

Report of Director of Environment and Housing

Report to Housing and Regeneration Scrutiny Board

Date: 23rd September 2014

Subject: Arrears Profiling

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

1. At the Scrutiny Board meeting on 25 March 2014, the Board requested further information on rent arrears performance.
2. The Board requested to look at "Technical Arrears" and how small arrears/low level debts are managed.
3. The three ALMOs had taken different approaches to Income Management and the collection of rent arrears. This resulted in varying levels of performance and some inconsistencies in service delivery.
4. A key priority for Housing Management is to develop a consistent, city wide approach to rent collection and arrears management. The approach being developed is drawing on the knowledge from staff and using best practice.
5. A training programme is in development to be delivered to front line staff during September and October 2014.

Recommendations

6. Scrutiny Board is requested to:

Note the content of this report and the work being undertaken by Housing Management to improve rent collection and reduce arrears.

Purpose of this report

- 1.1 The purpose of this report is to provide the Scrutiny Board with an analysis of the rent collection and arrears. It provides detail on rent collection performance for Quarter 1 2014-15, along with some historical data for comparison.
- 1.2 'Profiling' of arrears has been undertaken which has included tenant attributes, such as gender, age, benefit status, deprivation levels and property type in which they live.
- 1.3 The report outlines some of the key factors influencing rent collection and arrears recovery and describes what action is being taken to maximise collection.
- 1.4 Specific focus is given to describing what constitutes technical arrears, small arrears/low levels of debt and how these are managed.
- 1.5 The report sets out how the new city wide Income Management and Arrears Service will operate. The new service is being established utilising the strengths and good practice from across the different areas of the city.

2 Background information

- 2.1 **Technical Arrears** – tenants are deemed to be in technical arrears due to the cycle of how they pay their rent. For example if a tenant pays their rent monthly on the 1st of every month they will usually owe 4 weeks rent when they pay. Technically they are in arrears but they clear their account every month.
- 2.2 **Small Arrears** - for the purpose of this report small arrears are classed as any amount of arrears less than £100 on a rent account. Each week Housing Officers contact all rent arrears cases irrespective of the level of arrears in an attempt to collect the debt.
- 2.3 Rent collection and arrears performance has been made a key priority for Housing Management. A positive start has been achieved on rent collection this year and performance is in a better position at the end of Quarter 1 than it was at the same point last year.
- 2.4 The three ALMO's had different approaches and structures in place to deal with rent collection and arrears. East North East Homes operated what is known as a generic housing management service. In this a Housing Officer manages a number of properties (a patch) and deals with any housing related matter in the area such as rent collection, condition of the environment, low level Anti-Social Behaviour (ASB) etc.
- 2.5 West North West Homes operated a specialist housing management service with two separate teams in different locations, one dealt with rent collection and arrears, and another team dealt with the tenancy management side which included the environment and low level ASB.

- 2.6 Aire Valley Homes had a mixture of the above with generic housing staff who would manage the whole service but only dealt with rent arrears up to a level of £500. After that it would be sent to a specialist enforcement team to collect the debt.

