

## UPDATE ON RENT ARREARS

Report of the Director of Housing & Customer Services

### 1. SUMMARY

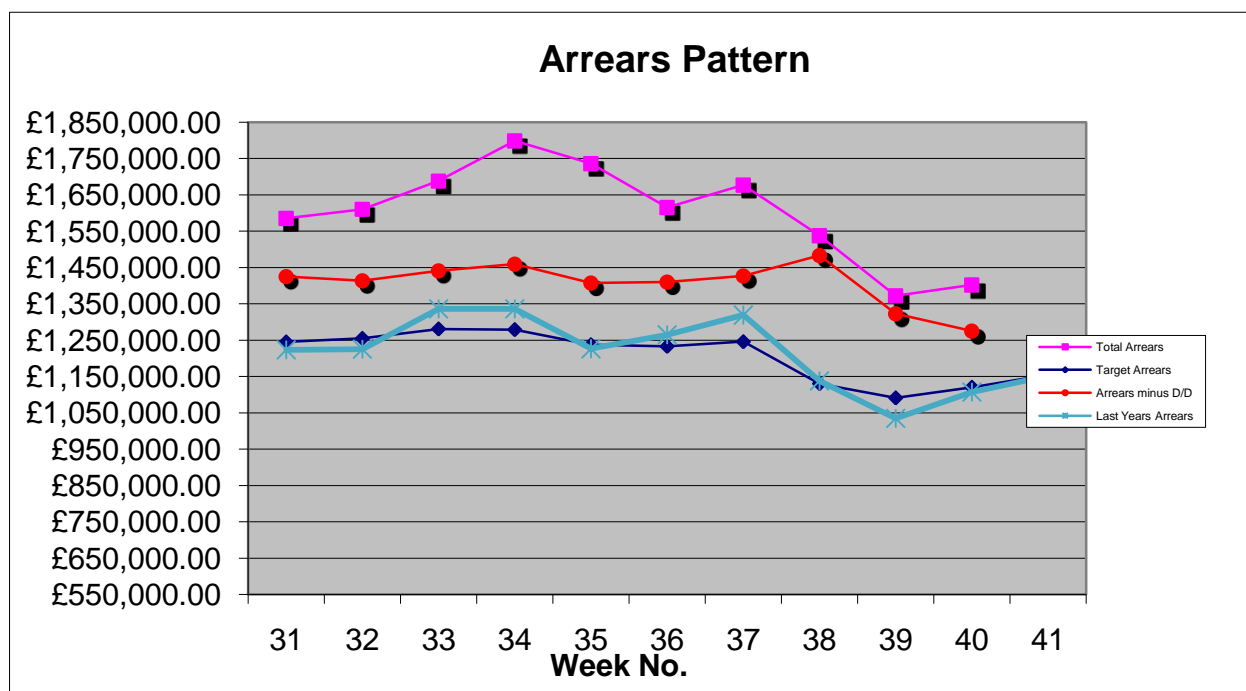
This report sets out current performance on rent arrears and advises the Board of the ongoing management actions since the last report.

### 2. RECOMMENDATION

The Board is asked to note the content of this report and approve the actions being taken.

### 3. MATTER FOR CONSIDERATION

3.1 The table below shows the ongoing trend of rent arrears.



3.2 As at 8 January 2012 (week 40) the current rent arrears were £1,402,020, against a target arrears figure of £1,120,252. Excluding arrears of Direct Debit payers the total arrears figure would be £1,275,731.

3.3 Weeks commencing 19 December 2011 and 26 December 2011 were rent free weeks; during these weeks the arrears reduced by a total of £304,610. Approximately £200,000 of this figure was Direct Debit payments and this has resulted in the balances

outstanding due to Direct Debit reducing considerably as can be seen in the graph above. This position was as reported to the Board in November 2011 and so long as tenants maintain their Direct Debit payments rent accounts will be clear at year end.

- 3.4 At the present time we estimate that around £160,000 of the rent arrears is outstanding due to un-processed benefit. This is based on an exercise done in September 2011 when the arrears were at a similar level. It is important to understand that any point in time there are always benefit claims within process and we assess this to be around £50,000 in monetary value. Therefore the arrears over and above what would normally be expected outstanding are in the region of £110,000.
- 3.5 To forecast the likely position at the end of this financial year we have looked at the total arrears figure at this point in time over the last four years and compared these figures to the eventual year end outcomes.
- 3.6 The table below looks at the arrears immediately following the rent free weeks and then the arrears at week 52 (year end) and then calculates the difference as a percentage.

