

## Report to the Board

18 September 2014




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**Title:** Rent Arrears Monitoring and Prevention - 2013/14

**Report of:** Director of Customers and Communities

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### Purpose of Report

1. To provide the Board with an update on rent arrears monitoring for the year 2013/14, and on our approach to rent arrears prevention.

### Background

2. Previous rent arrears monitoring reports have shown that under 25s and some Black and Minority Ethnic (BME) tenants have historically had significantly higher levels of arrears. By focusing our activity on advice and support, the gap had become much closer over several years, but the report for 2012/13 noted that arrears had started to rise again, particularly for under 25s.
3. The risk of higher levels of rent arrears has risen over the last four years due to above-inflation increases in rent charges. The risk has risen substantially higher in the last two years as the government's package of welfare reforms has begun to take effect, with some groups affected more so than others. Welfare reform is expected to continue to impact heavily on arrears in future years.
4. This report was submitted to Customers and Communities Committee on 11 September and is also presented to the Board for information.

### Current Rent Arrears

5. The average increase in rent charge at the start of the year 2013/14 was 5.1%, and current rent arrears increased during the year by 11.7% (an increase of £207,591, from £1,776,041 to £1,983,632). The previous year 2012/13 had seen rent charges rise by 6.4% and arrears rise by 5.3%.
6. The increase in rent arrears may have been substantially higher in 2013/14 but for the receipt of £430,586 in Discretionary Housing Payments (DHP) paid directly into council tenants' rent accounts.
7. The appendix to this report contains a chart showing the trends in average arrears for all tenants, under 25s and BME tenants since April 2007: -
  - Average arrears for all tenants increased from £89 to £102 in 2013/14

- Under 25s arrears increased from £167 to £197
  - BME tenants arrears increased from £126 to £134
8. In April 2007 BME tenants' arrears were £133 more than the average, but the gap has now reduced to its lowest level of just £32. Under 25s' arrears have risen sharply again and are now back to their 2009 level some £95 more than the average arrears level for all tenants.
9. There were 81 evictions for rent arrears in 2013/14, which is the same figure as in 2012/13: -
- 4 evictions were of BME tenants (9 in 2012/13)
  - 14 evictions were for under 25s (20 in 2012/13)
10. The rent and income service went through a restructure at the end of 2013/14 and now has three New Tenancy Officers and two Advice and Support Officers as well as a dedicated Team Leader managing the support elements of the service. The New Tenancy Officers deal mainly with introductory tenants with the aim of sustaining tenancies and reducing rent arrears. One of their key challenges is ensuring that young tenants apply for housing benefit on time to limit any rent arrears building up. Some tenants fail to apply for the benefit they are entitled to despite prompts and offers of support from staff. The work of the Advice and Support Officers will be covered later in this report.
11. We have identified tenancy sustainment as a key priority for the company. The rent and income service is changing its approach to ensure tenants obtain the support they need as soon as possible; this includes more referrals to advice providers and partner agencies than ever before.

### **Under 25's**

12. Tenants under the age of 25 represent a significant challenge for the rent and income service due to the reduced income they receive from benefits. A single person under 25 on Job Seekers Allowance (JSA) receives only £57.35 a week to live on. It has become evident that within the challenging economic climate this low level of income means young tenants are finding it difficult to maintain their rent payments. This is compounded when a tenant under 25 is under occupying their property.
13. Over recent years there has been a steady decline in the number of tenants we have in this age group, whilst their average levels of arrears have been increasing: -
- Year end 2011/2012 - **817** tenants under 25, of these **541** (62.91%) were in arrears, the average arrears were **£127.53**
  - Year end 2012/2013 - **719** tenants under 25, of these **497** (69.12%) were in arrears, the average arrears were **£167.03**.
  - Year end 2013/2014 - **632** tenants under 25, of these **406** (64.24%) were in arrears, the average arrears were **£197.47**
14. Arrears levels are exacerbated by under occupation, as their payable rent represents a huge portion of their income. In reality, any under 25 year olds in receipt of housing benefit living in a 2-bedroom property will find they are unable to afford to sustain their tenancy. For this reason we have requested that the

council consider an amendment to the lettings policy to allow a refusal of an offer of accommodation on the grounds of affordability – in circumstances where it is clear that the tenant would not be able to meet rent payments and other essential expenditure.