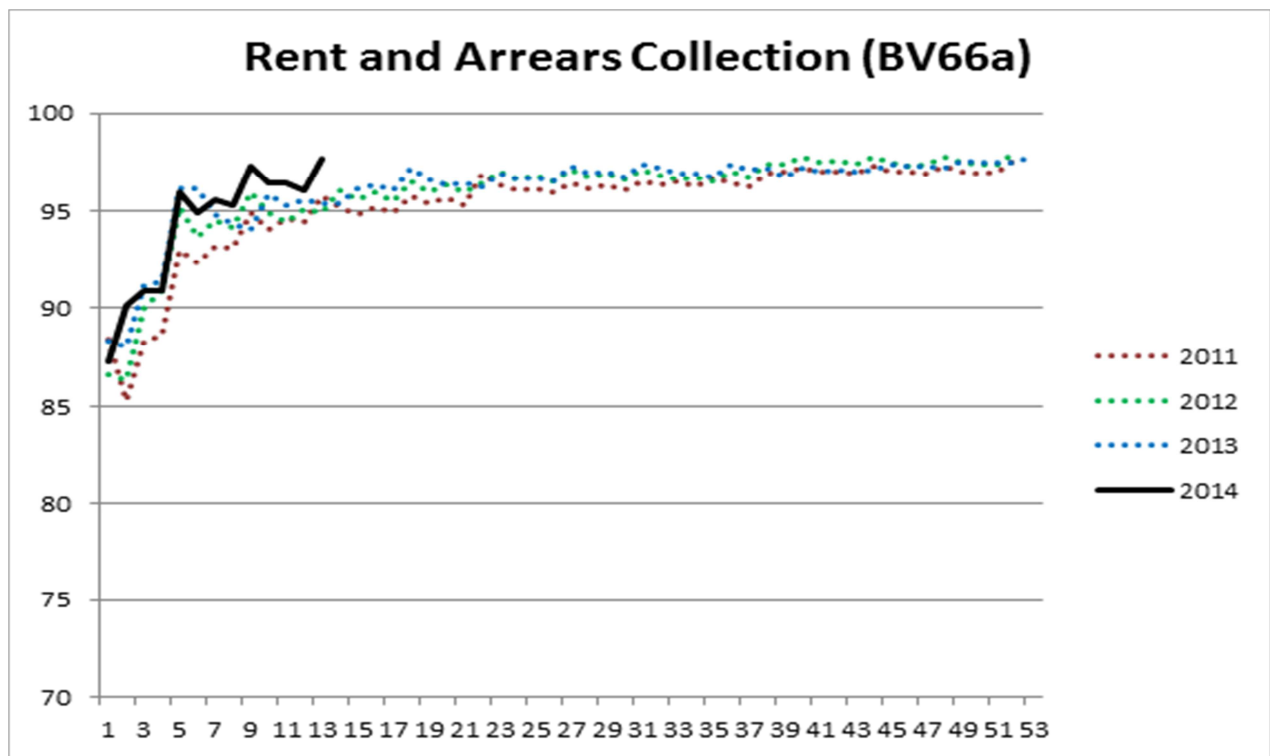
3 Main issues

3.1 Performance

- 3.2 Performance is measured in two key areas, the amount of rent we collect (indicator BV66a) and the level of rent arrears (indicator HMA1).

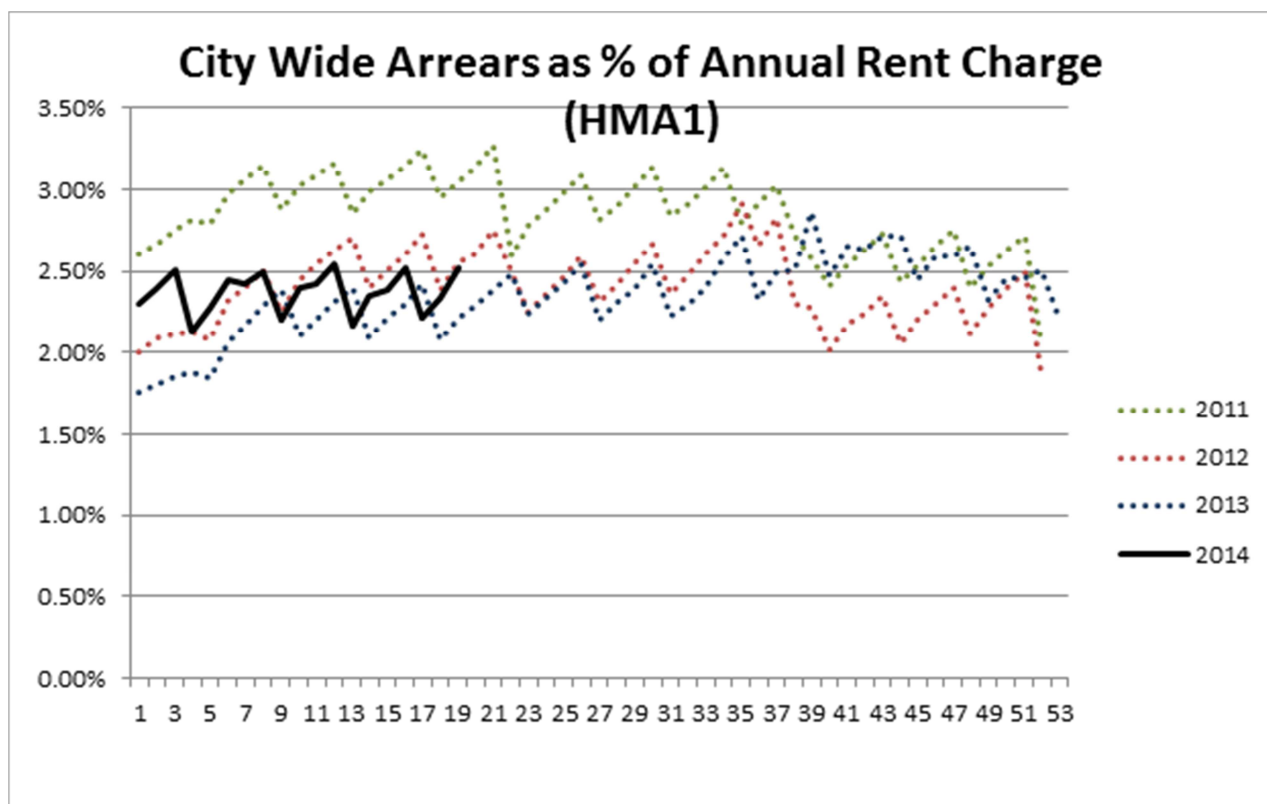
- 3.3 Chart 1 below details the citywide performance on rent collection (BV66a) by week. This is measured by comparing what is collected as a percentage of the rent debit. The rent debit is the amount of rent charged plus the arrears outstanding from the previous year. The figure should be as high as possible. The target for this year is 98.06%

