



Housing Scrutiny Committee 25 April 2019

Report from the Strategic Director of Community Wellbeing

Rent Arrears Performance Overview

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Troy Francis Head of Housing & Neighbourhoods 020 8937 2794 Troy.francis@brent.gov.uk

1.0 Purpose of the Report

- 1.1 This report is to provide the Housing Scrutiny Committee with analysis of the Council's rent collection and arrears. It provides detail on rent collection performance for 2018-19.
- 1.2 The report outlines some of the key factors influencing rent collection and arrears recovery and describes what action is being taken to maximise collection.
- 1.3 Specific focus is given to describing what constitutes technical arrears, small arrears/low levels of debt and how these are managed.

2.0 Recommendation

- 2.1 The Housing Scrutiny Committee is asked note to the performance information provided associated with the Council's rents and service charge collection activities and the work underway to improve its effectiveness.

3.0 Background and context

- 3.1 The Council manages 7,733 tenancies with an in-year rent yield of approximately £51m per annum for the year 2018-19.

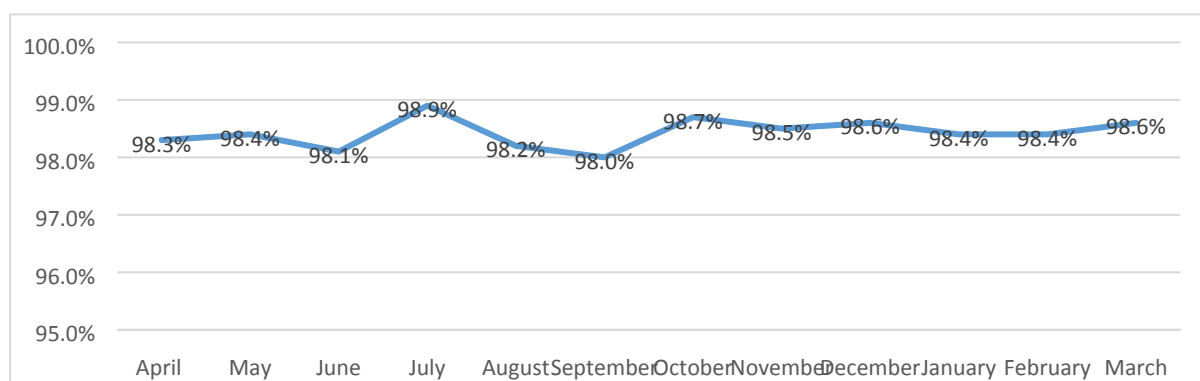
- 3.2 Oversight for the income collection activities rest with the three Income Collection Team Leaders with the support of a team of 15 Income Officers, who are required to carry out activities such as telephone calls, visits, letters etc. on all accounts that are in arrears. This must be in-line with the Court Protocol and Housing Management procedures. There are also 3 Leasehold Finance Officers who collect Service Charge income.
- 3.2 The Council operates a specialist income management service to ensure that the required focus is given to securing the Council's landlord income. Both income collection functions sit under the Income and Sustainment Team. This enables the establishment of the right operational synergies, both in terms of support and enforcement. The cost of the service for 2018/19 was £1.3m, this is mainly made of staffing cost, together with a number of sundry costs including contributions to specialist internal teams and support agencies.
- 3.4 The welfare reform programme results in social landlords now operating in an increasingly challenging financial environment as many of the reforms are having an impact upon household incomes and reduced entitlement to housing benefit. In many cases, tenants are no longer entitled to full housing benefit and must make up the financial shortfall in rent.
- 3.5 To mitigate the risk associated with the Welfare Reform Programme and the economic challenges faced by residents living in Council homes Brent Housing has developed a Housing Income Strategy. The key aims of this strategy is:
- Managing, collecting and minimising arrears
 - Providing customers with accessible income management and payment services
 - Developing and promoting a clear payment culture
 - Meeting our regulatory and legal requirements
 - Preparing and managing the migration to Universal Credit and other welfare reforms
 - Ensuring we maximise the value of support services for customers
- 3.6 This report details the underlying factors impacting on rent arrears, highlights Council initiatives to help mitigate the effect of welfare reform and the steps taken when, despite all the interventions, tenants do not make efforts to pay or refuse to engage with the Council.
- 3.7 Despite the increasing difficulties to keep arrears under control, the Council continues to develop ways of addressing rent arrears at an early stage, encouraging tenants to engage with tenancy support services, signposting tenants to advice agencies and taking action quickly to prevent arrears building up to unacceptable levels where tenants are unable to meet their ongoing payment obligations.

