
Rent Arrears Progress Report

April 2017 to June 2017

Housing Scrutiny Commission: 18th September 2017

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: V2.2 Final

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Scrutiny Commission of progress in the above area of work over the first quarter, from 3rd April 2017 to 30th June 2017.

2. SUMMARY

- 2.1 This report covers the period from 3rd April 2017 to the 30th June 2017.
- 2.2 The cash amount owing as at 30th June 2017 was £1.701m, this is a 5.13% lower than the same quarter last year – see 3.1, table 1
- 2.3 The number of tenants in more serious arrears, (owing more than 7 weeks rent) is 1631, which is 5.23% higher than the same quarter last year – see 3.4, Table 2.
- 2.4 For the financial year April '17 to March '18 c. £1.035m extra (based on latest estimates) rent will be collectable as a result of “Bedroom Tax”. See 3.16 below.
- 2.5 £243,395 was paid by discretionary housing Payments (DHP's) for all council tenants, of which £54,673 was for those affected by Bedroom Tax, from April to June 2017.
- 2.6 The arrears among those affected by the Benefit Income Cap have increased following lowering of the benefit cap. This brought many more households into range of the BIC, and increased the severity of it for those already affected. See 3.21 below

3. REPORT

Rent Arrears

- 3.1 Rent arrears at the end of the first quarter (30th June 2017) and previous financial years were:

Table 1. Quarterly Arrears

Financial Year	Arrears at end of Quarter 1
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
2016 / 17 Q.1 (April to June)	£1,793,931
2017 / 18 Q.1 (April to June)	£1,701,808

(N.B. Rent payments collected over the weekend have been included 1st & 2nd July)

- 3.2 The rent arrears decreased by 5.13% in comparison to the same point in the previous year (2016/17).
- 3.3 The trend so far this year has been running slightly higher than the previous year, as can be seen from the graph at Appendix A. The end of quarter figure may be slightly anomalous, due to the awkward way the month end coincided with the weekend.

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 tables 3 & 4 below:

Table 2. Breakdown of Arrears Cases

Quarter 1 (April to June)	Owing 7 Weeks or more Net **
Quarter 1 (2013 / 14)	1,810
Quarter 1 (2014 / 15)	2,472
Quarter 1 (2015 / 16)	1,546
Quarter 1 (2016 / 17)	1,550
Quarter 1 (2017 / 18)	1,631

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 cases in 7 weeks or more arrears (1,631) has increased by 5.23% over the previous year's figure for Quarter 1. 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 by year end (Quarter 1)

Quarter 1 (April to June)	Average Debt
Quarter 1 (2013 / 14)	£75.67
Quarter 1 (2014 / 15)	£86.62
Quarter 1 (2015 / 16)	£74.74
Quarter 1 (2016 / 17)	£85.50
Quarter 1 (2017 / 18)	£82.49

- 3.7 The average debt has reduced by 3.52% in comparison to the same point last year (2016/17). This figure reflects the decrease 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:

Quarter 1 (Apr to June)	No of Cases	Highest case	Lowest case	Average	Total Value
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
Quarter 1 (2016/17)	927	£2,840	£447	£719	£666,353
Quarter 1 2017/18	877	£2,961	£474	£767	£673,435

3.9 This shows that the number of cases in high arrears have decreased by 5.39% but the total value of the highest arrears cases have increased by 1.06% since last year. The average arrears in this band have risen by 6.68%, as has the value of the lowest case by 6.04%.

The Number of Direct Debit Payers

3.10 Table 5 below shows the total number of cases with rent to pay and methods used.

	Quarter 1 Start (April 2017) Total number of 14,165 tenants with rent to pay			Quarter 1 End (June 2017) Total number of 14,161 tenants with rent to pay	
Payment Method	No. of Cases	Percent %		No. of Cases	Percent %
Direct Debit	2558	18.06		2551	18.01
Standing Order	152	1.07		150	1.06
Wage Deduction	57	0.40		59	0.42
Total	2767	19.53		2760	19.49

3.11 At the start of Quarter 1, a total number of 14,165 tenants had some rent to pay, decreasing slightly to 14,161 by the end of the same quarter.

