

Report to the Board

17 September 2015



Title: Rent Arrears Monitoring and Prevention - 2014/15

Report of: Director of Customers and Communities

Purpose of Report

1. To provide the Board with an update on rent arrears monitoring for the year 2014/15, and on our approach to rent arrears prevention.

Background

2. Previous rent arrears monitoring reports have shown increasing levels of rent arrears brought about largely by the introduction of Welfare Reform. Under 25's and Black and Minority Ethnic (BME) tenants have historically had significantly higher levels of rent arrears. By focusing our activity on advice and support, the gap had become much closer over several years, but the report for 2013/14 noted that arrears had started to rise again, particularly for under 25s.
3. The risk of higher level rent arrears has risen over the last five years due to above-inflation increases in rent charges. In the last three years as the government's package of welfare reforms have begun to take effect, the risk of increased arrears has grown substantially. Welfare reform is expected to continue to impact heavily on arrears in future years.
4. This report was submitted to Customers and Communities Committee held on 10 September 2015 and is also presented to the Board for information.

Current Rent Arrears

5. The average increase in rent charges at the start of the year 2014/15 was 2.2%, and current rent arrears increased during the year by 7.6% (an increase of £150,884, from £1,983,632 to £2,134,516). The previous year 2013/14 had seen rent charges rise by 5.1% and arrears rise by 11.7%.
6. The increase in rent arrears may have been substantially higher in 2014/15 but for the receipt of £599,600 in Discretionary Housing Payments (DHP) paid directly into council tenants' rent accounts. Of this, £381k was from the HRA top-up with the remainder from the original DHP allocation.
7. Appendix 1 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 £102 to £110 in 2014/15
 - Under 25s arrears increased from £197 to £202
 - BME tenants arrears reduced from £134 to £119
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 £9. Under 25s' arrears have risen again and are now back to their 2009 level some £92 more than the average arrears level for all tenants.
9. There were 73 evictions for rent arrears in 2014/15, which is 8 less than the 2013/14 figure:
- 4 evictions were of BME tenants (4 in 2013/14)
 - 10 evictions were for under 25s (14 in 2013/14)
10. We have identified tenancy sustainment as a key priority for the company, especially with the ongoing issues surrounding the demand for our stock. The rent and income service is evolving its approach to ensure tenants obtain the support they need as soon as possible; this includes more referrals to in-house advice provision and partner agencies than ever before.

Under 25's

11. 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 £57.90 a week to live on. This represents a significant challenge as more of our new tenants are within this age group.
12. 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. Until this year there had 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**
 - Year end 2014/15 – **646** tenants under 25, of these **457** (70.74%) were in arrears, the average arrears were **£202.38**
14. Under 25s are representing a larger proportion of our new tenants; however they do not sustain their tenancies for as long. During the year 154 tenants under 25 terminated their tenancy, 54 (35%) of these had a tenancy duration of less than one year, while a further 48 (31%) lasted between one and two years. So in total, 66% of tenancies that ended throughout 2014/15 within this age group lasted less than 2 years, this compares to just 19% of tenancies lasting less than two years for over 25's.

15. It should be expected that tenant's under 25 will likely move on quicker due to changing circumstances, however on analysing termination reasons a significant proportion have ended due to their inability to afford the rent or manage their tenancy. This suggests that more needs to be done to support these young tenants both before and throughout their tenancy.
16. Arrears levels amongst this age group are often exacerbated by under occupation, as their payable rent represents a huge portion of their income. In reality, any single 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.
17. 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. A review of all services from a property becoming void up to the point a new tenant takes a tenancy is ongoing. One element being considered is what support is offered to tenants prior to tenancy commencement.

Former Tenant Arrears

18. Former tenant arrears reduced in 2014/15 from £1,532,128 to £1,450,652. 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%. The number of terminations reduced during 2014/15 although not down to pre-under occupation levels, resulting in a new debt figure of £583,697 which represents a 12% reduction on the previous year.
19. Collection levels remained strong in 2014/15 although they were slightly less than the previous year at £229,492. Despite the large increase in new debt, the overall arrears figure continued to reduce due to the amount written off. £438,268 was written off in 2014/15 compared to £437,444 in 2013/14. If new debt levels remain high then similar write offs will be required to ensure FT arrears do not begin to rise.

