

# Housing Scrutiny Commission

10<sup>th</sup> October 2016

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## Rent Arrears Progress Report

April 2016 to June 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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Report version number: 2.0

### 1. PURPOSE OF REPORT

- 1.1 To inform Housing Scrutiny Commission of the progress in the above area of work on a quarterly basis, as requested.

### 2. SUMMARY

- 2.1 This report covers the period from the 4<sup>th</sup> April 2016 to the 27<sup>th</sup> June 2016.
- 2.2 The cash amount owing as at 27<sup>th</sup> June was £1.79m, this is 14.1% higher than the same quarter last year – see 3.1, table 1.
- 2.3 The number of tenants in arrears is 4,921, which is 6.4% 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 1,550, just 0.3% higher than this quarter last year.
- 2.5 For the financial year from April '16 to March '17, c. £1.207m extra (based on latest estimates) rent will be collectable as a result of the “bedroom tax.” See 3.12 below.
- 2.6 £55,276 was paid by Discretionary Housing Payments (DHP's) for all Council tenants, of which £44,627 was for those affected by the Bedroom Tax, from April to June 2016.
- 2.7 The arrears amongst those affected by the Bedroom Tax have increased by about £9k (5.4%) in the first quarter.

### 3. REPORT

#### Rent Arrears

- 3.1 Rent arrears at the end of the first quarter (27<sup>th</sup> June) of 2016 and previous financial years were:

Table 1. Quarterly Arrears

Financial year	Arrears at end of Quarter 1
2012 / 13 Q.1 (April to June)	£ 1,459,851
2013 / 14 Q.1 (April to June)	£ 1,625,503
2014 / 15 Q.1 (April to June)	£ 1,843,279
2015 / 16 Q.1 (April to June)	£ 1,571,769
<b>2016 / 17 Q.1 (April to June)</b>	<b>£ 1,793,931</b>

(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 decreased by 1.0% on average in April 2016, as required by the Government. The increase in the arrears between June 2015 and June 2016 was 14.13%, compared to a decrease of 0.32% from March 2015 and March 2016.
- 3.4 There were no underlying issues internally as to why the arrears have increased over the previous year. The economic climate, with continuing Welfare Reforms and uncertain, low wage jobs, is continuing to put tenants under a lot of financial pressure, making it harder to collect the rent.
- 3.5 A breakdown of cases in rent arrears by Housing Benefit status is shown in the table below:

HB Status	All Cases	Cases In Arrears (2 Wks+ owed)	% of All Cases
Full	7897	2555	32.4%
Nil	6698	185	2.8%
Partial	6391	2181	34.1%
<b>Grand Total</b>	<b>20986</b>	<b>4921</b>	<b>23.4%</b>

- 3.6 It can be seen that only about 3% of those who have no Housing Benefit in payment owe 2 weeks or more rent, whereas roughly one third of those in receipt of some Housing Benefit had arrears of two weeks or more rent.

#### Number of Cases

- 3.7 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 1 (Apr to June) (2012/13)	5,050	2,252
Quarter 1 (Apr to June) (2013/14)	4,771	1,810
Quarter 1 (Apr to June) (2014/15)	5,788	2,472
Quarter 1 (Apr to June) (2015/16)	4,627	1,546
<b>Quarter 1 (Apr to June) (2016/17)</b>	<b>4,921</b>	<b>1,550</b>

N.B. Where no net rent is payable (i.e. on full benefit), full rent has been used as a default value to

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

- 3.8 The number of cases in arrears increased by 6.35% over the previous year's figure for quarter 1. The number of more serious cases was more stable, with an increase of just 0.26%. There is a lot of variability in these figures.

### Arrears per Tenancy

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

Table 3. Average debt

Date	Average Debt
Quarter 1 (2012/13) (Apr to June)	£67.01
Quarter 1 (2013/14) (Apr to June)	£75.67
Quarter 1 (2014/15) (Apr to June)	£86.62
Quarter 1 (2015/16) (Apr to June)	£74.74
Quarter 1 (2016/17) (Apr to June)	<b>£85.50</b>

- 3.10 This figure reflects the increase in the actual rent arrears given in 3.1. Performance is closer to that of 2014/15.

