 13.4%, compared to an increase of 11.3% from 2011/12 to 2012/13.

Number of Cases

- 3.5 After removing monthly payers (i.e. Direct Debits, Wage Stops, Arrears Direct (DWP), Bank Standing Orders) the number of tenants with rent arrears is shown in table 2. below:

Table 2. Breakdown of Arrears Cases

Date	Owing 2 Weeks or more Net	Owing 7 Weeks or more Net **
Quarter 3 (Oct to Dec) (2011/12)	4,007	1,351
Quarter 3 (Oct to Dec) (2012/13)	3,473	1,210
Quarter 3 (Oct to Dec) (2013/14)	3,204	1,117
Quarter 3 (Oct to Dec) (2014/15)	3,816	1,617

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)

*** Those owing 7 weeks or more rent are included within the figure for owing 2 weeks or more.*

- 3.6 The number of cases in arrears increased by 19.1% over the previous year's figure for quarter 1. The number of more serious cases rose by 44.8%. There is a lot of variability in these figures, but the overall trend is upwards.

Arrears per Tenancy

3.7 The total arrears divided by the total number of tenancies are shown in table 3. below:

Table 3. Average debt

Date	Average Debt
Quarter 3 (2011/12) (Oct to Dec)	£47.45
Quarter 3 (2012/13) (Oct to Dec)	£50.08
Quarter 3 (2013/14) (Oct to Dec)	£61.85
Quarter 3 (2014/15) (Oct to Dec)	£61.02

3.8 This figure reflects the slight decrease in the actual rent arrears given in 3.1. As can be seen, arrears have been increasing steadily over three of the past four years, since the economic downturn began.

Highest 10% of Debt (by value)

3.9 Table 4. Below shows the highest 10% of arrears cases:

Date	No.Cases	Highest Case	Lowest Case	Average	Total Value
Quarter 3 (2011/12)	754	£ 2,727	£ 298	£ 517	£ 486,272
Quarter 3 (2012/13)	771	£ 2,986	£ 368	£ 618	£ 476,810
Quarter 3 (2013/14)	754	£ 3,378	£ 452	£ 727	£ 563,234
Quarter 3 (2014/15)	930	£3,790	£389	£659	£613,811

Skewed by one unusual case: we will remove this case.

3.10 This shows that the highest arrears cases have increased in total value since last year, and the trend has been increasing in value over the last four years, in line with the other figures reported. This is reflecting the annual rent increase, the effect of the "Bedroom Tax" and the continuing poor financial climate.

Rent Arrears Comparison with 2013/14

3.11 Arrears started the year running consistently about £200k higher than last, as a result of Welfare Reforms, the cost of living squeeze and the general economic downturn.

3.12 However, over the last four months the gap between this year and the previous period has been closed, due to the robust recovery actions taken by the Income Management Team. At the end of December '15, arrears were roughly £22k less than at the same point last year

3.13 Appendix 1 shows the detailed comparison of rent arrears this year with the last financial year.

Proportion of Rent Collected (formerly BVPI 66(a))

- 3.14 The “proportion of rent collected” is a relative measure used for national benchmarking purposes. Concerns had been raised regarding the accuracy of this figure, and this year refinements have been made to the calculation. The figure shown is now **net of pre-payments** (credits on rent accounts) and with a more accurate measure of ‘technical’ arrears.
- 3.15 At the time of writing this figure is not available, but will be reported at the next meeting.

Impact of the Bedroom Tax

- 3.16 On the 29th December 2014, 1,904, 8.9% (21,308) of our tenants were affected by the bedroom tax. The estimated extra rent collectable for 2014/15 is £1.34m for the full financial year.
- 3.17 From the 2,057 cases that were identified at the start of the year, by 2nd January 2015 the number of active cases had reduced to 1,904. This is because the numbers affected are constantly changing as people come out of the bedroom tax, and new cases arise, due to changes in household composition or financial circumstances.
- 3.18 Further facts:
- **152 tenancies had been terminated (by the tenants themselves) from 1st April 2014 to 2nd January 2015. Of these, 14 had completed mutual exchanges and 54 were transfers through the housing register. 10 of the Mutual Exchanges, and all but one moves through the register, resulted in downsizing.**
 - **By week 39, for those affected by the bedroom tax, the number in arrears had fallen to 54% (1036 out of 1904) since the start of the year.** In week 53 this was 58%, so the number of affected tenants in arrears has decreased by 4% in the first three quarters.
 - From October '14 to December 2014, a total of £145,376 of Discretionary Housing Payments had been received on behalf of Council tenants affected by the Bedroom Tax.
 - The arrears among those affected by the Bedroom Tax have decreased by £5,834 since the start of April 2014.
 - These numbers will continue to change as the situation evolves.

Impact of Benefit Income Cap (BIC)

- 3.19 An estimated 86 LCC tenants were affected by the BIC as at 2nd January 2015. The average loss of Housing Benefits for this group is £45 per week. The changes have been phased in as cases are identified by DWP.

3.20 Projecting from this quarter up until the year end, this would equate to an extra collectable rent of about £198k over the whole year. The arrears among those affected by the Benefit Income Cap have decreased by £4,629 since the start of April 2014.

Evictions

3.21 There were 78 evictions carried out for non-payment of rent from the 6th April 2014 to the 2nd January 2015. At the same point in the previous year this figure was 44.

3.22 This compares to 68 evictions in whole of the previous year.

3.23 Of the 78 evictions, 22 were family cases and 56 were single people.

3.24 There were 12 evictions whose debt included some Bedroom Tax.

3.25 Single people were almost 3 times as likely to be evicted as families.

3.25 Only one sixth (12 out of 78) of the evictions were directly affected by the impact of Welfare Reforms. Bedroom Tax and BIC cases account for about 10% of all tenants, but roughly 15% of eviction cases. The majority of evictions, along with the majority of the rent debt, occurred among the 90% of tenants NOT directly affected by Welfare Reforms.

