

COMMUNITY & ENTERPRISE OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Monday 18 th February 2019
Report Subject	Housing Rent Income
Cabinet Member	Deputy Leader and Cabinet Member for Housing
Report Author	Chief Officer (Housing and Assets)
Type of Report	Operational

EXECUTIVE SUMMARY

This report provides Scrutiny Members with a further operational update on the latest position for rent income collection following the recent report to Scrutiny Committee in November 2018.

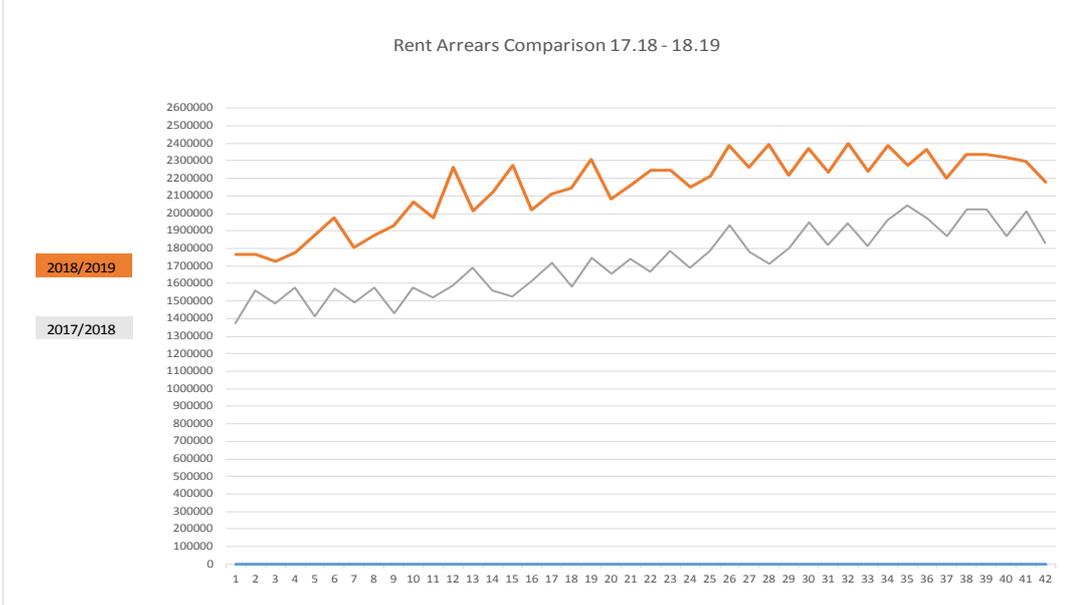
Despite the ongoing challenges of increasing numbers of tenants migrating away from Housing Benefit to the Universal Credit system, the latest collection position shows that by implementing measures through increased resources, early intervention and adopting a 'rent first' approach, collection of rent is starting to stabilise with total rent arrears reducing from £2.22m to £2.14m.

This report also sets out the latest position with the implementation of specialist housing software that will guide the future work of the Rent Enforcement service to ensure rent collection levels are maximised in an ever increasingly challenging environment for collection of rent.