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

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

Date	No.Cases	Highest Case	Lowest Case	Average	Total Value
Quarter 1 (2012/13)	1046	£2,735	£ 358	£ 572	£599,281
Quarter 1 (2013/14)	1096	£2,993	£ 370	£ 607	£665,301
Quarter 1 (2014/15)	1116	£3,281	£432	£717	£800,788
Quarter 1 (2015/16)	942	£3,441	£412	£681	£641,599
<b>Quarter 1 (2016/17)</b>	<b>927</b>	<b>£2,840</b>	<b>£447</b>	<b>£719</b>	<b>£666,353</b>

- 3.12 This shows that the highest arrears cases have increased in total value by 3.9% since last year, in line with the rise in actual arrears. The average arrears in this band has risen by 5.6%, as has the value of the lowest case, by 8.5%. The value of the highest case has fallen, as has the total number of cases, down by 1.6%.

### **Rent Arrears Comparison with 2015/16**

- 3.13 Rent arrears have increased across the year to date. They are £222,162 more than at the same point last year.
- 3.14 Appendix 1 shows the detailed comparison of rent arrears this year with the last financial year.

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

- 3.15 On the 27<sup>th</sup> June, 1,722, or 8.2% (20,987) of our tenants were affected by the bedroom tax. The estimated extra rent collectable for 2016/17 is £1.207m for the full financial year.
- 3.16 From the 1,750 cases that were identified at the start of this financial year, by 27<sup>th</sup> June 2016 the number of active cases had reduced to 1,722. 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.

3.17 **Further facts:**

- 28 tenancies affected by Bedroom Tax had terminated from 4<sup>th</sup> April to 27<sup>th</sup> June 2016. Of these, one had completed a mutual exchange and four were transfers through the housing register. All moves through the register resulted in downsizing. There were 12 Right to Buy terminations, four tenants deceased, two evictions, two moved to Housing Associations, one moved in with partner, one unable to afford the property and one gave no reason.
- By the end of June '16, for those affected by the bedroom tax, the number in arrears had fallen to 52.4% (903 out of 1722) since the start of the year. In week 1 this was 53.0%, so the number of affected tenants in arrears has decreased by 0.6% in the first quarter.
- From April 2016 to June 2016, a total of £44,627 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 increased by £9,872 (5.4%) since the start of April 2016.

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

- 3.18 An estimated 54 LCC tenants were affected by the BIC as at 27<sup>th</sup> June 2016. The average loss of Housing Benefits for this group is £47 per week. The changes have been phased in as cases are identified by DWP.
- 3.19 Projecting from this quarter up until the year end, this would equate to an extra collectable rent of about **£127k** over the whole year.

## **Evictions**

- 3.20 There were 25 evictions carried out for non-payment of rent from the 4<sup>th</sup> April 2016 to the 30<sup>st</sup> June 2016. At the same point in the previous year this figure was 7.
- 3.21 Of the 25 evictions, 9 were family cases and 16 were single people.
- 3.22 There were 2 evictions affected to some degree by Bedroom Tax issues, both of which were single people.
- 3.23 Single people were roughly twice as likely to be evicted as families.
- 3.24 Only two in twenty five 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 8% 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.
- 3.25 Of those evicted between April and June 2016, eight households (three families and five singles), sought help with rehousing from the Housing Options & Homeless services.
- 3.26 The Council's approach to the use of evictions has not changed over the period. They are carried out only as a last resort, when all other avenues have failed. It is almost always the case that there has been a persistent lack of engagement from the tenant prior to an eviction taking place.
- 3.27 An outline of the eviction process is shown at Appendix 2.

