

**REPORT TO:** Policy and Performance Review Committee

**MEETING DATE:** 19 March 2013

**BY:** Executive Director (Support Services)

**SUBJECT:** Rent Arrears

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## **1 PURPOSE**

- 1.1 To inform the Committee about how the Council is addressing the rise in Council house rent arrears.
- 1.2 To inform the Committee how the Council's rent arrears collection process and performance reporting compares to other Scottish Councils.

## **2 RECOMMENDATIONS**

- 2.1 The Committee is asked to note the current position in relation to rent arrears in East Lothian and the positive steps being taken to manage rent collection.
- 2.2 The Committee is asked to note that a further performance update report will be presented at the mid-year point during 2013/14.

## **3 BACKGROUND**

- 3.1 Council house rent debt has become a growing problem in East Lothian with current tenant arrears now amounting to almost £1.3m (see Appendix 1 for summary of outstanding debt and a breakdown of arrears by geographic area). Collection has become increasingly difficult with the current economic downturn.
- 3.2 Effective housing debt management is vital to moderate the risk of arrears to the Council increasing further. Early intervention to prevent arrears escalating and a strong presence in the community are considered to be fundamental in a robust arrears management strategy.

- 3.3 It must also be recognised that the Council has a responsibility to prevent homelessness and sustain tenancies.
- 3.4 A new Rent Arrears Policy was formally adopted in October 2011 and whilst it is hoped that the provisions made within this policy will help the Council manage rent arrears with challenging times ahead, the potentially detrimental impact of welfare reform should not be underestimated. In particular, the under occupancy changes taking effect from 1/4/13 and the payment of universal credit direct to tenants will put increasing pressure on rent collection staff. The effect and influence of the new policy will continue to be monitored during 2013/14.
- 3.5 Staffing levels within the Rent Income team have changed significantly in recent years. In 2000, a team of 15 reduced rent arrears from £1.1m to £550k. In 2006, the team was reduced to 9 following a staffing review within local offices. The team absorbed the work of those who transferred to Customer Services but rent arrears started to increase steadily. A further 2 posts were lost to efficiency savings in the following years and the team now consists of 7 staff, six officers and one team leader. Rent arrears, as reported at 3.1, currently stand at £1.3m.
- 3.6 Within the Council budget for 2013/14 and for 2014/15, £100k was allocated each year to assist with rent arrears collection.
- 3.7 Staff retention in the Rent Income team was a challenge in 2012/13; short term, temporary contracts being the main reason for this.
- 3.8 With funding for a two year period established, contracts for three Rent Income Assistant posts will be extended for an initial period of one year, with progress to be monitored throughout 2013/14. The postholders will continue to link in with visiting officers, contacting tenants falling into early stage arrears, negotiating repayment, promoting direct debit and working with the benefits team to maximise entitlement. This early stage work will allow visiting officers to be freed up to spend more time in the community dealing with the more serious and complex arrears cases.
- 3.9 A project to implement mobile working has started. The purchase of mobile tablets, with access to core systems, will allow visiting officers to spend more time in the community.
- 3.10 Mobile chip and pin payment devices will also be deployed to allow visiting officers to take immediate payment from tenants in their homes, saving the tenant a potential trip to a Council office and avoiding the risk of default on promised payment. Devices are in the final stages of configuration.
- 3.11 Ongoing joint working involving officers from Revenues, Community Housing, Legal Services and Benefits aimed at managing arrears during the various stages of the recovery process will be built upon and service links strengthened during 2013/14.
- 3.12 Collaborative, internal process development work, particularly around the tenancy sign up process, will help the Council prepare for the impact of

future public sector funding reductions at a time when rent collection is highly likely to become more challenging and resource intensive.

