
Rent Arrears Progress Report

October 2015 to December 2015

Housing Scrutiny Commission: 4th February 2016

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 Housing 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 5th October 2015 to the 1st January 2016.
- 2.2 The cash amount owing as at 1st January was £1.129m, this is **13.1% lower** than the same quarter last year – see 3.1, table 1.
- 2.3 The number of tenants in arrears is 2,645, which is **30.7% 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 1,839, some 13.73% **higher** than this quarter last year.
- 2.5 For the current financial year from April '15 to March '16, c. £1.218m extra (based on latest estimates) rent will be collectable as a result of the "bedroom tax." See 3.12 below.
- 2.6 £217,554 was paid by Discretionary Housing Payments (DHP's) for all Council tenants, of which £164,349 was for those affected by the Bedroom Tax, from April to December 2015.
- 2.7 The arrears among those affected by the Bedroom Tax have decreased by about £44k since 6th April 2015.

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 3
2011 / 12 Q.3 (Oct to Dec)	£ 1,032,325
2012 / 13 Q.3 (Oct to Dec)	£ 1,084,656
2013 / 14 Q.3 (Oct to Dec)	£ 1,322,406
2014 / 15 Q.3 (Oct to Dec)	£ 1,300,041
2015 / 16 Q.3 (Oct to Dec)	£ 1,129,210

(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 December 2014 and December 2015 is 13.14%, compared to a decrease of 0.83% from December 2013 and December 2014. This is a 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 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
Quarter 3 (Oct to Dec) (2015/16)	2,645	1,839

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 30.69%** over the previous year's figure for quarter 3. The number of more serious cases **increased by 13.72%**. 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 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
Quarter 3 (2015/16) (Oct to Dec)	£53.35

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 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
Quarter 3 (2015/16)	716	£3,195	£438	£675	£483,808

3.9 This shows that the highest arrears cases have **decreased in total value by 21.18%** since last year, in line with the fall in actual arrears. Again, this is a marked improvement. However, the **average arrears in this band has risen by 2.42%, as has the value of the lowest case, by 12.60%**. The value of the highest case has fallen, as has the total number of cases, **down by 23.01%**, similar to the drop in arrears.

Rent Arrears Comparison with 2014/15

3.10 Rent arrears have decreased across the year to date. They are £1,129,210 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 1st January 2015, 1,747, or 8.25% (21,166) of our tenants were affected by the bedroom tax. The estimated extra rent collectable for 2015/16 is £1.218m for the full financial year.
- 3.13 From the 1,861 cases that were identified at the start of this financial year, by 1st January 2016 the number of active cases had reduced to 1,747. 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:**
- 91 tenancies affected by Bedroom Tax had terminated from 1st April 2015 to 1st January 2016. Of these, 14 had completed mutual exchanges and 23 were transfers through the housing register. 7 of the Mutual Exchanges, and all moves through the register, resulted in downsizing.
 - By week 39, for those affected by the bedroom tax, the number in arrears had fallen to 46.5% (813 out of 1747) since the start of the year. In week 1 this was 60.0%, so the number of affected tenants in arrears has decreased by 13.5% in the first two quarters.
 - From April 2015 to January 2016, a total of £164,349 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 £44,324 since the start of April 2015.
 - 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 1st January 2016. 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 40 evictions carried out for non-payment of rent from the 6th April 2015 to the 1st January 2016. At the same point in the previous year this figure was 78.
- 3.18 Of the 40 evictions, 10 were family cases and 30 were single people.
- 3.19 There were 5 evictions affected to some degree by Bedroom Tax issues.
- 3.20 Single people were 3 times as likely to be evicted as families.
- 3.21 Only one in seven of the evictions were affected in some way by the impact of Welfare Reforms. Bedroom Tax and BIC cases account for about 10% of all tenants, but roughly 14% 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.
- 3.22 Of those evicted between October and December 2015, none sought help with rehousing from the Housing Options & Homeless services.

4. Benchmarking

- 4.1 Appendix 2 shows Leicester's position compared with similar sized (15k to 30k properties) stock-owning Authorities in England. This was compiled by the Department for Communities and Local Government in July last year, and published in December.
- 4.2 The comparison shown was made on the percentage of the total collectable rent that was actually owing on the date the information was taken. Low is good.
- 4.3 As can be seen, Leicester performed very well indeed, being second only to Wolverhampton among those Authorities that had supplied information.