4.0 Performance overview

- 4.1 Performance is measured in two key areas, the amount of rent we collect (indicator BV66a) and the level of rent arrears.

- 4.2 Chart 1 below details the borough wide performance on rent collection (BV66a) by month. This is measured by comparing what is collected as a percentage of the rent debit. The rent debit is the amount of rent charged plus the arrears outstanding from the previous year. The figure should be as high as possible. The outturn for year 2018/19 was 98.6% against a target of 99.5%. This placed us at 'Median' quartile when compared to other social landlords in the Country

The total rent debit for 2018/19 was £51,015,000 of which £50,313, 000 was collected leaving a shortfall of £701,522 just above the level of under collection projected. Our collection performance was impeded by the Universal Credit roll out. Together with the transitional arrangements associated with the change management programme last summer and the recent embedding of the new CRM income collection functionality, we are confident that the aforementioned challenges are now behind us and our operational arrangements are being realigned to ensure the required focus is provided.



- 4.3 In addition to the BV66a Key Performance Indicator (KPI) measure, there are a number of additional performance measures used to monitor the effectiveness of the income.
- 4.4 Arrears Analysis – 57% of tenants do not owe any money on their rent account. The number of tenants in arrears at week 52 was 3421 and the average amount of debt equated to £994.25 each.
- 4.5 The term technical arrears are often used to describe the cycle of a rent payment. This is most noticeable when tenants pay monthly in arrears. On the week the monthly rent is paid the tenant will often owe 4 weeks rent. As rent is due weekly the rent account will show 4 weeks rent is due, this is what is classed as technical arrears.
- 4.6 Technical Arrears – The tenancy agreement states that rent is due on a Monday and in advance. However, many tenants pay monthly in arrears and have done so historically. A lot of monthly payers pay by direct debit or payment card and this ties in with their income cycle. The majority of these customers pay monthly in arrears and that was how the direct debit system operated.
- 4.7 These tenants are set up as monthly payers and no arrears action are taken against the tenancies as the account is cleared each month. It is only when/if the months' rent is not paid that an arrears letter will be sent out, i.e. when 5 weeks rent is owed. However, since the introduction of the Universal Credit

(UC) explained later in this report, the Council will ask residents in receipt of Universal Credit (UC) to pay in advance. Arrangements are made for residents who can't afford to pay make this advance payment in one go, to build up the four-week advance payment over an agreed period. This is a significant mitigation and is in keeping with other social landlords.

- 4.8 The Council's Employment, Skills and Enterprise Team (ESE) has assisted 45 Brent Housing residents secure employment over the 12 months' period leading up to the end of March. Work is underway between the Income Collection Team, the emerging Corporate Financial Inclusion Service and the ESE to improve employment and skills opportunities. This will help to minimise the risk associated with the Universal Credit change.

