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|  OVERVIEW AND SCRUTINY COMMITTEE - 15 JULY 2008 | | Agenda Item No. |
| Rent Arrears Performance | | |
| For further information about this report please contact | Bill Hunt Head of Housing & Property Services (01926) 456403 bill.hunt@warwickdc.go.uk | |
| Service Area | Housing & Property Services | |
| Wards of the District directly affected | All | |
| Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006 | No | |
| Date and meeting when issue was last considered and relevant minute number | 3/6/08 – Overview and Scrutiny Committee | |
| Background Papers | 2007/2008 Full year Performance Results – Overview and Scrutiny Committee, 3/6/08 | |

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| Contrary to the policy framework: | No |
| Contrary to the budgetary framework: | No |
| Key Decision? | No |
| Included within the Forward Plan? (If yes include reference number) | No |

| Officer/Councillor Approval | | |
|---|---------|--------------------------|
| With regard to officer approval all reports <u>must</u> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s). | | |
| Officer Approval | Date | Name |
| Relevant Director | 1/7/08 | Mary Hawkins |
| Chief Executive | | |
| CMT | | |
| Section 151 Officer | 1/7/08 | Mary Hawkins |
| Legal | 30/6/08 | Simon Best |
| Finance | 30/6/08 | Mike Snow |
| Portfolio Holder(s) | 1/7/08 | Councillor Mrs. Grainger |
| Consultation Undertaken | | |
| | | |
| Final Decision? | | Yes |
| Suggested next steps (if not final decision please set out below) | | |
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1. SUMMARY

- 1.1 The purpose of this report is to provide background information on the rent collection and arrears recovery performance indicators, highlight the factors that contributed to the failure to meet targets during 2007/08 and detail the steps being taken to ensure performance is improved during 2008/09.

2. RECOMMENDATION

- 2.1 That the Scrutiny Committee notes this report and monitors future performance through the quarterly performance reporting framework.

3. REASONS FOR THE RECOMMENDATION

- 3.1 The report is intended to provide background information for members. The Housing Portfolio Holder and the Head of Housing and Property Services will be attending the Committee's meeting to facilitate further scrutiny.

4. ALTERNATIVE OPTION CONSIDERED

- 4.1 No alternative options have been considered in advance of scrutiny of this issue.

5. BUDGETARY FRAMEWORK

- 5.1 The effective collection of rent and charges and the minimisation and prompt recovery of arrears are critical aspects of managing the Housing Revenue Account and its 30 year Business Plan.

6. POLICY FRAMEWORK

- 6.1 The performance management framework contains 6 indicators relating to the collection of rent and the recovery of arrears. Four of these indicators were national Best Value Performance Indicators (BVPs) during 2007/08 and although BVPs have been discontinued for 2008/09, replaced by a new set of national indicators, all 6 existing performance indicators have been retained for 2008/09. The indicator measuring the level of current tenant rent arrears has been elevated in importance and will feature as one of the top 21 key indicators within the Corporate Strategy.
- 6.2 Efficiency in rent collection and effectiveness in arrears management supports several elements of the Corporate Strategy: Leadership – to provide clear community leadership and effective management of resources whilst delivering responsive public services in an open and transparent manner; Housing - to improve housing service efficiency to meet housing needs in the district and Customers – to improve the efficiency of service delivery to the council's customers.

7 MANAGING RENT COLLECTION AND ARREARS RECOVERY

- 7.1 The primary responsibility for income management rests with the Rents and Finance Team within Housing and Property Services. Other teams, notably the Tenancy Management and Supporting People Services teams, have a supporting role with important discussions involving rents being held when properties are initially offered, as part of the tenancy sign-up process, during scheduled settling-in visits and visits undertaken prior to an introductory tenancy transferring to a secure tenancy and as part of routine sheltered scheme visiting arrangements.
- 7.2 The current establishment of the Rents and Finance Team is for 9 full time equivalent posts. The team currently comprises a manager, a part time Customer Services Officer who co-ordinates the response to complaints across the whole service area, a section of 3.5 staff primarily responsible for maintaining the rent system and another section of 4 staff primarily responsible for income recovery from tenants in arrears of rent and/or charge.
- 7.3 Arrears recovery is undertaken by 3 full time Income Recovery Officers supported by an Income Recovery Support Assistant. The latter post manages garage rent arrears and the administration of garage reposessions but has additional responsibility for the administration of disabled adaptation requests which currently accounts for around one half of their available time.
- 7.4 During the final quarter of 2007/08 one of the Income Recovery Officers resigned their post and left without working their notice period. This closely followed the resignation of the Rents and Finance Manager in the autumn of 2007.
- 7.5 The Income Recovery Officer post is currently being filled by a temporary member of staff. The manager post is currently vacant but another temporary member of staff has been engaged in a team leader capacity to manage the income recovery section of the team.

8 PERFORMANCE AGAINST TARGET

- 8.1 The first of the 4 BVPIs measures the level of rent collected, expressed as a percentage of the gross annual rent debit. The gross debit is the amount of rent that could potentially be collected during a year if every property was let and every tenant paid the full amount of rent due on their home throughout the year. The 2007/08 gross debit was £18,708,634.
- 8.2 However, even if the whole of the £18.7M had been collected during 2007/08 indicator HL19 (BVPI 66a) would still not have shown 100%. This is because when calculating this indicator the value of rent arrears owed by current tenants at the start of the year (i.e. arrears accrued during previous financial years) is added to the current year's gross debit.
- 8.3 Performance was 96.45% an improvement of 0.57% over the preceding year but below the ambitious target of 97.04%.
- 8.4 The remaining 3 BVPIs all measure elements of the arrears recovery process. HL19(1) examines the number of tenants with more than 7 weeks (gross) arrears as a percentage of the total number of tenants (whether in arrears or not). For the purposes of this BVPI a 'week' is taken to be 5 working days, thus 7 weeks equals

35 working days equivalent to the upper quartile target for processing Housing Benefit claims. The BVPI was designed this way to account for those external factors that can contribute towards a tenant being in arrears such as a delay in processing a live Housing Benefit claim.