Chart 1: Rent and Arrears Collection (BV66a).
(Source: Housing Management Data Warehouse – HMIS)



- 3.4 At Quarter 1 this year the outturn was 97.71%, last year it was 96.72%, which represents an improvement of 0.99%.
- 3.5 Please see chart 2 on the following page which details the citywide performance on the level of rent arrears (HMA1).

Chart 2: Citywide Arrears Levels (HMA1).
(Source Housing Management Data Warehouse - HMIS)



- 3.6 As the Scrutiny Board has specifically requested information on the level of arrears further detailed information will be provided on this indicator.
- 3.7 The level of rent arrears is calculated by measuring the amount of debt owed as a percentage of the rent roll (how much we could collect) and the figure should be as low as possible.
- 3.8 Up until last year, the arrears levels had gradually reduced over the previous 4 years. In March 2010 the percentage of arrears stood at 3.13% and the value of debt was £5.25M. In March 2013 the percentage of arrears was 1.86% and the value of debt was £3.6M, a reduction of £1.65M.
- 3.9 The rent increase of 5.9% in April 2014 resulted in the rent roll increasing from £205,000,000 to £216,000,000 this year and means there is an additional £11,500,000 worth of rent to collect.
- 3.10 The level of rent arrears at year end 2013-14 equated to 2.20%. At the end of Quarter 1 the figure had reduced to 2.16%, an improvement of 0.04%.
- 3.11 In monetary terms the arrears at year end was £4,500,000 and at Quarter 1 this has risen to £4,680,000, an increase of approx. £172,000. Although the monetary value has increased the percentage of arrears in relation to the rent roll has reduced.

4 Arrears Analysis

- 4.1 66% of tenants do not owe any money on their rent account. Many tenants (32%) actually have a credit balance.
- 4.2 The number of tenants in arrears at week 4 was 18,267 and the average amount of debt equated to £237.39. Please see the attached table which shows the number of tenants in arrears and the average amount of arrears owed over the last five years.

Table 1: Showing arrears statistics taken at year end.

Year End Arrears Levels

Financial Year	Arrears	Count In Arrears	Average Arrears	Arrears as % of annual rent charge (HMA1)
2009	£5,250,590.98	16,636	£315.62	3.13%
2010	£4,661,558.70	15,679	£297.31	2.70%
2011	£3,758,086.23	12,119	£310.10	2.05%
2012	£3,638,741.93	12,104	£300.62	1.86%
2013	£4,514,983.95	18,942	£238.36	2.20%
Source: Housing Management Data Warehouse (HMIS)				

- 4.3 This shows that the number of tenants in arrears was reducing until last year which saw a reversal in this trend. The financial year 2013-14 saw a large increase in the number of tenants in arrears with figures rising from 12,104 to 18,942, and increase of approximately 56%.

There are 430 high level arrears cases with tenants owing in excess of £1,500. The total debt owed within this group amounts to £940,000. Many of these cases are in arrangements and the debt is reducing but will take time to clear and will continue to have an impact on the arrears figures.

Many tenants claim housing benefit, either fully or partially. Generally those able to claim full housing benefit are not working and those claiming partial benefit will potentially be working in either a low paid or part time role. An increase in the number of zero hour contracts has meant people have variable amounts of work and either have fluctuating levels of partial or no benefit.

