



RENT ARREARS PANEL

(Investigation and Review Scrutiny Committee)

21ST JUNE 2005 – 13TH FEBRUARY 2006

MARCH 2006

Contents

Executive Summary	-3-
Background.....	-4-
Terms of Reference.....	-4-
Panel’s Approach to Study.....	-5-
Establishing a Baseline	-6-
Conclusions.....	-8-
Assessing Payment Methods.....	-9-
Conclusions.....	-11-
Reasons, for and, Prevention of Arrears	-12-
Conclusions.....	-13-
Arrears Action.....	-14-
Conclusions.....	-15-
Rent Arrears’ impact on Council Finances	-16-
Conclusions.....	-16-
Recommendations	-17-
Appendix 1 – ODPM Report	-20-
Appendix 2 – Civil Justice Council Paper	-30-
Appendix 3 – Term of Reference I Report.....	-32-
Appendix 4 – Term of Reference I (Part 2) Report	-43-

A Study of Rent Arrears at Charnwood Borough Council

Report of the Scrutiny Panel – January 2005

Executive Summary

The recommendations in this report fall into three categories: payment methods, prevention of arrears, and action on arrears.

We feel that over time the changes recommended will promote a culture change with regard to payment of rent, both amongst tenants and within the council, which will lead to a permanent reduction in the level of arrears at Charnwood Borough Council (CBC) and therefore create increased revenue. Where evictions are still necessary, it will be beneficial for officers' job satisfaction and the council's reputation as a landlord that these are known to be both fair and unavoidable.

Enhanced services for tenants would also contribute to Charnwood Borough Council's aim of becoming an excellent council and the aims of the Corporate Plan.

During the extensive investigations regarding rent arrears at CBC the panel has worked closely with Housing Services. We are aware that many of the findings of the panel have already been fed into the Housing Incomes Policy approved by cabinet on 15th December 2005. The panel welcomes both the new policy and the improvements to service that it offers. However, in order to strengthen the need for changes in service delivery, we still intend to include all recommendations, whether they have been incorporated into the Housing Income Policy or not.

It is hoped that this report will be welcomed in order for Charnwood to achieve its target improvements within the Corporate Plan.

Background

The prevention and effective management of rent arrears is an important matter of financial security, customer care and social responsibility for the council as a housing provider and in light of a report from the Performance and Management Scrutiny Committee to the Investigation and Review Scrutiny Committee on April 2005 stating that rent arrears at Charnwood Borough Council had increased by £38,000, a rent arrears scrutiny panel was commissioned.¹

Terms of Reference

The Panel comprised Councillors Gough (Chair), Allen, Fryer, Gay and Cowles.

The Panel was established, on a task and finish basis, to:

1. Examine the current performance on rent arrears and the trends in rent arrears over the last five years, including comparison with other authorities.
2. Determine the impact on council finances of rent arrears and write offs.
3. Analyse the main reasons for rent arrears and approaches currently being taken to lessen the problem, including preventative measures and the role of Benefits & Revenue Services and consider other actions being taken by best-performing authorities.
4. Recommend other courses of action that might be taken to reduce rent arrears.

¹ The terms of reference were set at the next meeting of the Investigation and Review Scrutiny Committee on the 1st June 2005 (01.06.05 minute 7 refers).

The Panels Approach to Study

The panel gathered information from various sources. These included:

Statistical information gathered from CBC and other 'like' authorities² and presented in report form to the panel: gathered and evaluated during the meetings between August and October.

Procedural information gathered from CBC and other 'like' authorities and presented to the panel: gathered through reports from officers and interviews with officers, between August and December.

Standard letters regarding rents arrears from CBC to tenants and other authorities where possible.

Officers' briefings to the panel – briefings were received from and interviews conducted with officers from Housing Services and Rent Collection and Rent Control. Interviews were conducted in September, October and January.

Interviews with working partners – Citizens Advice Bureau and The Bridge. Interviews with working partners conducted during October and November.

Consultation with tenants by means of representation from Charnwood Council Leaseholders and Tenants Association (CCLATA), conducted in October.