- 8.5 Outturn for this indicator was 8.78%, failing to meet the target of 8.5% and above the previous year's outturn. The number of tenants in arrears actually fell throughout the year from 1,621 at 31/3/07 to 1,564 at 31/3/08, a drop of 4%. The failure to meet target therefore demonstrates a higher proportion have been in arrears longer and therefore have a higher debt.
- 8.6 HL19(2) measures the number of tenants who have been served a Notice of Seeking Possession expressed as a percentage of the number of tenants in arrears. The BVPI was introduced to minimise the possibility of perverse working practices in arrears recovery leading to possession and eviction. Government is keen to ensure that possession is used as a last resort so considers a relatively low outturn against this indicator to be desirable, as a high percentage could show that a provider is using the service of notices inappropriately to keep arrears low at any cost without regard to the welfare of its tenants..
- 8.7 There is no doubt that the target for 2007/08 was set inappropriately high at 42%. This appears to be the result of a misunderstanding as to how the indicator should be calculated. The BVPI definition states that only notices served during the current financial year should be counted. Where an organization has a number of tenants who have been in arrears for some considerable time (as we have) it is likely that many of them will have had notice served in a previous year and now have a valid court order against their tenancy which removes the need for re-service of a notice. The outturn of 26%, although below target, actually demonstrates reasonable performance.
- 8.8 The final BVPI, HL19(3), measures the percentage of tenants evicted for rent arrears. Outturn was again below target but this is arguably desirable for an organisation that believes eviction should only be used as a last resort.
- 8.9 The remaining 2 indicators measure the level of current tenant dwelling arrears and the total debt owed by all current and former tenants for rent, charges and court costs, both expressed as a percentage of the annual gross debit. Target performance was not achieved for either indicator and both were recorded as being out of tolerance within the year end performance report previously received by this Committee.

9 FACTORS AFFECTING PERFORMANCE 2007/08

- 9.1 Three distinct factors affected performance during the last financial year. The first of these related to staff. Management of arrears recovery was not as effective as required with incorrect target setting, ineffective monitoring, a failure to ensure procedures were followed consistently and on a timely basis and missed opportunities to develop the work of the team. These weaknesses were compounded by staffing issues within the income recovery section of the team.
- 9.2 These problems obscured a series of IT issues that only came to light late in the financial year. In the autumn of 2007 the rents system transferred to a new database as part of a system upgrade initiated by our IT supplier. The testing

regime failed to identify that the transfer would seriously disrupt reporting tools and the staffing issues meant this remained undiscovered for several months.

- 9.3 Finally external economic issues, largely beyond our control, impacted on performance. At the start of the financial year, despite the national economy remaining relatively strong, a range of agencies were reporting an increase in the number of households in debt, apparently fuelled by the availability of cheap credit. The actual impact on rent arrears is unquantifiable but the local CAB was reporting rising numbers of debt cases and higher levels of multiple debt during the year while the number of referrals of tenants in arrears made by officers to the CAB increased substantially.
- 9.4 The national economic picture has, of course, now changed significantly. Again, the impact of the 'credit crunch' and rising commodity and fuel prices is unquantifiable but we have already seen the number of tenants in rent arrears beginning to rise once again. By the end of May 2008 1,657 tenants were in arrears, nullifying the gains made in decreasing the number of tenants in arrears during 2007/08.

10 **IMPROVEMENT PLAN 2008/09**

- 10.1 Rent collection in the year to date has been excellent with 99.6% of the gross debit that could have been collected for the year to date having been collected. Management issues have been resolved and new staff are in place and working effectively.
- 10.2 Nonetheless arrears have continued to increase. At the end of May (June figures are not available at the time of writing but will be reported verbally to Committee) current tenant arrears stood at £691,747, equivalent to 3.53% of the gross debit of £19,568,176 for 2008/09, and only a minimal improvement on the 3.55% recorded at the end of 2007/08.
- 10.3 Against the backdrop of a worsening economic picture a number of measures are planned or being implemented to bolster performance in this key area. The increase in arrears and the linked increase in the number of tenants in arrears highlights that there is a current increase in the number of cases where there is either no repayment agreement in force or where an existing agreement has been broken. A new suite of reporting tools is therefore being developed to enable officer time to be focused more effectively on these cases. The use of reports to identify 'problem' cases is a short term 'fix' pending changes to the computer system that are planned for October 2008 as soon as ICT resource is available following completion of the current project to implement the revised HomeChoice policy.
- 10.4 The Heads of Revenues & Customer Services and Housing & Property Services have met and agreed a range of measures to improve information sharing and change working practices across the two service areas, designed to allow rent arrears to be tackled more effectively.
- 10.5 Negotiations, delayed by the staffing issues encountered last year, have been resumed with a specialist debt collection agency with a view to piloting their use in recovering former tenant arrears, traditionally the hardest type of debt to recover.
- 10.6 An additional temporary income recovery officer is being recruited pending the service area wide restructure scheduled for September 2008. Plans for the restructure are currently being finalised prior to formal consultation with staff and

unions but the restructure will enable additional staffing resource to be dedicated to rent collection and arrears recovery within existing staffing budgets.