- 3.13 The Council's reported rent collection performance has been below the Scottish average for the last three years but research carried out from information supplied to the Scottish Rent Arrears Forum has shown that not all Councils report rent arrears in the same way with legislation being interpreted differently. Notwithstanding this, our own trend analysis shows a decline in performance.
- 3.14 As previously reported to the committee, around three quarters of all responding Councils have ended tenancies when the court has granted decree for eviction, thus keeping current tenant debt low although increasing former tenant debt. East Lothian does not currently end tenancies in these circumstances and clearly these differences in reporting are not conducive to any real form of like for like comparison. In August 2012, legislation changed to mirror East Lothian's current practice.
- 3.15 The Housing (Scotland) Act 2010 addresses the termination of a tenancy where an order for eviction (decree) has been granted on the grounds of rent arrears. The decree no longer terminates the tenancy at the date on which it becomes effective. Instead, the tenancy will only be terminated when the landlord recovers possession. This aims to resolve the uncertainty where a tenant is allowed to remain in a property if suitable payments are being made following the grant of decree.
- 3.16 Part of this new legislation has seen the introduction of pre-court action protocols which, while strengthening the case for award of decree, has resulted in more work for the Rent Income team. These new requirements are aimed at providing further protection for tenants facing eviction for rent arrears by ensuring consistency in practice by landlords, ensuring that all attempts to resolve rent arrears situations have been explored and that eviction is very much a last resort.
- 3.17 Major welfare changes will bring about new challenges for collection of rent and other local taxes.
- 3.18 Under Occupancy changes, will see cuts in benefit for an estimated 836 tenants in East Lothian. The additional rent collectable, or potential rent loss, amounts to around £350k per annum. In order to mitigate the impact, more face to face intervention work is required and planned. Community Housing Officers are contacting those affected at the higher level (25% cut in benefit) to explore housing options and will refer any cases, to the Revenues team, where there are perceived difficulties paying rent. This places an additional burden on limited staffing resource.
- 3.19 The introduction of Universal Credit will present huge problems for social landlords with most estimating significant additional staffing cost and substantial, potential rent loss.

3.20 Mobile alarms are no longer eligible for benefit under Universal Credit. The additional rent collectable, or potential rent loss, amounts to around £50k per annum.

3.21 The new Scottish Housing Regulator has introduced new performance measures which also places additional burden on limited staffing resource.

3.22 It is clear that there are many challenges ahead in rent collection but the Revenues team is confident that the work being undertaken as part of the Rent Income improvement plan for 2013/14, together with staff commitment and dedication will help mitigate the risks presented. In addition to those areas of work noted in the preceding sections of this report, some additional highlights from the plan include:

- Consideration to be given to carrying out essential repairs only on properties with tenants in serious rent arrears.
- Consideration to be given to building in a financial health check for all new tenancies, including an additional assessment for new build tenancies (where a 25% additional charge applies). At present, legislation prevents Community Housing staff doing this but it anticipated that provision will be made within future legislative changes.
- Review of direct debit payment frequencies.
- Review of tenancy support procedures.
- Rent First likely to be promoted at the annual ELTRP conference in June 2013, linking in with information about welfare changes.
- Collaborative work to begin with Shelter Scotland. It is planned that an initial pilot will see tenants who wish help with their financial situation referred to Shelter for assistance (with mandated agreement).
- Consideration to be given to offering direct debit method of payment only for new garage tenancies (see Appendix 2 for current method of payment breakdown for all tenancies).
- Legal consideration being given to the publication of debtor information in local press and on Council website where decree has been granted at court. It is hoped that this information can be released in the same way as currently happens with anti-social behaviour – the information having been deemed to be in the public domain.
- Targeted rent arrears campaign s planned by area, every second month from April 2013 starting with Prestonpans, Tranent and then Musselburgh.

- Review and discuss possibility of flexible working to make evening/weekend phone calls or carry out visits to persistent non or late payers. Consideration to be given to broadening scope of availability for staff visiting resource.

#### **4 POLICY IMPLICATIONS**

4.1 There are no policy implications.

#### **5 EQUALITIES IMPACT ASSESSMENT**

5.1 There is no direct impact on equalities, therefore an equalities impact assessment has not been carried out.

#### **6 RESOURCE IMPLICATIONS**

6.1 Financial – additional funding of £100k to help with rent collection is being met from the Housing Revenue Account in 2013/14.

6.2 Personnel - contracts for three additional, one year Rent Income Assistant posts, established in 2012, have been extended for a further 12 months.

