

COMMUNITY & ENTERPRISE OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Tuesday 7 July 2020
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 2019/20 year end outturn for housing rent collection.

In addition this report provides the latest rent collection statistics for 2020/21 and the early impacts of the Covid Pandemic on rental collection and income.

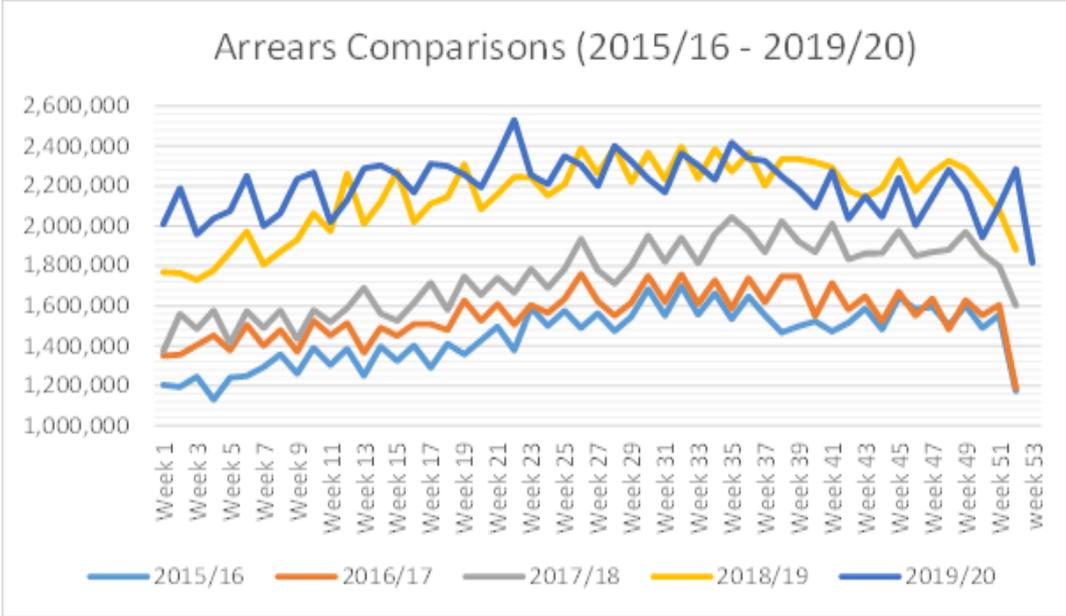
Cumulative Rent arrears for 2019/20, as at 31st March 2020, reduced to £1.81m compared to the previous year position of £1.88m, a reduction of £65k, notwithstanding an in-year collection yield of £40m during 2019/20.

Despite the ongoing challenges of tenants continuing to migrate from Housing Benefit to Universal Credit, the year-end collection position and the measures taken to mitigate in-year rent loss, such as working very early with our tenants to help them manage their debt, have been effective and enabled more rent to be collected.