15. The rent and income service are working hard with tenants to help sustain tenancies, however some are proving extremely difficult due to such low levels of income. Where possible DHP applications are being made to assist and referrals are being made to tenancy support. In addition, the young persons support service within the council contact every new tenant under 25 to offer support with the management of their tenancy.

### **Former Tenant Arrears**

16. Former tenant arrears reduced in 2013/14 from £1,674,391 to £1,532,128. Significant progress has been made in recent years to reduce the amount of debt being left when a tenancy ends; new debt created during 2012/13 dropped to its lowest ever level at £434,247. However, an increase in terminations brought about because of under occupation resulted in the new debt figure increasing in 2013/14 to £662,840, an increase of 52.6%.
17. Collection levels remained strong in 2013/14 although they were slightly less than the previous year at £239,444. Despite the large increase in new debt, the overall arrears figure continued to reduce due to a large write off. £437,055 was written off in 2013/14 compared to £210,287 (this was a particularly low write off) in 2012/13. If the trend of increased new debt continues then larger write offs will be required to maintain the reduction of total former tenant arrears.

### **Welfare Reform**

18. A key focus during 2013/14 has been monitoring the impact of Welfare Reform, particularly under occupancy. Rent arrears have risen as a result of the reforms; however it is difficult to say the exact impact as the number of tenants affected is constantly changing.

### **Under Occupation**

19. At the start of 2013/14, as at 1 April 2013 2,838 council tenants had their housing benefit entitlements adjusted as a result of under occupation. 2,319 faced a 14% reduction for having one spare room, and 519 faced a 25% reduction for two or more spare rooms. Overall this reform meant that approximately £1,775,000 of rent that was previously paid in the form of Housing Benefit became the responsibility of tenants; this was a significant arrears risk as tenants would have to pay more while their incomes would remain the same.
20. The impact of the benefit reductions, and numbers of tenants affected has been tracked throughout the year. It should be noted that there are constant changes in tenants coming off and going on to benefit, so there is always a different set of tenants affected each week, and some tenants have been affected for several periods during the year
21. The overall trend has been a reduction in numbers affected – down to 2,482 at year end (2,081 of these with one spare room, and 401 with two or more). The total had been slightly lower in February and March, reducing to 2,413 at one

point - but there were increases in tenants affected in the last few weeks of the year.

22. 179 tenants were helped to downsize to smaller homes during the year, using the additional priority award contained within the lettings policy. However, most tenants chose to stay in their home and pay the higher contribution to their rent. The total amount of arrears owed by under occupiers at the end of 2013/14 was £374,614; this was an increase of £44,588. However this increase occurred despite the reduction in the overall number of under occupiers by 356, meaning the average arrears rose from £228.87 at the start of the year up to £289.05 at year end. Further comparison figures can be found in appendix 2.

