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# Rent Arrears Progress Report

April 2015 to March 2016

Housing Scrutiny Commission: 4<sup>th</sup> July 2016

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Assistant Mayor for Housing: Cllr Andy Connelly  
Lead Director: Chris Burgin

## 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, April 2015 March 2016.

### 2. SUMMARY

- 2.1 The cash amount owing as at 3rd April 2016 was £1.533m, this is 0.3% **lower** than at the end of the previous financial year – see 3.1, table 2.
- 2.2 The number of tenants in arrears at the end of March 2016 was 4,350, which is 0.5% **less than** at the end of last year – see 3.5, Table 4.
- 2.3 The number of tenants in more serious debt, (owing more than 7 weeks rent) was 1,366, some 5.0% **lower** than last year – see 3.5, table 4.
- 2.4 For the financial year from April 2015 to March 2016, c. £1.25m **extra rent** was collectable as a result of the “bedroom tax.” see 3.16 below.
- 2.5 £258,356 was paid by Discretionary Housing Payments (DHP’s) for all Council tenants, of which £202,915 was for those affected by the Bedroom Tax, from April 2015 to March 2016. This compares to about £197k for Bedroom Tax the previous year.
- 2.6 The arrears among those affected by the Bedroom Tax **fell by £11,818** from £200,867 to £189,049 over the course of the 2015/16 financial year.

### 3. REPORT

#### Rent Arrears

3.1 Rent arrears at the end of each quarter for the financial year 2015/16:

Table 1. Quarterly Arrears

Period	Arrears at end of quarter
Quarter 1	£ 1,571,769
Quarter 2	£ 1,708,364
Quarter 3	£ 1,129,210
Quarter 4	<b>£ 1,532,816</b>

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
2012/13	£ 1,281,757
2013/14	£ 1,545,119
2014/15	£ 1,537,967
2015/16	<b>£ 1,532,816</b>

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 2.2% on average in April 2015. The arrears fell slightly between April 2015 and March 2016 by 0.3%, compared to a decrease of 0.5% over the same period in 2014/15. This shows that stability has now been achieved over the past two years.

#### 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 2015-16

Period	Owing 2 Weeks or more Net	Owing 7 Weeks or more Net **
Quarter 1	4,335	1,462
Quarter 2	4,883	1,492
Quarter 3	2,645	1,839
<b>Quarter 4</b>	<b>4,350</b>	<b>1,366</b>

**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 **
2012/13	4,614	1,410
2013/14	4,310	1,841
2014/15	4,372	1,438
<b>2015/16</b>	<b>4,350</b>	<b>1,366</b>

- 3.6 The number of cases in arrears decreased by 0.5% over the previous year end figure. The number of more serious cases fell by 5.0%. There is a lot of variability in these figures, but the overall trend is stable.

### Arrears per Tenancy

- 3.7 The total arrears divided by the total number of tenancies are shown in tables 5 & 6 below:

Table 5. Average debt by quarter end 2015-16

Period	Average Debt
Quarter 1	£74.74
Quarter 2	£86.02
Quarter 3	£53.35
<b>Quarter 4</b>	<b>£72.59</b>

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

Date	Average Debt
2012/13	£59.36
2013/14	£72.44
2014/15	£72.27
<b>2015/16</b>	<b>£72.59</b>

- 3.8 These tables (5 & 6) reflect the slight decrease in the actual rent arrears over the period. As can be seen, arrears have been stable over three of the past four years.

### Highest 10% of Debt (by value)

- 3.9 Tables 7 and 8 below shows the highest 10% of arrears cases:

Table 7 Highest 10% of arrears cases by quarter – end 2015-16

Period	No.Cases	Highest arrears case (of the top 10%)	Lowest arrears case (of the top10%)	Average	Total Value
Quarter 1	943	£3,441	£412	£680	£641,599
Quarter 2	825	£2,670	£376	£660	£698,179
Quarter 3	716	£3,195	£438	£675	£483,808
Quarter 4	<b>776</b>	<b>£3,250</b>	<b>£420</b>	<b>£744</b>	<b>£678,231</b>

Table 8 Highest 10% of arrears cases by year-end

Period	No.Cases	Highest Case (of 10%)	Lowest Case (of 10%)	Average	Total Value
2012/13	906	£2,543	£382	£630	£571,978
2013/14	810	£3,119	£460	£757	£613,186
2014/15	737	£2,607	£452	£745	£550,429
<b>2015/16</b>	<b>776</b>	<b>£3,250</b>	<b>£420</b>	<b>£744</b>	<b>£678,231</b>

- 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. However, the average value per case has stabilized and fallen slightly over the past 3 years, which corresponds with other figures for the same period.

#### **Rent Arrears Comparison with 2014/15**

- 3.11 Arrears started 2015/16 running consistently about £200k lower than 2014/15. However, over the latter half of 2015/16, performance has returned to the same level as last year.
- 3.12 Appendix 1 shows the detailed comparison of rent arrears for 2015/16 and 2014/15.

#### **Impact of the Bedroom Tax**

- 3.13 When the Bedroom Tax started (April 2013), 12% (2,701) of our tenants were affected by the bedroom tax and 39% (1,044) of these were already in rent arrears at the start of the scheme.
- 3.14 From the original 2,701 cases that were originally identified, by April 2016 the number of active cases had reduced to 1,749. 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.
- 3.15 At the start of 2015/16, it was estimated that an extra £1.28m would need to be collected over a full year. The actual figure at the end of 2015/16 financial year was £1.25m.

#### **What we do know about Bedroom Tax cases is:**

- 112 tenancies had terminated between April 2015 and March 2016.
- In April 2015, there were 54% of affected tenants in arrears. This fell to 50% by end of March 2016 (881 out of 1749).

