

Housing Scrutiny Commission

Commission Meeting 17th December 2015

Rent Arrears Progress Report

July 2015 to September 2015

Assistant Mayor for Housing : Cllr Andy Connelly
Lead Director : Ann Branson

Useful information

Ward(s) affected: ALL

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1. PURPOSE OF REPORT

- 1.1 To inform THE Assistant Mayor of Housing 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 July 2015 to the 2nd October 2015.
- 2.2 The cash amount owing as at 2nd October was £1.708m, this is 8.8% lower than the same quarter last year – see 3.1, table 1.
- 2.3 The number of tenants in arrears is 4,883, which is 0.75% less 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 1,492, some 27.7% **lower** than this quarter last year.
- 2.5 For the current financial year from April '14 to March '15, c. £1.235m extra (based on latest estimates) rent will be collectable as a result of the “bedroom tax.” See 3.12 below.
- 2.6 £163,541 was paid by Discretionary Housing Payments (DHP's) for all Council tenants, of which £128,136 was for those affected by the Bedroom Tax, from April to September 2015.
- 2.7 The arrears among those affected by the Bedroom Tax have decreased by about £20k since 6th April 2014.

3. REPORT

Rent Arrears

- 3.1 Rent arrears at the end of the second quarter (2nd October) of 2015 and previous financial years were:

Table 1. Quarterly Arrears

Financial year	Arrears at end of Quarter 2
2011 / 12 Q.2 (July to Sept)	£ 1,454,842
2012 / 13 Q.2 (July to Sept)	£ 1,598,421
2013 / 14 Q.2 (July to Sept)	£ 1,889,166
2014 / 15 Q.2 (July to Sept)	£ 1,873,442
2015 / 16 Q.2 (July to Sept)	£ 1,708,364

(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 2.2% on average in April 2015. The decrease in the arrears between September 2014 and September 2015 is 8.81%, compared to a decrease of 0.83% from September 2013 and September 2014. This is significant improvement.

Number of Cases

- 3.4 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 2 (July to Sept) (2011/12)	4,044	1,919
Quarter 2 (July to Sept) (2012/13)	3,637	1,586
Quarter 2 (July to Sept) (2013/14)	3,346	2,129
Quarter 2 (July to Sept) (2014/15)	4,920	2,063
Quarter 2 (July to Sept) (2015/16)	4,883	1,492

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.*

- 3.5 The number of cases in arrears decreased by 0.75% over the previous year's figure for quarter 2. The number of more serious cases fell by 27.7%. There is a lot of variability in these figures.

Arrears per Tenancy

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

Table 3. Average debt

Date	Average Debt
Quarter 2 (2011/12) (July to Sept)	£73.88
Quarter 2 (2012/13) (July to Sept)	£75.31
Quarter 2 (2013/14) (July to Sept)	£88.76
Quarter 2 (2014/15) (July to Sept)	£88.59
Quarter 2 (2015/16) (July to Sept)	£86.02

3.7 This figure reflects the decrease in the actual rent arrears given in 3.1. This is the best performance since 2012 financial year, despite the economic problems.

Highest 10% of Debt (by value)

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

Date	No.Cases	Highest Case	Lowest Case	Average	Total Value
Quarter 2 (2011/12)	1036	£ 2,504	£ 368	£ 558	£ 578,321
Quarter 2 (2012/13)	998	£ 2,837	£ 371	£ 613	£ 611,853
Quarter 2 (2013/14)	1023	£ 3,110	£ 432	£ 690	£ 706,007
Quarter 2 (2014/15)	1005	£3,532	£445	£744	£748,112
Quarter 2 (2015/16)	825	£2,670	£376	£660	£698,179

3.9 This shows that the highest arrears cases have decreased in total value since last year, in line with the fall in actual arrears. Again, this is a marked improvement. Likewise, the average arrears in this band have also fallen.

Rent Arrears Comparison with 2014/15

3.10 Rent arrears have decreased across the year to date. They are £165,078 less than at the same point last year.

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

Impact of the Bedroom Tax

- 3.12 On the 2nd October 2015, 1,797, or 8.5% (21,224) of our tenants were affected by the bedroom tax. The estimated extra rent collectable for 2015/16 is £1.235m for the full financial year.
- 3.13 From the 1,861 cases that were identified at the start of this financial year, by 2nd October 2015 the number of active cases had reduced to 1,797. 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.

