

Report to Housing Scrutiny Commission

Annual Rent Arrears Progress Report (April 2014 to March 2015)

HSC meeting: 27th July 2015

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, as requested.

2. SUMMARY

- 2.1 This report covers the financial year from the April 2014 to March 2015.
- 2.2 The cash amount owing as at 5th April 2015 was £1.537m, this is 0.5% **lower** than at the end of the previous financial year – see 3.1, table 2.
- 2.3 The number of tenants in arrears at the end of March 2015 was 4,372, which is 1.4% **more than** at the end of last year – see 3.5, Table 4.
- 2.4 The number of tenants in more serious debt, (owing more than 7 weeks rent) was 1,438, some 21.9% **lower** than last year – see 3.5, table 4.
- 2.5 For the financial year from April '14 to March '15, c. £1.34m **extra rent** was collectable as a result of the “bedroom tax.” See 3.16 below.
- 2.6 £321,427 was paid by Discretionary Housing Payments (DHP's) for all Council tenants, of which £197,268 was for those affected by the Bedroom Tax, from April 2014 to March 2015. This compares to about £430k the previous year.
- 2.7 The arrears among those affected by the Bedroom Tax **fell by £19,716**, from £240,066 to £220,350 over the course of the 2014/15 financial year.

3. REPORT

Current Rent Arrears

- 3.1 In this report, the term rent includes those charges that are treated as rent e.g. district heating, way lighting, door entry etc. Former tenant arrears are reported separately. Current rent arrears at the end of each quarter for the financial year 2014/15:

Table 1. Quarterly Arrears

Period	Arrears at end of quarter
Quarter 1	£ 1,843,279
Quarter 2	£ 1,873,442
Quarter 3	£ 1,300,040
Quarter 4	£ 1,537,967

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

Table 2. Year- end figures

Period	Arrears at end of financial year
2011/12	£1,183,519
2012/13	£1,281,757
2013/14	£1,545,119
2014/15	£1,537,967

- 3.3 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.
- 3.4 Rents rose by 3.2% on average in April 2014. The arrears fell slightly between April 2014 and March 2015 by 0.5%, compared to an increase of 20.5% from 2012/13 to 2013/14. This shows that stability has now been achieved over the past year.

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 tables 3 & 4 below:

Table 3. Breakdown of Arrears Cases by Quarter end 2014-15

Period	Owing 2 Weeks or more Net	Owing 7 Weeks or more Net **
Quarter 1	5,788	2,472
Quarter 2	4,920	2,063
Quarter 3	3,816	1,617
Quarter 4	4,372	1,438

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.

Table 4. Breakdown of Arrears Cases by Year Ends

Period	Owing 2 Weeks or more Net	Owing 7 Weeks or more Net **
2011/12	4,000	1,216
2012/13	4,614	1,410
2013/14	4,310	1,841
2014/15	4,372	1,438

- 3.6 The number of cases in arrears increased by 1.4% over the previous year end figure. The number of more serious cases fell by 21.9%. There is a lot of variability in these figures, but the overall upward trend previously reported seems to be stabilizing.

Arrears per Tenancy

- 3.7 The total arrears divided by the total number of tenancies are shown in tables 4 & 5 below:

Table 4. Average debt by quarter end 2014-15

Period	Average Debt
Quarter 1	£86.62
Quarter 2	£88.59
Quarter 3	£61.02
Quarter 4	£72.27

Table 5. Average debt by year end

Date	Average Debt
2011/12	£54.71
2012/13	£59.36
2013/14	£72.44
2014/15	£72.27

- 3.8 The figures in Tables 4 & 5 reflect the slight decrease in the actual rent arrears over the period. As can be seen, arrears have been increasing steadily over three of the past four years, since the economic downturn began, but have stabilized this year.

Highest 10% of Debt (by value)

- 3.9 Tables 6 and 7 Below shows the highest 10% of arrears cases:

Table 6 Highest 10% of arrears cases by quarter – end 2014-15

Period	No.Cases	Highest Case	Lowest Case	Average	Total Value
Quarter 1	1116	£3281	£432.60	£717.65	£800,788
Quarter 2	1005	£3,532	£445	£744	£748,112
Quarter 3	930	£3,790	£389	£659	£613,811
Quarter 4	737	£2,607.00	£452.25	£745.84	£550,429

Table 7 Highest 10% of arrears cases by year-end

Period	No.Cases	Highest Case	Lowest Case	Average	Total Value
2011/12	737	£2,975.88	£366.66	£580.24	£427,638
2012/13	906	£2,543.34	£382.89	£630.90	£571,978
2013/14	810	£3,119.63	£460.56	£757.02	£613,186
2014/15	737	£2,607.00	£452.25	£745.84	£550,429

- 3.10 Table 7 shows that the highest arrears cases have been varying over several years. Due to the volatility of these figures it is difficult to make a clear conclusion from them.

Rent Arrears Comparison with 2013/14

- 3.11 Arrears started 2014/15 running consistently about £200k higher than last year, as a result of Welfare Reforms, the cost of living squeeze and the general economic downturn.
- 3.12 However, over the latter half of 2014/15, the gap has been closed, due to the hard work done with income maximisation and partnership working to manage the level of debt. At the end of March '15, arrears were roughly £7k less than at the end of 2013/14.
- 3.13 Appendix 1 shows the detailed comparison of rent arrears for 2014/15 and 2013/14.

