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# **Rent Arrears Progress Report**

**April 2016 to March 2017**

Housing Scrutiny Commission: 3<sup>rd</sup> July 2017

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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](mailto:Vijay.desor@leicester.gov.uk) Ext 37 5177

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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, from April 2016 to March 2017.

### 2. SUMMARY

- 2.1 The cash amount owing as at 3rd April 2017 was £1.461m, this is 4.7% **lower** than at the end of the previous financial year – see 3.1, table 2.
- 2.2 The number of tenants in serious debt, (owing more than 7 weeks rent) was 1,205, some 11.8% **lower** than last year – see 3.5, table 4.
- 2.3 For the financial year from April 2016 to March 2017, c. £1.12m **extra rent** was collectable as a result of the “bedroom tax.” see 3.16 below.
- 2.4 £326,386 was paid by Discretionary Housing Payments (DHP’s) for all Council tenants, of which £207,968 was for those affected by the Bedroom Tax, from April 2016 to March 2017. This compares to about £203k for Bedroom Tax the previous year.
- 2.5 The arrears among those affected by the Bedroom Tax **fell by £51,528** from £183,159 to £131,630 over the course of the 2016/17 financial year.
- 2.6 There were 54 evictions in 2016/17, compared to 52 the previous year. This is an increase of 3.8%. Out of 20,702 live Council tenancies at the end of the year, this would amount to just 0.26% of all tenants being evicted in the year.

### 3. REPORT

#### Rent Arrears

- 3.1 Rent arrears at the end of each quarter for the financial year 2016/17:

Table 1. Quarterly Arrears

Period	Arrears at end of quarter
Quarter 1	£1,793,931
Quarter 2	£1,808,214
Quarter 3	£1,191,775
Quarter 4	<b>£1,461,354</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
2013/14	£ 1,545,119
2014/15	£ 1,537,967
2015/16	£ 1,532,816
<b>2016/17</b>	<b>£1,461,354</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 were reduced by 1.0% on average in April 2016. The arrears fell slightly between April 2016 and March 2017 by 4.7%, compared to a decrease of 0.3% over the same period in 2015/16. This shows that arrears performance has improved over the previous year.

### 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 2016-17

Period	Owing 7 Weeks or more Net **
Quarter 1	1,462
Quarter 2	1,492
Quarter 3	1,839
<b>Quarter 4</b>	<b>1,205</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 7 Weeks or more Net **
2013/14	1,841
2014/15	1,438
2015/16	1,366
<b>2016/17</b>	<b>1,205</b>

3.6 The number of cases in arrears decreased by 11.8% over the previous year end figure. There is a lot of variability in these figures, but the overall trend is reducing.

## 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 2016/17

Period	Average Debt
Quarter 1	£85.50
Quarter 2	£86.59
Quarter 3	£57.42
<b>Quarter 4</b>	<b>£70.59</b>

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

Date	Average Debt
2013/14	£72.44
2014/15	£72.27
2015/16	£72.59
<b>2016/17</b>	<b>£70.59</b>

3.8 These tables (5 & 6) reflect the decrease in the actual rent arrears over the period. As can be seen, arrears have been stable over three of the past four years but reduced this year. This figure is usually at its lowest point at the end of Q3, immediately after the two 'rent free' weeks.

## 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 2016/17

Period	No.Cases	Highest arrears case (of the top 10%)	Lowest arrears case (of the top 10%)	Average	Total Value
Quarter 1	927	£2,840	£447	£719	£666,353
Quarter 2	917	£2,846	£459	£732	£671,272
Quarter 3	595	£2,995	£439	£732	£436,043
<b>Quarter 4</b>	<b>659</b>	<b>£2,758</b>	<b>£458</b>	<b>£728</b>	<b>£479,384</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
2013/14	810	£3,119	£460	£757	£613,186
2014/15	737	£2,607	£452	£745	£550,429
2015/16	776	£3,250	£420	£744	£678,231
<b>2016/17</b>	<b>659</b>	<b>£2,758</b>	<b>£458</b>	<b>£728</b>	<b>£479,384</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 reduced over the past 3 years, which corresponds with other figures for the same period.

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

- 3.11 At the start of the year 2016/17 the arrears were running consistently over £100k higher than 2015/16. However, the performance improved by the end of the year and the arrears reduced significantly making them lower than the previous year.
- 3.12 Appendix 1 shows the detailed comparison of rent arrears in the form of a graph for 2016/17, 2015/16 and 2014/15.

#### **Impact of the Bedroom Tax (BT)**

- 3.13 When the Bedroom Tax was introduced (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.
- 3.14 From the 2,701 cases that were originally identified, by April 2017 the number of active cases had reduced to 1395. 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 The actual extra rent charged by the end of 2016/17 financial year was **£1.12m**.

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

- 116 tenancies had terminated between April 2016 and March 2017.
- In April 2016, there were 53% of affected tenants in arrears. This fell to 52% by end of March 2017 (726 out of 1,395).
- For the year from April 2016 to March 2017, a total of £326,386 of Discretionary Housing Payments had been received on behalf of all Council tenants, of which £207,968 was for bedroom tax cases. This compares to £258,356 and £202,915 respectively last year.
- The arrears among those affected by the Bedroom Tax have decreased by about £51k over the course of the 2016/17 financial year.
- 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 in the year 2016/17. The 1<sup>st</sup> tranche affected those that were already existing cases from November 2016 and the 2<sup>nd</sup> tranche affected those who had previously not been affected by the BIC from January 2017.
- 3.17 An estimated 83 LCC tenants were affected by the BIC at the start of April 2016, increasing to 188 by the end of March 2017, an average across the year of 135.5. The average loss of Housing Benefits for this group was £56.60 per week.
- 3.18 For the year from April 2016 to March 2017, this would equate to an extra collectable rent of about £383k.
- 3.19 The arrears among those affected by the Benefit Income Cap have increased by **£31,229** (or 226%) over the course of the 2016/17 financial year, from £13,809 to £45,037. The significant increase in arrears and extra collectable rent is following the introduction of the lowering of the cap amounts. This brought many more households into range of the BIC.

