

To: Housing Panel
Date: 9th October 2014
Report of: Head of Customer Services
Title of Report: Rents Performance

Summary and Recommendations

Purpose of report: To provide an update on rents arrears as requested by the Panel.

Executive lead member: Councillor Susan Brown

Recommendation(s): The Panel is asked to note the information requested and the work being undertaken to improve rent collection.

Appendices to the Report:

Appendix1 – Arrears Escalation Procedure

Background

1. Following the Housing Scrutiny Panel's meeting on the 15th January this report provides an update on current tenant rent arrears as at the end of August 2014. In particular:
 - The profile of the debt by age and value; and
 - The number of tenants in arrears who are affected by any of the benefit changes and/or in the direct payments pilot.

Overall Rent Collection Performance

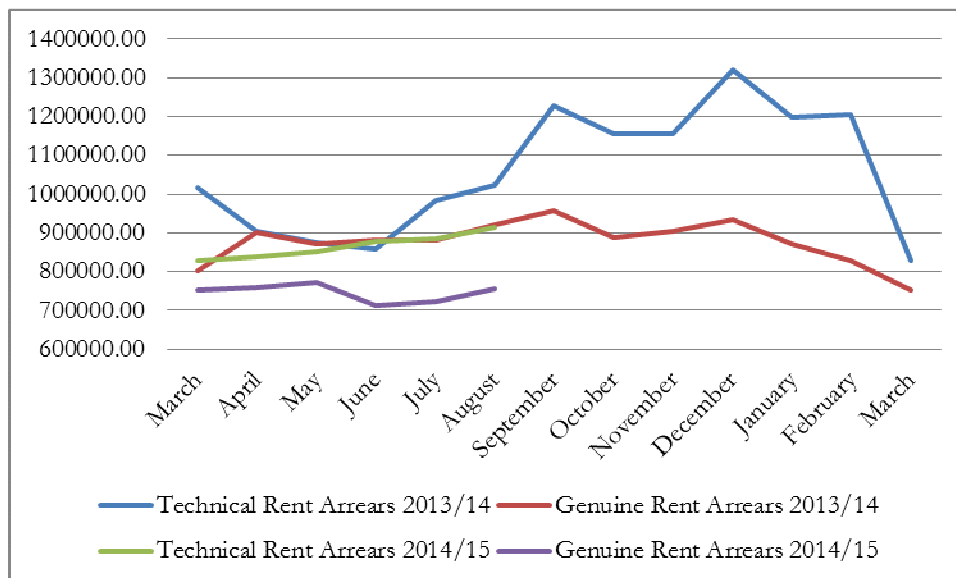
2. As at 31st August 2014 the collection rate was 94.15% against a year to date target of 94.00%. The target collection rate as at the 31st March 2014 is 97.5%.

Technical arrears vs Genuine arrears

3. As the rent debit is raised weekly, the arrears figures are skewed by the following variables:
 - Direct Debit payment dates of the 5th, 15th and end of month.
 - The timing of monthly instalments. Most tenants paying their rent by direct debit will pay for their annual rent in 12 equal monthly instalments.

- In 2014/15 there are 52 weekly rent debits, which equates to 4.34 weeks rent being paid each month, therefore at certain points in the year the monthly debit is not cleared by the monthly payment. However, the instalment plan will ensure that each rent account will be cleared by the end of the financial year.
 - Direct payments of Housing Benefit paid 4 weekly in arrears.
4. This report adjusts the technical arrears figures to provide 'genuine arrears' figures on a monthly basis, ('genuine arrears' take into account the timing issues related to direct debits and direct payments of housing benefit).
 5. Table 1 below shows technical arrears from the end of March 2014 to end August 2014, compared to the 2013 figures. Technical arrears were £829,802.21 (1.89 % of rent roll) at 31st March 2014. They had risen to £915,861.02 (2.09% of the rent roll, an increase of £86,058.81) at the end of August 2014.
 6. Table 1 also shows genuine arrears from the end of March 2014 to end August 2014, compared to the 2013 figures. Genuine arrears were £752,443.59 at 31st March 2014 and had risen to £757,498.39 at the end of August 2014, an increase of £5,054.48. However, this is significantly below the comparative figure of £920,831.83 for 31st August 2013.

