

To: Housing Panel

Date: 9th November 2016

Report of: Head of Financial Services

Title of Report: Rents Performance

Summary

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

Key decision No

Executive lead member: Councillor Susan Brown, Board Member for Customer and Corporate Services

Report author: Tanya Bandekar, Revenue and Benefits Service Manager

Background

1. Following the Housing Scrutiny Panel's meeting on the 10th December 2015, this report provides an update on current and former tenant arrears as at the end of September 2016. In particular:
 - The profile of debt by age and value
 - The number of tenants in arrears who are affected by any of the benefit changes and/or direct payment rollout.

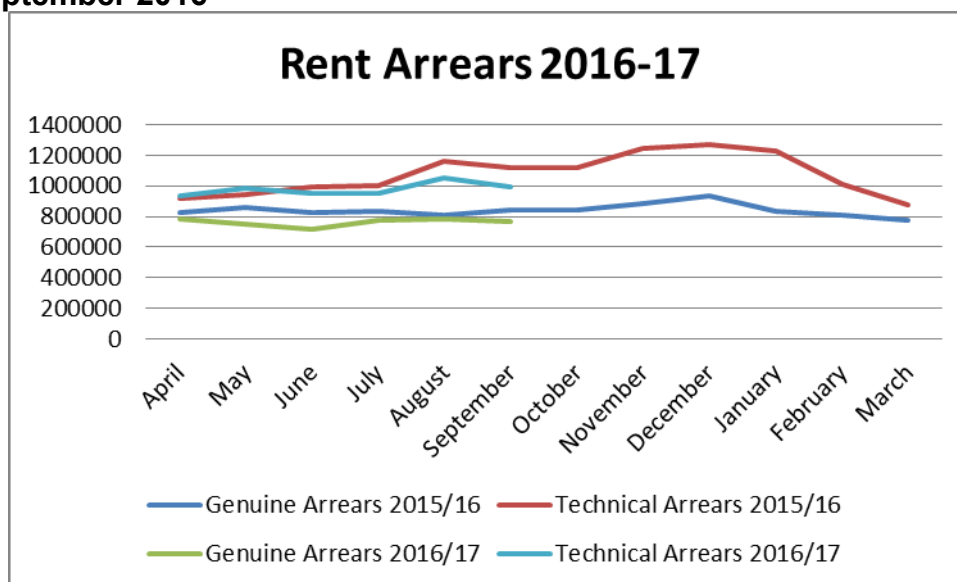
Overall Rent Collection Performance

2. As at 30th September 2016 the collection rate was 95.73% against a target of 95.33%. This is up on the September 2015 position (95.33%). The target collection rate at the end of 31st March 2017 is 98.25%. The target collection rate at 31st March 2016 was 98.00%.
3. The overall Rent roll for this year has increased by approximately £600,000 compared to the same time last year. Despite a reduction in Rent of 1% for some tenancies, new tenancies have seen Rents increased to target rent (due to the removal of the tenant rate discount, where properties were below the market rent), a further 113 new properties have been added to the rent roll, and temporary accommodation units are being charged at LHA rates.

Technical arrears versus genuine arrears

4. 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 2016/17 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 are paid 4 weekly in arrears
5. This report adjusts the technical arrears figures to provide a 'genuine arrears' figure on a monthly basis. ('genuine arrears' take into account the timing issues related to direct debits and direct payments of housing benefit).
6. Table 1 below shows technical and genuine arrears from the end of March 2016 to the end of September 2016, compared to the 2015 figures. Technical arrears were £917,495 (1.94% of rent roll) at 31st March 2016. They had risen to £990,906 (2.01% of the rent roll, an increase of £73,411.57) at the end of September 2016. Genuine arrears were £779,547 at 31st March 2016 and have decreased to £771,520 at the end of September 2016, a decrease of £8,027. The trend levels in changes to arrears patterns are similar to corresponding years, which will lead to reducing levels at end of year.

Table 1: Rent arrears comparison between 2015 and 2016 to the end of September 2016



7. Table 2 below shows the profile of debt by the number of weeks in arrears. It shows there is an increase of 369 arrears cases since March 2016 predominantly in the 0-13 week bracket. However, the number of arrears cases between 13 and 52+ weeks has decreased both by value (£67,422) and volume (30).

8. There are 11 cases that:
- Have been to Court for possession but an arrangement made
 - Are continually monitored by the Income Management Team so that any failure to keep to the arrangement is actioned immediately.

