

Housing Scrutiny Commission

Commission Meeting 20th March 2017

Rent Arrears Progress Report

3rd October 2016 to 1st January 2017

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

Useful information

Ward(s) affected: ALL

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Report version number: 1- FINAL

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 02nd October 2016 to the 1st January 2017. The headline arrears figures for the previous quarters have been added to the table at 3.1 to show progress throughout the year 2016/17.
- 2.2 The cash amount owing as at 1st January was **£1,191m**, this is **5.54% higher than the same quarter last year** – see 3.1, table 1.
- 2.3 The number of tenants in rent arrears, (owing more than 7 weeks rent) is 1,124, which is 38.9% lower than this quarter last year.
- 2.4 For the current financial year from April '16 to March '17, c. £1.123m extra (based on latest estimates) rent will be collectable as a result of the "bedroom tax." See 3.12 below.
- 2.5 £240,052 was paid by Discretionary Housing Payments (DHP's) for all Council tenants, of which £170,596 was for those affected by the Bedroom Tax, from April to December 2016.
- 2.6 The arrears among those affected by the Bedroom Tax have decreased by £64,284 (35.1%) since 4th April 2016.

3. REPORT

Rent Arrears

- 3.1 Rent arrears at the end of the third quarter (1st January) of 2017 and at the end of the previous quarters of 2016/17 financial year are also shown.

Table 1. Quarterly Arrears

Financial year	Arrears at end of Quarter 3		Arrears at end of Quarter 2	Arrears at end of Quarter 1
2012 / 13	£ 1,084,656		£ 1,598,421	£ 1,459,851
2013 / 14	£ 1,322,406		£ 1,889,166	£ 1,625,503
2014 / 15	£ 1,300,041		£ 1,873,442	£ 1,843,279
2015 / 16	£ 1,129,210		£ 1,708,364	£ 1,571,769
2016 / 17	£ 1,191,775		£ 1,808,214	£ 1,793,931

- 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 were reduced by 1% in April 2016. The increase in the arrears between Quarter 3 of year 2015/16 and Quarter 3 of the current year (2016/17) is 5.54%.
- 3.4 There has been a reduction of 34.1% from the end of the second quarter in 2016/17. This is in partly due to the non-payment weeks at Christmas.

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 table 2. below:

Table 2. Breakdown of Arrears Cases

Date	Owing 7 Weeks or more Net *
Quarter 3 (Oct to Dec) (2012/13)	1,210
Quarter 3 (Oct to Dec) (2013/14)	1,117
Quarter 3 (Oct to Dec) (2014/15)	1,617
Quarter 3 (Oct to Dec) (2015/16)	1,839
Quarter 3 (Oct to Dec) (2016/17)	1,124

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)

- 3.6 On a positive note, the number of serious cases in seven weeks or more arrears has decreased by 38.9% since the same point last year. This reverses the upward trend seen over the previous two years.

Arrears per Tenancy

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

Table 3. Average debt

Date	Average Debt per tenancy
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
Quarter 3 (2016/17) (Oct to Dec)	£57.42

3.8 This figure reflects the increase in the actual rent arrears given in 3.1.

Highest 10% of Debt (by value)

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

Date	No.Cases	Highest Case	Lowest Case	Average	Total Value
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
Quarter 3 (2016/17)	595	£2,995	£439	£732	£436,043

3.10 This shows that the highest number of arrears cases have decreased in total value and number since last year.

Rent Arrears Comparison with 2015/16

3.11 Rent arrears have increased across the year to date. The arrears were £62,564 more than at the same point last year.

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

Impact of the Bedroom Tax

3.13 On the 1st January 2017, 1,433 or 6.9% of our tenants (20,755 in total) were affected by the bedroom tax. The estimated extra rent collectable for 2016/17 is £1.123m for the full financial year.

