



Committee and date

Audit Committee

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Item No

5

Public

HOUSING RENT ARREARS 2010/11

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Summary

This report gives an update on the rent collection rate to 6 March 2011 and identifies actions that have been taken during the year to reduce the level of arrears since 31 March 2010.

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, garages and service charges, and in 2010/11 the total amount due on occupied premises will be in the region of £14.1m. 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.

Rent Collection Performance

2. The actual collection rate since April 2009 is summarised below.

Rent Collected as a % of Rent due	Q1 %	Q2 %	Q3 %	Q4 %
2009/10	89.11	94.15	96.52	97.53
2010/11	92.00 See note 1	95.55	97.66	97.84 See note 2

Note 1

Restated figure. The original published figure was incorrect due to the timing of a Housing Benefit payment.

Note 2

The figure reflects the position to 6 March 2011 and not the end of quarter.

3. The collection rate for 2010/11 reflects the improving trend over the course of the year that was identified in 2009/10 but performance has improved at each comparable period. Due to the timing of this report the Q4 figure for 2010/11 does not represent the final position for the year but shows the collection rate to 6 March 2011 (week 48). With the benefit of 2 rent free weeks scheduled for the end of March there should be a further improvement at the year end. The target rate for the year was set at 98.5% and whilst there may be some marginal improvement it is unlikely to meet the target.

Rent Arrears

4. Rent arrears will relate to both current and former tenants, and as previously reported to the Committee a number of initiatives targeted at reducing the level of arrears have been implemented during the last year. These are identified as follows.

5. Current Tenant Arrears

- A re-organisation of staff within Landlord Services has resulted in rent collection and arrears action being undertaken by specific officers within dedicated rents teams. This has allowed these staff to focus efforts directly at this issue.
- Relevant staff have received specific training on debt collection.
- Rent collection procedures have been revised and standardised within the area teams.
- A rent incentive initiative was undertaken whereby selected tenants who were in arrears but were taking action to reduce the debt had their arrears contribution matched in part by the Council over a three month period. A total of 35 tenants were invited to participate with collective arrears of £29,800. During the three month period tenants paid £13,000 and this was matched by a contribution from the Council of £8,900 resulting in a total arrears reduction of £22,900.
- A more rigorous approach towards taking legal action has been adopted over recent months. An analysis of legal action at the end of quarter three is shown as **Appendix 1**.

6. Former Tenant Arrears

A significant proportion of the former tenant arrears related 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 were being referred to Civil Enforcement Agents. To date 400 cases have been referred and of these 33 have now paid in full and arrangements to pay are in place for a further 41 cases. This has resulted in

£13,926 recovered income to the Council. However, a number of cases have been returned and marked as Unable to Collect. In these cases the arrears have been recommended for write-off. As previously reported to this Committee the Council holds sufficient bad debt provision to write off these irrecoverable debts and to date a total of £54,541 former tenant arrears have been approved for write-off and a further 141 cases with a value of £93,400 have been recommended for write-off and are currently being reviewed for final approval.

7. Rent arrears at the end of the last three financial years are shown below.

	31 March 2009 £	31 March 2010 £	6 March 2011 £
Current Tenants	401,111	310,388	242,334
Former Tenants	273,236	334,239	355,733
Total Rent Arrears	674,347	644,627	598,067
Bad Debt Provision	398,249	466,935	

8. The Service has not set a cash based target for Current Tenant Arrears, the focus has been based on improving collection rates on the understanding that this will ultimately result in a reduction in current arrears. As an indicative number a collection rate of 98.5% would equate to current tenant arrears of £220,000.

9. The former tenant arrears figure to 6 March 2011 reflects the approved write-offs identified in paragraph six above but not the additional amount currently recommended. Subject to approval of these amounts the level of former tenant arrears would be £262,333 (making total arrears £504,667) and the bad debt provision would be £306,843 before any contribution in the current year.

10. Analysis of Former Tenant Arrears by age is shown below. This reflects movement after approved write-offs but not those pending final approval.

	31 March 2010 £	6 March 2011 £	Movement In Year £
2010/11		81,851	
2009/10	69,725	58,639	-11,086
2008/09	78,674	66,768	-11,906
2007/08	39,741	34,850	-4,891
2006/07	45,346	43,874	-1,472
2005/06	37,026	32,936	-4,090
Per April 2005	63,727	40,715	-23,012

11. The current level of Former Tenant Arrears contains a high level of aged debt which is now being addressed and the Council holds sufficient Bad Debt Provision to fully cover the current accumulated debt. However, cases will continue to be referred to Civil Enforcement Agents to seek to recovery unpaid monies due wherever possible to minimise the need for this course of action. Longer term the underlying level of Former Tenant Arrears must be considered against affordability in the HRA and a sustainable amount cannot exceed £50,000.

Conclusion

12. Improvements continue to be made on collection rates and the level of current tenant arrears. Whilst there has been some success on the recovery of former tenant arrears, where case reviews and intervention of Civil Enforcement Agents identify debt as irrecoverable, write off action is now being taken. The Council has adequate bad debt provision as a contingency against this course of action.

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

Environmental Appraisal

Risk Management Appraisal

Failure to collect rent in accordance with budgeted expectations will exert budget pressures on the HRA which could result in reductions in delivery of service in order to meet the requirement to deliver a balanced budget. The rent collection % is therefore a key PI for the service. In addition, the creation of FTAs must be in line with budgeted bad debt provision.

Community / Consultations Appraisal

We regularly report rent collection PIs to local tenant groups.

Cabinet Member

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

Local Member

Appendices

Appendix 1 – Legal Action Analysis Q3