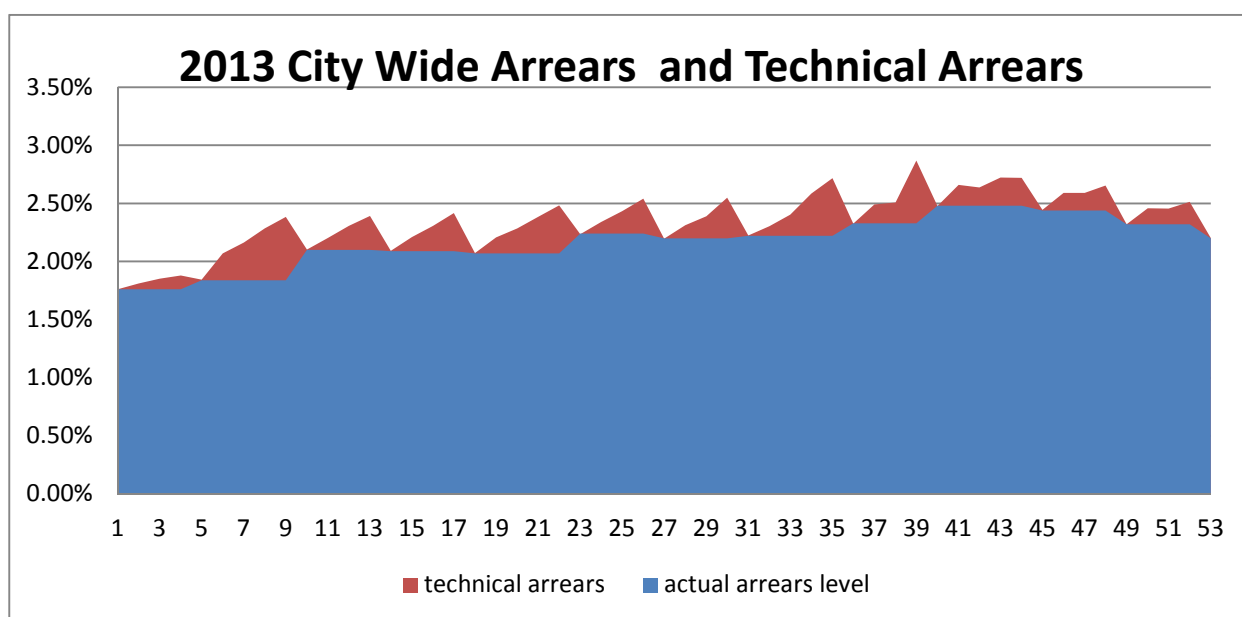
Approximately 62% of tenants are working full or part time. When looking at tenancies in arrears however, 85.1% of these are tenants are working part or full time. This indicates that many working tenants are struggling to pay their rent and highlights the increasing presence of the 'working poor' amongst our tenants.

Housing Management would like to ensure linked up provision of support, working with other Directorates and Services to deliver those initiatives as outlined in the Executive Board (Dec 2013) report - Citizens@Leeds: Developing a new approach to poverty and deprivation.

5 Technical Arrears

- 5.1 The tenancy agreement states that rent is due on a Monday and in advance. However many tenants pay monthly in arrears and have done so historically. A lot of monthly payers pay by direct debit or payment card and ties in with their wage/income cycle. The majority of these customers pay monthly in arrears and that was how the direct debit system operated.
- 5.2 The term technical arrears is often used to describe the cycle of a rent payment. This is most noticeable when tenants pay monthly in arrears. On the week the monthly rent is paid the tenant will often owe 4 weeks rent. As rent is due weekly the rent account will show 4 weeks rent is due, this is what is classed as technical arrears.
- 5.3 These tenants are set up as monthly payers and no arrears action should be taken against the tenancies as the account is cleared each month. It is only when/if the months' rent is not paid that an arrears letter will be sent out, i.e. when 5 weeks rent is owed.
- 5.4 Technical arrears were most noticeable when the rent free weeks were in existence as customers who paid by monthly direct debit would not have a clear rent account or show the benefit of the rent free weeks until year end. When quarterly rent statements were sent to out this often resulted in enquiries from tenants as the statement would show the tenant was in arrears, when technically they were not.
- 5.5 In order to explain this further, please see the following chart which shows arrears levels throughout 2013 (by week). The dark shaded area is considered actual arrears, the lighter shading show peaks that indicate the technical arrears created by tenants who pay on a monthly cycle.

Chart 3: Payment Cycles and Technical Arrears in 2013.
(Source Housing Management Data Warehouse – HMIS).



Technical arrears are the red peaks that occur above the blue arrears level. The red peaks show how payment cycles add temporary highs to overall arrears level.

- 5.6 Since the removal of the rent free weeks technical arrears do not have as big an impact as the weekly charge is now spread out over 52 weeks instead of 48. This year any tenant paying by monthly direct debit will not have a clear rent account until year end.

