

Agenda Item 15

Housing Review Board

4 March 2010

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Income management - rent

Summary

This report sets out the position with regard to rent collection and arrears management. The report enables the Board to monitor performance on rent collection and understand some of the issues involved in ensuring that tenants are able to pay the rent due. The report also makes reference to the Systems Thinking review recently commenced in the Rental Section.

Recommendation

That the performance on rent management be noted.

a) Reasons for Recommendation

To enable the Housing Review Board to monitor rent management performance.

b) Alternative Options

Not to receive reports of rental income performance.

c) Risk Considerations

That rent collection performance does not generate the income required to run the housing landlord services.

d) Policy and Budgetary Considerations

We work to adopted rent management procedures and the budgetary implications are the major feature of the report.

e) Date for Review of Decision

Quarterly performance reports are planned.

1. Income management

1.1 Income management consists mainly of rental income collection and management. We do collect other income, but this report looks at the main source of income through rents. We work to procedures adopted by the Board several years ago and recognise that the income collected finances services to tenants and works to tenants homes.

1.2 The overall performance on rent collection has been measured for a number of years by our BVPI 66a which measures the income collected against the debt charged for the rent year to date. This figure is currently 98.36% which equals the best performance we had at the end of October 2009. Now that we are over the effects of the Christmas period, performance should continue to improve to the end of the year.

It is important to note that BVPI 66A measures not just the debt charged for the year, but it also includes the current tenants rent arrears brought forward from the previous year. For example if the debt charged for the year is £15m and rent arrears brought forward are £250,000, then our income is measured against £15,250,000. This means if you achieve 100% collection then you have no rent arrears.

- 1.3 Performance on BVPI 66a for the year is always measured from April to the end of a particular month and so it is an actual up to date performance rather than what happened in any particular month.

April	97.11%
May	97.38%
June	97.45%
July	97.84%
August	98.20%
September	98.07%
October	98.36%
November	98.32%
December	98.30%
January	98.36%

2. Rent Arrears Summary

- 2.1 This summary **annex 1** shows four columns of figures, the far right column shows the figure that is reported in the HRA for outstanding current tenancy debts. These are then reported as three elements of rent, court costs & overpaid housing benefit. The figures in the far left column (excluding the date column) are carried forward to the Rent Arrears Report.

3. Rent Arrears Report (annex 2)

- 3.1 In the Rent Arrears Report in the over £1000 column the number of cases has dropped to 60 and the sum owed to £94,841. We have been working hard in this area and the efforts are beginning to show. At the same time we are still working at the other end of the scale to prevent debts from occurring and growing.
- 3.2 **Rent Arrears:** This figure is the starting point for the calculation of BVPI 66a and it is brought forward from the Rent Arrears Summary. This figure is then broken down and reported on follows:
- 3.3 **Monthly Payers:** The figures in this column represent customers that pay monthly by bank standing order and monthly Direct Debit. These debts are considered to be technical arrears because at the end of the rent year the majority of these debts will be fully paid.
- 3.4 **Net Arrears:** This next column is the Rent Arrears less Monthly Payers. This column is regarded as the rent that remains collectable and it is a useful guide to performance. This figure is then divided into categories of amount and number of debts for each category.

4. Former Tenancy Debts.

- 4.1 BVPI 66a deals with just current tenants dwelling arrears and therefore, this indicator is unaffected by former tenant arrears.
- 4.2 Annually we write off bad debts and we have recently written off a total of £41,062 for the 2008/2009 rent year.

- 4.3 Writing off bad debts is considered good practice as there is no advantage to keeping debts live if there is no possibility of payment. However, where there are possibilities to collect debts written off, we will always write them back in. If former tenancy debts are not paid we are referring these cases to a debt collection agency and the cost is 22% of what the agency collects. For the 2008/2009 year we passed debts to the agency for the value of £71,000. To April 2009 they collected the sum of £5,198 towards these debts and collection is still continuing. Without the use of this agency the majority of these debts would be written off.
- 4.4 **Total Arrears:** This column, second from the right, is the former tenants debt added to the first column (Rent Arrears).
- 4.5 **Ex.Month Payers:** This column abbreviated for 'Excluding Monthly Payers' is the total from the 'Net Arrears' column added to the 'Former Tenants' column and of course excludes the monthly payers.
- 4.6 **Direct Debits -** Each month we are setting up between 20 & 30 new Direct Debits. We now have Approx 650 tenants using this payment method and this figure represents approx 20% of our rent paying tenants, including garage tenants. There are plans to increase the number of Direct Debit payers and to look at other frequencies and dates. Direct Debit is by far the cheapest method of payment; it is also convenient for the customer and the Council.
- 4.7 **Sign Up Interviews -** A Rental Officer is now present at all sign up interviews and there is no doubt that these interviews have helped the management of rent accounts for new tenants. These interviews which happen approx. 3-4 weeks before a tenancy commences enable Housing Benefit applications to be made and processed before a tenancy commences and the tenant is then aware of their rent payments and can budget accordingly. It also gives the opportunity to explain the rent charges on the tenancy and also the various methods of payment available. The Officer also meets the tenant and can answer/respond to questions/queries.

5. Systems Thinking applied to rent management

- 5.1 Rent collection rates are good, particularly when we consider that we have been in a recession and some tenants have been finding it hard to meet all their financial commitments. However, we are always striving for improvements and to this end we are undertaking a Systems Thinking review to help identify improvements to our system and make it easier for tenants to meet their rent obligations.
- 5.2 We have undertaken a briefing session with all Rental staff and commenced the Check phase of the methodology. This involves agreeing our **purpose – assisting tenants pay the right amount of rent, at the right time.**
- 5.3 We have been measuring **demand** and analysing the type and frequency of demand for our rental services together with an exercise looking at value and preventable demand. The demand arriving by telephone and post plus face to face contacts over a two week period have been put into tables for analysis.
- 5.4 We have also started a 'what matters' survey to ensure that we understand what is important to those involved in the process and our customers.
- 5.5 The Systems Thinking review has only recently started and further reports will be presented as the review progresses.

Legal Implications

There are no legal implications requiring comment.

Financial Implications

The financial implications are included in the report and annexes.

Consultation on Reports to the Executive

None.

Background Papers

- Rent management procedures.
- Housing Revenue Account budget 2009/10.

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