3.12 At the start of Quarter 1, there were 2,767 tenants (19.53%) of the 14,165 with some rent to pay, using Direct Debit, Bank Standing Orders or Wage Deductions. By the end of the first quarter the number of tenants using these methods of payment decreased very slightly by a total number of 7, down to 2,760 (19.49%)

of the 14,161 that had some form of rent to pay.

- 3.13 Direct Debit remains the councils preferred method of payment and tenants can now use online facilities to complete the forms required to set up direct debit for rents, which are now actioned in-house by the Income Management Team. This is a change from paper-only forms processed by Exchequers, and is part of our preparations for paperless D.D.'s which will be introduced shortly.
- 3.14 It is now Council policy that all new tenants must have mandatory direct debits set up. A Clockwise Credit Union account can be arranged at no cost to the new tenant if they do not have a suitable bank account.

Rent Arrears Comparison with 2016/17

- 3.15 Rent arrears have decreased in the first quarter and are £92,123 **(5.13%) lower than at the same point last year.**
- 3.16 Appendix 1 shows the detailed comparison of rent arrears in the form of a graph for 2017/18, 2016/17 and 2015/16.

Impact of the Bedroom Tax (BT)

- 3.17 On the 30th June 2017, a total number of 1,429 or 6.92% (out of 20,650) of our tenants were affected by the bedroom tax. The estimated extra rent collectable for 2017/18 is **£1,034,897** for the full financial year.
- 3.18 From the 1,451 that were originally identified at the start of the financial year, by 30th June 2017, the number of active cases had reduced to 1,429. 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.

What we do know about Bedroom Tax cases is:

- 78 tenancies had terminated between April 2017 and June 2017.
- By the end of June 2017 for those affected by bedroom tax, the number in arrears had increased to 857 (60.0% of 1429) since the start of the year. In week 1 this was 821 (56.6% of 1,451), so the proportion of affected tenants in arrears has increased by 3.4% in the first quarter.
- From April 2017 to June 2017, a total of £54,673 of Discretionary Housing Payments had been received on behalf of Council tenants affected by the Bedroom Tax.
- The arrears among those affected by Bedroom Tax have increased by £24,872 (17.22%) since the start of April 2017. It is normal for rent arrears to increase in the first part of the financial year – see the graph in Appendix 1.

Impact of Benefit Income Cap (BIC)

- 3.19 The BIC threshold decreased from £26k per year for families outside London to £20k per year in the year 2016/17. The 1st tranche affected those that were already existing cases from November 2016 and the 2nd tranche affected those who had previously not been affected by the BIC from January 2017.
- 3.20 At the 30th June 2017 a total number of 206 tenants were affected by the Benefit Income Cap. The average loss of Housing Benefits for those in this group was £56.60 per week.
- 3.21 For the year from April 2017 to March 2018, this would equate to an extra collectable rent of about £567k.
- 3.22 The arrears among those affected by the Benefit Income Cap were £43,860 at 2nd April 2017 and increased to £65,459 (49.25%) by 30th June 2017. 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, and increased the severity of it for those already affected.

Proportion of Rent Collected

- 3.23 The Income management team have been set a key performance management target to ensure the proportion of rent collected at the end of the financial year is 99%. The proportion of rent collected between April and June 2017 was 98.99%.

Evictions

- 3.24 There were 9 evictions carried out for non-payment of rent from 3rd April 2017 to the 30th June 2017. At the same point in the previous year this figure was 25.
- 3.25 From the 9 evictions, 1 was a family case, 2 single people but with adult non-dependants also occupying the property and 6 were single people.
- 3.26 There was 1 eviction affected to some degree by Bedroom Tax issues. This was a single person. Only 2 out of the 9 evictions were directly affected by the impact of Welfare Reforms.
- 3.27 It is estimated that single people are more than twice as likely to be evicted in comparison to families.
- 3.28 From the 9 evictions 6 did not want to engage with the Supporting Tenants and Residents service (STAR) despite efforts made by IMT staff.

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.