6 Small Arrears.

- 6.1 For the purpose of this report any account owing less than £100 is classed as a small arrears case. The following table provides citywide details on the number of cases of low level debt.

Band of Arrears	Less than £10	£10 - £50	£50 - £100	Total
No. of tenants in band	5,241	2,586	2,848	10,675
Amount of debt per banding	£6,778.71	£7,2511.5	£20,6377.48	£285,667.69

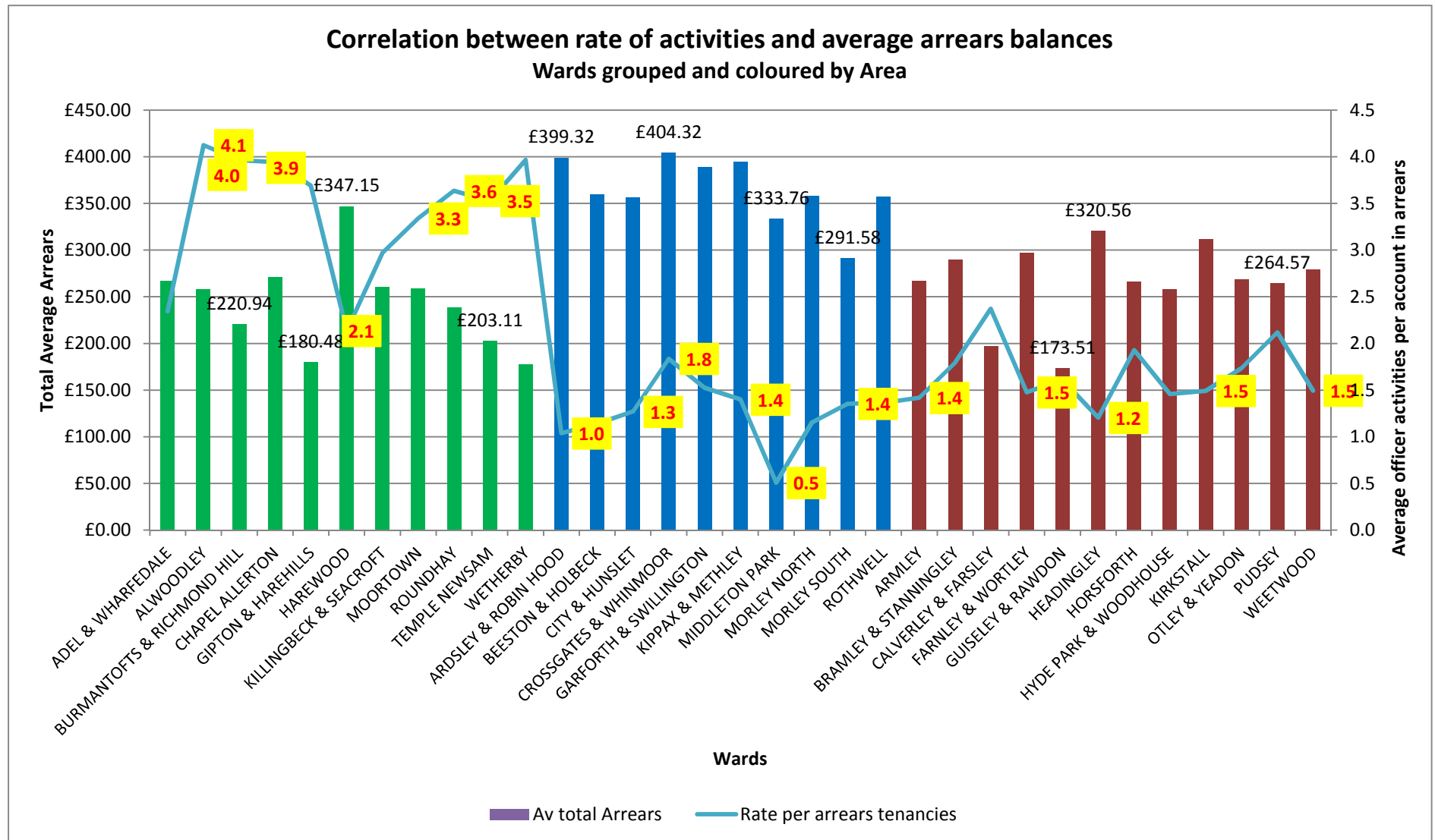
- 6.2 A total of 10,675 tenants owe less than £100 in arrears, with 5,241 owing less than £10.00. In line with the arrears process all accounts in arrears will be checked on a weekly basis. Action will be taken against any tenant who is not making regular payments to reduce the arrears.
- 6.3 Tenants in arrears will be written to and contacted by either telephone or a home visit in order to make an arrangement to reduce the arrears and clear the account.
- 6.4 One issue in dealing with low level cases is that the normal enforcement route, i.e. taking the case to Court, is neither practical nor considered to be proportionate by the Courts. Court Costs were increased in April 2014 from £100 to £250. Therefore, for example, if a tenant was taken to Court for arrears of £100, this would be to seek possession of the property. An additional £250 in Court Costs would be added to the rent account and arrears would increase by 250%.
- 6.5 The Court would not consider this to be a proportionate course of action. Staff regularly contact tenants with low level arrears in attempting to recover this debt.
- 6.6 Housing Leeds will target some dedicated weeks to focus resources on low level arrears in an attempt to further reduce this debt.