3.14 From the 1,750 cases that were identified at the start of this financial year, by 1st January 2017 the number of active cases had reduced to 1,433. 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 Further facts:

- 81 tenancies affected by Bedroom Tax had terminated from 1st April to 1st January 2017. Of these, 11 had completed mutual exchanges and 13 were transfers through the housing register. All moves through the register resulted in downsizing. There were 26 right to Buy terminations, seven tenants deceased, four evictions, four moved to Housing Associations, three moved in with family, one moved to a different country and 12 gave no reasons. Of the four evictions one was due to Anti-Social Behavior.
- By week 39, for those affected by the bedroom tax, the number of cases in arrears had fallen to 47.4% (679 out of 1433) since the start of the year. In week 1 this was 53.0%, so the number of affected tenants in arrears has decreased by 5.6% in the first three quarters.
- From April to December 2016, a total of £170,596 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 £64,284 (35.1%) since the start of April 2016. It is normal for the rent arrears to increase in the first half of the year and decrease significantly during the two non-payment free weeks in December.
- These numbers will continue to change as the situation evolves.

Impact of Benefit Income Cap (BIC)

3.16 The BIC threshold decreased from £26k per year for families outside London to £20k per year. This change applied to all existing cases from November 2016, and newly affected cases in tranches from January 2017.

3.17 The number of LCC tenants affected by BIC was 38 at the 1st January '17, but it is likely to increase significantly when the lower cap is applied to those who were not previously affected. This will begin to be applied from January 2017.

Proportion of Rent Collected

3.18 The Income management team has a key performance management target to ensure the proportion of rent collected at the end of the financial year is 99.1%. The proportion of rent collected between April and December 2016 was 99.4%, which is well on target to achieve this.

Evictions

3.19 There were 48 evictions carried out for non-payment of rent from the 6th April to the 1st January 2017. At the same point in the previous year this figure was 40. The total number of evictions for the whole of 2015/16 was 52.

3.20 Of the 48 evictions, 12 were family cases, 1 childless couple and 35 were single people.

3.21 There were 4 evictions affected to some degree by Bedroom Tax issues.

3.22 Only 8 out of the 48 evictions (16.6%) were directly affected by the impact of Welfare Reform. Bedroom Tax and BIC cases account for about 7% of all tenants, but roughly 16.7% of eviction cases.

3.23 The majority of evictions, along with the majority of the rent debt, occurred among the 93% of tenants NOT directly affected by Welfare Reforms.

3.24 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 2016/17 financial year.