3.14 Further facts:

- 62 tenancies affected by Bedroom Tax had terminated from 1st April to 2nd October 2015. Of these, 12 had completed mutual exchanges and 18 were transfers through the housing register. 5 of the Mutual Exchanges, and all moves through the register, resulted in downsizing.
- By week 26, for those affected by the bedroom tax, the number in arrears had fallen to 56.6% (1017 out of 1797) since the start of the year. In week 1 this was 60.0%, so the number of affected tenants in arrears has increased by 3.4% in the first two quarters.
- From April to September 2015, a total of £128,136 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 £20,268 since the start of April 2014.
- These numbers will continue to change as the situation evolves.

Impact of Benefit Income Cap (BIC)

- 3.15 An estimated 50 LCC tenants were affected by the BIC as at 2nd October 2014. 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.
- 3.16 Projecting from this quarter up until the year end, this would equate to an extra collectable rent of about **£112k** over the whole year.

Evictions

- 3.17 There were 28 evictions carried out for non-payment of rent from the 6th April to the 2nd October 2015. At the same point in the previous year this figure was 51.
- 3.18 Of the 28 evictions, 8 were family cases and 20 were single people.
- 3.20 There were 5 evictions affected to some degree by Bedroom Tax issues.
- 3.21 Single people were almost 3 times as likely to be evicted as families.
- 3.22 Less than one fifth 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 18% 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.
- 3.23 The cost of living crisis resulting from a range of economic impacts affects all households, and is thought to have been the biggest single factor in the increase in evictions seen in the 2014/15 financial year.

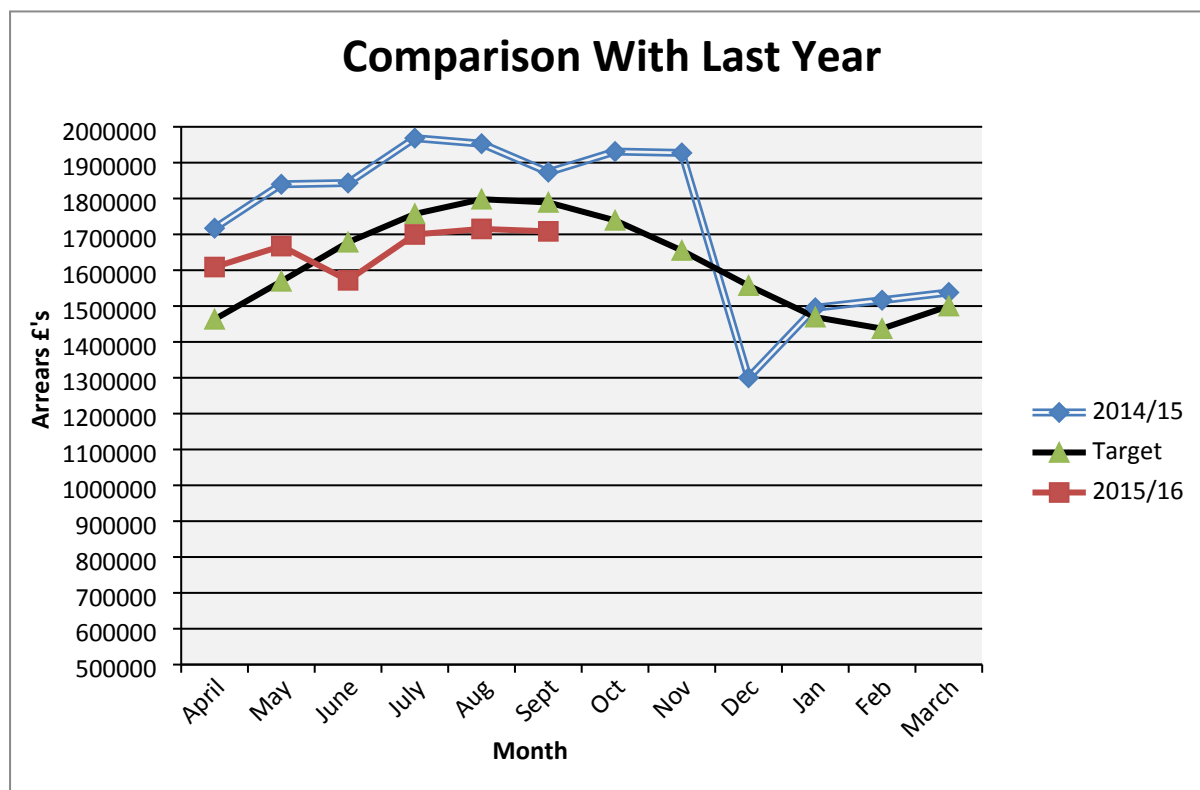
4. Priorities for Income Management Team 2015/16

- 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
 - Proposed introduction of Mandatory Direct Debits or Credit Union accounts for new tenants. (Date to be agreed).
 - Develop further payment technologies (e.g. mobile applications).

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.