### **Discretionary Housing Payment (DHP)**

23. The expected impact of under occupation was heavily mitigated by DHP, which is a grant provided by the government to each council. The Advice and Support Officers helped a number of tenants to apply for an award which covered their under occupation benefit reduction. Any tenants who could demonstrate they needed additional help in meeting these increased housing costs were encouraged to apply for DHP. In total 783 tenants affected by under occupation made successful applications for DHP in 2013/14 for varying periods. The total sum covered by DHP was £430,586.
24. Despite this large amount of DHP, arrears increased throughout the year by £207,591 (an 11.7% increase), much larger than increases in previous years. In 2012/13 current tenants' arrears had increased by £85,087 (a 5% increase), therefore the impact of Welfare reform can be assessed as the additional increase beyond 5% - calculated as £118,789.
25. DHP awards are made for varying lengths of time, usually 13, 26 or 52 weeks depending on the tenants' circumstances. In some cases the benefit department who process the DHP claims will only grant a short term award to allow time for the tenant to improve their circumstances. This can be via registering to downsize, seeking work or to recover from a temporary loss of earnings. If a shorter term award of 13 or 26 weeks has been made then the tenant must re-apply, demonstrating what actions they have taken to alleviate their issues. This demonstrates the uncertainty around the DHP fund.
26. Of those tenants in receipt of a DHP award 77% were under occupying by one-bedroom (14% reduction in benefit), whilst 23% were under occupying by two or more bedrooms (25% reduction in benefit). Information at the end of the financial year showed that 84% of under occupiers are in the 14% category while the remaining 16% of under occupiers are in the 25% category. The approximate reduction in housing benefit when under occupying by two or more bedrooms is £21 a week, therefore it is expected that a greater proportion of our tenants accessing DHP would be in the 25% category.
27. Approximately 25% of our under occupying tenants have stated they have a disability; of those tenants in receipt of a DHP award 28% have a disability which is a slightly higher proportion.

## **The Benefit Cap**

28. The Benefit Cap was due to be introduced from April 2013; it was delayed to allow further trialling and was subsequently introduced on 15 July 2013. It was estimated that around 27 TGHC tenants would be affected. The Advice and Support Officers worked in partnership with the Councils Economic Development service to undertake joint visits to all tenants potentially affected. This piece of work reduced the number of tenants affected by almost half.
29. At the point of introduction only 10 tenants were affected, by year end 2013/14 there were 15 tenants affected by the benefit cap. As at 15 July 2013 when the cap was implemented the total arrears on these accounts was £1158 (£115.80 on average), by year end the total arrears figure had risen to £6043 (£464.88 on average). The Advice and Support Officers continue to monitor these accounts and work with tenants to assist them finding employment, as this is the only route to avoid the benefit cap.

## **Universal Credit**

30. The phased introduction of Universal Credit was due to begin in limited numbers from October 2013; however there have been significant delays with this program. A decision has been made to conduct a slower roll out in the North-West of the country, it is not anticipated that Universal Credit will be rolled out in the North-East until some point after the general election.
31. Universal Credit will spell the end of direct housing benefit payments and will affect a wide range of tenants. Tenants of pensionable age should not be greatly impacted as existing pensioner claimants should continue to see direct payment of benefit to rent accounts. The introduction of Universal Credit is expected to lead to a large increase in rent arrears.

## **Advice and Support Officers**

32. The new Advice and Support Officers started in February 2013 and have to date mainly been working with tenants affected by the under-occupancy penalty. Some of the duties have included home visits, offering benefits advice in local housing offices, completing benefit appeals forms and helping tenants' complete DHP forms to obtain financial help towards the under occupancy charge.
33. Throughout 2013/14 the Advice and Support Officers helped a large number of tenants, they offered money advice to 383 tenant households and generated over £168k of additional income for tenants. For a breakdown of how the income was generated see appendix 3. A lot of the additional income generated for tenants has been via DHP; however another area was the Sunhill transition project.
34. This project was to help those tenants moving from Sunhill to the Vela Group development in Sunhill Court. A lot of client liaison work was undertaken; tenants were met with individually to check current benefit entitlement and submit change of circumstances forms. Benefit and income levels were monitored to ensure benefit was in place in a timely manner and tenants were kept informed throughout. This piece of work resulted in over £12k of extra income generated for tenants through maximising benefit and submitting new claims for some residents who were not in receipt of any benefit.

## **Energy Angels**

35. Towards the end of 2013/14 the rent and income service began working with an organisation called Energy Angels. The primary function of Energy Angels is to speak to any new tenants at the point of sign up to arrange their utility suppliers. They offer a price comparison service to ensure tenants are signed up with the cheapest supplier, therefore reducing tenants' outgoings and increasing their disposable income. This service is also offered to existing tenants and staff, and will hopefully aid in arrears prevention if tenants' outgoings are reduced.
36. In the first two full months since the roll out of this service 50 new tenants have been through the price comparison service during sign up, saving themselves around £100 each per year; a total annual saving for all tenants of almost £5000.