7 Officer Activity Levels

- 7.1 Housing Officers are required to carry out activities such as telephone calls, visits, letters etc. on all accounts that are in arrears, this must be in-line with the Court Protocol and Housing Management procedures.
- 7.2 Arrears profiling analysis compared the average arrears values for each ward and the number of arrears activities undertaken by officers over a 6 week period.
- 7.3 The following chart (on the next page) shows the average arrears balances per ward and is grouped within the East, West and South areas of the city. It also shows the average number of arrears activities carried out. For example, in the Gipton and Harehills ward tenants in arrears have an average balance of £180.48.

On average 3.9 arrears activities were carried out per case over the 6 week period.

Chart 4: Correlation between rate of activities and average arrears balances



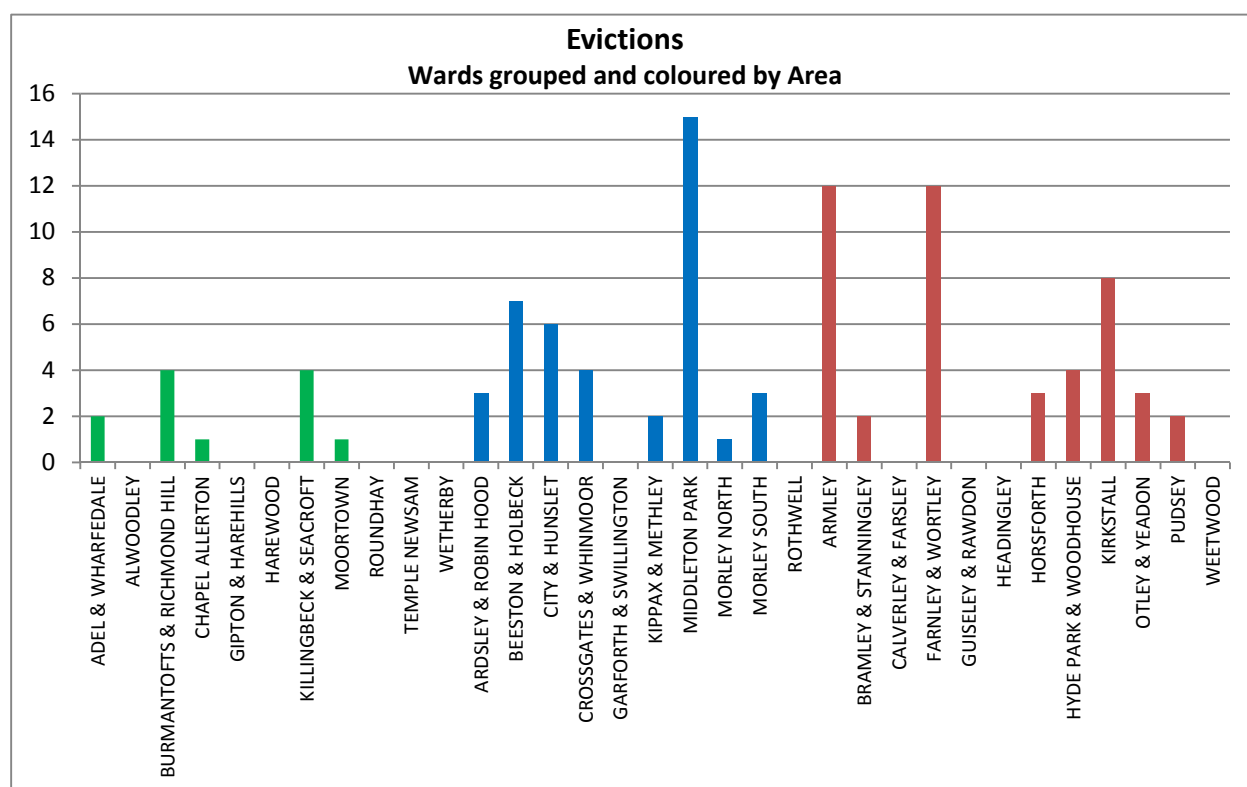
(Source: Housing Management Data Warehouse – HMIS)

