

COMMUNITY & HOUSING OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Wednesday 15 th November 2023
Report Subject	Housing Rent Income
Cabinet Member	Cabinet Member for Housing and Regeneration
Report Author	Chief Officer (Housing and Communities)
Type of Report	Operational

EXECUTIVE SUMMARY

This report provides Community and Housing Overview and Scrutiny Committee with the latest operational update on the collection of housing rent, an analysis of arrears more than £5k, and proposals to strengthen the debt recovery process by amending the Corporate Debt Recovery Policy and automatically taking court action against contract holders who owe the equivalent of 12 weeks unpaid rent and/or £1,500 and who are not addressing their weekly rent payments and arrears.

Collection of housing rent remains an area of risk but total rent arrears up to week 27 are £2.6m compared to £2.7m at the same week in the previous year, an improvement of £100k.

RECOMMENDATIONS

1	Note the latest financial position for rent collections in 2023/24 as set out in this report.
2	Support the proposed changes to the Corporate Debt Recovery Policy to strengthen the collection of Housing Rent by taking court action, as a default position, in cases where contract holders are not making payment, are 12 weeks in arrears and/or who owe £1,500 or more and who are not engaging with the housing service to address the arrears.

REPORT DETAILS

1.00	EXPLAINING THE LATEST POSITION OF RENT ARREARS
1.01	Collection of rent has seen marginal improvements during quarter 2 and total rent arrears are currently, around £100k lower than at the same point in the previous year. The marginal gains are attributable to the stabilisation of resources and recent recruitment to vacancies.
1.02	<p>Despite the recent improvements in collections at the latter end of quarter 2, the financial climate remains challenging as many contract holders are less likely to have sufficient disposable income to always make their rent payments on time or cope with inflationary cost-of-living increases and rising household costs.</p> <p>For those contract holders who find it difficult to pay and who want to engage, we are continuing to signpost and make referrals to specialist teams across the Council.</p>
1.03	<p>Rent and arrears collection continues to follow a pattern where performance improves significantly at year-end compared to the in-year position. This is mainly due to collecting outstanding income through rent free weeks that fall in December and March. The table below illustrates the latest position for 2023-24, up to week 27, along with full year comparisons for previous years:</p> <div data-bbox="320 1151 1385 1868" style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <p style="text-align: center;">Arrears Comparisons (2015/16 - 2023/24)</p> <p>The chart displays weekly rent arrears for various financial years from 2015/16 to 2023/24. The y-axis represents the amount in pounds, ranging from 1,000,000 to 3,200,000 in increments of 200,000. The x-axis represents the weeks of the year, from Week 1 to Week 53. Each line corresponds to a specific financial year: 2015/16 (light blue), 2016/17 (orange), 2017/18 (grey), 2018/19 (yellow), 2019/20 (dark blue), 2020/21 (green), 2021/22 (red), 2022/23 (brown), and 2023/24 (purple). The 2023/24 line shows a significant increase in arrears starting around week 20, peaking at approximately 2,800,000 in week 27, before dropping sharply to around 1,200,000 by week 53. Other years generally show a more stable or slightly increasing trend in arrears over the year, with 2022/23 reaching the highest peak of nearly 3,000,000 around week 37.</p> </div>

1.04

The table below also shows the latest analysis of banded arrears up to week 27 for those contract holders who owe more than £250 in unpaid rent as contract holders who owe less than this are generally considered to be up to date with their payments:

	Oct-23	
Banded Arrears (£)	No. Contract Holders	Arrears (£)
250 - 500	720	258,818
500 - 750	416	254,524
750 - 1,000	220	191,216
1,000 – 2,500	455	721,023
2,500 – 5,000	175	598,871
5000+	44	304,091
	2,030	2,328,543

At the July meeting of Community and Housing Scrutiny, it was also agreed to provide elected members with an in-depth analysis of those contract holders who owe the Council more than £5k of unpaid rent:

Reason	Contract Holders	Value (£)
Payment Plan in place and payment of rent plus arrears is being maintained	17	104,226
Court action is being considered. Contract Holders are engaging & making some attempts to pay	14	101,843
Awaiting further court hearing as court action previously taken and now in breach of payment terms	6	37,358
Awaiting 1st court hearing	4	28,400
Mesne Profit Case	3	32,264
Total Value	44	304,091

