

COMMUNITY AND ENTERPRISE OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Wednesday 26 th June 2019
Report Subject	Housing Rent Income
Cabinet Member	Cabinet Member for Housing
Report Author	Chief Officer (Housing & Assets)
Type of Report	Operational

EXECUTIVE SUMMARY

This report provides Scrutiny Members with a further operational update on the 2018/19 year end position for rent collection, including the latest position for the current financial year, following the last update report to Scrutiny committee in February 2019.

Rent arrears for 2018/19, as at 31st March 2019, reduced to £1.88m compared to the previous reported position of rent arrears of £2.14m as at February 2019, a reduction of £0.26m.

Rent arrears are starting to stabilise and being brought under control, and the measures introduced to tackle rent arrears through early intervention with tenants, but where necessary, also escalating cases to court quickly for those tenants who fail to engage or pay are starting to have a positive impact.

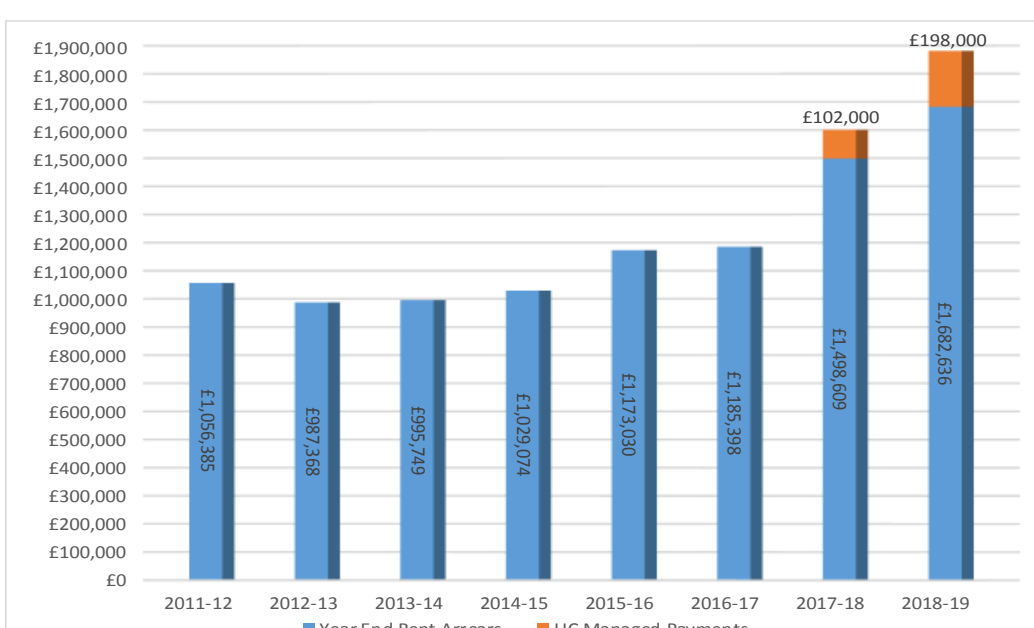
To ensure the rent recovery process is more efficient to meet the challenges of the future, the investment and 'go-live' deployment of the Mobyssoft Rent Sense solution in July 2019 will allow the Rent Income service to track and monitor rent arrears much more quickly through systems that will offer predictive analytics, trend-analysis and risk profiling, meaning that officer time will not be wasted on cases that do not require contact.

RECOMMENDATIONS

1	Note the £1.87m year-end position for rent arrears in 2018-19 which shows collection of rent is starting to stabilise.
2	Endorse the ongoing measures being taken to improve rent collection during 2019-20.