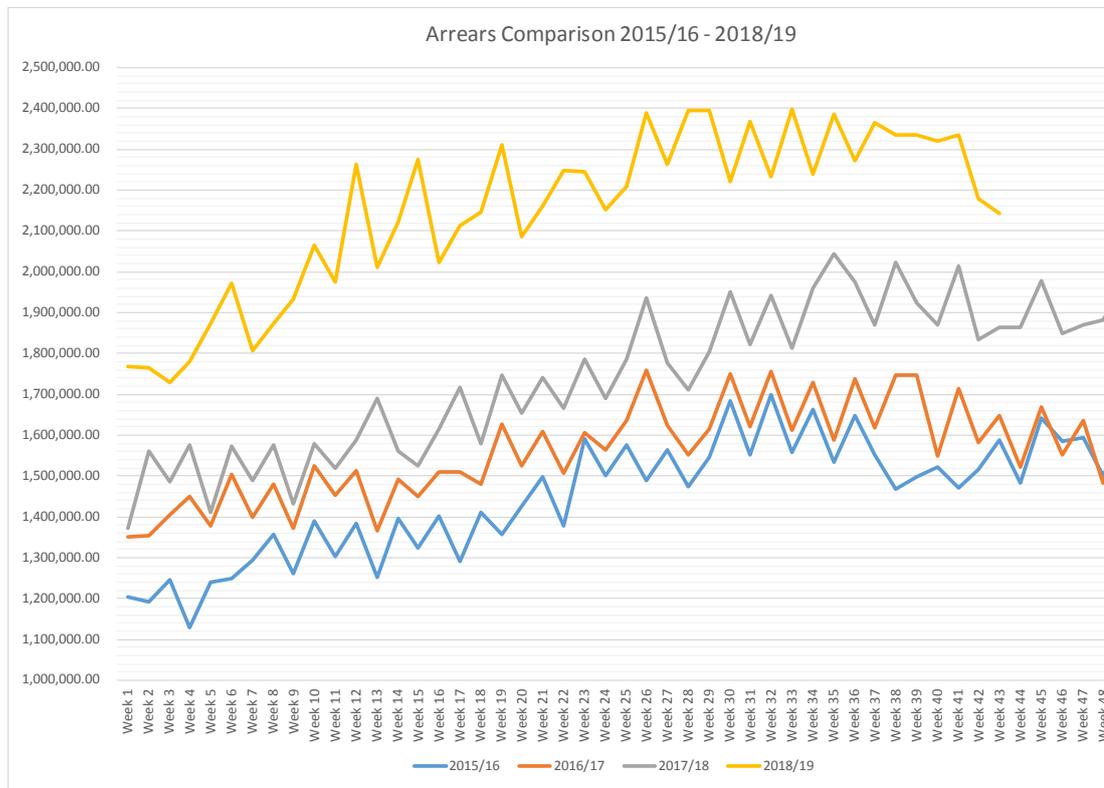
RECOMMENDATIONS

1	Note the latest financial position for rent arrears in 2018-19 which shows collection of rent is starting to stabilise.
2	Endorse the measures being taken to improve rent collection during 2019-20 through the deployment of specialised software to support a targeted approach to rent arrears recovery.