- 7.4 In the Ardsley and Robin Hood Ward the average arrears balance is £399.32. On average one arrears activity was carried out per case over the 6 week period.
- 7.5 There may be a number of reasons for the different figures including patch sizes, staff resources as well as different structures and approaches to rent collection previously.
- 7.6 The general deprivation levels and working profile of tenants in wards does have an impact, but additional analysis has proved that higher officer activity levels still have the greater impact.
- 7.7 A key conclusion of the analysis clearly links the amount of arrears activity undertaken by Housing Officers to the level of performance. Generally speaking the more arrears activities carried out by officers the better the level of performance.

8.0 Eviction Levels

- 8.1 As part of the housing officer analysis the number of evictions per ward was looked at to see if there was any correlation between the two. There was some anecdotal feeling that to maintain low levels of arrears, more evictions were carried out through the arrears process.
- 8.2 The following chart shows the average number of evictions carried out per ward. This indicates that evictions are highest where the arrears are highest. The East area has the lowest level of arrears and evictions. This indicates that the management of the accounts, with high levels of officer activity, potentially providing support to tenants when needed, means there is less need to evict tenants for non-payment of rent arrears.

Chart 5: Evictions at year end 2013.
(Source: Housing Management Data Warehouse HMIS)



9 Welfare Change

- 9.1 The impact of Welfare Change in conjunction with the current economic climate is having an impact on the ability to collect tenants rent and arrears. There are 1,300 new arrears cases whose arrears are due to the introduction of the Under Occupation charge. The amount of arrears attributed to Under Occupation at the end of Quarter 1 2014-15 amounted to £682,000. Last year a substantial amount of Discretionary Housing Payment (DHP) was paid to council tenants who were affected by Under Occupation and this has mitigated some of the impact of Under Occupation.
- 9.2 This year the DHP budget has been reviewed and DHP will not be available to the same numbers of tenants affected by Under Occupation. For example 1200 customers affected by Under Occupation were getting DHP under the “exceptional circumstances” category. This will only be paid up until the end of October 2014 and these customers will then need to pay the Under Occupation amount themselves (approx. £11 per week). An additional £343,000 (approx.) will need to be collected from these tenants between October and the year end.
- 9.3 These tenants are being contacted with a view to setting up payment plans to pay this amount. It is envisaged a significant number of these tenants will struggle to pay the charge and may fall into arrears.
- 9.4 Universal Credit is expected to be introduced in Leeds during December 2015. This will affect that the majority of tenants currently on housing benefit. There are

approximately 36,500 tenants currently receiving full or part housing benefit. This equates to £130.5M per annum currently being paid direct to Leeds City Council.

- 9.5 Tenants will have to apply on line and the default payment of the housing rent element will be direct to the tenant. Currently Housing Benefit is paid directly onto rent account.
- 9.6 The STAR survey 2012 showed that only 50% of Leeds City Council tenants had access to the internet at home.
- 9.7 When Universal Credit is introduced Housing Management will have a significant amount of additional rental income to collect. It is suggested the good practice learnt from deploying additional Welfare Reform Officers to assist tenants in preparing for Under Occupation is utilised in preparations for Universal Credit.
- 9.8 Many tenants do not have access to the internet and are not used to budgeting monthly. It is essential Housing Management assist the tenants in preparing for Universal Credit to ensure they are able to apply, budget accordingly and prioritise payment of rent.
- 9.9 Failure to achieve the above will lead to an increase in rent arrears and enforcement action with tenants being taken to Court for possession proceedings.

10 Tenant Profiling and Arrears levels

- 10.1 The analysis was wide ranging and took in aspects of the tenants themselves, the property in which they live, the neighbourhood and the rents.
- 10.2 There was no significant correlation noted between ethnicity and arrears, indicating that work done in the past on Equality and Diversity issues has been successful.
- 10.3 A small trend was noticed with age and gender – male tenants have a spike in arrears levels when aged between 44 and 49 years old; female tenants will have higher arrears levels from 25yrs old to 49 years old.
- 10.4 Rent levels, warden charges and links to tenant satisfaction were all analysed and there was no correlation found between these and arrears levels.
- 10.5 As referenced above (3.44) the deprivation levels of an area and the proportion of people working / not working was seen to have an impact on arrears, but was able to be suppressed when the activity levels of officers was at or over a certain level.
- 10.6 Some initial analysis in selected neighbourhoods does suggest that the non-working tenants have high numbers of long term sick, claiming ESA, with significant proportions citing Mental Health. This may further complicate rent collection and again highlights the need to working closely with colleagues across the Council.