## **Link to Values**

37. This report relates to the company values of: -
  - Being honest, accountable and transparent
  - Embracing Equality

## **Impact on tenants**

38. There was a rise in average rent arrears in 2013/14, as well as increases for those groups who had been previously identified as a higher risk. This demonstrates that some BME tenants and tenants aged under 25 are still more susceptible to rent arrears.

## **Risk Management Implications**

39. This report relates to strategic risks around financial resources and the impact of welfare benefit reform. Using the customer profile to inform approaches to rent arrears prevention helps to manage the risks of bad debt and reduced tenancy sustainability, but current and proposed changes to housing benefit are increasing exposure to risk.

## **Financial Implications**

40. There are no direct financial implications arising from this report.

## **Equality and Diversity Implications**

41. Using customer profiling to target arrears prevention where it is most needed reinforces the company's commitment to tackling inequality and disadvantage

## **Value for Money Implications**

42. Arrears prevention is more effective and provides better value for money than arrears recovery. The Housing Corporation has estimated the total cost to a landlord of evicting a tenant for rent arrears to be around £6,000.

## **Health Implications**

43. Rent arrears will be a negative factor in health, and so using customer profiling to aim to reduce inequalities in tenancy sustainability will have a positive impact.

### **Environmental Implications**

44. There are no environmental implications directly arising from this report.

### **Consultation carried out**

45. There was no specific consultation for this report

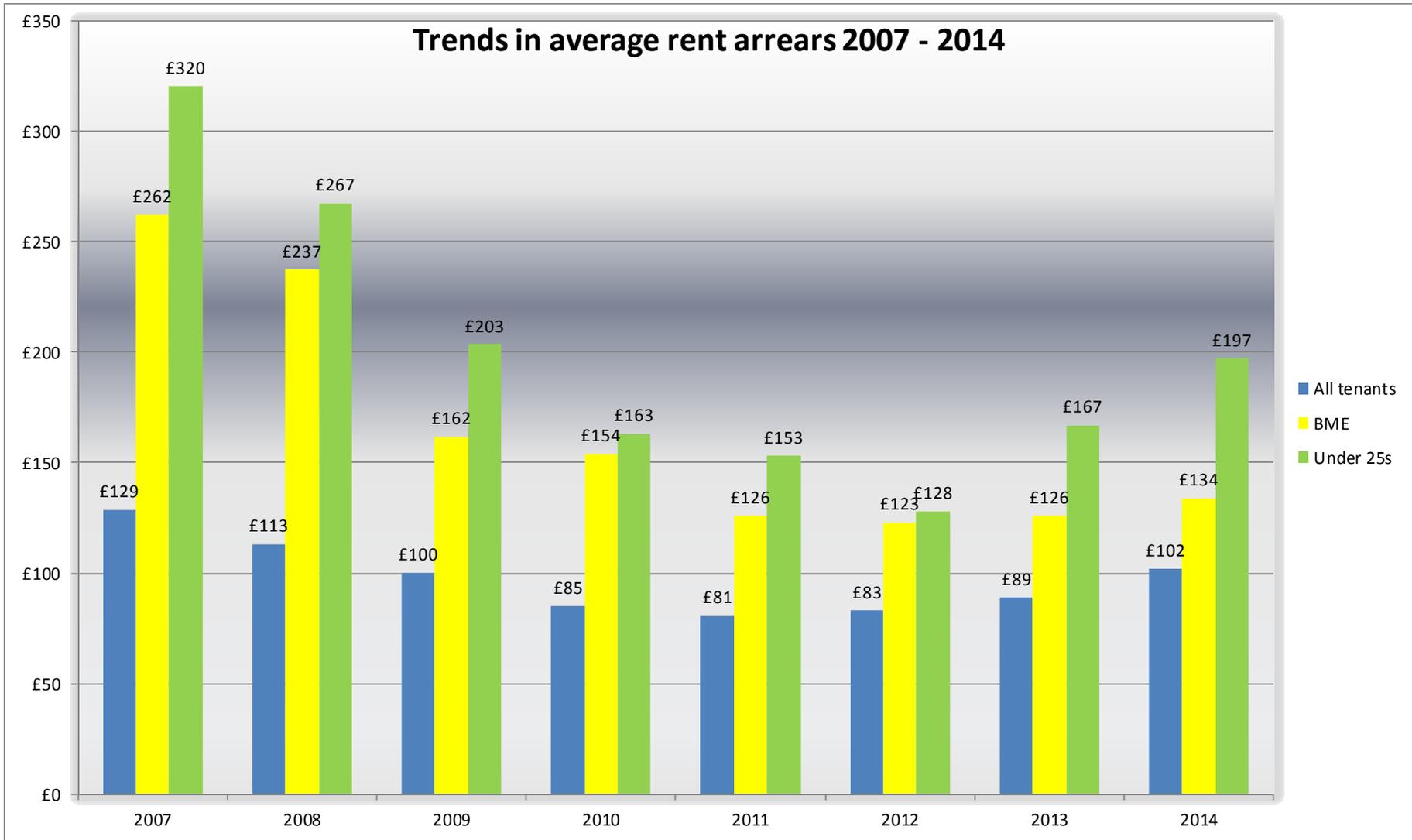
### **Recommendation**

46. The views of the Board are sought on whether it is satisfied with the information on arrears monitoring and progress on managing and preventing arrears.

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- Average arrears for all tenants increased from £89 to £102
- Average arrears for U25's increased from £167 to £197
- BME tenants arrears increased from £126 to £134
