

**Report of Director of Environment and Housing**

**Report to Housing and Regeneration Scrutiny Board**

**Date: 11th November 2014**

**Subject: Housing Leeds Rent Collection – Technical and Small Arrears**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" 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**

- 1.1. A report was presented to Scrutiny Board on 23 September 2014 to outline the work being taken to improve rent collection and reduce arrears. The report provided a particular focus on how technical and small arrears are managed.
- 1.2. At the Scrutiny Board meeting further detailed information on technical and small arrears was requested. The Board requested clarification on two main areas; firstly, how many tenants are in “Technical Arrears” and to consider what could be done to address this. Secondly the Board requested detailed analysis of very low level debts, to consider the cost of collecting such debt and to the impact of writing off of small debts.
- 1.3. Confirmation of the correct figures for the table at paragraph 6.1 of the September report was also requested. The correct figures are 1661 tenants with arrears under £10; this reduces the number of tenants with arrears of £100 or less to 7,121.
- 1.4. At the end of Quarter two; 5.7% of overall arrears due were as a result of small arrears and 0.0002% is due to technical arrears.

**2. Recommendations**

Scrutiny Board is requested to:

- 2.1. Note the content of this report and support the work being undertaken to improve rent collection and reduce technical and small arrears.

**2.2. Purpose of this report**

- 2.3. The purpose of this report is to provide Scrutiny Board with more detail on technical arrears, and examine how to minimise the impact of technical arrears and address concerns about potential negative impacts on tenants accessing credit.
- 2.4. The report details how performance can be reported to minimise the impact of technical arrears and to show the most accurate position.
- 2.5. The report provides Scrutiny Board with detail on accounts with low levels debts. Analysis has been undertaken on a number of accounts with a balance below £50, to determine what the debt consists of and establish if it is long term static debt or due to tenants payment cycles and imbalances between rent due and the amount actually paid.

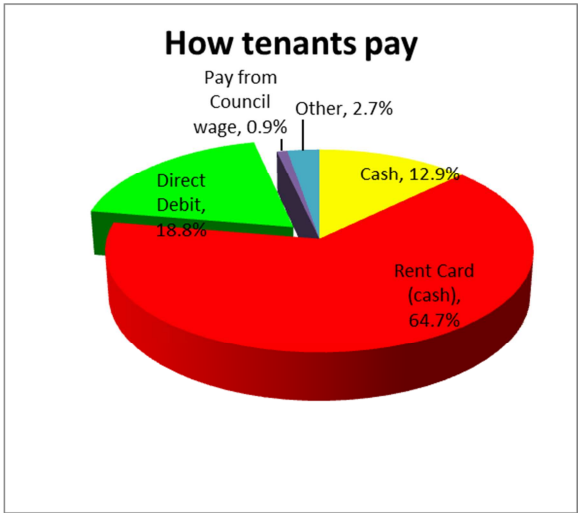
**3. Background information**

- 3.1. Rent is due weekly, in advance, in line with the tenancy agreement. Rental payment options are more flexible. Where tenants are in receipt of full housing benefit, the rental payment is made weekly in advance. Where tenants pay via direct debit or payment card, then payment cycles vary to coincide with when tenants get paid and so can result in small arrears on the rent account at certain points in the payment cycle.
- 3.2. Where there are small arrears on rent accounts with a regular monthly direct debit payment, which are due to solely due to the payment method, these arrears are referred to as technical arrears. If a tenant pays monthly in arrears they will usually owe 4 weeks rent when they pay; no rent arrears action is taken.
- 3.3. Small arrears are arrears defined as £100 or less.

**4. Main Issues**

Technical Arrears

- 4.1. There are multiple payment methods are offered, including direct debit, standing order, on line, over the telephone or by paying in cash/debit card at a Post Office or pay point outlet.



The above table shows how tenants with an amount of rent to pay choose to pay their rent

Many tenants still prefer to pay by cash methods. 77.6% of tenants (approximately 43,000) pay regularly by cash (12.9%) or a rent card (64.7%) and 18.8% pay by direct debit.

- 4.2. Tenants can pay their rent by direct debit either weekly on a Friday or monthly. There are 5 direct debit payment dates available during the month. The following table shows how many tenants paid by monthly direct debit on the various dates available, at the end of the last financial year, this has now increased 10,367.

Dates of month	Number of tenants paying	Payment Period
1 <sup>st</sup>	4,619	Monthly in arrears
8 <sup>th</sup>	162	Current month
17 <sup>th</sup>	2,834	Current month
22 <sup>nd</sup>	161	Current month
30 <sup>th</sup>	405	Current month
Total	8181	

The most popular date to pay is the 1<sup>st</sup> of the month which coincides with a high number of tenants who get paid at the end of the month. Historically this monthly payment was in arrears and it is this group of tenants (4619) whose accounts can display technical arrears. The other payment dates collect varying amounts of rent in advance.

- 4.3. In converting the weekly charge into a monthly direct debit payment, there are small technical arrears which do accrue during the year, which don't result in a balanced account until year end. No arrears action would be taken against such accounts.
- 4.4. In order to minimise the impact of technical arrears Housing Leeds runs month end reports for rent arrears to gain an accurate picture of performance.