Challenges Ahead

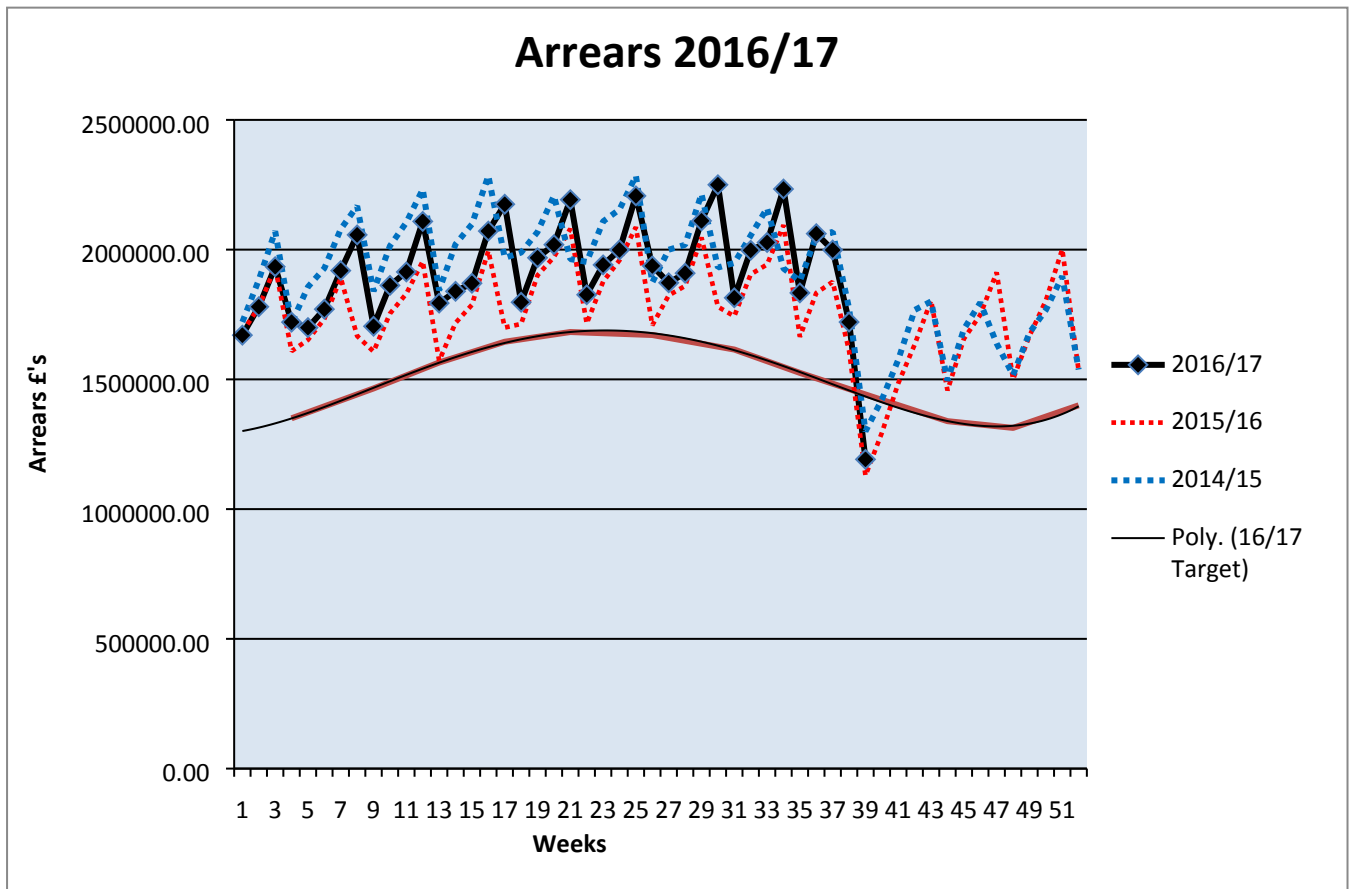
3.25 There are further challenges facing the housing service and our tenants from continuing welfare reforms. Universal Credit remains the biggest immediate challenge, and is due to be extended in Leicester to all new claims and changes of circumstances from March 2018

3.26 The Income Management team is developing robust measures to assist tenants through this transition whilst maintaining a good rent collection rate. These include paperless direct debits, rent self-service module on a web-based application, looking at the use of mobile 'phone technologies to improve collection. We will continue to work in collaboration with our partners, including the D.W.P., to ensure a high level of service to our customers.

4. REPORT AUTHORS

4.1 Vijay Desor, Head of Service, tel.37 5177
Zenab Valli, Interim Income Collection Manager, tel.37 3573

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. FOR EXAMPLE: £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.

Rent Arrears Progress Report

July 2016 to September 2016

Assistant Mayor Briefing (for info only)

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

Useful information

Ward(s) affected: ALL

Report author: Vijay Desor, Zenab Valli

Author contact details: Vijay.desor@leicester.gov.uk Ext 37 5177

Report version number: 1

1. PURPOSE OF REPORT

- 1.1 This report is for information only, setting out the headline information for quarter 2 (July to October 2016).