Welfare Reform

20. Throughout 2014/15 we have continued to monitor the ongoing effects of Welfare Reform. The impact on arrears was less dramatic during the year as the brunt of the impact was felt immediately after the policy's inception during 2013/14; the impact has also been largely mitigated by Discretionary Housing Payments.

Under Occupation

21. As at 1 April 2013 when the Removal of the Spare Room Subsidy (RSRS) policy came into effect 2,838 council tenants had their housing benefit entitlements adjusted as a result. The impact of the benefit reductions, and numbers of tenants affected has been tracked since its inception and it should be noted that there are constant changes in tenants coming off and going on to benefit. There is always a different set of tenants affected each week, and some tenants have been affected for several periods during the year.

22. At the end of 2013/14 the number of tenants affected by this policy had reduced significantly from 2,838 down to 2,482. During 2014/15 the trend continued albeit at a much slower reduction rate; at the end of the year 2,346 tenants were affected giving a reduction of 136 and an overall reduction of 492 since April 2013.
23. Due to the overall reduction in the total number of under occupiers, we achieved a reduction in the total rent arrears of affected tenants. Arrears reduced by £6,712 from £374,614 down to £367,902, which also meant a slight reduction in the average arrears of under occupying tenants from £289.05 down to £284.97.
24. 81 tenants were helped to downsize to smaller homes during the year, using the additional priority award contained within the lettings policy. This is a reduction from 179 the previous year, showing that majority of tenants affected would prefer to remain in their home and pay the higher contribution to their rent. Further comparison figures can be found in appendix 2.

Discretionary Housing Payment (DHP)

25. The expected impact of under occupation has been heavily mitigated by DHP, which is a grant provided by the government to each council. The Rent and Income Service have helped a number of tenants to apply for an award which covered their under occupation benefit reduction. All of the awards in place at the end of the 2013/14 financial year were rolled over into 2014/15, which ensured DHP awards remained high.
26. The total amount of money paid directly onto tenants rent accounts was £599,600 and on the final week of 2014/15 some 924 tenants were in receipt of a DHP award. This sum is £169,014 more than the £430,586 awarded to tenants in the previous financial year. This increase was due to a greater use of the HRA top-up agreed by Council; the fund was topped up by £381k over the year.
27. This increased use of DHP has no doubt contributed to the reduction in arrears of those affected by under occupation. Without these awards many tenants would have struggled to maintain their rent accounts and may well have left, resulting in increased terminations.

The Benefit Cap

28. The Benefit Cap was introduced on 15 July 2013; by the end of 2013/14 15 tenants were affected with arrears totalling £6,043 on these accounts alone. Throughout the course of 2014/15 the number of tenants affected increased to 18. The service have continued to work with these tenants to offer advice and support, which has resulted in a slight reduction in arrears to £5,709 (an average of £439.18) despite the increased number of tenants affected.
29. The Chancellor of the Exchequer announced a number of welfare measures as part of the summer budget; one of which was a proposal to lower the benefit cap. The proposed cap would be £20,000 for couples and claimants with children and £13,400 for single claimants without children. This is likely to have a significantly larger impact than the current cap, as many of our tenants are just missing out on being affected at the current £26,000 level. A reduction to the proposed levels would see many of our tenants lose all of their entitlement to Housing Benefit.

Universal Credit

30. After significant delays with Universal Credit, the government announced a new roll out program consisting of four tranches. Gateshead were in Tranche 2 of the roll out with a go-live date of 15 June 2015; the roll out was in the Gateshead, Felling and Blaydon job centres which service around two thirds of the borough. The remainder of Gateshead will be rolled out in later tranches in other local authority areas (for example Chester-le-Street jobcentre which also services Birtley).
31. Universal Credit will spell the end of direct housing benefit payments and will affect a wide range of tenants. Initially only new claims from single people will be migrated onto Universal Credit before progressing to couples and then families at a later date. The roll out is planned to be slow, and TGHC are expecting approximately 150 Universal Credit claimants within the first year. The introduction of Universal Credit is expected to lead to a large increase in rent arrears.

