

**TO: CULTURE AND SOCIAL POLICY COMMITTEE – 7<sup>th</sup> SEPTEMBER 2005**

**SUBJECT: RENT ARREARS PROGRESS REPORT**

**FROM: HOUSING SERVICES**

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**1. PURPOSE OF REPORT**

- 1.1 To update the Committee on the measures being taken to improve performance in the management and collection of rent arrears and present an updated Improvement Action Plan.

**2. BACKGROUND**

- 2.1 Social Overview and Scrutiny Committee considered a report on rent arrears at its last meeting in March 2005. The report noted that performance in this area was extremely disappointing with all performance indicator targets being exceeded. The report included an Improvement Action Plan which presented details of the measures to be taken to improve performance.
- 2.2 The Committee noted the report and commended the Improvement Action Plan but requested a further progress report to be presented in September 2005. This timetable was subsequently reconfirmed by this Committee when it formulated its work programme for the year.

**3. POLICY AND BUDGET FRAMEWORK**

- 3.1 The effective collection of rent and charges and the minimisation and prompt recovery of arrears underpin the Housing Revenue Account Business Plan.
- 3.2 A longstanding national Best Value Performance Indicator, BVPI 66a, monitors the proportion of rent collected. In addition new indicators (BVPIs 66b-d) have been introduced this financial year to measure the percentage of current tenants with a Possession Notice served, the percentage of tenants evicted due to rent arrears and the percentage of tenants owing more than 7 weeks arrears.
- 3.3 There remain no national performance indicators specifically relating to the level of rent arrears. However, targets are included within the Housing Landlord Service Area Plan and are reported as local indicators within the Quarterly Performance Monitoring framework.

**4. OUTCOME(S) REQUIRED**

- 4.1 The Committee is asked to consider this report and determine whether it wishes to undertake further investigation or receive further reports on this subject.

Bill Hunt  
Head of Housing Services

## BACKGROUND PAPERS

Minutes of Council Meeting -19<sup>th</sup> January 2005

Rent Arrears Progress Reports to Social Overview and Scrutiny Committee – 22<sup>nd</sup> March 2005, 2<sup>nd</sup> March 2004 & 7<sup>th</sup> September 2004

Reports to Community Scrutiny Committee – 19<sup>th</sup> June 2001, 8<sup>th</sup> January 2002, 21 May 2002 & 3<sup>rd</sup> December 2002

**Areas in District Affected:** All

**Executive Portfolio Area and Holder:** Housing, Councillor Alan Boad

**For further information about this report please contact:**

**Contact Officer(s):** Cassandra Lewington                      Bill Hunt  
Tenancy Services Manager                      Head of Housing Services

**Tel: (Direct Line)**                      (01926) 456433                      (01926) 456403

**E-Mail:**                      [cassandra.lewington@warwickdc.gov.uk](mailto:cassandra.lewington@warwickdc.gov.uk)                      [bill.hunt@warwickdc.gov.uk](mailto:bill.hunt@warwickdc.gov.uk)

## 5. CURRENT PERFORMANCE

- 5.1 The local indicators in the Quarterly Performance Report have been simplified for this financial year. HL20(1) monitors the level of current tenant dwelling rent arrears expressed as a percentage of the gross debit. HL20(2) monitors the level of total indebtedness i.e. the total of all rents and charges owed to the Council by both current and former tenants.
- 5.2 The target for current tenant rent arrears has been set at 2.4% of the gross debit. This is a deliberately ambitious target, increased from 2.81% for last financial year.
- 5.3 Performance against this target stood at 3.49% at the end of last financial year and 3.43% at the end of the first quarter of this financial year.
- 5.4 The percentage had reduced further to 3.30% as at 5<sup>th</sup> August, a reduction of 0.19% since the start of the financial year.
- 5.5 Whilst this improvement in performance is encouraging a further reduction of 0.9% will be required to achieve target by year end, equivalent to £154,000 being removed from the total of current tenant rent arrears. This will be challenging as the basis of recovery action is to achieve a sustainable and realistic repayment agreement i.e. payment of the current rent plus an additional weekly amount. Agreements need to reflect the tenant's circumstances and for a household on state benefits may be as low as current rent plus £2.85 per week. Whilst all agreements have a positive impact on arrears performance the relatively low level of repayment by such an agreement means that progress in improving performance against the indicator may initially seem slow.
- 5.6 The target for total indebtedness is 7.0% of the gross debit. Performance here was more encouraging with the percentage standing at 6.55% at the end of the first quarter and 6.16% at 5<sup>th</sup> August.
- 5.7 A detailed breakdown of current performance is attached at **Appendix One**.
- 5.8 Further details of the levels of current tenant rent arrears split by level of debt owed are attached as **Appendix Two**.