Impact of the Bedroom Tax

- 3.14 When the Bedroom Tax started (April 2013), 12% (2701) of our tenants were affected by the bedroom tax and 39% (1044) of these were already in rent arrears at the start of the scheme.
- 3.15 From the original 2701 cases that were originally identified, by April 2015 the number of active cases had reduced to 1866. 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.
- 3.16 At the start of 2014/15, it was estimated that an extra £1.28m would need to be collected over a full year. However, this was revised to £1.34m as more people than expected are still affected.

What we do know about Bedroom Tax cases is:

- 189 tenancies had terminated between April 2014 and March 2015.
- In April 2014, there were 58% of affected tenants in arrears. This fell to 54% by end of March 2015 (1008 out of 1866).

- By the end of March 2015, a total of £321k of Discretionary Housing Payments had been received on behalf of all Council tenants, of which £197,268 was for bedroom tax cases.
- The arrears among those affected by the Bedroom Tax have decreased by almost £20k over the course of the 2014/15 financial year.
- These numbers will continue to change as the situation evolves.

Impact of Benefit Income Cap (BIC)

- 3.17 An estimated 83 LCC tenants were affected by the BIC at the start of April 2014. The average loss of Housing Benefits for this group is £52.09 per week.
- 3.18 The changes have been phased in as cases are identified by DWP. For the year from April 2014 to March 2015, this would equate to an extra collectable rent of about £224k.
- 3.19 The arrears among those affected by the Benefit Income Cap have decreased by £6,528 over the course of the 2014/15 financial year.

Evictions

- 3.20 There were 103 evictions carried out for non-payment of rent from April 2014 to March 2015.
- 3.21 This compares to 68 evictions in whole of the previous year.
- 3.22 Of the 103 evictions, 28 were family cases, 2 were childless couples, and 73 were single people.
- 3.23 There were 13 evictions whose debt included some Bedroom Tax.
- 3.24 Single people were more than 2 ½ times as likely to be evicted as families.
- 3.25 Only 13% (13 out of 103) of the evictions were directly affected by the impact of Welfare Reforms. Bedroom Tax and BIC cases account for about 10% of all tenants. 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 2015/16

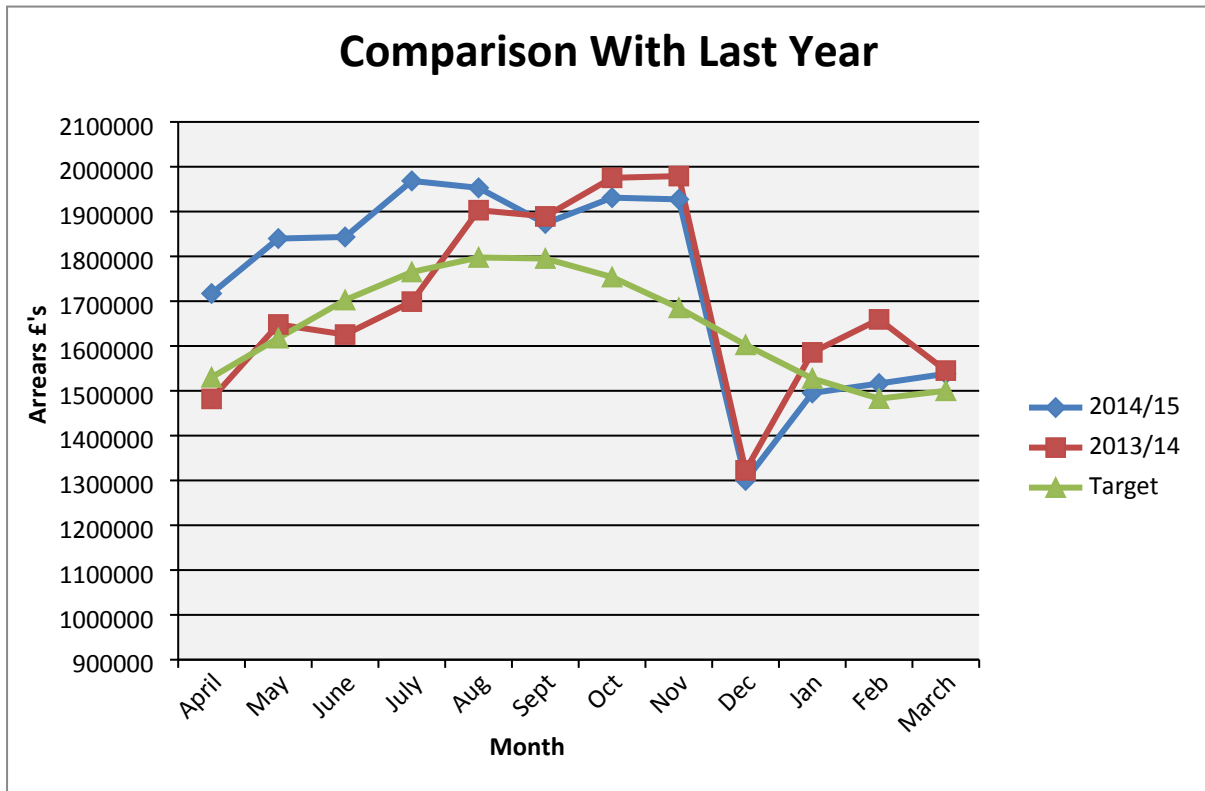
4.1 The priorities identified for the coming year are:

- **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
 - Collaborative working with partners
- Promote the use of Direct Debits and Bankers Standing Orders.
- Investigate the introduction of Mandatory Direct Debits for new tenants
- Promote Rent Payment Accounts (ClockWise).
- Develop further payment technologies (e.g. mobile applications).
- Assist with the implementation of a new Housing IT system (Northgate) to improve the rent collection process.

5. REPORT AUTHORS

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Appendix 1 Rent Arrears Comparison With Last Year



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.