### **Proportion of Rent Collected**

- 3.20 The Income management team had 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 March 2017 was 99.26%, which is above target

### **Evictions**

- 3.21 There were 54 evictions carried out for non-payment of rent from April 2016 to March 2017.
- 3.22 This compares to 52 evictions in whole of the previous year.
- 3.23 Of the 54 evictions, 13 were family cases, 1 was a childless couple, and 40 were single people.
- 3.24 There were 6 evictions whose debt included some Bedroom Tax.
- 3.25 Only 11% (6 out of 54) 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 2017/18**

4.1 The priorities identified for the coming year are:

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

- ❖ Training all housing staff to respond to future changes including Universal Credit (FULL SERVICE), the capping of social housing rents for under 35's, Under 21 year old's nil HB entitlement and Fixed Term tenancies.
- ❖ Raising awareness among LCC tenants including targeted contacts to those affected by Welfare Reform changes.
- ❖ Establishing protocols with DWP to help sustain vulnerable tenancies through Alternative Payment Arrangements.
- ❖ Adapt working practices to meet challenges faced in maximising income collection.

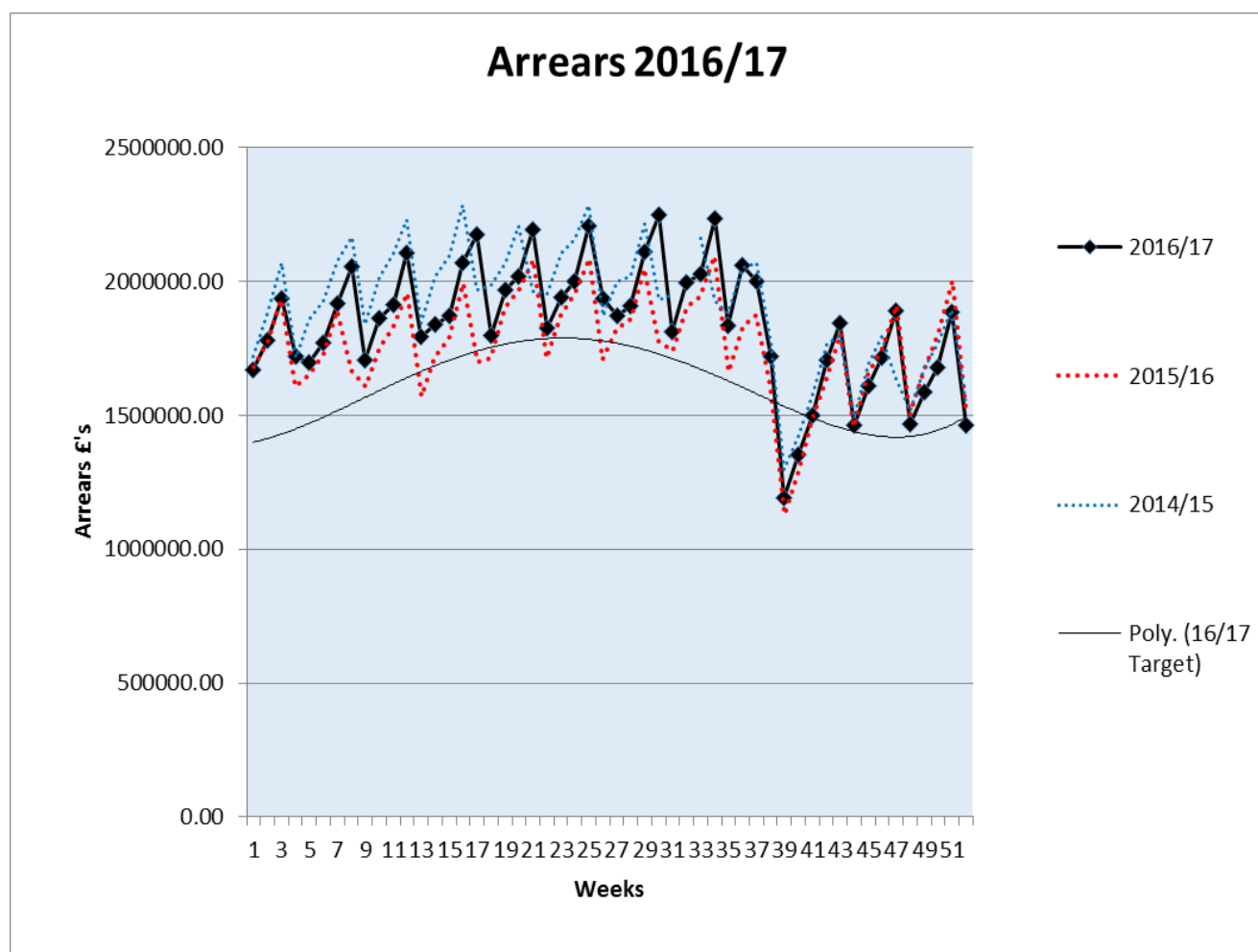
##### **Modernise ways of working:**

- ❖ Introduction of paperless direct debit facility – making it easier for tenants to set up DD arrangements via IMT
- ❖ Developing and introducing a web based Rent Self –Serve facility that will allow tenants access to their rent statements and arrears balance instantly
- ❖ 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.

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

5.1 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. 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.