11 Further Actions

- 11.1 Housing Management is currently implementing a staffing and organisational restructure. A key principle of this is to increase locally based front line resources. The average housing officer patch size will be reduced from approximately 450 properties to 300 and will result in a significant increase in local front line staff.
- 11.2 There will be a dedicated Housing Officer for each housing management patch across the city who will be the main point of contact for tenants. The Housing Officer will build good relationships with tenants and deliver a high quality customer focused service. They will be striving for high levels of performance on key areas such as rent arrears and annual tenancy visits, and increase the level of support provided to tenants in financial difficulty.

Managers have the flexibility to allocate more resources into problematic areas so focus can be given to increase arrears activity in areas with high levels of arrears.

The new structure and service is due to be implemented in October 2014. Key training will be undertaken for Housing Officers on the following:

- Rent collection and arrears management good practice
- Partnership work with the third sector i.e. Advice Leeds, Leeds City Credit Union
- Loan Shark Training
- Activity Levels and how it relates to performance

- 11.3 Rent collection and arrears is a key priority for Housing Leeds. Good practice mentioned above is now being implemented and the numbers of arrears activities being undertaken by staff has already increased by 17% rise this year. Performance will continue to be closely monitored for the remainder of the financial year.
- 11.4 Housing Management will continue to work with tenants to mitigate the impact of Welfare Change. It is essential that resources are deployed to enable staff to support tenants in being ready for the implementation of Universal Credit. It is a key priority over the coming year to identify tenants who don't have access to the internet, and offer support to these tenants to manage their benefits on line. This will include supporting tenants to access basic IT training, and signposting tenants to local IT facilities. We will also provide assistance with setting up the correct type of bank account and budgeting/money management.

12 Corporate Considerations

12.1 Consultation and Engagement

- 12.1.1 The rent arrears procedures, service standards and information material were developed in consultation with customer focus groups and partner agencies in the 3rd Sector.

- 12.1.2 As part of the review process a further consultation process will be carried out to ensure the service meets the needs of tenants and links to partner agencies that provide support to those in financial difficulty.

12.2 Equality and Diversity / Cohesion and Integration

- 12.2.1 An equality impact assessment is not relevant at this stage as this report is primarily an information report.
- 12.2.2 As part of the review process Equality Impact Assessments will be carried out on the revised procedures.

12.3 Council policies and City Priorities

- 12.3.1 The report provides information on rent arrears. How tenants in financial difficulty are supported links to key city priorities, i.e. tackling debt, poverty and deprivation in the city.
- 12.3.2 The information set out in this report support the Best Council Plan, the Safer and Stronger Communities Plan, the Children's and Young People's Plan, the Child Poverty Action Plan and the Leeds Joint Health and Wellbeing Strategy all of which have a strong focus on addressing debt, maximising income and moving people and families out of poverty.
- 12.3.3 Housing Management plays a key role in supporting tenants and works with partner agencies to undertake anti Loan Shark campaigns, deter high cost lending and promote ethical borrowing through the Leeds Credit Union.

12.4 Resources and value for money

- 12.4.1 There are no identified resource implications associated with the purpose of this report which is to provide Scrutiny with an update on the rent arrears position.

12.5 Legal Implications, Access to Information and Call In

- 12.5.1 This report does not contain any exempt or confidential information.

12.6 Risk Management

- 12.6.1 If tenants do not/are unable to pay their rent this poses a risk to the council in that it will impact on the rent collection income stream. It is essential therefore that collection of rent and arrears is maximised to minimise this risk.

13 Conclusions

- 13.1 Technical arrears do not have as big an impact as in previous years when the rent free weeks were in existence. Although rent is due weekly, it is accepted that many customers pay monthly in arrears and clear their account regularly. Technical arrears are part of this cycle of payments.
- 13.2 There is a significant amount of debt on accounts associated with small arrears. Housing Officers pursue this debt as part of the arrears process.

- 13.3 Collection of rent and arrears is a key priority for Housing Management. The process of bringing together best practice from across Leeds in developing a new citywide consistent service is underway. The new service will be implemented in October 2014.

14 Recommendations

- 14.1 Scrutiny Board is requested to note the contents of this report and acknowledge the work undertaken by Housing Management associated with rent collection and the reduction of rent arrears.

15 Background documents¹

- 15.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.