



Committee and date

Audit Committee

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Item No

11

Public

HOUSING RENT ARREARS AND UPDATE ON NEW HOUSING IT SYSTEM

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Summary

At the meeting of Audit Committee held on 18 June 2010, Members asked for a report on the level of Housing Rent arrears. This report provides details of the outturn position for rent arrears for the 2009/10 financial year and the position for the first quarter of 2010/11.

At the same meeting Members asked for an update in respect of the implementation of the new integrated Housing IT systems and this is also provided in the report.

Recommendations

- A. Members are asked to note this report.

Report

Background

1. In its role as Social Landlord, the Council collects income in respect of rent due from tenants for Council dwellings and garages, and in 2009/10 the total amount due on occupied premises was £13.64m. The collection rate is a key performance statistic for Landlord Services and the amount collected as a proportion of the amount due is monitored throughout the year. Uncollected rent will result in arrears which can relate to both current and former tenants.
2. In 2009/10 Shropshire Council brought together the Landlord functions previously undertaken by Bridgnorth District Council and Oswestry Borough Council under a single management structure. However the former District Offices continued to operate different Housing IT systems which hindered progress to achieve consistent and integrated working practice. During the

year work commenced to procure and implement a single Housing system with intention to go live early in the 2010/11 financial year.

3. As previously reported to this Committee a number of operational and IT difficulties were experienced in 2009/10 which had an adverse impact on the collection rate. Throughout the year efforts were made to resolve these problems and improve performance.

Rent Collection Performance

4. The actual collection rate for 2009/10 is summarised below.

	Q1	Q2	Q3	Q4
Rent Collected as a % of Rent due 2009/10	89.11	94.15	96.52	97.53

5. Whilst the overall collection rate for the year of 97.53% fell marginally below the target rate of 98%, significant progress was made during the year to address and improve the initial poor performance and despite the considerable disruption faced by the Service during the transitional year, the final performance was broadly in line with an aggregate of the former Districts in 2008/09 (Bridgnorth 98.65% and Oswestry 96.89%).
6. Collection rates are lower at the start of the year than at the end and build up as more rent is collected at the end of the year and therefore arrears forms a lower proportion of the total. Last year this was significantly lower than target as problems with the IT system meant that significant income from housing benefit was not applied to the rent accounts. This year we have changed the arrears profile by moving the rent free fortnight that had traditionally applied in Oswestry in the first two weeks of April to the end of the financial year (last two weeks in March) from 2010/11 as part of actions taken to standardise the service. Despite advance notice significant number of tenants did not react to this change and as a result missed the payments due in April. However, despite this set back we still achieved the first quarter target with a collection rate of 96.1%.
7. Rent arrears at the end of the last two financial years are shown below.

	31 March 2009 £	31 March 2010 £
Current Tenants	401,111	310,388
Former Tenants	273,236	334,239
Total Rent Arrears	674,347	644,627
Less Prepayments	(196,998)	(320,981)
Net Arrears	477,349	323,646
Bad Debt Provision	398,249	466,935

8. During 2009/10 the overall level of arrears fell by around £30,000. This represents a reduction in real terms as only £300 of arrears were subject to

write off. The Council maintains a specific bad debt provision to cover rent arrears, the greater proportion of which was brought forward on 1 April 2009 from the former District Authorities. During 2009/10 the provision was increased to reflect an increase in the level of former tenant arrears which are traditionally harder to collect, and the current level is considered an adequate contingency against future write off of irrecoverable debt.

9. A significant proportion of the former tenant arrears relates to aged debt where the debtor cannot be traced or in some cases are deceased. During 2009/10 no write offs were made pending review of these debts and the outcome of cases that have been passed to Civil Enforcement Agents. Of the 315 cases passed to the Agents, 90 have been assessed as irrecoverable, 16 have paid in full and 58 have made arrangements to pay. This work will continue in the current year but where it can be identified that there is no realistic chance of recovery; write off against the provision will be made. In the current year so far a total of £16,400 of such debt has been approved for write off and £3,400 in payments received.
10. In the current year a new initiative aimed at reducing the level of current tenant debt will be implemented. The approach will involve a more proactive approach to identify and take direct intervention with tenants at an early stage when arrears arise. A current restructure within Landlord Services will reallocate some duties currently undertaken by Rent Officers and enable them to focus greater attention on recovery action which in turn should help improve the collection rate and level of arrears.

Integrated Housing IT System

11. Prior to Local Government Reorganisation in 2009, Oswestry and Bridgnorth Landlord Services operated different IT systems for housing management. This continued post April 2009 and resulted in the need to operate separate interfaces for Housing Benefits and Cash Receipting, and required different reconciliation, reporting and operating procedures and practices. The overall impact was to hinder shared best practice and integrated working. As part of the Landlord Services Improvement Plan for 2009/10, a project team was established to procure and implement a single system. The implementation date was originally set for April 2010 to coincide with the start of the new financial year, however with the approval of the project board the go live date was rescheduled for 28 June 2010 to help ensure a smoother transition. This target date was achieved and the system has now been successfully implemented.
12. The project was completed within budget and the cost has been fully met from within the Housing Revenue Account. In addition to improving management of the service, the new system will deliver ongoing annual revenue savings in the region of £20,000 due to a reduction in supplier licence and support costs.
13. The introduction of the single system will enable consistent working practices to be implemented throughout the Service. A number of new procedure documents have been written and applied in both regional teams. The main

advantages will be to encourage shared best practice and allow greater flexibility of staff to address peak workloads.

14. A trial of Direct Debit payments that was initiated in the former Bridgnorth system has been successfully migrated to the new system. A campaign will now be run to increase the use of this method of payment. On the old Oswestry system this facility was not an option.
15. The system is currently being developed to implement the Planned Repairs Module that will help formulate and monitor the programme of works to achieve the Decent Homes Standard.

Conclusion

16. A number of factors had an adverse impact on the rent collection rate during 2009/10 and a range of managerial, procedural and IT solutions were implemented to address these problems. The final collection rate fell marginally short of the target but after the initial deterioration the direction of travel remained positive and a strong recovery was achieved over the course of the year. The implementation of the integrated housing system will help maintain these improvements and give opportunities to further improve the management of the Landlord Service.

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

Report 11 to Audit Committee 7 December 2009

Human Rights Act Appraisal

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

Environmental Appraisal

Risk Management Appraisal

Community / Consultations Appraisal

Cabinet Member

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

Local Member

Appendices