Advice and Support Officers

32. The Advice and Support Officer Service was established in February 2013 and has been invaluable in offering tenants a wide range of support. So far they have mainly been working with tenants affected by the under-occupation. 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 2014/15 the Advice and Support Officers assisted a large number of tenants; they offered money advice to 525 tenant households and generated almost £68k of additional income for tenants. For a breakdown of how the income was generated see appendix 3.
34. Throughout the year it became clear that additional resource would be required to meet demand for the Advice and Support Service. There was a large waiting list for the service and Universal Credit was on the horizon. Additional resources were secured for the 2015/16 financial year which will see two new Advice and Support Officers and one additional New Tenancy Officer join the service. This will be to mitigate the continued impact of Welfare Reform and specifically assist those tenants moving on to Universal Credit.

Energy Angels

35. At the start of 2014/15 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 eleven months since the roll out of this service 414 new tenants have been through the price comparison service during sign up, in total this has saved these tenants £49,991; which represents an annual saving of just over £120 per tenant. There are plans for the service to investigate how Energy Angels could be

promoted further so current tenants regularly compare their energy prices. It is considered best practice to switch energy supplier every 12 months.

Link to values

37. This report relates to the company values of being

- Customer focused
- Open and honest
- Inclusive, valuing diversity

Impact on tenants

38. Average rent arrears increased during 2014/15, as well as increases for those groups who had been previously identified as a higher risk. This demonstrates that some 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, therefore sustaining tenancies must continue to be a priority.

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.

