



Committee and date

Audit Committee

22 March 2012

10.00am

Item No

8

Public

HOUSING RENT ARREARS UPATE

Responsible Officer Steve Ogram – Finance Manager – Places and HRA

Email: Steve.ogram@shropshire.gov

Telephone: 01743 253881

Summary

This report gives an update on the rent collection rate for 2011/12 to 3 March 2012.

Recommendations

- A. Members are asked to note the contents of this report with appropriate comment.

Report

Risk Assessment and Opportunities

1. Low collection rates will result in rent arrears 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 arrears.
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 was increased from 98.5% in 2010/11 to 99.0% for 2011/12. Whilst current performance remains high, the economic climate and potential implications of Government proposals for reform of the benefits system will place additional pressure in the future which could adversely impact our ability to maintain the recent improvement in collection rate.

3. The financial consequences of irrecoverable rent arrears are addressed by a bad debt provision and the level of this provision is evaluated against the total value of arrears 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 2011/12 the total amount due on occupied premises will be £14.6m. 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 arrears 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	96.55	98.18	98.38 Note 1	99.00

Note 1. Due to the timing of this report the 2011/12 Q4 figure is not outturn but reflects the position to week ending 3 March 2012 (week 48). The equivalent figure in March 2011 was 97.84%.

7. Quarterly monitoring indicates a consistently improving trend during the course of the year and improved performance at each comparable period on the preceding year. The outturn for 2010/11 (98.52%) achieved the target rate of 98.5%. Whilst performance in the current year shows further improvement, the rate to week 48 is below the outturn target of 99%. It is anticipated that the impact of two rent free weeks (weeks 51 and 52) will result in outturn position above 98.38%, however the final figure cannot be accurately forecast at this time.

Rent Arrears

8. Rent arrears will relate to both current and former tenants and a summary of total arrears and bad debt provision at 31 March for the last three financial years and position to week 48 in the current year is shown below:

	31 March 2009 £	31 March 2010 £	31 March 2011 £	3 March 2012 £
Current Tenants	401,111	310,388	157,514	264,106
Former Tenants	273,236	334,239	344,749	227,503
Total Rent Arrears	674,347	644,627	502,263	491,609
Bad Debt Provision	398,249	466,935	414,937	

9. The overall level of arrears has shown an improving trend since March 2009. The figure for current tenant arrears to week 48 is potentially misleading as this will be partially offset by current year pre-payments (£177,433) held at week 48. The final position cannot be accurately forecast at this time.

Conclusion

Improvements continue to be made on collection rates and the level of current tenant arrears.

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