REPORT DETAILS

1.00	EXPLAINING THE LATEST POSITION OF RENT ARREARS																																																						
1.01	The Rent Income service collects rent from around 7,100 occupied properties with an in-year rent collection yield of £38.1m in 2018/19.																																																						
1.02	Not all rent is paid on time and some tenants fall into rent arrears. Rent arrears are defined as the amount of rent due but not paid to the Council on time and the arrears position for the Council is expressed as the accumulated running total amount due across all years which has not been paid.																																																						
1.03	<p>Latest figures show accumulated rent arrears as at the end of 2018/19 were £1.88m compared to £1.60m for the previous financial year. Although rent arrears at year end have increased by £280k compared to the previous year, the £1.88m final outturn in 2018/19 showed rent arrears fell by £260k compared to the £2.14m of accumulated rent arrears up to week 43 reported at Scrutiny Committee in February 2019.</p> <table><tr><th>Financial Year</th><th>Annual Gross Rent Yield</th><th>Year End Rent Arrears</th><th>Rent Arrears as % of Rent Yield</th><th>Movement in Arrears (£)</th><th>Movement in Arrears (%)</th></tr><tr><td>2018-19 *</td><td>£38,086,058</td><td>£1,880,636</td><td>4.9%</td><td>£280,027</td><td>0.5%</td></tr><tr><td>2017-18 *</td><td>£36,153,000</td><td>£1,600,609</td><td>4.4%</td><td>£415,211</td><td>0.9%</td></tr><tr><td>2016/17</td><td>£34,293,000</td><td>£1,185,398</td><td>3.5%</td><td>£12,368</td><td>-0.1%</td></tr><tr><td>2015-16</td><td>£32,857,000</td><td>£1,173,030</td><td>3.6%</td><td>£143,956</td><td>0.3%</td></tr><tr><td>2014-15</td><td>£31,452,000</td><td>£1,029,074</td><td>3.3%</td><td>£33,325</td><td>0.1%</td></tr><tr><td>2013-14</td><td>£30,859,000</td><td>£995,749</td><td>3.2%</td><td>£8,381</td><td>-0.2%</td></tr><tr><td>2012-13</td><td>£29,222,000</td><td>£987,368</td><td>3.4%</td><td>£69,017</td><td>-0.4%</td></tr><tr><td>2011-12</td><td>£28,097,000</td><td>£1,056,385</td><td>3.8%</td><td>-</td><td>-</td></tr></table> <p>* Denotes the period of Universal Credit full service rollout in Flintshire</p>	Financial Year	Annual Gross Rent Yield	Year End Rent Arrears	Rent Arrears as % of Rent Yield	Movement in Arrears (£)	Movement in Arrears (%)	2018-19 *	£38,086,058	£1,880,636	4.9%	£280,027	0.5%	2017-18 *	£36,153,000	£1,600,609	4.4%	£415,211	0.9%	2016/17	£34,293,000	£1,185,398	3.5%	£12,368	-0.1%	2015-16	£32,857,000	£1,173,030	3.6%	£143,956	0.3%	2014-15	£31,452,000	£1,029,074	3.3%	£33,325	0.1%	2013-14	£30,859,000	£995,749	3.2%	£8,381	-0.2%	2012-13	£29,222,000	£987,368	3.4%	£69,017	-0.4%	2011-12	£28,097,000	£1,056,385	3.8%	-	-
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1.04	<p>The graph below illustrates the year-end position with rent arrears for 2018/19 compared to the previous year:</p> <div><p>Rent Arrears Comparison 17.18 - 18.19</p><table><caption>Estimated Weekly Rent Arrears Data (£)</caption><thead><tr><th>Week</th><th>2017/2018</th><th>2018/2019</th></tr></thead><tbody><tr><td>1</td><td>1400000</td><td>1700000</td></tr><tr><td>10</td><td>1500000</td><td>1900000</td></tr><tr><td>20</td><td>1600000</td><td>2100000</td></tr><tr><td>25</td><td>1800000</td><td>2400000</td></tr><tr><td>30</td><td>1900000</td><td>2300000</td></tr><tr><td>40</td><td>1800000</td><td>2200000</td></tr><tr><td>52</td><td>1600000</td><td>1880000</td></tr></tbody></table></div>	Week	2017/2018	2018/2019	1	1400000	1700000	10	1500000	1900000	20	1600000	2100000	25	1800000	2400000	30	1900000	2300000	40	1800000	2200000	52	1600000	1880000																														
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1.05	The year-end position for 2018/19 is reflective of yet another difficult year for the collection of rent but the early intervention measures and investment in additional resources that were implemented in mid 2018/19 are now helping to stabilise collections.																																				
1.06	The unprecedented additional work generated by the launch of Universal Credit (UC) full service rollout from April 2017 continues to create a changing and challenging rent collection environment but on a positive note, the increasing reliance of managed/direct payments through the Department of Work and Pensions (DWP) is helping to stabilise the increase in rent arrears by ensuring those in receipt of UC are able to meet their obligations to pay rent.																																				
1.07	The increased migration from Housing Benefit (HB) to Universal Credit (UC) will inevitably always create cash flow problems as the Council struggles to play 'catch up' with those tenants who wait for their first UC payment and ensuring rent is paid on time thereafter.																																				
1.08	Latest statistics show that around 486 tenants have managed payments set-up for DWP to deduct housing costs at source and the Council now receives, on average, £193k per month from DWP in respect of ongoing rent and retrospective rent arrears.																																				