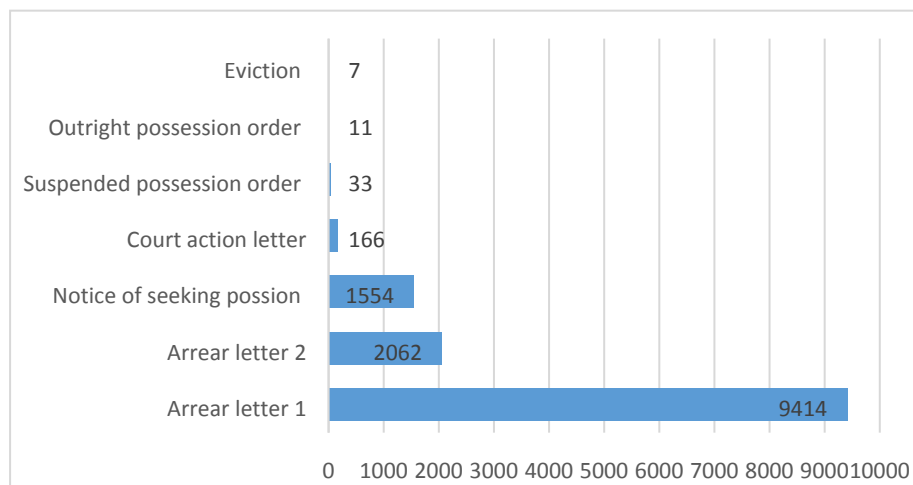
5.0 Wider impact of Universal Credit

- 5.1 The full Universal Credit (UC) roll out arrived in the two job Centres in Brent in November and December respectively. The Council is a designated Trusted Partner for the DWP. This enables the Council to apply for Alternative Payment Arrangement for its tenants without having to provide support evidence for each individual case.
- 5.2 There are currently 442 council tenants in receipt of UC. The Council has started to see the impact, in particular, there are more tenants in arrears and the amount of the arrears is much higher for UC claimants than for those on Housing Benefit:
- 5.3 Of the 442 Council tenants in receipt of Universal Credit, 424 (95%) are in rent arrears. Tenants in receipt of Universal Credit are encouraged to pay their Housing Entitlement and any shortfall to the Council by Direct Debit. The Income Team works closely with tenants in receipt of Universal Credit to ensure they have all the information they need to claim the Housing Entitlement element, that they have the facilities to pay directly and to liaise with the DWP as required. Our Income Management service is continually developed using this ethos which is fundamental to the success of the service.
- 5.4 The Council has put in place a number of support interventions to mitigate the impact of UC roll out. This include increasing the HRA contribution to the Employment and Skills function to build capacity for residents looking to get back into work. The Council have also protected the financial inclusion resources which has been used to create the co-located Financial Inclusion Services linked to the extension of the Community Hub. It has also protected its contribution to the Citizen Advice Bureaux who will continue to provide debt advice to residents.

6.0 Arrears Actions

- 6.1 Arrears profiling analysis compares the average arrears values for each ward and the number of arrears activities undertaken by officers over a 6-week period.

- 6.2 Below is a high level overview of arrears actions over the 12 months' period. It shows that the highest proportion of actions taken at the initial stage of the process (pre- court proceedings).



- 6.3 Running alongside the measures to support tenants and prevent homelessness, the income collection function continues to address levels of arrears by way of early intervention and taking recovery action at an early stage to avoid cases escalating into more serious level of arrears. Although court action and evictions are always undertaken as a last resort, we are now adopting a more robust approach to the collection of rent arrears, taking a more targeted approach to those tenants who fail to pay and refuse to engage with the Council.
- 6.4 Court proceedings are a necessary tool to secure payment from tenants who refuse to engage with the Council. In most cases, the judicial process usually results in the vast majority of tenants making payment or receiving an order from the court to pay rather than being evicted
- 6.5 In 2018-19, 7 evictions took place against those tenants who fail to pay or work with the Council. This compares to a total 16 evictions in 2017-18. Although we may see a reduction in the number of evictions this year, this is a positive outcome to ensure sustainable tenancies and is primarily due to earlier intervention and engagement with tenants to make reasonable repayment arrangements.
- 6.6 With the roll out of Universal Credit, the DWP will be based at the Civic Centre on a fortnightly basis to resolve any universal credit queries. There is also joint partnership working with the Citizen Advice Bureau. Tenants who are experience financial difficulties can be referred to the CAB for financial advice.
- 6.7 In many cases there are no quick wins and repayment terms can extend over many years. It is important to ensure that recovery strategies centre on early intervention, signposting tenants to tenancy support services but taking quick and decisive action with rent arrears cases to avoid arrears escalation. To achieve this, a Tenancy Sustainment Panel (TSP) was established to ensure the appropriate challenges are provided before decision to proceed to eviction

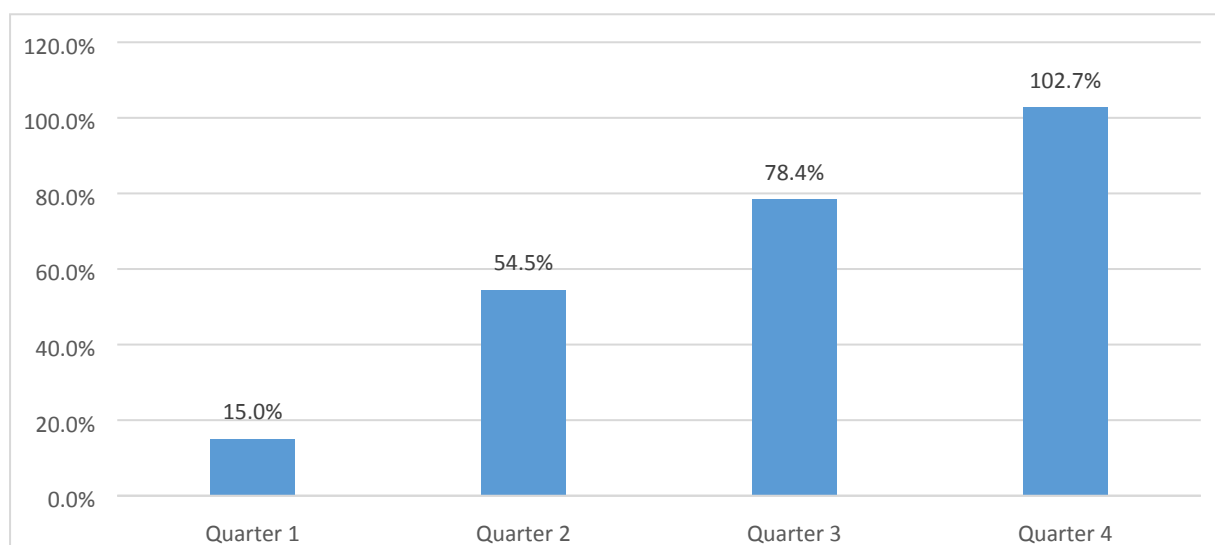
is made. The TSP is co-chaired by the Head of Services for Housing Management and Housing Needs and involve the Income Team Managers and representatives from other department including Adult and Social Care and Children and Young People.

