



Committee and Date

Audit Committee

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Item No

8

Public

HOUSING RENT ARREARS ANNUAL UPATE 2010/11 AND HOUSING RENT INCENTIVES INITIATIVE UPDATE

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Summary

This report gives an update on the rent collection rate for 2010/11 and the 1st quarter for the current financial year. It also provides a review of the rent incentive initiative that was undertaken in 2010/11.

Recommendations

- A. Members are asked to consider and endorse, with or without comment, the contents of this report.

Report

Risk Assessment and Opportunities

1. Low collection rates will result in rent debt which can relate to both current and former tenants. The Housing Revenue Account operates within tight financial constraints and a shortfall on income will result in a need to identify compensatory savings on service delivery. In order to minimise this risk, rent officers continually monitor collection rates and take early intervention where tenant's accounts fall into debt.
2. Since 2009/10 collection rates have been improving and the annual target rate has been increased year on year to drive service improvement. This approach has continued into the current year and the target has been increased from 98.5% in 2010/11 to 99.0% for 2011/12. Whilst performance for the first quarter is encouraging, the current economic climate and potential impact of Government proposals for reform of the benefits system will place

additional pressure on our ability to maintain the recent improvement in collection rate.

3. The financial consequences of irrecoverable rent debt are addressed by a bad debt provision and the level of this provision is evaluated against the total value of debt outstanding in order to ensure adequate provision is made.

Financial Implications

4. The financial implications relating to rent collection are addressed within the body of the report.

Background

5. 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 was £14.02m. 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. Details of collection rate and rent debt have previously been reported to this Committee since formation of the Unitary Council in April 2009.

Rent Collection Performance

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

Rent Collected as a % of Rent due	Q1 %	Q2 %	Q3 %	Q4 Outturn %	Q4 Target %
2009/10	89.11	94.15	96.52	97.53	98.00
2010/11	92.00	95.55	97.66	98.52	98.50
2011/12	94.57	-	-	-	99.00

7. Quarterly monitoring indicates improving trend over the course of the year and the outturn for 2010/11 (98.52%) achieved the target rate of 98.5%. Performance for the first quarter for the current year is above the comparable period for the previous two years and if this trend continues during the year the Council will remain on course to meet the target of 99.0%. However the ongoing difficulties in the wider economy are likely place increasing financial burden on tenants which may in turn place pressure on collection rates.

Rent Debt

8. Rent debt will relate to both current and former tenants and a summary of total debt and bad debt provision at 31 March for the last three financial years is shown in the table.

	31 March 2009 £	31 March 2010 £	31 March 2011 £
Current Tenants	401,111	310,388	157,514
Former Tenants	273,236	334,239	344,749
Total Rent Debt	674,347	644,627	502,263
Bad Debt Provision	398,249	466,935	414,937

9. The overall level of debt has shown an improving trend since March 2009 with particular progress on the level of current tenant debt. Action for recovery of former tenant debt continues where there is a reasonable prospect of success, but write off will be made where recovery is unlikely. The current level of bad debt provision is considered adequate cover for any potential loss.

Rent Incentive Initiative

- 10 In August 2010 further actions were taken to reduce rent debt. We had identified that at the end of quarter one 2010/11 there were 186 tenancies in Oswestry and 64 tenancies in Bridgnorth where tenants owed more than seven weeks rent, 8.14% of all tenants. One of the actions was to make a one-off offer to write off rent debt on current rent accounts in return for making regular payments or a one off lump sum payment to reduce their rent debt. The aim of introducing the incentive was to reduce the percentage of tenancies to not more than 5% of tenancies where more than seven weeks rent was owed by the end of 2010/11, to establish a payment culture with tenants and to try to persuade tenants to make payments on accounts where, even with regular payments, the account would not be scheduled to be paid off for many years.
- 11 The incentive was only available to households with a secure tenancy and where more than £500 was owed. Tenants who owed between £500 and £999 were offered a matched reduction in debt in the period September to January in order to qualify. Tenants with arrears over £1000 were offered an incentive to reduce their debt to a more affordable sum that they could then go on to clear within a realistic time period. They would be expected to pay not less than 45% of the debt in total.
- 12 30 tenants completed the programme of repayments required to qualify for the incentive by the end of January 2011. There was a reduction in account balances of those completing the scheme of £13,071. The amount of 'write off incentive' was £8,999. Of those who participated in the scheme 80% have continued to reduce the rent debt on the account and four accounts are now in credit. The number of tenants who owe more than seven weeks in arrears at the end of 2010/11 was 2.01%.

Conclusion

- 13 Improvements continue to be made on collection rates and the level of current tenant debt. Whilst there has been some success on the recovery of former tenant debt, 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)
Cabinet Member Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee
Local Member N/A
Appendices None