Table 1: Rent arrears comparison between 2013 and 2014 to the end of November:



Aged Debt Analysis

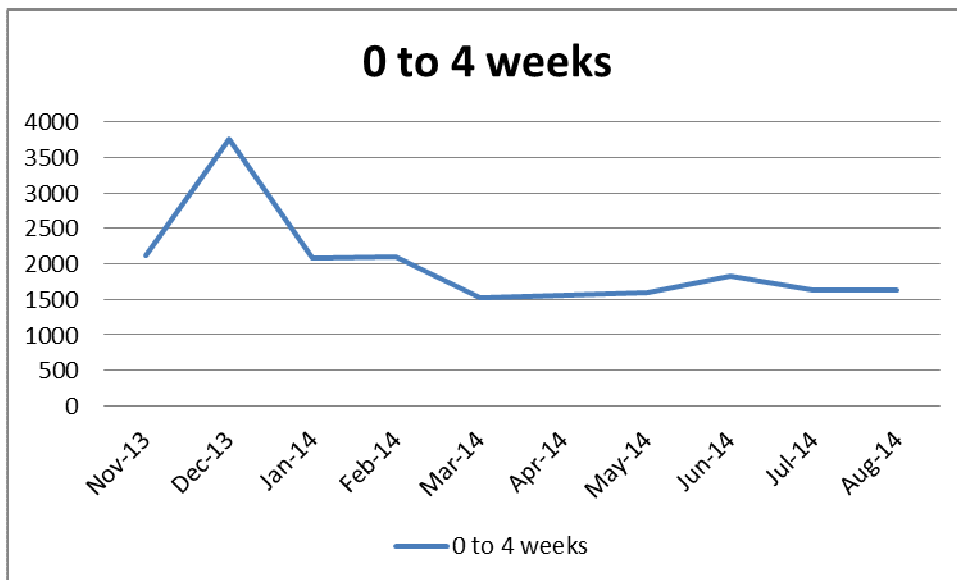
7. Table 2 below shows the profile of debt by the number of weeks in arrears. It shows there is an increase in the number of arrears cases in the 0-13 week's bracket (108). However, the number of arrears cases between 13 and 52+ weeks has fallen both in value (£20,170.73) and volume (7). There are 4 cases older than 26 weeks that are being dealt with and continually monitored.

Table 2: Aged Debt Analysis for Rent

Range	Genuine Arrears March 2014	Genuine Arrears Cases	Genuine Arrears August 2014	Genuine Arrears Cases
0 to 4 weeks	£230,903.08	1517	£247,422.06	1621
4 to 13 weeks	£345,849.40	460	£354,555.95	464
13 to 26 weeks	£145,886.43	75	£144,111.45	72
26 to 39 weeks	£19,188.25	6	£11,408.93	4
39 to 52 weeks	£3,994.66	1		
52 Weeks +	6621.77	1		
	£752,443.59	2060	£757,498.39	2161

Low Level Arrears Analysis

Table 3: Number of tenants in arrears between 0 to 4 Weeks



8. The above graph tracks the trend of the number of tenants with less than 4 weeks rent arrears since November 2013. It shows there was a steady reduction of tenants in rent arrears in Q4 of 2013/14 but that there has been a slight increase since the start of the new financial year coinciding with the annual rent increase. The numbers decreased in March 2014 through a combination of targeting low level arrears as well as agreed payment plans made throughout the year paying off their agreed debt.

Table 4: Tenants in rent arrears for less than 4 weeks and their payment method

Payment Method	Number	Percentage
Post Office Cards	1112	68.60
Direct Debit / Standing Order	436	26.90
Other Payment Method	73	4.50
Total	1621	100

9. Table 4 above shows that a large percentage (68.6%) of tenants with less than 4 weeks arrears pay by payment card at any given time during the month. This data may suggest that tenants using this payment method are not able to commit to direct debit or standing order, and pay their proportion of the rent when finances or budgets allow them. The Rents Team start engaging with tenants through reminder contacts such as phone conversations or letters when a tenant reaches a level of two weeks in rent arrears.

10. There has been some recent analysis carried out on a sample of 20 cases with low level rent arrears, the objective being to gain an understanding of whether the arrears are likely to escalate further. This initial analysis has shown the following:

- 12 tenants who pay by direct debit, but due to the timing of that payment their account still has arrears showing at the end of the month, but they are paying the correct amount each month.
- 4 tenants have static arrears of less than £10.00 and have not cleared that debt despite attempted contacts
- 2 tenants have agreements to clear balance
- 1 new tenant waiting for their housing benefit to be assessed
- 1 tenant that pays at various intervals in the month and does not clear full balance

From this initial sample we can see that most have arrangements to ensure that their arrears do not escalate any further. We will continue to contact all new arrears cases with more than 2 weeks arrears or where the agreement has been broken.

Debt Analysis by Value

11. Table 5 below shows the profile of debt by value. Since 1st April 2014 the number of arrears cases has increased by a net 101 (£5,054.80), predominantly in the £100 - £500 range.