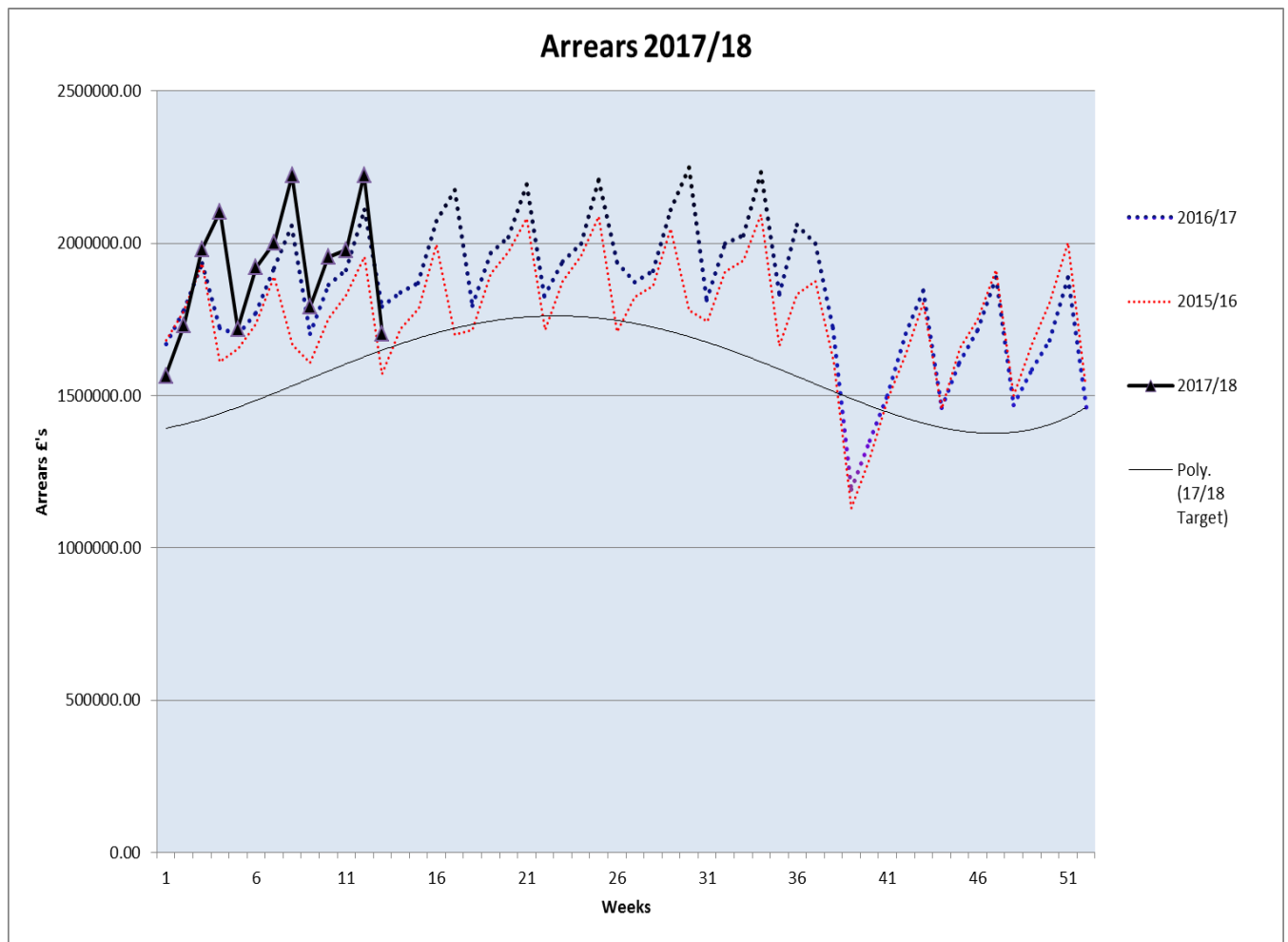
Modernise ways of working:

- ❖ 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.

(Polynomial) – a statistical function used to generate a curved target line that reflects the established annual trend.