



Committee and date

Audit

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## HOUSING RENT ARREARS ANNUAL UPDATE 2011/12

**Responsible Officer** Steve Ogram – Financial Advice Manager - Places & HRA  
Email: [steve.ogram@shropshire.gov.uk](mailto:steve.ogram@shropshire.gov.uk) Telephone: 01743 253881

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### Summary

This report gives an update on the rent collection rate for 2011/12 and the 1st quarter for current financial year.

### Recommendations

Members are asked to consider and endorse, with appropriate comment, the contents of this report.

## 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. Whilst performance for the 1<sup>st</sup> quarter of the current year is encouraging, the current economic climate and potential impact of the Government proposals for reform of the benefits system will place additional pressure on our ability to maintain the recent improvement in collection rate. For these reasons the target rate for 2012/13 has been held at the 2011/12 level of 99%.

3. The Council is participating with DWP on a pilot for direct payment of housing benefits. The pilot scheme went live on 2 July 2012 initially with 400 tenants and will be extended over coming weeks. Participating tenants are being encouraged to set up direct debit for rent payment and to date 177 have chosen to take this option. The impact on collection rate will be monitored throughout the pilot.
4. 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

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

### Background

6. 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 was £15.03m. 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

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

Rent Collected as a % of Rent due	Q1 %	Q2 %	Q3 %	Q4 Final %	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	99.00	99.00
2012/13	94.70	-	-	-	99.00

8. Quarterly monitoring indicates improving trend over the course of the year and the final position for 2011/12 (99.00%) achieved the target rate. Performance for the 1<sup>st</sup> quarter for the current year is above the comparable period for the previous 3 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 and potential impact of the direct payments pilot may place pressure on collection rates.

## Rent Arrears

9. 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 4 financial years is shown below.

	31 March 2009 £	31 March 2010 £	31 March 2011 £	31 March 2012 £
Current Tenants	401,111	310,388	157,514	125,757
Former Tenants	273,236	334,239	344,749	188,644
Total Rent Arrears	674,347	644,627	502,263	314,401
Bad Debt Provision	398,249	466,935	414,937	272,652

10. The overall level of arrears has shown an improving trend since March 2009 with particular progress on the level of current tenant arrears. Action for recovery of former tenant arrears 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.

## Conclusion

11. Improvements continue to be made on collection rates and the level of rent arrears; however the ability to maintain this trend is uncertain in light of ongoing difficulties in the wider economy and the potential implications of direct payment of housing benefit. Based on current performance the Council has adequate bad debt provision.

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

#### Cabinet Member

Cllr Malcolm Price, Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee.

#### Local Member

All Members with Shropshire Council tenants.

#### Appendices

None