## 6. IMPROVEMENT MEASURES

- 6.1 The Improvement Action Plan previously reported outlined the need for a thorough review of our arrears recovery procedures, incorporating best practice in the sector and complementing the wider Business Process Redesign work being undertaken across all the Tenancy Management teams. It also raised the need to ensure we are utilising the capabilities of the new IT system effectively, have resolved any remaining problems relating to its implementation, improved reporting and management information tools and publicised the issue of rent arrears amongst tenants.
- 6.2 Good progress has since been made, assisted by a redistribution of management responsibilities that ensured the Tenancy Services Manager could focus almost exclusively on rent arrears from August onwards.

- 6.3 A review of the current use of the IT system has been undertaken which has determined it has greater functionality and capability than is currently being utilised. New reporting tools have been developed and we are finally confident that point in time arrears balances account for payments made through AllPay which take several days to be processed and reach a rent account. We are also confident that Housing and ICT staff are now sufficiently trained and familiar with the system to be able to change current procedures, processes, letters etc without the need for involvement from the supplier.
- 6.4 This latter point is significant as, during October, we intend to change the automated “workflow” which identifies arrears cases where enforcement action needs to be either commenced or escalated to the next recovery stage.
- 6.5 This change will reflect the outcomes of the review of our recovery procedures. A weakness of the past operation of the specialist Rent Arrears Team has been the lack of detailed and documented procedures which has led to inconsistencies in the approach adopted by individual officers. A comprehensive procedure manual has now been written which incorporates the latest guidance and best practice, such as the recently published in the Office of the Deputy Prime Minister (ODPM) Good Practice Guide for Rent Arrears and the revised Civil Justice Protocol which is currently out for consultation.
- 6.6 The new procedures are designed to optimise the effectiveness of our enforcement action. The old procedures reflected the traditional fortnightly rent debit with recovery action commencing when a tenant fell into arrears equivalent to 2 weeks rent. Since the introduction of the new IT system we have been raising the rent debit weekly so the new procedures reflect the need to begin the recovery process earlier. A summary of existing recovery procedures is attached at **Appendix Three** and a summary of the draft revised procedures to be introduced is attached as **Appendix Four**.
- 6.7 The revised procedures establish the need for personal contact to be made with tenants in arrears as early as possible and for this contact to be maintained throughout the recovery process. This supercedes the current over-reliance on automated standard letters as the main approach to arrears recovery. We will also use the IT system’s capability to produce individual statement of accounts which will in future be sent out at key stages in the recovery process. These will be used in addition to the regular 6 monthly statements that are sent to all tenants.
- 6.8 The procedures will also reflect good practice that Notices should not be served nor court action commenced until any outstanding Housing Benefit issues have been resolved. This will ensure a strengthening of the dialogue and relationship between Arrears Officers and Benefit Officers which are currently underdeveloped.
- 6.9 The new arrears procedures are comprehensive which precludes attaching them as an appendix but a draft copy of the procedures will be available for Members to view at the Committee meeting. Our intention is to issue them to all members of the Rent Arrears Team as an Arrears Manual to ensure consistency of operation and aid the induction and training of new team members.
- 6.10 In addition to the work on procedures a major feature on rent arrears appeared in the last edition of Home News. This highlighted the enforcement action that will be

taken where a tenant is in arrears but where no repayment agreement has been made and/or kept. This was balanced with detailed information on payment options, what to do if struggling to pay the rent and details of who to contact. We intend to publicise the issue further by using press releases when we evict for non-payment of rent, as we currently do for anti-social behaviour, reinforcing the message that we will get tough unless an agreement is made and kept and hopefully encouraging a “payment culture” amongst our tenants.