Year	Week 39	Week 52	Wk 52 as % of week 39
2007/08	1,003,926	886,148	88.3
2008/09	1,127,407	974,948	86.5
2009/10	1,107,617	943,042	85.1
2010/11	1,034,959	932,175	90.0

- 3.7 Assuming the same pattern applies to this year, and using an average of the percentage difference for the last four years for the percentage and applying it to this year's week 39 figure, then the line for this year would look like this

Year	Week 39	Week 52	Wk 52 as % of week 39
2011/12	1,372,608	1,201,032	87.5

- 3.8 On this basis the year end arrears figure is forecast to be in the region of £1,200,000. This is a real terms increase of around £270,000.
- 3.9 We have now fully recruited to the new structure within the Income Management Team. We are concentrating on more telephone contacts with tenants, during the day and into the early evening. We will also be looking to introduce weekend contacts through flexible working arrangements. We are working closely with Derby City Council Money Advice Team and will also be using our Enquiry Centre and Local Office Teams to focus on reducing lower level debts. At the present time 46% (1,949) of the tenants in arrears owe £100.00 or less and managing this debt to prevent it increasing is an important part of the arrears process. We are also monitoring cases covered by court orders very closely. At the present time arrears covered by court orders is £488,054.39.
- 3.10 In November 2011 Board Members agreed to increase and extend the funding of an agency worker to work within Derby Benefits to concentrate on processing outstanding local authority claims. Since November 2011 there have been a series of events which have resulted in these positions being un-filled and replacement staff having to be recruited. Due to these problems we have not yet realised any improved performance but remain confident that once both positions are filled progress will be made on outstanding claims.

3.11 The table below shows the Housing Benefit postings received over the last 12 weeks.

WK	DATE	AMOUNT £		WK	DATE	AMOUNT £
29	17.10.11	634,538		35	28.11.11	633,957
30	24.10.11	632,669		36	05.12.11	620,421
31	31.10.11	641,051		37	12.12.11	640,000
32	07.11.11	633,243		38 *	19.12.11	40,810
33	14.11.11	637,611		39 *	26.12.11	39,099
34	21.11.11	617,042		40	02.01.12	599,383

\* Denotes rent free weeks

- 3.12 Analysis of the rent arrears cases at week 40 shows that 7.62% of tenants had more than seven weeks of (gross) rent arrears as a % of the total number of tenants. On week 40 2011 this figure was 6.15%. It is highly likely that the increase in these arrears cases will be due to delays in benefit claims being processed.
- 3.13 Derby Benefits continue to face an increasing caseload, particularly on notifications of 'changes in circumstances'. From early February the Council will be engaging additional resources through outsourcing to assist with managing this area of work. Again we remain optimistic that improvements will be realised before the end of the current financial year.
- 3.14 Discussions continue with the Head of Benefits and Exchequer Services at the Council and also with Cath Roff, Strategic Director for Adults Health and Housing, to highlight our concerns relating to Housing Benefit performance and the effect on rent arrears.
- 3.15 Since November 2011 we have carried out a marketing campaign to try and encourage more tenants to pay by Direct Debit. Over 300 additional tenants have completed mandates to pay by this method and we now have a total of 2,313 making payment by Direct Debit. We will continue to promote this method of payment. The Derby Homes News edition in early March will concentrate on the importance of paying your rent and will provide more advice on maximising income, budget management and entitlement to benefits. We will also be holding a free to enter prize draw for all tenants who have a clear rent account at the end of the financial year. Ten prizes of £250 decoration/home improvement vouchers will be awarded.
- 3.16 In September 2011 Derby Homes Board approved proposals to consult with tenants on the current arrangements for rent free weeks. Three options were presented at Housing Focus Groups and Annual Rent Consultation with the Derby Association of Community Partners, posted on the website for open consultation and within Derby Homes News.
- Retain the current arrangements of four rent free weeks
  - Reduce to two rent free weeks at the end of March
  - Abolish the rent free weeks and move to a 52 week rent year.
- 3.17 Four out of the five Housing Focus Groups voted to retain the current arrangements. The Housing Focus Group in South East 2 was cancelled due to no tenants attending. The DACP open meeting were consulted on Rent and Service Charges 2012/13 also voted to retain the current arrangements, eleven in favour of retain current arrangements and two in favour of abolishing and moving to a 52 week rent year.

- 3.18 The website and Derby Homes News postal consultation returned the views of 723 tenants, 623 opted to retain current arrangements, 26 to reduce to two rent free weeks and 74 to move to a 52 week rent year.
- 3.19 The outcome of this consultation has been forwarded to the Council with a recommendation to retain the current arrangements of a 48 week rent year and to move one rent free week to week one of the financial year to reduce the false arrears caused by Direct Debit payment patterns caused by five week months.
- 3.20 In December 2011 the City Board gave verbal support to introducing a policy which would defer home improvement works such as new kitchens and bathrooms for tenants whose rent accounts are in arrears. A full report will be presented to the City Board in February 2012 and we propose to implement these proposals and contact tenants who are programmed for work to be carried out during 2012/13.

#### **4. CONSULTATION IMPLICATIONS**

As detailed within the body of this report.

#### **5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS**

The future funding of the Housing Revenue Account is dependent on maintaining effective income collection. If arrears increase this will reduce the amount available for future services.

#### **6. EQUALITIES IMPACT ASSESSMENT**

- Does this report affect the delivery of a service. Yes.
- Has an Equality Impact Assessment been completed. No.

An Equality Impact Assessment will be completed with proposals being made in relation to future capital repairs. This will be presented to the City Board in February 2012.

The areas listed below have no implications directly arising from this report:

Legal and Confidentiality  
Council  
Personnel  
Environmental  
Health & Safety  
Risk  
Policy Review

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or Phil Davies, Chief Executive, [phil.davies@derbyhomes.org](mailto:phil.davies@derbyhomes.org) – Phone: 01332 888528

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Background Information: None.

Supporting Information: None.