2. SUMMARY

- 2.1 This report covers the period from the 4th July 2016 to the 2nd October 2016.
- 2.2 The cash amount owing as at 2nd October was £1.808m, this is **5.85% higher than the same quarter last year** – see 3.1, table 1. At the end of June this year the amount owing was 14.1% higher than last year, so the gap has narrowed significantly.
- 2.3 The number of tenants in serious debt, (owing more than 7 weeks rent) is 1,494, effectively static at just 0.1% higher than this quarter last year.
- 2.4 For the current financial year from April '16 to March '17, c. £1.123m extra (based on latest estimates) rent will be collectable as a result of the “bedroom tax.” See 3.12 below.
- 2.5 £175,376 was paid by Discretionary Housing Payments (DHP's) for all Council tenants, of which £125,830 was for those affected by the Bedroom Tax, from April to October 2016.
- 2.6 The arrears among those affected by the Bedroom Tax have increased by £4,314 (2.3%) since 4th April 2016.

3.0 REPORT

Rent Arrears

- 3.1 Rent arrears at the end of the second quarter (2nd October) of 2016 and previous financial years were:

Table 1. Quarterly Arrears

Financial year	Arrears at end of Quarter 2
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
2016 / 17 Q.2 (July to Sept)	£ 1,808,214*

*includes weekend payments made 1st & 2nd October

- 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 were reduced by 1% in April 2016. The increase in the arrears between September 2015 and September 2016 is 5.85%, compared to a decrease of 8.81% from September 2014 and September 2015.

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 7 Weeks or more Net *
Quarter 2 (July to Sept) (2012/13)	1,586
Quarter 2 (July to Sept) (2013/14)	2,129
Quarter 2 (July to Sept) (2014/15)	2,063
Quarter 2 (July to Sept) (2015/16)	1,492
Quarter 2 (July to Sept) (2016/17)	1,494

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)

- 3.5 The number of serious cases was static, increasing by just 0.1%.

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 per tenancy
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
Quarter 2 (2016/17) (July to Sept)	£86.59

3.7 This figure reflects the increase in the actual rent arrears given in 3.1.

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 debt of top 10%	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	£846	£698,179
Quarter 2 (2016/17)	917	£2,846	£459	£732	£671,272

3.9 This shows that the highest arrears cases have decreased in total value since last year, although total arrears have increased. Likewise, the average arrears in this band have also fallen.

Rent Arrears Comparison with 2015/16

3.10 Rent arrears have increased across the year to date. They are £99,849 more 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 2016, 1,450 or 6.94% (20,882) of our tenants were affected by the bedroom tax. The estimated extra rent collectable for 2016/17 is £1.123m for the full financial year.
- 3.13 From the 1,750 cases that were identified at the start of this financial year, by 2nd October 2016 the number of active cases had reduced to 1,450. 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:**
- 65 tenancies affected by Bedroom Tax had terminated from 1st April to 2nd October 2016. Of these, seven had completed mutual exchanges and 10 were transfers through the housing register. All moves through the register resulted in downsizing. There were 25 right to Buy terminations, seven tenants deceased, four evictions, four moved to Housing Associations, three moved in with family, one moved to a different country and four gave no reasons. Of the four evictions one was due through Anti-Social Behavior.
 - By week 26, for those affected by the bedroom tax, the number of cases in arrears had increased to 57.3% (831 out of 1450) since the start of the year. In week 1 this was 53.8%, so the number of affected tenants in arrears has increased by 3.5% in the first two quarters.
 - From April to October 2016, a total of £125,830 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 £4,314 (2.3%) since the start of April 2016. It is normal for the rent arrears to increase in the first half of the year and decrease during the two non-payment free weeks in December.
 - These numbers will continue to change as the situation evolves.

Impact of Benefit Income Cap (BIC)

- 3.15 The BIC is decreasing from £26k per year for families outside London to £20k per year. This change will be applied to all existing cases from November 2016, and newly affected cases in tranches from January 2017.
- 3.16 An estimated 36 LCC tenants were affected by the BIC as at 07th November 2016.
- 3.17 The average loss of Housing Benefits for this group has changed from around £45 per week to over £85 per week per case.