6.11 A summary of the on-going Improvement Action Plan is attached as **Appendix Five**.

## 7. **RESOURCING RENT ARREARS RECOVERY**

7.1 Members will be aware a specialist Rent Arrears Team was established in September 2001.

7.2 Since then the resources devoted to arrears recovery have actually decreased. The team was initially established with 3 full time Arrears Officers and 1 Arrears Assistant and led by a Manager who concentrated predominantly on arrears recovery. Over time the number of Arrears Officers fell to 2.5 posts and the Manager post evolved into the current Tenancy Services Manager post which encompasses a wider range of responsibilities. Whilst these responsibilities include the Rent Arrears Team their breadth precludes the hands-on involvement in arrears recovery that was initially undertaken by the Manager. These two changes equate to a net reduction of 1 full time post since the team was established.

7.3 As previously mentioned temporary arrangements have been put in place to ensure dedicated management resource is available to implement the Improvement Action Plan. However, these arrangements will not be sustainable beyond the short term.

7.4 A review of the resourcing of rent arrears recovery is therefore underway. This will include an assessment of the potential benefits of engaging temporary staff and in particular whether this would provide for a quicker implementation of the revised procedures and the potential attainment of the performance target by year end.

7.5 A verbal update on the progress of this review will be provided at the meeting.

## Appendix One

	<b>Arrears (£) at 05/08/05</b>	<b>% of gross debit</b>	<b>% of garage debit</b>	<b>Target %</b>	<b>£ value change from 31/3/05</b>	<b>% change from 31/3/05</b>
<b><u>Rent Arrears</u></b>						
<b>Current tenants</b>						
Main account	577,354	3.30		2.40	-22,742	-0.19
Garages	4,784	0.02	1.01		-1,723	-0.01
Sub-total current tenants	582,138	3.32			-24,465	-0.21
<b>Former tenants</b>						
Main account	172,089	0.98			+17,476	+0.08
Garages	4,046	0.02	0.86		+1,500	+0.01
Sub-total former tenants	176,135	1.00			+18,976	+0.09
Total all dwelling arrears	749,443	4.28			-5,266	-0.11
<b>Total all rent arrears</b>	<b>758,273</b>	<b>4.33</b>			<b>-5,489</b>	<b>-0.12</b>
<b><u>Other charges owed</u></b>						
<b>Current tenants</b>						
HB overpayment sub account	125,426	0.71			+23,733	+0.12
Supporting People sub account	10,419	0.06			-309	0
Court Costs sub account	89,856	0.51			+1,786	0
Sub-total current tenants	225,701	1.29			+25,210	+0.13
<b>Former tenants</b>						
HB overpayment sub account	63,232	0.36			+7,106	+0.04
Supporting People sub account	1,186	0			+600	0
Court Costs sub account	29,918	0.17			-9,586	-0.06
Sub-total former tenants	94,336	0.53			-1,880	-0.03
<b>Total all other charges</b>	<b>320,037</b>	<b>1.83</b>			<b>+23,330</b>	<b>+0.11</b>
Total rent arrears + HB overpayments	946,931	5.41			+25,350	+0.04
<b>Total all monies owed</b>	<b>1,078,310</b>	<b>6.16</b>		<b>7.0</b>	<b>+17,841</b>	<b>-0.12</b>

**Gross Debit 05/06 : £17,488,259**

(Dwellings £17,020,901 Garages £467,358)