- The gap between BME rent arrears and average arrears is at its lowest ever level at just £32

## Under occupation

**Rent arrears statistics comparison between 31 March 2013 (baseline figures) and 6 April 2014**

	<b>31-Mar-13</b>	<b>06-Apr-14</b>
Number of tenants under occupying	2838	2482
Number of tenants under occupying in arrears	1442	1296
Number of tenants under occupying in credit	1396	1186
Total arrears for all under occupiers	£330,026	£374,614
Average level of arrears for all under occupiers	£228.87	£289.05

<b>14% cases - under occupation by 1 bedroom</b>	<b>31-Mar-13</b>	<b>06-Apr-14</b>
Number of tenants under occupying	2319	2081
Number of tenants under occupying in arrears	1209	1118
Number of tenants under occupying in credit	1110	963
Total arrears for all 14% under occupiers	£270,990	£314,652
Average level of arrears for 14% under occupiers	£224.14	£281.44

<b>25% cases – under occupation by 2 or more bedrooms</b>	<b>31-Mar-13</b>	<b>06-Apr-14</b>
Number of tenants under occupying	519	401
Number of tenants under occupying in arrears	233	178
Number of tenants under occupying in credit	286	223
Total arrears for all 25% under occupiers	£59,036	£59,962
Average level of arrears for 25% under occupiers	£253.37	£336.87

- Total arrears for all under occupiers has increased from £330,026 up to £374,614, this is despite a reduction in the total number of under occupiers (356)
- Average arrears for all under occupiers up by £60.18 per household in arrears
- Average arrears for a 14% case up by £57.30
- Average arrears for a 25% case up by £83.50

## Amount of additional income generated for tenant households (per annum)

<b>Advice and Support Officer Actions/Cost Analysis 2013/14</b>	
<b>Function</b>	<b>Total Value</b>
DHP	£127,170.79
Under Occupation Exemption	£7,443.60
Property Redesignation	£6,189.36
Benefit Cap	£4,437.23
Downsizing	£5,317.73
Local Welfare Assistance	£2,135.58
Food Bank (commenced Sept 2013)	£150.00
Overpayment Repayment Reduction	£3,111.59
Sunhill Transition	£12,221.90
<b>Total Value</b>	<b>£168,177.78</b>

<b>Number of tenant households provided with money advice by the organisation</b>	383
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