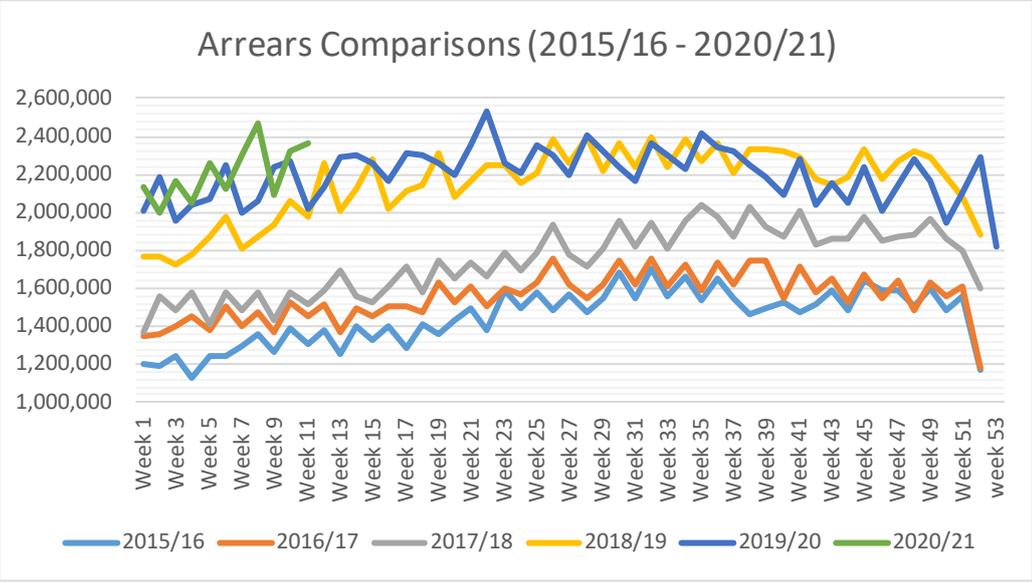
RECOMMENDATIONS

1	Note the improvements in rent collections for 2019/20 which shows that collection of rent has resulted in higher levels of collection, lower levels of bad debts and a final outturn where total arrears have reduced by £65k.
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REPORT DETAILS

1.00	EXPLAINING THE LATEST POSITION OF RENT ARREARS																																																												
1.01	The Rent Income service continues to collect rent from around 7,300 occupied properties with an in-year collection yield of £40m in 2019/20.																																																												
1.02	<p>The year-end position shows rent arrears had started to stabilise and fall and we were slowly moving back to the position last seen in 2017/18 if we compare rent arrears to the gross rent yield. The percentage movement in arrears (i.e. a 0.4% reduction) was last seen in 2012/13 so collections are increasing, notwithstanding there are major challenges ahead with rent collections in the context of the current emergency measures relating to Covid 19.</p> <table border="1" data-bbox="312 674 1182 1205"> <thead> <tr> <th>Financial Year</th> <th>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> </thead> <tbody> <tr> <td>2019-20</td> <td>£39,969,296</td> <td>£1,815,514</td> <td>4.5%</td> <td>−£65,000</td> <td>−0.4%</td> </tr> <tr> <td>2018-19</td> <td>£38,086,058</td> <td>£1,880,514</td> <td>4.9%</td> <td>£279,905</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> </tbody> </table>	Financial Year	Gross Rent Yield	Year End Rent Arrears	Rent Arrears as % of Rent Yield	Movement in Arrears (£)	Movement in Arrears (%)	2019-20	£39,969,296	£1,815,514	4.5%	−£65,000	−0.4%	2018-19	£38,086,058	£1,880,514	4.9%	£279,905	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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1.03	<p>The chart below illustrates the year end position with rent arrears in 2019/20 and which shows the correlation with rent collections in the previous four years.</p> 																																																												