- For the year from April 2015 to March 2016, a total of £258,356 of Discretionary Housing Payments had been received on behalf of all Council tenants, of which £202,915 was for bedroom tax cases.
- The arrears among those affected by the Bedroom Tax have decreased by £11.8k over the course of the 2015/16 financial year.
- These numbers will continue to change as the situation evolves.

#### **Impact of Benefit Income Cap (BIC)**

- 3.16 An estimated 83 LCC tenants were affected by the BIC at the start of April 2015, decreasing to 74 by the end of March 2016. The average loss of Housing Benefits for this group was £55.67 per week.
- 3.17 For the year from April 2015 to March 2016, this would equate to an extra collectable rent of about £206k.
- 3.18 The arrears among those affected by the Benefit Income Cap have increased by £484 (or 3.6%) over the course of the 2015/16 financial year, from £13,325 to £13,809.

#### **Evictions**

- 3.19 There were 52 evictions carried out for non-payment of rent from April 2015 to March 2016.
- 3.20 This compares to 103 evictions in whole of the previous year.
- 3.21 Of the 52 evictions, 10 were family cases, 1 was a childless couple, and 41 were single people.
- 3.22 There were 2 evictions whose debt included some Bedroom Tax.
- 3.23 Single people were more than 4 times as likely to be evicted as families.
- 3.24 Only 4% (2 out of 52) 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.

#### **4. Priorities for Income Management Team 2016/17**

4.1 The priorities identified for the coming year are:

- **Welfare Reform (WR) changes:**

- Raising awareness and training of housing staff to respond to future WR changes including the capping of social housing rents for under 35's, Pay to Stay and Fixed Term tenancies
- Raising awareness of WR to LCC tenants including targeted contacts to those affected.
- Establishing protocols with DWP to help sustain vulnerable tenancies through Alternative Payment Arrangements
- Adapt working practices to meet challenges faced in maximising income collection

- **Modernise ways of working:**

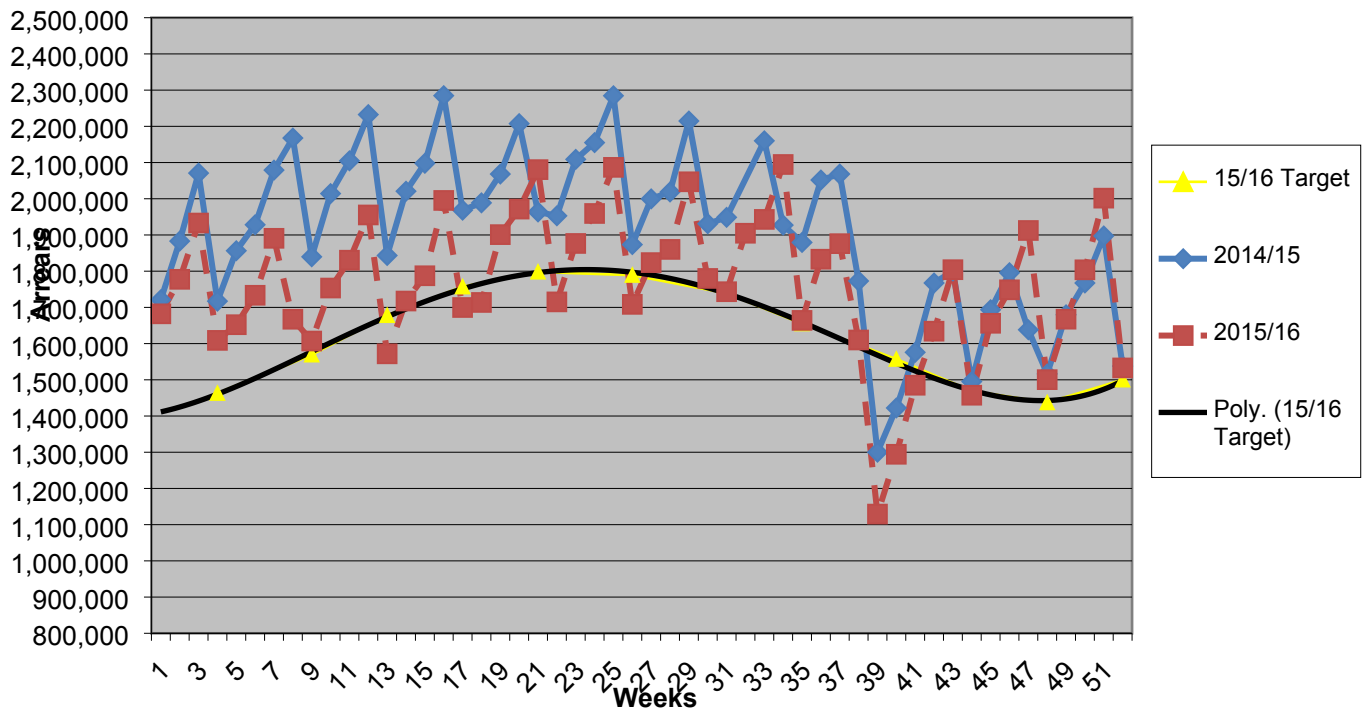
- Continue to introduce mandatory direct debits for new tenancies
- Continue to promote Rent Payment Accounts via ClockWise.
- Develop smarter ways of customer contacts including use of social media platforms e.g. mobile phone applications: text messaging, QR code scanning, email use etc.).
- Assist with Channel Shift implementation for income collection.
- Develop targeted customer contacts based on a credit risk profile- making methods of customer contacts more effective.

#### **5. REPORT AUTHORS**

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**Appendix 1 Rent Arrears Comparison With Last Year**

**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.