REPORT DETAILS

1.00	EXPLAINING THE LATEST POSITION OF RENT ARREARS																																																																																																																																	
1.01	Latest figures for accumulated rent arrears up to week 43, show rent arrears are £2.14m compared to £2.22m as at the time of the last report to Scrutiny in November 2018. In other words, rent arrears have fallen by £80k. This represents a significant improvement against the backdrop of an ever increasing number of tenants migrating from Housing Benefit (HB) to Universal Credit (UC).																																																																																																																																	
1.02	The UC system continues to place an expectation on tenants to manage their own finances and budget to pay rent on time to the Council. UC remains a significant risk to the Council as many tenants, especially those tenants considered to be vulnerable, simply cannot cope with the budgeting obligations of paying rent on time. In many cases, tenants with complex needs fall into arrears.																																																																																																																																	
1.03	Delays in processing UC claims by the Department of Work and Pensions, and the five week average turnaround before payment of UC is typically made continues to exacerbate cash-flow difficulties for tenants, as it does for the Council.																																																																																																																																	
1.04	To mitigate the financial challenges for the Council, the work of the Housing Intervention Teams continues and additional resources are being deployed to ensure tenants who fall into arrears receive help and support at an early stage through a 'fast tracked' approach.																																																																																																																																	
1.05	Rent Enforcement officers are also working intensively to contact by telephone those tenants who fall into arrears, even for relatively small sums. This approach is important to instil the 'rent first' philosophy and to recognise that payment of rent on time is critical to the Council.																																																																																																																																	
1.06	<p>The chart below illustrates the latest position with rent arrears in 2018/19 and which shows the correlation with rent collection in 2017/18.</p>  <p>The chart displays weekly rent arrears for two financial years: 2017/2018 (grey line) and 2018/2019 (orange line). The y-axis represents the amount in pounds, ranging from 0 to 2,600,000 in increments of 100,000. The x-axis represents weeks from 1 to 42. The 2018/2019 series starts at approximately £1,750,000 and ends at £2,140,000. The 2017/2018 series starts at approximately £1,400,000 and ends at £1,850,000. Both series show significant weekly fluctuations, with the 2018/2019 series generally maintaining a higher level of arrears throughout the period.</p> <table border="1"> <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>1750000</td></tr> <tr><td>2</td><td>1500000</td><td>1750000</td></tr> <tr><td>3</td><td>1450000</td><td>1800000</td></tr> <tr><td>4</td><td>1550000</td><td>1900000</td></tr> <tr><td>5</td><td>1400000</td><td>1800000</td></tr> <tr><td>6</td><td>1500000</td><td>1950000</td></tr> <tr><td>7</td><td>1450000</td><td>1850000</td></tr> <tr><td>8</td><td>1550000</td><td>1950000</td></tr> <tr><td>9</td><td>1400000</td><td>1900000</td></tr> <tr><td>10</td><td>1500000</td><td>2000000</td></tr> <tr><td>11</td><td>1550000</td><td>2100000</td></tr> <tr><td>12</td><td>1600000</td><td>2250000</td></tr> <tr><td>13</td><td>1550000</td><td>2050000</td></tr> <tr><td>14</td><td>1650000</td><td>2250000</td></tr> <tr><td>15</td><td>1500000</td><td>2050000</td></tr> <tr><td>16</td><td>1600000</td><td>2100000</td></tr> <tr><td>17</td><td>1550000</td><td>2150000</td></tr> <tr><td>18</td><td>1650000</td><td>2200000</td></tr> <tr><td>19</td><td>1500000</td><td>2100000</td></tr> <tr><td>20</td><td>1600000</td><td>2250000</td></tr> <tr><td>21</td><td>1650000</td><td>2200000</td></tr> <tr><td>22</td><td>1600000</td><td>2250000</td></tr> <tr><td>23</td><td>1700000</td><td>2200000</td></tr> <tr><td>24</td><td>1650000</td><td>2250000</td></tr> <tr><td>25</td><td>1750000</td><td>2300000</td></tr> <tr><td>26</td><td>1850000</td><td>2400000</td></tr> <tr><td>27</td><td>1750000</td><td>2250000</td></tr> <tr><td>28</td><td>1700000</td><td>2350000</td></tr> <tr><td>29</td><td>1800000</td><td>2250000</td></tr> <tr><td>30</td><td>1900000</td><td>2350000</td></tr> <tr><td>31</td><td>1800000</td><td>2250000</td></tr> <tr><td>32</td><td>1900000</td><td>2350000</td></tr> <tr><td>33</td><td>1850000</td><td>2250000</td></tr> <tr><td>34</td><td>1950000</td><td>2350000</td></tr> <tr><td>35</td><td>2050000</td><td>2250000</td></tr> <tr><td>36</td><td>1950000</td><td>2350000</td></tr> <tr><td>37</td><td>2000000</td><td>2250000</td></tr> <tr><td>38</td><td>2050000</td><td>2350000</td></tr> <tr><td>39</td><td>1950000</td><td>2300000</td></tr> <tr><td>40</td><td>2050000</td><td>2350000</td></tr> <tr><td>41</td><td>1900000</td><td>2250000</td></tr> <tr><td>42</td><td>1850000</td><td>2140000</td></tr> </tbody> </table>	Week	2017/2018 (£)	2018/2019 (£)	1	1400000	1750000	2	1500000	1750000	3	1450000	1800000	4	1550000	1900000	5	1400000	1800000	6	1500000	1950000	7	1450000	1850000	8	1550000	1950000	9	1400000	1900000	10	1500000	2000000	11	1550000	2100000	12	1600000	2250000	13	1550000	2050000	14	1650000	2250000	15	1500000	2050000	16	1600000	2100000	17	1550000	2150000	18	1650000	2200000	19	1500000	2100000	20	1600000	2250000	21	1650000	2200000	22	1600000	2250000	23	1700000	2200000	24	1650000	2250000	25	1750000	2300000	26	1850000	2400000	27	1750000	2250000	28	1700000	2350000	29	1800000	2250000	30	1900000	2350000	31	1800000	2250000	32	1900000	2350000	33	1850000	2250000	34	1950000	2350000	35	2050000	2250000	36	1950000	2350000	37	2000000	2250000	38	2050000	2350000	39	1950000	2300000	40	2050000	2350000	41	1900000	2250000	42	1850000	2140000
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1.07 The last two years of UC full service rollout have been extremely challenging for the Rent Income service and the chart below plots the latest position for rent collection. It shows the stark contrast between arrear trends reported in 2016/17 and 2017/18 when UC full service was rolled out across Flintshire.