3.26 The cost of living crisis resulting from a range of economic impacts affects all households, and is thought to be the biggest single factor in the increase in evictions.

4. Priorities for Income Management Team 2014/15

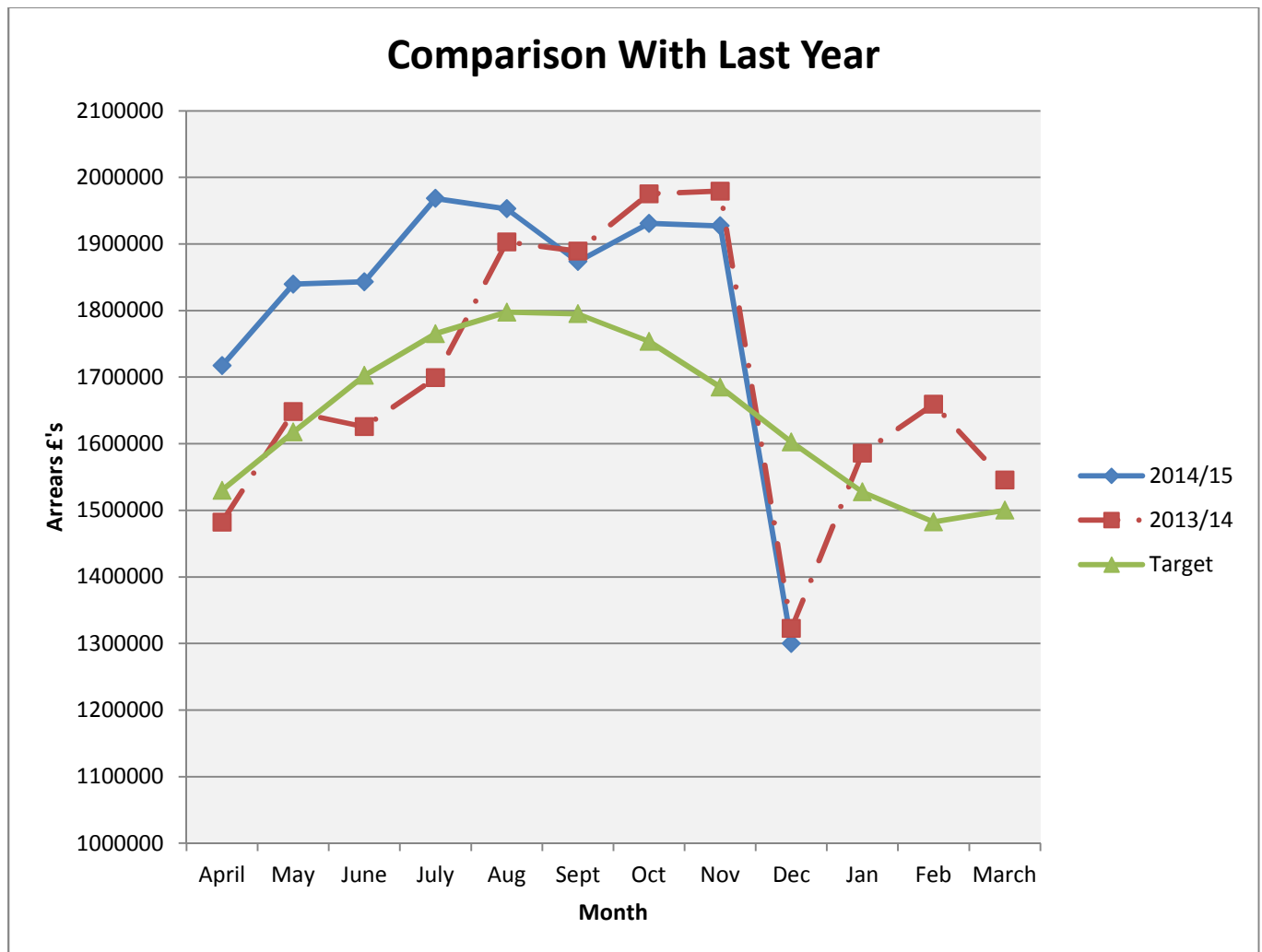
4.1 The priorities identified for the coming year are:

- **Preparation for Universal Credit:**
 - Communications with tenants and staff
 - Links with DWP
 - Adapt working practices
 - Identify vulnerable tenants for direct payments
- **Sustain tenancies when DHP ends:**
 - Budgeting / rehousing advice
 - Prompt, preventative actions
- Promote the use of Direct Debits and Bankers Standing Orders.
- Promote Rent Payment Accounts (ClockWise).
- Develop further payment technologies (e.g. mobile applications).

5. REPORT AUTHORS

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Appendix 1 Rent Arrears Comparison With Last Year



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GLOSSARY

Gross annual rent. This is the total amount due on a property over the course of a year. E.g. if the average rent is £78, times 22,000 properties, times 50 payable weeks = approximately £86m.

Collectable rent – the gross annual rent, plus the carried forward arrears, less Housing Benefit payments, less void loss or any other miscellaneous income. E.g. £86m (gross rent), plus £1.3m arrears, minus £50m Housing Benefit, minus £2m void loss, less £250k miscellaneous income, EQUALS £35.05m actual cash to be collected from tenants.

The percentage of rent collected shown is based on the proportion of gross rent, less void loss and miscellaneous income that has been received. HB received is included in this calculation, as is the arrears carried forward. This figure is used for comparative purposes only.

Poly. (Polynomial) – a statistical function used to generate a curved target line that reflects the established annual trend.