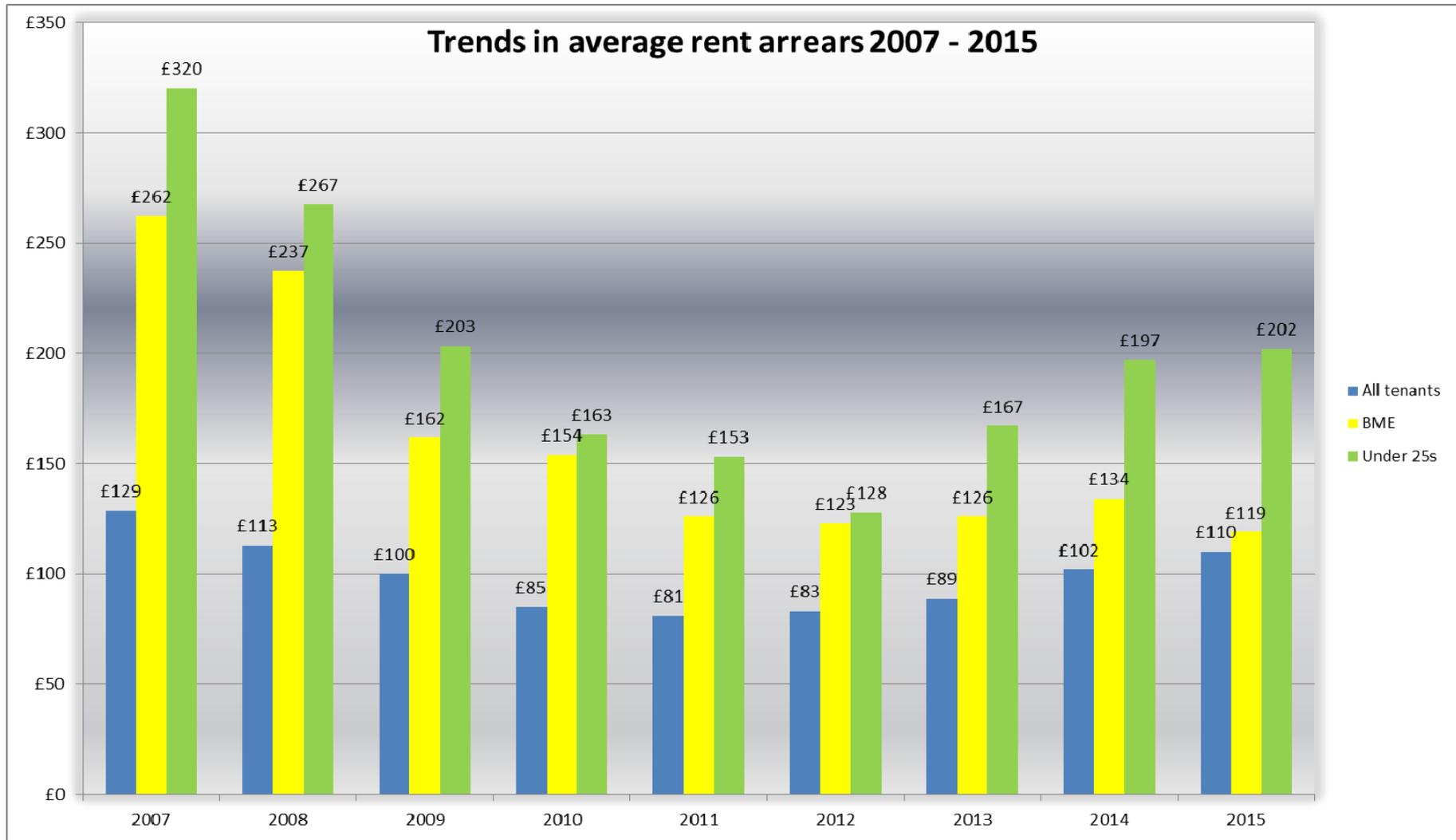
Consultation carried out

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 £102 to £110
- Average arrears for U25's increased from £197 to £202
- BME tenants average arrears reduced from £134 to £119
- The gap between BME rent arrears and average arrears is at its lowest ever level at just £9

Under Occupation

Rent arrears trend statistics between 31 March 2013 (baseline figures) and 5 April 2015

All Under Occupiers	31-Mar-13	06-Apr-14	05-Apr-15
Number of tenants under occupying	2838	2482	2346
Number of tenants under occupying in arrears	1442	1296	1291
Number of tenants under occupying in credit	1396	1186	1055
Total arrears for all under occupiers	£330,026	£374,614	£367,902
Average level of arrears for all under occupiers	£228.87	£289.05	£284.97
Amount of DHP received	-	£594,000	£819,000
14% cases - under occupation by 1 bedroom	31-Mar-13	06-Apr-14	05-Apr-15
Number of tenants under occupying	2319	2081	1941
Number of tenants under occupying in arrears	1209	1118	1080
Number of tenants under occupying in credit	1110	963	861
Total arrears for all 14% under occupiers	£270,990	£314,652	£299,088
Average level of arrears for 14% under occupiers	£224.14	£281.44	£276.93
Amount of DHP received	-	£386,100	£556,920
25% cases – under occupation by 2 or more bedrooms	31-Mar-13	06-Apr-14	05-Apr-15
Number of tenants under occupying	519	401	405
Number of tenants under occupying in arrears	233	178	211
Number of tenants under occupying in credit	286	223	194
Total arrears for all 25% under occupiers	£59,036	£59,962	£68,814
Average level of arrears for 25% under occupiers	£253.37	£336.87	£326.13
Amount of DHP received	-	£207,900	£262,080

- Total arrears for all under occupiers has reduced slightly during 2014/15 from £374,614 to £367,902, this is in line with the reduction in the total number of under occupiers (136)
- Average arrears for all under occupiers down by £4.08 per household in arrears
- Average arrears for a 14% down by £4.51
- Average arrears for a 25% cases down by £10.74
- In 2014/15 the 25% cases represented 17% of all under occupiers; however they received 32% of the DHP allocation due to the increased payment amount.

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

ASO Actions/Cost Analysis	
April 2014 – March 2015	
Function	Total Value
DHP	£18,962.41
Under Occupation Exemption	£2,798.96
Property Redesignation	£327.24
Benefit Cap	£2,463.06
Other eligible benefits obtained	£17,713.09
Local Welfare Assistance	£3,438.76
Food Bank	£1,200.00
Overpayment Repayment Reduction	£2,567.02
Housing Benefit Backdating obtained	£18,415.11
Total Value	£67,885.65
Total Value Exc DHP	£48,923.24

Number of tenant households provided with money advice by the organisation	525
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Figures Including Energy Angels

414 tenants switched their energy supply, saving a total of **£49,991**.

Total Value for tenants: £98,914.24

Number of tenants helped: 939