1.08 Despite the unprecedented additional work generated by UC full service rollout, the Rent Income service is now stemming the increase in rent arrears and the rate with which rent arrears were increasing is slowing down significantly.

1.09 In response to this changing and challenging environment, as part of the Councils recovery strategy for those tenants in receipt of UC, the Council is increasingly applying to DWP for direct payments. The guidance says these arrangements can be made where a UC claimant:

- Has at least two months' rent arrears
- Has been evicted for rent arrears in the past year or is threatened with eviction

The DWP can decide how much to pay to landlords. This will normally be the amount of the claimants UC housing costs element, unless his or her UC is less than this because of, for example, earnings or reductions for sanctions.

1.10 Direct payments are typically only put in place for social and public sector landlords but the UK Government has recently announced a series of measures that will result in private sector landlords also being able to apply for direct payments for private sector tenants.

1.11 Latest statistics show that of the 562 Council tenants in receipt of UC, approximately 247 (equating to nearly 45%) have managed payments set up for DWP to deduct housing costs at source.

1.12 The table below shows the latest rent arrears position for those tenants in receipt of UC as opposed to those still in receipt of HB.

Claim Type	Number of tenants	Total Arrears	Average Rent Arrears Feb 19	Average Rent Arrears Nov 18	Variance (+/-)
Universal Credit	562	£672,933	£1,197	£1,473	-£276
Housing Benefit	2,238	£478,993	£214	£334	-£120

1.13 To ensure rent is paid on time, the Council continues to focus more closely those tenants who fail to pay and who will not engage with support services. Eviction for non-payment of rent is always used as a last resort and latest statistics show that the Rent Enforcement team have undertaken twenty seven evictions up to the of January 2019 for those tenants who will not pay or engage.

Year	Evictions for rent arrears
2018/19 (to date)	27
2017/18	22
2016/17	19
2015/16	22

1.14 To ensure Council resources are targeted to those tenants who need most help to ensure rent is paid on time, a further initiative is being implemented in Q1 of 2019/20 to improve the supporting software systems that guide the work of Rent Enforcement Officers. Feasibility work has been undertaken with a software supplier whose 'Rent Sense' solution is rapidly becoming the housing industry standard for analysing payment variations, risk and escalating which tenants to contact and when. The software uses algorithms to analyse payment patterns, highlight risk and provide predictive intelligence to support a more focused and targeted approach to rent arrears recovery work.

1.15 At present there are 130 social landlords using 'Rent Sense', including 41 Council's and a significant number of social landlords who have low levels of arrears are already deploying 'Rent Sense' within their organisations. Each day the software provider is processing over 1.4m records of tenancy data for the 130+ social landlords using this software.

1.16 An additional service to complement the implementation of 'Rent Sense' will also see the development of text messaging to tenants. The text messaging system will be configured to work with 'Rent Sense' to send rent reminders to specific tenants or even texts asking tenants to call the Rent Income service. In the digital age, texts remain one of the most effective way to communicate quickly. Studies have also shown that 99% of people will open a SMS text message and 90% will read within 3 minutes of a SMS message being

	received.
1.17	The development of this software will modernise the work in the Rent service and help the service to more intelligently focus on those tenants who are more at risk of falling into arrears, free up internal resource capacity which means that housing interventions can be put in place quickly and before arrears escalate.

2.00	RESOURCE IMPLICATIONS
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2.01	The deployment of additional resources, at a cost of £130k per annum, are still required to tackle the issues of recovering unpaid rent from an increased number of tenants in receipt of UC. The cost of the additional resources is part funded by the Supporting People Fund and part funded through the HRA Business Plan.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
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3.01	None.
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4.00	RISK MANAGEMENT
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4.01	To mitigate the risks of increasing rent arrears, losses in collection and increased bad debt impairment, the formation of the HIT team and fast tracking of cases to court, is designed to ensure financial risks to the HRA are minimised.
4.02	The deployment of specialist software in 2019/20 is also designed to increase collection levels and ensure resource capacity is focused on the cases requiring early intervention.

5.00	APPENDICES
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5.01	None.
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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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>
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7.00	GLOSSARY OF TERMS
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7.01	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 combines six legacy benefits for working age claimants.