Table 5: Rent Debt Analysis by Value of Debt

Range	Genuine Arrears March 2014	Genuine Arrears Cases	Genuine Arrears August 2014	Genuine Arrears Cases
£0 to £100	£29,372.77	672	£27,871.59	690
£100 to £250	£82,549.59	496	£83,880.37	502
£250 to £500	£145,944.41	412	£182,063.71	509
£500 to £750	£123,936.01	204	£124,643.01	204
£750 to £1000	£92,125.00	107	£77,575.25	89
£1000 +	£278,515.81	169	£261,464.46	167
	£752,443.59	2060	£757,498.39	2161

Rent Debt Analysis by Welfare Reform Type

12. Table 6 below shows the level of arrears at the end of March 2014 and August 2014 for tenants affected by welfare reform with direct payments broken down into each phase.

Table 6: Arrears Breakdown

		Genuine Arrears March 2014	Genuine Arrears August 2014
OCC Tenants	Sum	£752,443.59	£757,498.39
	Tenants in Arrears	2060	2161
	Average	£365.26	£350.53
Non Direct Payments	Sum	£690,073.44	£704,624.81
	Tenant in Arrears	1,828	1958
	Average	£377.50	£359.87
Direct Payments Phase 1	Sum	£34,808.34	£29,979.43
	Tenants in Arrears	118	111
	Average	£294.99	£270.08
Direct Payments Phase 2	Sum	£23,861.57	£18,420.65
	Tenants in Arrears	98	81
	Average	£243.49	£227.42
Direct Payments Phase 3	Sum	£3,700.24	£4,473.50
	Tenants in Arrears	16	11
	Average	£231.27	£406.68
Bedroom Tax	Sum	£112,876.91	£98,125.33
	Tenants in Arrears	257	239
	Average	£439.21	£410.57

Note 1: The analysis of genuine arrears in this table does not add up to the total genuine arrears because some tenants fall into more than one category.

Note 2: Tenants impacted by the bedroom tax with arrears prior to the 1st April have these detailed in the March 2014 column.

- 13. Tenants that are on direct payments and remain so reduce their rent arrears over the longer period. Phases 1 and 2 have reduced their rent arrears continually over time.
- 14. Discretionary Housing Payment (DHP) is presently paid to a total of 124 City Council tenants, 98 of those tenants are in rent arrears and 82 tenants are affected by the bedroom tax.

Direct Payments

- 15. Out of a total of 7,645 tenants, there are 2,326 who are technically in scope for direct payments of Universal Credit. The status of tenants within scope is as follows;

Number	Category
1198	Live Cases
446	Switched back due to arrears or support reasons
301	Closed due to tenancy end or benefit end
381	Not included due to support reasons
2326	Total number of tenants assessed

- 16. The table above shows that 381 tenants still require support before being transferred onto direct payments. The Rent Team has undertaken intensive triage work with 195 of these tenants, to ensure they are prepared for receiving their housing benefit payments. Out of these 195 tenants the aim is to transfer a further 150 tenants onto direct payments by December 2014.
- 17. We will continue to engage with the remaining 230 tenants in preparation for Universal Credit. If these tenants are determined to be too vulnerable, we will work with them and ensure that they are identified to the Department for Work and Pensions (DWP) through data sharing agreements in readiness for Universal Credit. The Rents Team are also working with new tenants before they sign their tenancy agreements, assessing their support needs with a view to making direct payments where appropriate.
- 18. The DWP has published rent collection performance for those taking part in the Direct Payment pilot. For the 18 months of the pilot from July 2012 to December 2013, the average rent collection across all six sites was 94% compared to Oxford City Council at 97.03%.

Recovery Activity

- 19. The Arrears Escalation Procedure is attached at Appendix 1. All actions by officers are preceded by a phone call to resolve problems and work on solutions with tenants.

20. Table 7 below shows the last three years of agreement and court activity and that there has been an increase in court activity in the last year and a half. Of the 447 tenants that presently have either an agreement, a court order or a court restoration within this debt range, 290 (or 65%) have adhered to the agreement reducing the balance from the agreed date. As at the end of August 2014 there are currently 93 accounts without an agreement.

Table 7: Arrears Actions for Tenants over 4 Weeks in Arrears

Arrangement Type	2012/13	2013/14	August 2014
Agreements	859	996	367
Court Orders	68	125	57
Court Restorations	32	87	23

21. Tenants in arrears are contacted by the Rents Team in the first instance to make an agreement. If this agreement is not adhered to, or we are unable to make contact with the customer, then the case is escalated to a court hearing. At the court hearing the judge will make a determination based on the individual case presented, and will either grant possession, or suspend possession based on an agreement being maintained via a court order, or adjourn the case subject to a payment arrangement being agreed and maintained. The team has evicted 6 tenants in the current year, compared to 9 evictions during 2013/14.

Improvement Plan

22. The Rents Team has recently undergone a restructure. The emphasis of the change was to provide a more proactive service that prevents arrears and supports tenants in the process, as well as creating more opportunities for career progression, strengthening the development opportunities for staff.