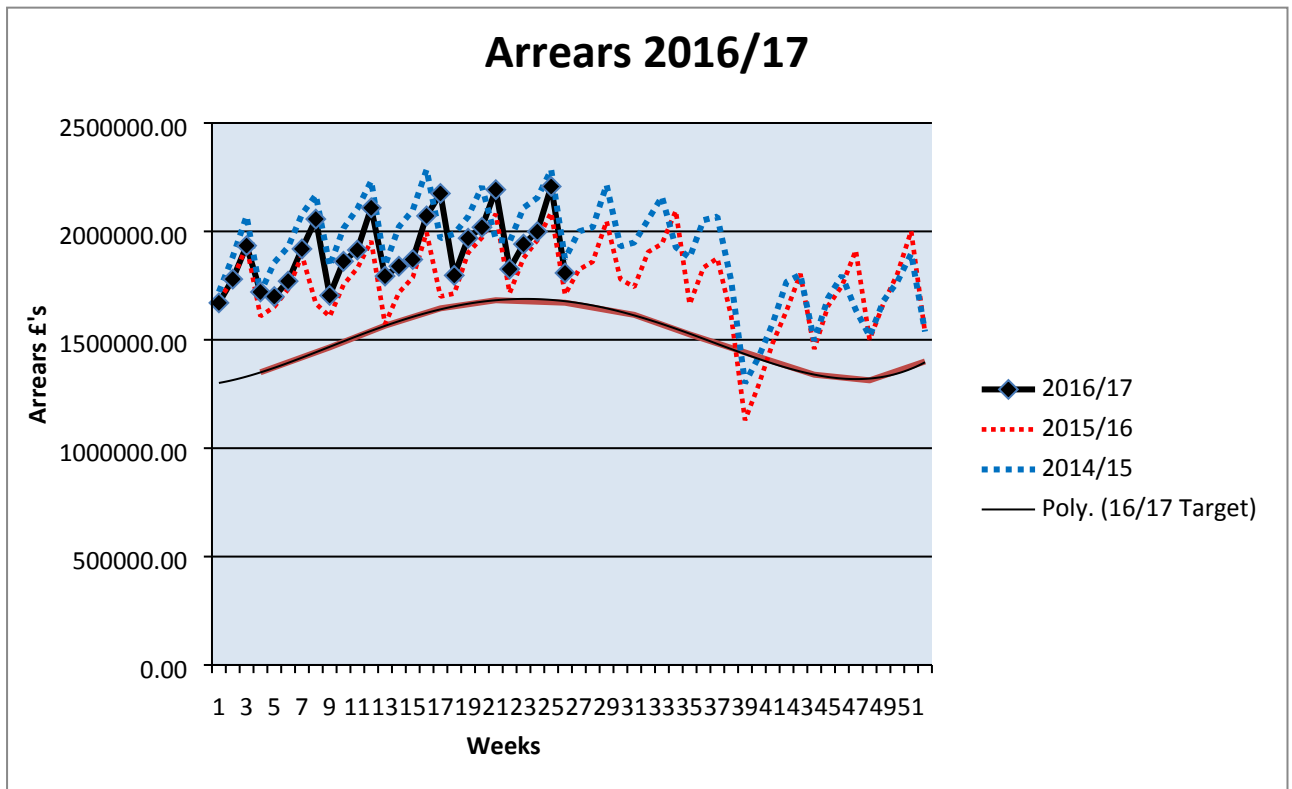
Evictions

- 3.18 There were 40 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 28.
- 3.19 At the end of June 2016 (Quarter 1), there had been 25 evictions. With another 15 this quarter, it can be seen that the rate of evictions has slowed significantly.
- 3.20 Of the 40 evictions, 12 were family cases and 28 were single people.
- 3.21 There were 4 evictions affected to some degree by Bedroom Tax issues.
- 3.22 Single people were almost 3 times as likely to be evicted as families.
- 3.23 Only 7 out of the 40 evictions were directly affected by the impact of Welfare Reforms. Bedroom Tax and BIC cases account for about 8.38% of all tenants, but roughly 12.5% of eviction cases. The majority of evictions, along with the majority of the rent debt, occurred among the 91.62% of tenants NOT directly affected by Welfare Reforms.
- 3.24 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 2016/17 financial year.

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