7.0 Income collection case management system in CRM

- 7.1 The Customer Portal is in production and will enable residents to have access to their rent account. They will be able to view rent transactions, make payments, correspondence and initiate payment plans.
- 7.2 The Income collection process has been automated. This works alongside our escalation policy for collecting overdue rent, which is managed primarily in Northgate for Council stock. Our income collection officers now have real time visibility of all arrears 'episodes' for all property schemes, which have reached the stage of 'notice of seeking possession', and can use the CRM system to do what Northgate doesn't permit (keeps records of emails, legal referrals etc.) and it will show what stage of the escalation processes any account has reached. The system automatically closes cases where the overdue balance has cleared, which doesn't happen in Northgate until the end of each week, and this saves the officers time in opening up work that they don't actually still need to so.
- 7.3 The system also has 'smart' views of all 'erratic payers', people whose direct debits have bounced, housing benefits payments due but missing' and so on, so that resources can be diverted from chasing everything, to chasing the highest risk situations. This functionality, had we invested in an off the shelf package would have cost the organisation c£50K to procure.
- 7.4 The Income collection team have been trained on the CRM system and are using it to manage incoming customer requests and contact, and are receiving support to adopt the new functionality to proactively manage rent collection via CRM instead of Northgate
- 7.5 Brent Housing is a member of the Council's Welfare Network Group. The group comes together once a quarter to share performance information and initiatives. In particular, the Group help formulate a number of communication material ahead of the roll out of Universal Credit.
- 7.6 The new Customer Experience Panel plays an important role in representing the voice of residents as part of its resident governance and scrutiny role. Service charge and billing is one of the key service they've shown an interest in as part of annual customer insight programme. Residents are also given the opportunity to provide feedback on the income and service charge collection through the new online Customer Voice Survey. This survey was launched earlier this year and the first round of results will be available at the end of quarter one.

8.0 Overview of leaseholder service charge collection performance.

8.1 The table below provides an overview of the service charge collection for the last financial year. Service charge collection profiled across the four quarters within the financial year



8.2 The estimated annual service charge debit for Brent Housing leaseholders in 2018/19 is £2.4M. The collection of annual service charges was below the target collection rate of 107% over the four quarters of the year. The total of service charges collected for the full year was £2.5m which equated to 102% a shortfall of £103,200 against target set.

8.3 Arrears analysis – 75% of leaseholders do not owe money on their leasehold account. The number of leaseholders in arrears as at end March 2019 were 1,009 and the average amount of debt equated to £1389 each.

8.4 Our service charge collection performance has been hindered by a number of resource gaps within the Leasehold Income Collection Team. In particular, there has been a number of difficulties recruiting to a couple of specialist roles, most of which are now covered and work is underway to recruit to the vacancies still remaining. A new service charge collection functionality is being built on the CRM platform, this will optimise a number of our core income collection processes.

9.0 Financial Implications

9.1 There are no financial implications for this report.

10.0 Legal Implications

10.1 There are no legal implications for this report.

11.0 Equality Implications

11.1 This is an overview of existing services and for information only

12.0 Consultation with Ward Members and Stakeholders

12.1 This is an overview of existing services and for information only

13.0 Human Resources/Property Implications (if appropriate)

13.1 This is an overview of existing services and for information only

Report sign off:

Phil Porter

Strategic Director of Community Wellbeing..