5. Universal Credit Implementation

5.1 Universal Credit is being rolled out for single, childless claimants of working age in Leicester from the end of January 2016. The Income Management Team have been working to identify and prepare potentially affected tenants for this. The timeline for the communications strategy is shown below:

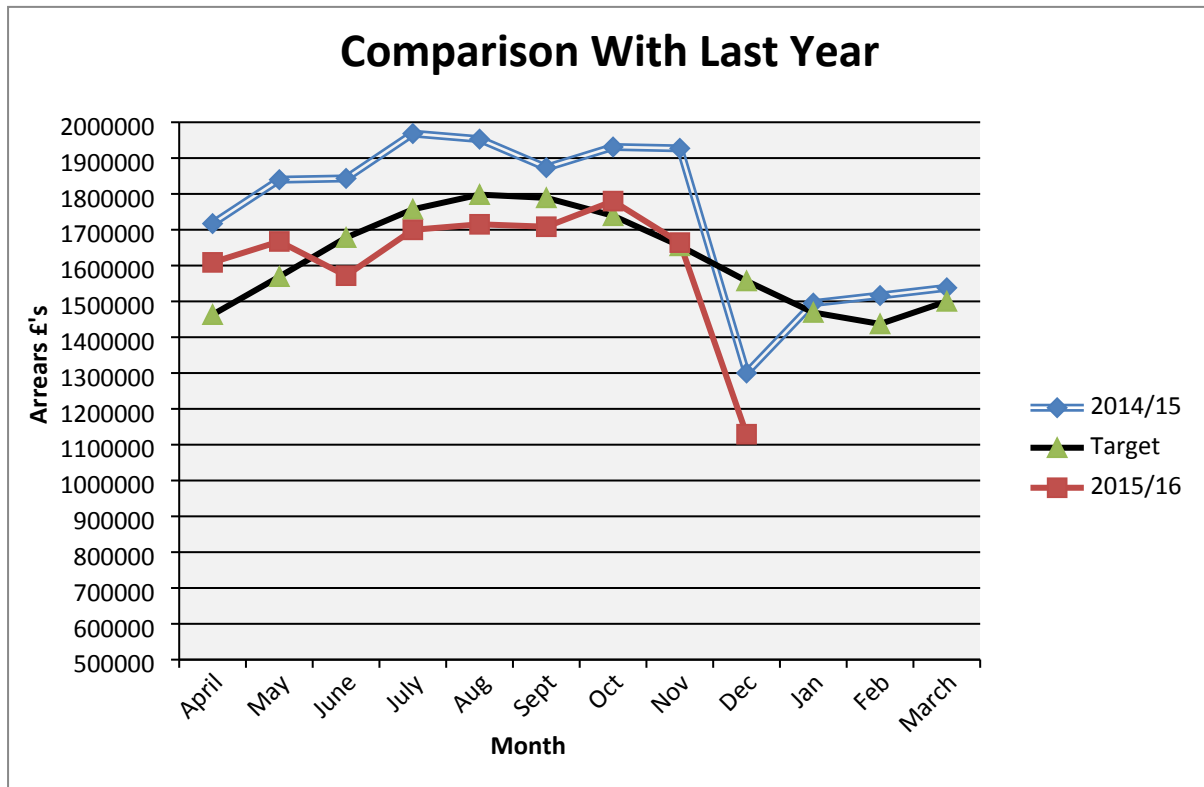
➤ 10/12/2015	Income Management Team (IMT) to contact known singles by phone / letter / home visit to introduce Universal Credit and educate people on the key elements of Universal Credit
➤ 10/12/2015	Leaflet distribution to tenants with everyday rent arrears letters. Will also be made available at libraries / Area Housing Offices / Customer Service Centres / Tenants Associations / Community Centres / Social Welfare Advice Partnership meetings
➤ 14/12/2015	Universal Credit poster's to be put up at flat entrances / libraries / Area Housing Offices / Customer Service Centres / Tenants Associations / Community Centres / Social Welfare Advice Partnership meetings
➤ 14/12/2015	The use of postcards will begin. These will be used ad-hoc when trying to achieve contact with tenant following an unsuccessful phone/home visit contact
➤ 10/12/2015	The advertising of our open days. We will be sending invitation slips with letter's to known singles and putting up poster's at Area Housing Offices / Community Centres / Libraries informing them about when and where they can attend an open day
➤ 05/01/2016 (See timetable)	Open days at Area Housing Offices / Community Centres / Libraries - Opportunity for tenants to talk to staff about Universal Credit.

5.2 The use of Mandatory Direct Debits or Credit Union Rent payment Accounts is being implemented from the 1st February 2016. This will involve more pre-tenancy work to prepare prospective tenants for their rent responsibilities, and all letters & literature from point of a Housing Application onwards are being amended to inform people of the changes.

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.