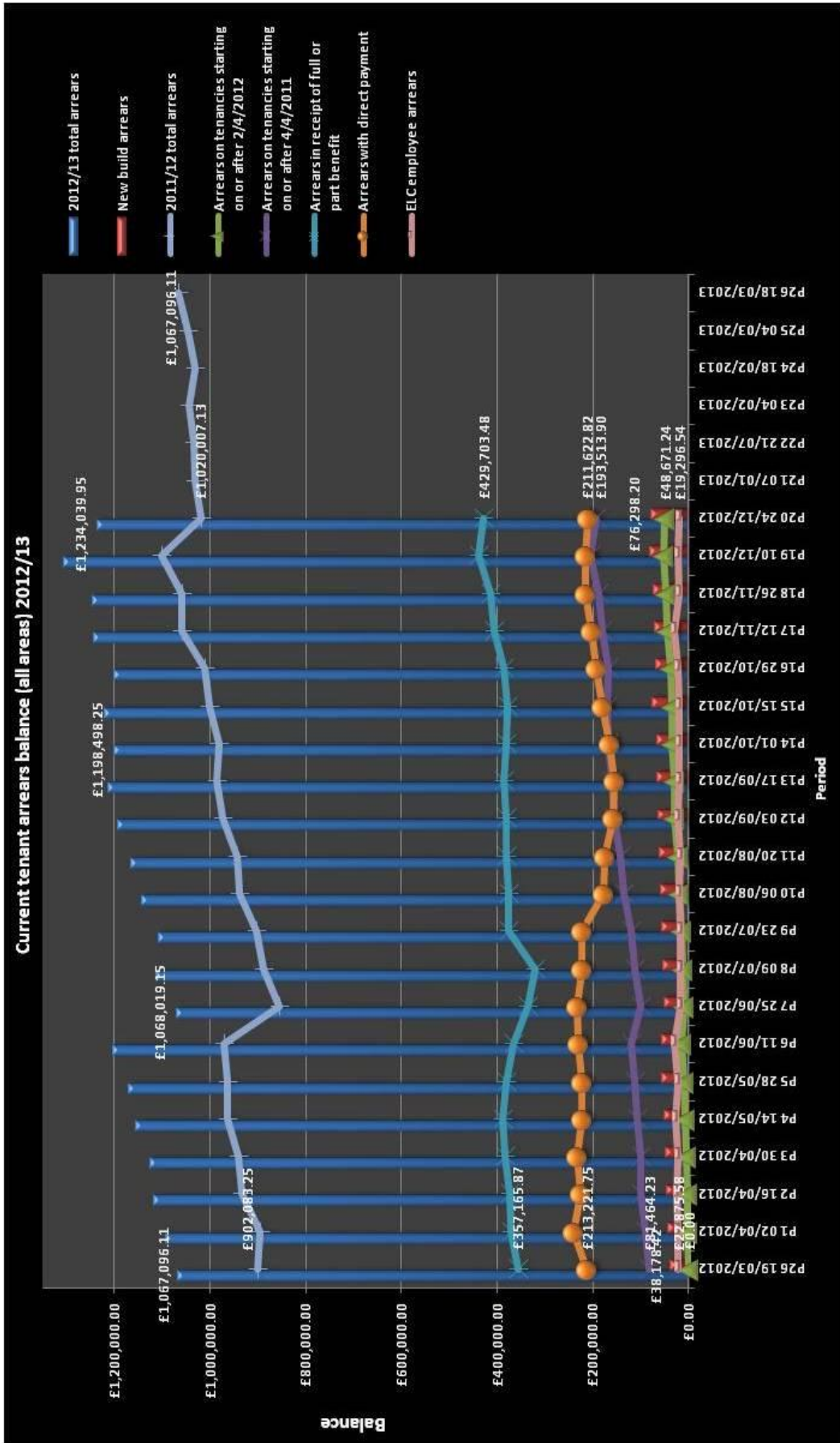
6.3 Other – none

#### **7 BACKGROUND PAPERS**

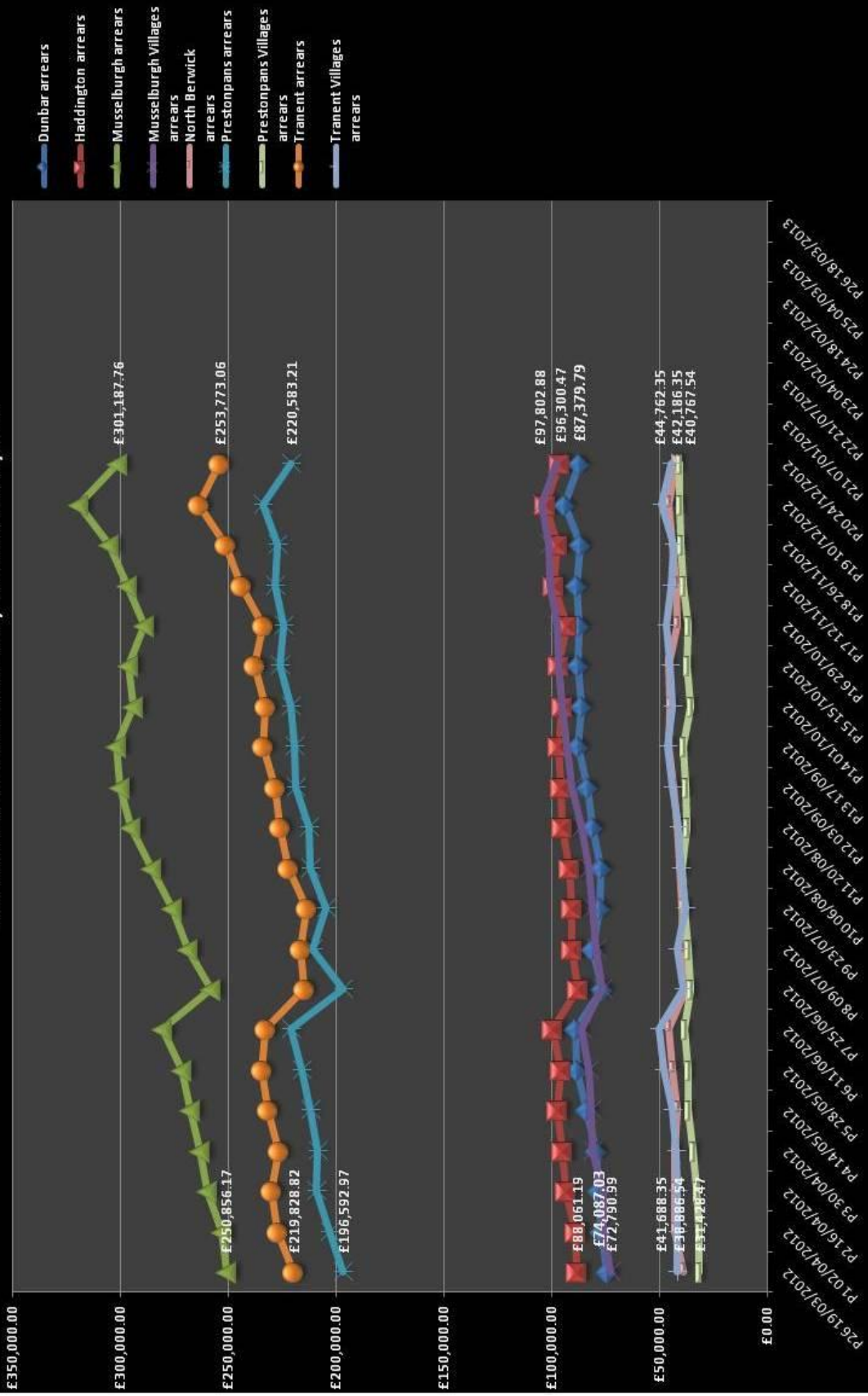
7.1 None

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<b>DATE</b>	19 <sup>th</sup> March 2013

Appendix 1



Current tenant arrears balance 2012/13 - breakdown by area



Appendix 2