23. The team has now changed the way they monitor arrears by focusing experienced resources earlier in the arrears procedure to provide support to tenants by resolving problems before it is too late. It will also prevent arrears by educating new tenants before they move into the property, contacting tenants for missed direct debits, and supporting those claiming benefits when their circumstances change.

24. There is also strong evidence that for most tenants on direct debit, they are able to manage their payment plans easier than by having a payment card. We intend to promote direct debit as our preferred payment method.

25. The Rent Team is about to embark on an improvement programme that will deliver system, process and staff development. This will help consolidate and improve rent collection, and ensure we are ready for future challenges, including the introduction of Universal Credit.

Name and contact details of author:-

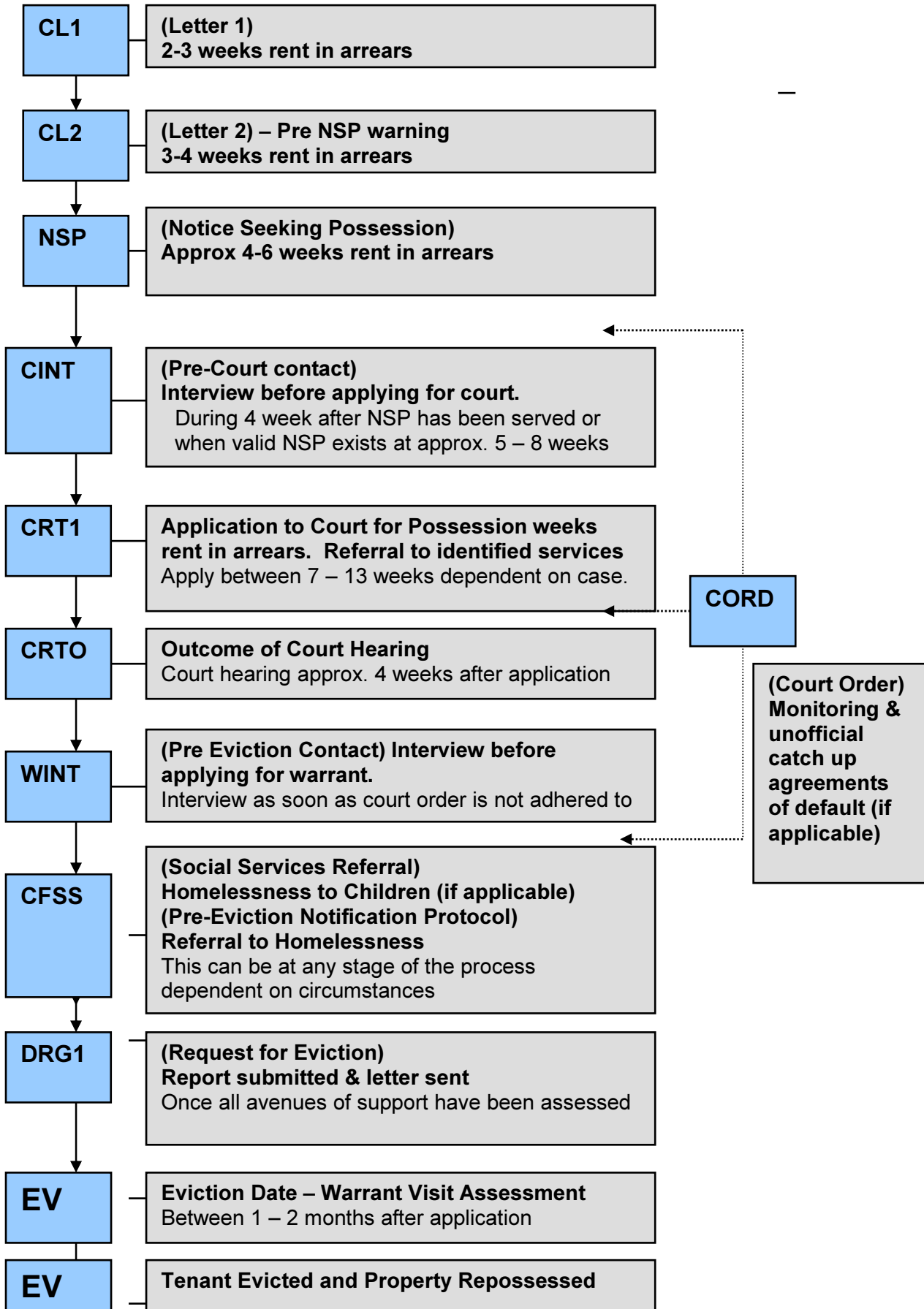
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List of background papers: None

Version number: 0.1

Appendix 1- Arrears Escalation Procedure

Please note: All officers attempt personal contact at all stages of the process to resolve issues with the tenants and assist to sustain tenancies. The use of the legal process is always a last resort in attempting to recover outstanding debt.



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