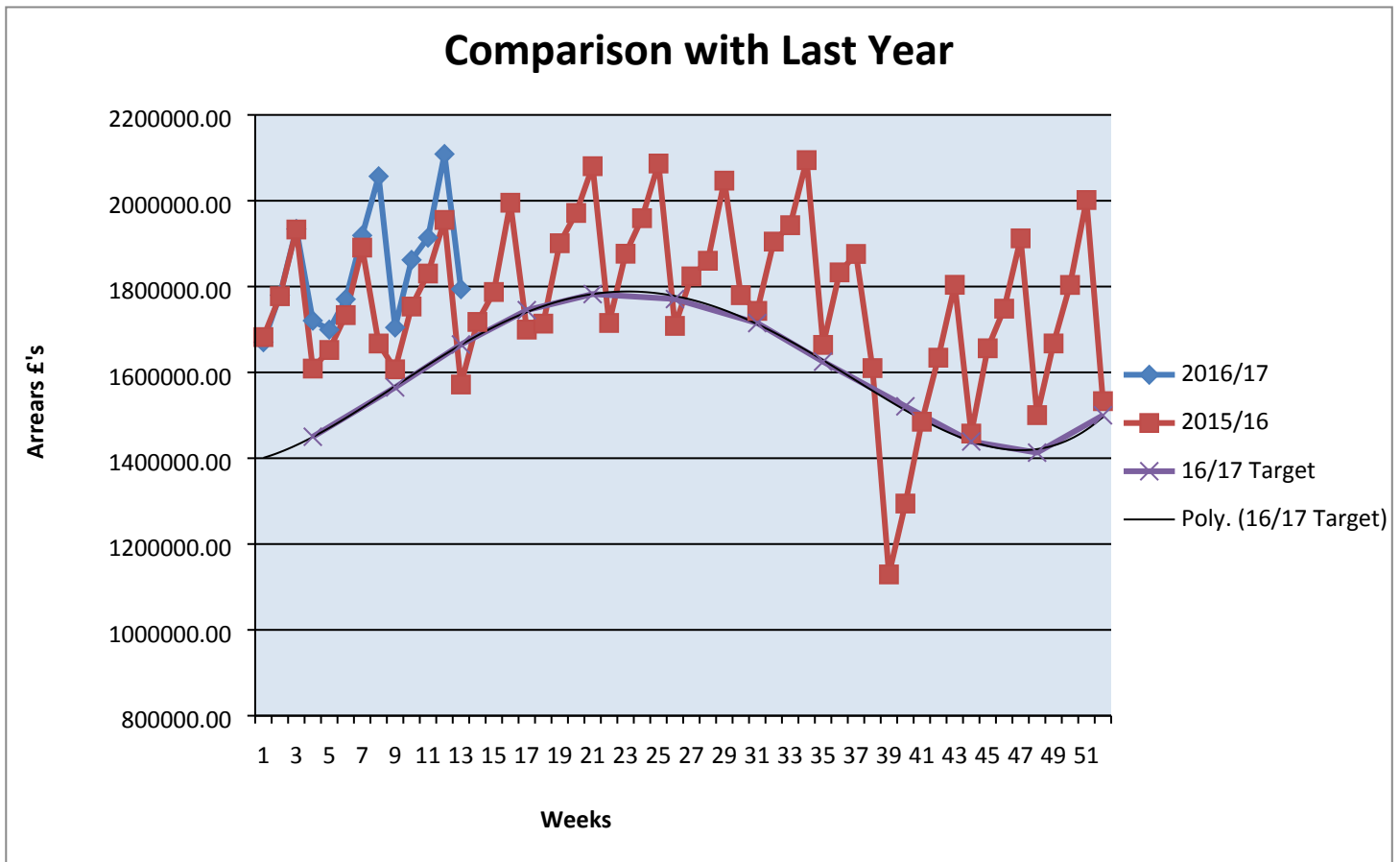
## **4. Benchmarking**

- 4.1 The Rent Income Excellence Network (RIEN) has published the % rent collected figures for the last financial year, from April 2015 to March 2016. The overall average for all participating local authorities was 97.68%, with the average for unitary authorities a little better at 98.46%.
- 4.2 For the first quarter of 2016/17, the figure in Leicester was 97.88%. This figure is usually lowest at the start of the year, improving significantly after the two non-payment weeks at Christmas.
- 4.3 Leicester is therefore well placed to end the year with above average performance compared to other Authorities.

## **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.

## **Appendix 2. The Rent Arrears Formal Process (Secure Tenants)**

First Warning –	letter sent when 3 or more weeks payable rent is owed
Second Warning -	letter sent when 4 or more weeks payable rent is owed
Appointment -	an appointment letter is sent when 5 or more weeks rent is owed, or at the discretion of the officer.
Notice -	At 6 weeks or more payable rent. The type of Notice depends on the tenancy – Introductory or Secure. Each gives a minimum of 28 days to clear the account before legal action can commence.
Court Letter -	Final warning sent shortly before the Notice expires, or later as required.
Court Summons -	When Court proceedings are begun
Court Hearing -	Usually seek a Suspended Possession Order on terms that the rent plus an amount off the arrears is paid regularly
Outcome of Court -	Confirmation of hearing, usually Suspended Possession
Broken Court -	Letter sent when terms of suspension are breached
Eviction Threat -	Letter if no response to Broken Court
Warrant Letter -	When an Eviction Warrant application is made to Court
Eviction Appointment –	Letter when Bailiff supplies date & time for an eviction.
Eviction	

At all stages during the process, officers will telephone, arrange office interviews and visit tenants to try and establish the cause of the arrears and make affordable arrangements in line with the Fair Debt policy. Benefit health checks are carried out, referrals to internal and external agencies (e.g. charitable trusts) are made as appropriate. Only when all other options have been exhausted will an eviction warrant application to the County Court be approved.