



Committee and date

Audit Committee

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Item No

11

Public

HOUSING RENT ARREARS

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Summary

At the last Audit Committee members requested an update on the position in respect of housing arrears. This report provides the position in respect of arrears as at the end of October and the ongoing work underway to reduce the arrears further and achieve the target collection rate for 2009/10 of 98%.

Recommendations

- A. Members are asked to note this report.

Report

Background

1. The Council collects income in respect of rents for Council dwellings and garages, plus charges for other housing services that are provided to some tenants. In the current year the gross rent debit for dwellings after an allowance for void property is £13.519m. This income will be a combination of payments made by tenants, and Rent Rebates paid by the Council's Benefits Section where tenants are eligible for either full or partial housing benefit.
2. For a number of reasons, the level of rent collected can fall below the amounts due resulting in rent arrears, which can relate to both current and former tenants. As with all unpaid debt, action will be taken to seek recovery, but clearly this is more problematic in the case of former tenants. In recognition of the fact that some part of this debt will ultimately be uncollectable, a provision for bad debt is set aside.

3. Performance on rent collection and the level of arrears is monitored as a key performance statistic for Landlord Services. As Bridgnorth and Oswestry are currently on different IT systems, the data continues to be collected separately for each area. As part of the Landlord Services Improvement Plan, work is currently underway to implement a single Housing Management system from April 2010. Part of the benefit gained from this will be the opportunity to develop integrated working between staff in the two areas and enable resources to be directed at specific issues should problems arise in the future. Typically this would allow Rent Officers based in Oswestry to address arrears cases in Bridgnorth and vice-versa if a particular need arose.

Opening Position

4. The level of arrears at 1 April 2009 is shown below. This summarises the closing position reported by the former District Housing Authorities of Bridgnorth and Oswestry and is effectively the opening position for Shropshire Council.

	Bridgnorth	Oswestry	Total
Current Tenants (£)	104,841	296,270	401,111
Former Tenants (£)	39,714	233,522	273,236
Total Rent Arrears (£)	144,555	529,792	674,347
Less Prepayments (£)	(85,715)	(111,283)	(196,998)
Net Arrears (£)	58,840	418,509	477,349
Collection Rate (%)	98.65%	96.89%	
Bad Debt Provision (£)	52,169	346,080	398,249

Recent Developments

5. Following the formulation of the new Council, a number of IT difficulties were encountered around the interfaces between the existing Housing Rents systems and the new cash receipting and benefits systems. The problems regarding the benefits interface meant that benefit allowances exported from the Benefits System were not posting to tenants' rent accounts in the Housing System in some instances (resulting in an artificially high level of arrears) or that information regarding individual rents extracted in the 3P rent file, which is needed in order to calculate the level of benefit payment due, could not be successfully imported into the Benefits system in some instances. The difficulties around cash receipting concerned the interface not being able to post all payments directly to tenants' accounts. A large number of transactions would remain in suspense accounts and require manual intervention to be correctly identified and redirected. The problem was compounded by tenants continuing to pay monies into the former District Council bank accounts, which again requires manual intervention to resolve. Despite a number of attempts to end this practice, this latter issue continues to some extent, albeit at a reducing level, and is a contributory factor in the need to keep these bank accounts open. Significant work has been undertaken to address these problems and most of these issues have now been resolved. However, this resulted in an adverse impact on performance statistics in the early months as

there were delays in posting credits to individual tenants rent accounts in the rents systems. As a result of the progress that has now been made in resolving these issues, the recent trend indicates significant improvement on the reported data. It is important to note that the initial deterioration in the level of arrears was primarily due to difficulties in allocating monies to individual accounts in some instances, and not a failure to collect money, undertake recovery action or determine correct benefit entitlement.

6. A summary of the level of arrears at the end of October is shown below.

	Bridgnorth	Oswestry	Total
Current Tenants (£)	165,279	274,265	439,544
Former Tenants (£)	46,744	250,247	296,991
Total Rent Arrears (£)	212,023	524,512	736,535
Less Prepayments (£)	(124,887)	(138,852)	(263,739)
Net Arrears (£)	87,136	385,660	472,796
Collection Rate (%)	96.56%	93.05%	94.99%

7. The combined target collection rate for 2009/10 is 98.0%.

Current Action

8. Despite the difficulties identified in paragraph 5 above that have impacted on reported performance data, recovery action has continued throughout the year. Key steps taken and proposed actions include:
- Standard recovery procedures have been ongoing including:
 - Weekly monitoring checks
 - Issuing letters
 - Telephone calls
 - Home visits
 - Office interviews
 - Court action
 - Low level arrears are historically addressed by junior staff. The work has now been allocated to more senior Housing Officers. 63% of current arrears are below £200.
 - An additional member of staff has been allocated to arrears recovery on a temporary basis.
 - Allowance for the rent free weeks at Christmas will be withheld from tenants in arrears.
 - Direct debit will be introduced in Bridgnorth in December 2009 and in Oswestry in April 2010 following the introduction of the new housing rents system.
 - Before 31 March 2010 current year rents will be reduced to accordance with CLG guidance. Refunds will be withheld from tenants in arrears.

- 50 cases of former tenant arrears have been passed to a recognised firm of Civil Enforcement Agents on a trial basis. This programme will be extended if the trial proves to be successful.

Conclusion

9. Migration to a number of new systems at the beginning of the year resulted in difficulties and delays in posting credits to rent payers accounts, which in turn had a detrimental impact on the reported level of rent collection and arrears. Over recent months significant work has been undertaken by staff in Housing, Benefits, IT and Income teams to identify and resolve these problems and in many cases undertake manual intervention to limit and overcome the potential impact. Recent trends show significant improvement in the level of reported arrears and a number of measures are in place to maintain this improvement and aim to achieve the target 98% collection rate for the year.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Human Rights Act Appraisal

The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998
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Environmental Appraisal

N/A

Risk Management Appraisal

A failure to have appropriate arrears collection systems in place would have an impact on the collection of income.

Community / Consultations Appraisal
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Cabinet Member

Keith Barrow, Leader of the Council (Brian Williams, Chairman of Audit Committee)

Local Member

Appendices