1.09	As a social landlord, the Council receives managed payments in arrears. In other words, we receive managed payments each month in respect of deductions from previous months. This inevitably has an impact on the stated year end position and in real terms the year end arrears of £1.88m were overstated by £198k as a result of the Council not receiving the latest managed payment file until April 2019 in respect of March payment deductions from tenants.																																				
1.10	<p>In real terms, the more accurate rent arrears position if managed payments had of been received by the Council within the month of deduction, would be £1.69m as opposed to £1.88m. This is illustrated in the graph below which shows the impact of received delayed payments:</p>  <table><thead><tr><th>Year</th><th>Year End Rent Arrears (£)</th><th>UC Managed Payments (£)</th><th>Total (£)</th></tr></thead><tbody><tr><td>2011-12</td><td>£1,056,385</td><td>£0</td><td>£1,056,385</td></tr><tr><td>2012-13</td><td>£987,368</td><td>£0</td><td>£987,368</td></tr><tr><td>2013-14</td><td>£995,749</td><td>£0</td><td>£995,749</td></tr><tr><td>2014-15</td><td>£1,029,074</td><td>£0</td><td>£1,029,074</td></tr><tr><td>2015-16</td><td>£1,173,030</td><td>£0</td><td>£1,173,030</td></tr><tr><td>2016-17</td><td>£1,185,398</td><td>£0</td><td>£1,185,398</td></tr><tr><td>2017-18</td><td>£1,498,609</td><td>£102,000</td><td>£1,600,609</td></tr><tr><td>2018-19</td><td>£1,682,636</td><td>£198,000</td><td>£1,880,636</td></tr></tbody></table>	Year	Year End Rent Arrears (£)	UC Managed Payments (£)	Total (£)	2011-12	£1,056,385	£0	£1,056,385	2012-13	£987,368	£0	£987,368	2013-14	£995,749	£0	£995,749	2014-15	£1,029,074	£0	£1,029,074	2015-16	£1,173,030	£0	£1,173,030	2016-17	£1,185,398	£0	£1,185,398	2017-18	£1,498,609	£102,000	£1,600,609	2018-19	£1,682,636	£198,000	£1,880,636
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1.11	<p>The table below also shows the latest rent arrears position for tenants in receipt of UC as opposed to those still in receipt of HB or not in receipt of either benefit:</p> <table><tr><th>Claim Type</th><th>No of Tenants</th><th>No of tenants in Arrears</th><th>Total Arrears (£)</th><th>Average Rent Arrears April 19 (£)</th><th>Average Rent Arrears Feb 19 (£)</th><th>Variance (+/-) (£)</th></tr><tr><td>Universal Credit</td><td>546</td><td>442</td><td>567,086</td><td>1,283</td><td>1,357</td><td>-74</td></tr><tr><td>Housing Benefit</td><td>3,621</td><td>1,765</td><td>409,497</td><td>232</td><td>214</td><td>18</td></tr><tr><td>Non Benefit</td><td>2,924</td><td>1,945</td><td>1,099,002</td><td>565</td><td>423</td><td>142</td></tr></table>	Claim Type	No of Tenants	No of tenants in Arrears	Total Arrears (£)	Average Rent Arrears April 19 (£)	Average Rent Arrears Feb 19 (£)	Variance (+/-) (£)	Universal Credit	546	442	567,086	1,283	1,357	-74	Housing Benefit	3,621	1,765	409,497	232	214	18	Non Benefit	2,924	1,945	1,099,002	565	423	142
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1.12	<p>To ensure more robust recovery measures are taken against those tenants who fail to engage and fail to pay, the latest year-end statistics show that the Rent Enforcement Team evicted 30 tenants for non-payment of rent during 2018/19. Of these, 11 were introductory tenancies and 19 were secure tenancies.</p>																												
1.13	<p>Put into context, the number of evictions is small in comparison with the total number of tenancies, but notwithstanding this, there is a 36.4% increase in the number of evictions compared to the previous financial year.</p> <table><tr><th>Year</th><th>Number of Evictions for rent arrears</th><th>% Increase / Reduction</th></tr><tr><td></td><td></td><td></td></tr><tr><td>2018/19</td><td>30</td><td>36.4%</td></tr><tr><td>2017/18</td><td>22</td><td>15.8%</td></tr><tr><td>2016/17</td><td>19</td><td>-13.6%</td></tr><tr><td>2015/16</td><td>22</td><td>-</td></tr></table>	Year	Number of Evictions for rent arrears	% Increase / Reduction				2018/19	30	36.4%	2017/18	22	15.8%	2016/17	19	-13.6%	2015/16	22	-										
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1.14	<p>The recovery of unpaid rent brings a requirement to strike the right balance between supporting tenants to stay in their homes and ensuring tenants keep to the terms of their tenancy agreements</p>																												
1.15	<p>Each case that leads to eviction has its own history and complexities but typically rent arrears build up over a period of time and tenants are always provided with extensive opportunities which will have been provided prior to the legal process. Even when the legal process is taken through the courts, the judicial process is lengthy and it always provides further safeguards and ample opportunity for tenants to pay or engage, even at a late stage, to prevent the eviction from being carried out.</p>																												