Table 2: Arrears Analysis for Rent

Range	Genuine Arrears March 2016	Genuine Arrears Cases	Genuine Arrears August 2016	Genuine Arrears Cases	Genuine Arrears Sept 2016	Genuine Arrears Cases
0 to 4 weeks	198,241	1316	249,361	1666	220,728	1671
4 to 13 weeks	308,820	392	341,705	414	345,729	436
13 to 26 weeks	233,175	121	162,065	87	171,369	92
26 to 39 weeks	34,856	11	34,237	11	33,695	11
39 to 52 weeks	4,455	1	0	0	0	0
52 Weeks +	0	0	0	0	0	0
	779,547	1841	787,368	2178	771,520	2210

9. At the end of March 2016 there was a single account with the equivalent of between 39 and 52 weeks Rent arrears. We had proceeded to Court for an eviction hearing but the debt was paid by a relative before eviction.

High Level Arrears (13-52+ weeks)

10. All cases that have more than 13 weeks of rent arrears have either been taken or are in the process of going to court to seek a legal agreement to pay the rent arrears. The Income Team are members of the court user group and judges have requested that we work with tenants early in the arrears process so any orders or judgements made are realistic for the tenant to adhere to payments.
11. We are aware that the smaller debts are increasing however to tackle this we are implementing an escalation policy in early November which will automate reminder letters for the lower level debts and free up staff to tackle the higher value debt.

Arrears Engagement Activity

12. Table 3 below shows the last three years of agreement and court activity highlighting a potential increase in legal activity in the current year. This outlines the team's endeavours to contact tenants early in the arrears process and resolve debt problems before they escalate. It also shows that tenants are adhering to long term agreements or payment plans.

Table 3: Arrears Actions for all Tenants

Arrangement Type	2014/2015	2015/2016	April 16- Sep-16
Agreements	996	734	468
Court Orders	125	114	86

13. Tenants in arrears are contacted by the Incomes 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 can make their own judgement on whether or not to vary this arrangement and refer back to the Court in these cases.
14. The team has evicted 15 tenants in the current year; this is significantly higher than previous years but comparable to other organisations in our benchmarking group where the average is approximately 20 per year. The number of evictions has increased because effective action is being taken to tackle the problems earlier, which in some cases means eviction is the right option.

Engagement with tenants

15. In July 2016 the whole Council achieved full compliance for the Customer Service Excellence assessment, and the Rents Team who undertook the assessment the previous year achieved three compliance pluses for;
 - Developing customer insight about our customer groups to better understand their needs and preferences.
 - Empowering and encouraging all employees to actively promote and participate in the customer-focused culture of the organisation.
 - Demonstrating how insight and experience from customer-facing staff is incorporated into internal processes, policy development and service planning.
 - Further work around Customer Insight is underway in conjunction with Tenancy Involvement Officers

Former Tenant Arrears (FTA's)

16. Current Former Tenant Arrears figures for the current year are detailed below:

Starting Balance April 2016	£350,875
Balance at September 2016	£398,490

17. This financial year the focus has been on targeting new tenants when they sign their tenancy agreement with a view to stopping arrears building up in the early stages of the tenancy. The team have also been tackling medium level arrears and the increase in high level debts to stop the escalation of arrears.
18. Former tenants' arrears are currently dealt with on a case by case basis with accounts being pursued but fewer write offs being completed than last year.
19. The Council has procured a new Enforcement Agency and Debt Collection Agency contract for the collection of Council debts which came into force in September 2016. The Debt Collection Agency will be engaged to collect income where efforts by the team have been unsuccessful. We have selected two agencies that will provide competition and we can measure performance against

each. The Enforcement Agencies will only be used as a matter of last resort in an attempt to collect the debt, failing which the debt will be written off.

Debt Analysis by Value

20. Table 4 below shows the profile of debt by value. Since 1st April 2016 the number of arrears cases has increased by 369, however, the arrears have decreased (£8,027).