1.04	It is also important to note that the year-end arrears outturn of £1.82m did not factor in the bulk DWP payment file for £300k of payments up to March 2020 that was received shortly after the rent accounting year ended.																					
1.05	Overall, it was a successful year for the Rent Income service, despite the late impacts on rent collections during weeks 49-53 as a result of the Covid-19 emergency measures. As predicted, the investment in Mobyssoft in Q2 of 2019/20 and the joint work across the housing teams has really paid dividends and resulted in lower levels of year-end arrears, despite the ongoing challenges of increasing numbers of tenants switching to claiming Universal Credit as opposed to claiming Housing Benefit.																					
1.06	<p>To ensure rent is paid on time, the service continues to focus more closely on those tenants who fail to pay and who tend not to 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 undertook 26 evictions during 2019/20 a 13% reduction for those tenants who did not pay or engage despite having many opportunities to work with the Council and with the Courts.</p> <table border="1" data-bbox="584 869 1114 1229"> <thead> <tr> <th data-bbox="584 869 746 987">Year</th> <th data-bbox="746 869 938 987">Number of Evictions for rent arrears</th> <th data-bbox="938 869 1114 987">% Increase / Reduction</th> </tr> </thead> <tbody> <tr> <td data-bbox="584 987 746 1025">2020/21</td> <td data-bbox="746 987 938 1025">0</td> <td data-bbox="938 987 1114 1025"></td> </tr> <tr> <td data-bbox="584 1025 746 1064">2019/20</td> <td data-bbox="746 1025 938 1064">26</td> <td data-bbox="938 1025 1114 1064">-13.3%</td> </tr> <tr> <td data-bbox="584 1064 746 1102">2018/19</td> <td data-bbox="746 1064 938 1102">30</td> <td data-bbox="938 1064 1114 1102">36.4%</td> </tr> <tr> <td data-bbox="584 1102 746 1140">2017/18</td> <td data-bbox="746 1102 938 1140">22</td> <td data-bbox="938 1102 1114 1140">15.8%</td> </tr> <tr> <td data-bbox="584 1140 746 1178">2016/17</td> <td data-bbox="746 1140 938 1178">19</td> <td data-bbox="938 1140 1114 1178">-13.6%</td> </tr> <tr> <td data-bbox="584 1178 746 1216">2015/16</td> <td data-bbox="746 1178 938 1216">22</td> <td data-bbox="938 1178 1114 1216">-</td> </tr> </tbody> </table>	Year	Number of Evictions for rent arrears	% Increase / Reduction	2020/21	0		2019/20	26	-13.3%	2018/19	30	36.4%	2017/18	22	15.8%	2016/17	19	-13.6%	2015/16	22	-
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1.07	Welsh Government introduced a package of measures to protect tenants during the current emergency situation from late March 2020. As a result, no tenant either in social or private accommodation will be forced to leave their home during this difficult time. Ultimately, this also means that no new possession hearings through applications to court can start until 23 rd August 2020 at the earliest.																					
1.08	As a responsible and caring landlord, the Rent Income service continues to support and engage proactively with tenants who are falling into arrears to find solutions. Flexible payment arrangements are being put in place with tenants to spread arrear payments throughout the year. However, not all tenants are engaging with the Council and some tenants have stopped making payments to the Council without getting in touch and without explanation.																					
1.09	Inevitably, rent arrears during 2020/21 have started to rise again as a direct result of the emergency measures in the same way as collections for other debt types have risen. Other landlords are facing the same challenges for rent collections.																					

1.10	<p>The current position for 2020/21 can be illustrated using the chart set out below. Rent Arrears, on average, over the rent weeks during Q1 have increased by approximately £107k. Of particular concern is a trend where arrears have increased more significantly for those tenants who do not claim either Universal Credit or Housing Benefits, potentially brought about by reduced working hours, the risk of losing a job or by being placed on 'Furlough'.</p> 
1.11	<p>The Rent Income service has been issuing letters with a 'soft enforcement' approach to housing tenants who are falling behind with arrears and have not made recent contact. We are receiving a positive response from some recipients with some payments coming in to address arrears on accounts.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>The deployment of additional resources and of Mobyssoft 'Rent Sense' are funded through the HRA Business Plan as a 'spend to save' initiative.</p>
2.02	<p>Early predictions show these resources will be required throughout 2020/21 and during 2021/22 to meet additional demands being placed on the service to support tenants, especially for those who are facing additional money worries over and above the anxiety caused by the emergency situation we are in; perhaps brought about by reduced working hours, the risk of losing a job or by being placed on 'Furlough'.</p>

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	<p>To mitigate the financial risks of rent arrears, losses in collection and increased bad debt impairment, the continued investment in specialised software and increased resources is designed to ensure financial risks are minimised as far as possible through the early identification and targeted intervention of those tenants at highest risk of non-payment.</p>

3.02	The Coronavirus Act also offers additional protections for tenants from March 2020 where the UK government has passed emergency legislation to prevent the eviction of tenants amid the current emergency measures. New evictions in England and Wales of tenants in both social and privately-rented accommodation will therefore now be suspended until 23 August.
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4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None.

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 • The Coronavirus Act 2020 – section 2

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: David Barnes, Revenues Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	Welfare Reform: these are changes being introduced to a range of social security benefits and tax credits which aim to ensure that the United Kingdom has an affordable benefits system.
8.02	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. The legacy benefits include housing benefit, income support, job seekers allowance, employment support, child tax credits, working tax credits.
8.03	Housing Benefit: is a means tested scheme that helps tenants pay all, or part of their rent, if they have a low income. Housing Benefit is administered by Local Authorities on behalf of the Department of Work and Pensions (DWP).