The Orchard Housing Management system is now able to administer direct debit payments in advance, historically the system was unable to collect payment in advance; therefore until January 2013 any tenant opting to pay by monthly direct debit would automatically pay in arrears. Since January 2013 direct debits have been set up in advance. These tenants will not have technical arrears and over time the impact of technical arrears will reduce overall.

There are now approximately 800 tenants paying one month in advance by direct debit on the 1<sup>st</sup> of the month. 3562 tenants who pay by direct debit on the 8<sup>th</sup>, 17<sup>th</sup>, 22<sup>nd</sup> and the 30<sup>th</sup> all pay varying amounts of rent in advance. 3819 tenants continue to pay direct debits in arrears and this is the current number of tenants who will have technical arrears.

- 4.5. In reality it is not always possible for tenants to pay rent in advance; particularly those on low incomes and who claim partial housing benefit (approx. 26%). However, through regular contact with tenants, we will encourage and support tenants to claim welfare benefits and access money advise.
- 4.6. Charging rent monthly would not solve the issue of technical arrears as it is primarily due to tenants paying monthly in arrears and not in advance.

## Impact of Technical Arrears on ability to access credit

- 4.7. The quarterly rent statements show tenants who pay monthly have a regular payment cycle. There is no evidence to suggest that tenants paying monthly are unable to access affordable credit as a result of them paying monthly. Housing Leeds work in partnership with Leeds Credit Union and actively refer tenants to them to access affordable credit.

## Small Arrears

The table below shows Debt below £100 at week 13 - 12% of tenants have small arrears.

Band of Arrears	Less than £10*	£10 - £50	£50 - £100	Total
No. of tenants in band	1,661	2,722	2,738	7,121
Amount of debt per banding	£6,349.51	£76,572.78	£199,655.53	£282,577.82

\* From 1p - £10

- 4.8. Narrative will be included in all future performance reports to give a clear explanation of the number of tenants in arrears.

4.9 A detailed analysis of 100 accounts with a balance of less than £50 has been undertaken to better understand other issues which are contributing to small arrears on rent accounts. The analysis looked to establish whether this debt is long standing and/or disputed arrears. Recovery action was reviewed to see what action had been taken to recover the debt, and to consider whether it was appropriate for the level of arrears owed. The analysis found that there was little static debt; most tenants were paying an amount regularly but not paying the balance in full, and the levels of debt fluctuated depending on the amount paid. The majority of the accounts analysed had a low weekly charge and falling arrears. Some tenants appear to pay when the debt reaches a certain amount. Some tenants have a cycle of paying fortnightly one week in credit one in arrears – and since this is a consistent payment no action is taken on these accounts. However this means that there is always an amount of low level debt in the system.

- 4.10 Best Practice has been investigated and the consensus is current debt can and should be recovered.

### 4.11 Welfare Change

4.12 The impact of Welfare Change and 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 is £682,000, which is 15% of the overall arrears. Last year discretionary housing payment (DHP) was paid to many council tenants who were affected by Under Occupation and this has mitigated some of the impact.

4.13 This year the DHP budget has been reviewed and DHP will not be available to the same numbers of tenants, 1200 customers affected by under occupation were getting DHP under the “exceptional circumstances” category. This will be paid up until the end of October 2014 and these customers will

then need to pay themselves (approx. £11 per week). An additional £343,000 will need to be collected in rent between October 2014 and March 2015.

- 4.14 Tenants affected are being contacted to set up payment plans and provide support.
- 4.15 Universal Credit is expected to be introduced in Leeds during the summer of 2015. There are approximately 36,500 tenants currently receiving a full or part housing benefit which equates to £130.5M per annum currently being paid direct. Tenants will have to apply on line and the default payment of the housing rent element will be direct to the tenant. Housing Management will continue to work with tenants to provide support and assistance to minimise the impact on individuals and their families.

## **5. Corporate Considerations**

### **Consultation and Engagement**

- 5.1. The rent arrears procedures, service standards and information materials were developed in consultation with customer focus groups and partner agencies in the 3<sup>rd</sup> Sector.
- 5.2. As part of the process review further consultation 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.

## **6. Equality and Diversity / Cohesion and Integration**

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

## **7. Council policies and City Priorities**

- 7.1. 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.
- 7.2. The detail set out in this report supports 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.
- 7.3. 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.

## **8. Resources and value for money**

- 8.1. By providing customer focused person centred housing management services individual plans will be developed with tenants to respond to individual circumstances.

## **9. Legal Implications, Access to Information and Call In**

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

## **10. Risk Management**

If tenants do not or are unable to pay their rent this poses a risk to the Housing Revenue Account Business Plan assumptions in that it will reduce the income stream and directly impact on finance available to manage the service and deliver the repairs and capital programme.

## **11. Conclusions**

The largest proportion of technical arrears occur as a result of the tenants paying monthly by direct debit in arrears. The impact of technical arrears is being minimised and performance is now reported on weeks which take account of direct debit payments. At week 26 the true technical arrears only represent 0.0002% (£1184) of the total arrears. Small arrears make up 5.7% of the total debt due to tenants not clearing their account after making a payment. There are not many cases of long standing low static arrears but the accounts fluctuate in and out of this level of debt.

It is not considered appropriate to write off current small debt this is ongoing and is collectable.

## **12. Recommendations**

12.1 Scrutiny Board is requested to note the contents of this report.

## **13. Background documents**

None