1.05	<p>The housing service continue to work collaboratively to discuss, support and resolve the more complex cases. Officers continue to hold fortnightly panel meetings to discuss these cases and work together through engagement and support to attempt to get positive outcomes.</p> <p>As a result of this work there have been many positive outcomes both for the contract holders and the Council with many contract holders paying their arrears and now having the support, they need to maintain ongoing rent payments.</p>								
1.06	<p>The need to work within the spirit of WG policy intentions of “no evictions into homelessness” as well as maximising collections of rent to comply with the Councils Corporate Debt Recovery Policy can be a challenge and there is a balance to be struck between the two often conflicting policy intentions.</p>								
1.07	<p>Although court action is taken as a last resort, there is a growing need to adopt a more commercial approach to the collection of rent arrears to ensure losses in collections are minimised for the HRA.</p> <p>Appendix 1 to this report therefore sets out proposed changes to parts of the Corporate Debt Recovery Policy in relation to collection of housing rent.</p> <p>The focus on early intervention and preventative action and support will continue, but to prevent arrears levels escalating, it is proposed that legal action is now triggered, by default, for contract holders who are not meeting their payments, are 12 weeks or more in arrears or owe an amount of £1,500 and who are not engaging with the housing service to address the arrears.</p> <p>Court proceedings are a necessary tool to secure payment from contract holders who do not engage with the Council and fail to make payment. In most cases, the judicial process usually results in most contract holders making payment or receiving an order from the court to pay rather than being evicted.</p> <p>Prior to the adoption of the changes at Cabinet, Scrutiny is therefore asked to endorse the proposed changes to the Corporate Debt Recovery Policy in relation to the trigger points for legal action for housing rent.</p>								
1.08	<p>Each year, the HRA sets aside bad debt provision to meet the cost of write offs and there is currently adequate provision set aside for 2023-24 and within the 30-year business plan to fund write offs.</p> <p>The table below also lists the levels of arrears that have been written off for various reasons including, insolvency, debt relief orders, contract holders leaving the property without a forwarding addresses and contract holders who have passed away leaving no estate or funds.</p> <table border="1" data-bbox="639 1879 920 2092"> <thead> <tr> <th>Year</th> <th>Write off Values (£)</th> </tr> </thead> <tbody> <tr> <td>2023-24</td> <td>111,356</td> </tr> <tr> <td>2022-23</td> <td>283,821</td> </tr> <tr> <td>2021-22</td> <td>288,898</td> </tr> </tbody> </table>	Year	Write off Values (£)	2023-24	111,356	2022-23	283,821	2021-22	288,898
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2023-24	111,356								
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2021-22	288,898								

		2020-21	195,333	
		2019-20	624,478	
		2018-19	482,910	
		Total	1,986,796	
	<p>The number and value of write offs continues to reduce as officers strive to collect all balances as quickly as possible. This also ensures that lower levels of bad debt provision are needed to be set aside, which in turn allows more funding to be diverted into improving homes and investing in housing services.</p>			

2.00	RESOURCE IMPLICATIONS
2.01	The deployment of the Mobyssoft 'Rent Sense' software, funded by the HRA, continues to be necessary to control rent arrears and to ensure resources are targeted effectively.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	To ensure financial risks to the HRA are minimised as far as possible, rent arrears continue to be tracked on a weekly basis and cases are identified as quickly as possible to ensure targeted intervention is provided to those contract holders at highest risk of non-payment.

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 • Corporate Debt Recovery Policy

7.00	CONTACT OFFICERS DETAILS
7.01	<p>Contact Officer: David Barnes, Revenues and Procurement Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<p>Housing Revenue Account: The Council is required to keep a HRA to record all income and expenditure relating to the provision of local authority housing. All rental income, including arrears, must be held with a ring fenced HRA account. This means that income can only be used for council housing purposes and not general expenditure. This also allows rental income to be invested locally to help improve and maintain council owned homes and build new council homes.</p> <p>Bad Debt Provision (BDP): is a reserve to cover financial losses for rents that may be uncollectable in the future. BDP is sometimes also referred to as 'impairment allowances' for doubtful debts.</p> <p>Mesne Profits: is the term used for the property charge which the person left in occupation of a housing property is expected to pay after a tenancy has been terminated. The amount of mesne profits payable is usually equivalent to the rent that the former tenant was paying.</p>