Table 4: Rent Debt Analysis by Value of Debt

Range	Genuine Arrears March 2016	Genuine Arrears Cases	Genuine Arrears August 2016	Genuine Arrears Cases	Genuine Arrears Sept 2016	Genuine Arrears Cases
£0 to £100	25,662	492	32,419	715	37,414	811
£100 to £250	82,263	566	93,046	617	85,087	579
£250 to £500	110,934	307	125,946	343	114,533	319
£500 to £750	98,564	161	122,459	202	118,379	194
£750 to £1000	75,524	87	88,683	102	89,868	103
£1000 +	386,600	228	324,815	199	326,239	204
	779,547	1841	787,368	2178	771,520	2210

Welfare Reform

Universal Credit

21. Out of a total of 7,645 tenants, there are 60 tenants who are now in receipt of Universal Credit (UC). 48 of these cases have had an arrears increase of an average of £682 since they have been in receipt of Universal Credit.
22. We have applied for a total of 13 Alternative Payment Arrangements (APA), where the housing element of Universal Credit is paid directly to the Council, and the Department for Work and Pensions have agreed 11 of these.
23. There have been several issues in dealing with the Department of Works and Pensions (DWP) to ensure tenants receive timely assessments and communicate the information required.
24. Of the 60 tenants that have received UC payments, five were part of the direct payment demonstration pilot.

Direct Payments

25. We currently have 719 tenants who are receiving direct housing payments. These tenants are now monitored for non-payment using the standard Income Team procedure.
26. We have also amended our procedures to ensure we capture as many tenants as possible onto direct payments at tenancy sign-up.

Bedroom Tax

27. There are 297 tenants currently affected by the bedroom tax, this is a reduction of 363 cases from 660 tenants with bedroom tax deductions when the policy was introduced in April 2013.
28. Out of these tenants there are 44 that are being supported by Discretionary Housing Payments (DHP).

Benefit Cap

29. There are a further 10 tenants in receipt of DHP affected by the Benefit Cap which was introduced in April 2013.
30. Current data suggests that a further 136 City Council tenants will be affected by the proposed reduction in the benefit cap in 2016. Of those 136, 17 are already subject to the current Benefit Cap and will be further affected by the new one. The Welfare Reform Team is currently working with 17 of those affected now by the existing benefit cap and are contacting those remaining affected tenants to inform them of the likely impact and invite them to engage with the Team in order to help prepare for the changes.

Benchmarking data:

31. The Benchmarking data provided by HouseMark for the 12 months to 31st March 2016 which compares data for the City Council with similar local authorities that have retained their Housing stock is not available until mid-November (this scrutiny report is earlier than last year). Once available it can be circulated to the Panel with details of our position.

Service Improvement

32. Actions completed from the last report
 - Promoting Direct Debit as our preferred payment method- we now offer this as the preferred payment option and current take up is almost 50% of total tenants (not including those on full Housing Benefit)
 - We are looking at how we can work with Northgate, our Housing system provider to offer a range of additional Direct Debit dates for arrangements
 - We continue to review processes and procedures on a regular basis and have reviewed all letters sent to customers from initial contact through to serving notice, improving efficiency and communication through tenant and staff consultation. We are currently reviewing the letters and statements sent at the start of the year
 - We have been using new software for a year now which has allowed us to highlight specific areas of the city where there has been a growth in arrears. Using historical payment data for the tenants in that area we can divert resources to specific tenancies to tackle arrears.
 - We are introducing an automated procedure of letter generation for our two initial contact letters to better improve early notification to the tenant of non-payment but also allow staff resources to review notice of possession creation. This will assist with the collection of smaller rent arrears
 - Arrears prevention at sign up of tenancy- we have a dedicated officer who has built on and improved the process, and this has been incorporated into

our business as usual procedures going forward. This, along with getting Housing Benefit and Council Tax Reduction forms completed at the same time provides an improved customer experience.

- Former Tenant Arrears collection- we have re focused attention on higher level arrears this year and management of those former tenant arrears by cleansing accounts and proposing to send those viable for recovery to our Enforcement Agents now the contract is in place.
- Process review- from start to finish - we have completed our work with a number of other teams in Housing, Welfare Reform, Customer Services to journey map the processes we have with tenants from the initial contact with us to the end of a tenancy. We developed an action plan and completed the remaining actions at our October 2016 meeting.
- Universal Credit implementation- we have 60 tenants on Universal Credit and continue to work with Job Centre Plus and the Welfare Reform and Benefits Team to ensure a smooth transition. We are awaiting further information on roll-out for additional tenants.
- We are working with the Customer Contact Centre, giving additional training and advice, to ensure that these staff can resolve the customer enquiry at first point of contact.
- The team were highly commended in the Team of the Year category at this year's staff awards.

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