2.00	RESOURCE IMPLICATIONS
2.01	The continued deployment of four additional officers, consisting of two Rent Income officers and two advice/support officers, is necessary to manage

	additional caseloads and to recover unpaid rent as quickly as possible from an increased number of tenants who now receive Universal Credit as opposed to Housing Benefit.
2.02	The ongoing cost of the additional resources at an annual cost of £130k per annum is partly funded through the Supporting People Fund and partly funded through the HRA.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None.

4.00	RISK MANAGEMENT
4.01	To mitigate the financial risks to the HRA through potential losses in collection and increased bad debt impairment, the Council has introduced new approaches to tackling rent arrears. These measures now provide offering out early intervention to those tenants who fall into rent arrears, the deployment of additional resources to cope with increasing service demands and fast tracking cases to court whenever tenants fail to engage or pay their rent on time.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Housing (Wales) Act 2014 • Welfare Reform Act 2012 <p>Contact Officer: David Barnes, Revenues Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Universal Credit: is an integrated means-tested benefit for people of working age whose income is below a specified minimum amount. UC can be claimed by working age people in and out of employment and UC combines six legacy benefits, including Housing Benefit, into one single payment which is administered by the Department of Work and Pensions</p> <p>Welfare reform: these are wide-ranging changes which were introduced by the UK Government to reform a range of social security benefits and tax</p>

	<p>credits which aim to ensure that the UK has a more affordable benefits system</p> <p>Housing Revenue Account (HRA): The Council is required to keep a HRA account to record all income and expenditure relating to the provision of local authority social housing. All rental income must be held within a ring fenced HRA account. This means that HRA income from rents can only be used for council housing purposes and not for other general council expenditure. This also allows the rental income to be invested back into council housing to help improve the standard of the stock council housing stock and also build new council homes.</p>
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