Supporting material from Government bodies –

- ODPM advice – Improving the effectiveness of Rent Arrears Management (Appendix 12).
- Civil Justice Council, consultation paper – Rent Arrears Pre-Action protocol (Appendix 13)

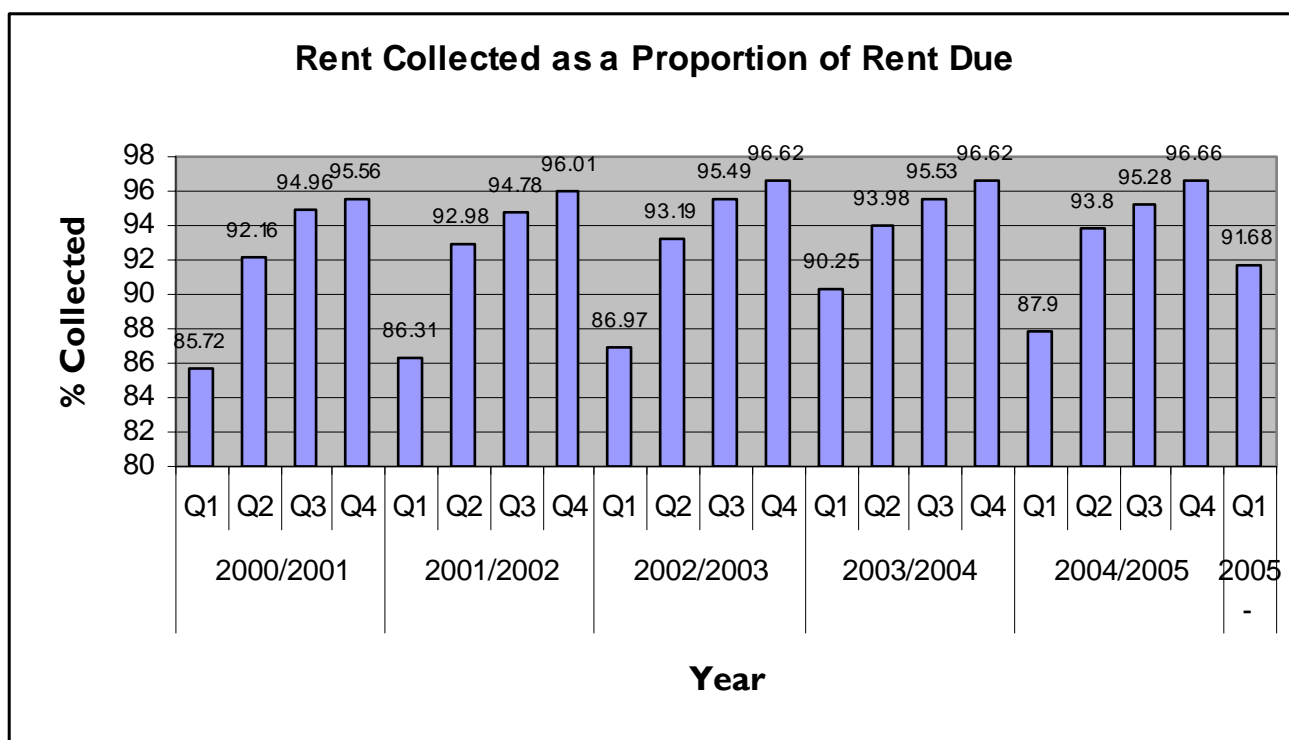
² Like authorities were chosen using the 'Nearest Neighbourhood Model' described by the Audit Commission as being "based on calculating a distance or difference (between authorities) on a selection of social, demographic, and structural factors".

Establishing a baseline

This section refers largely to work done to satisfy Term of Reference I: “Examine the current performance on Rent Arrears and the trends in rent arrears over the last five years, including comparison with other authorities”, and establishes markers by which to measure Charnwood’s performance against those of other authorities.

A report was submitted (Appendix 2) detailing Charnwood Borough Council’s quarterly BVPI66 figures (rent collected as a proportion of rent due) (see figure 1 below), the cash value of those arrears and related levels of housing stock and eviction levels.

Figure 1³



There had been a small but consistent improvement in the amount of rent collected as a proportion of rent due over the last five years, the only variation from that pattern being the first quarter of 2003/04 where the percentage of rent collected as a proportion of rent due was somewhat higher than normal. The Rent Arrears officer when questioned did not believe that there was a specific reason for this variation. Moreover statistical analysis would reveal this to be on the borderline of random variation and therefore no great significance could be attached to this. Cash levels of arrears had fallen in line with the fall in housing stock.

³ Figure 1 is also included in appendix 2 with additional comments

These figures were then assessed against figures from 'like authorities' (see figures 2 & 3)

Figure 2

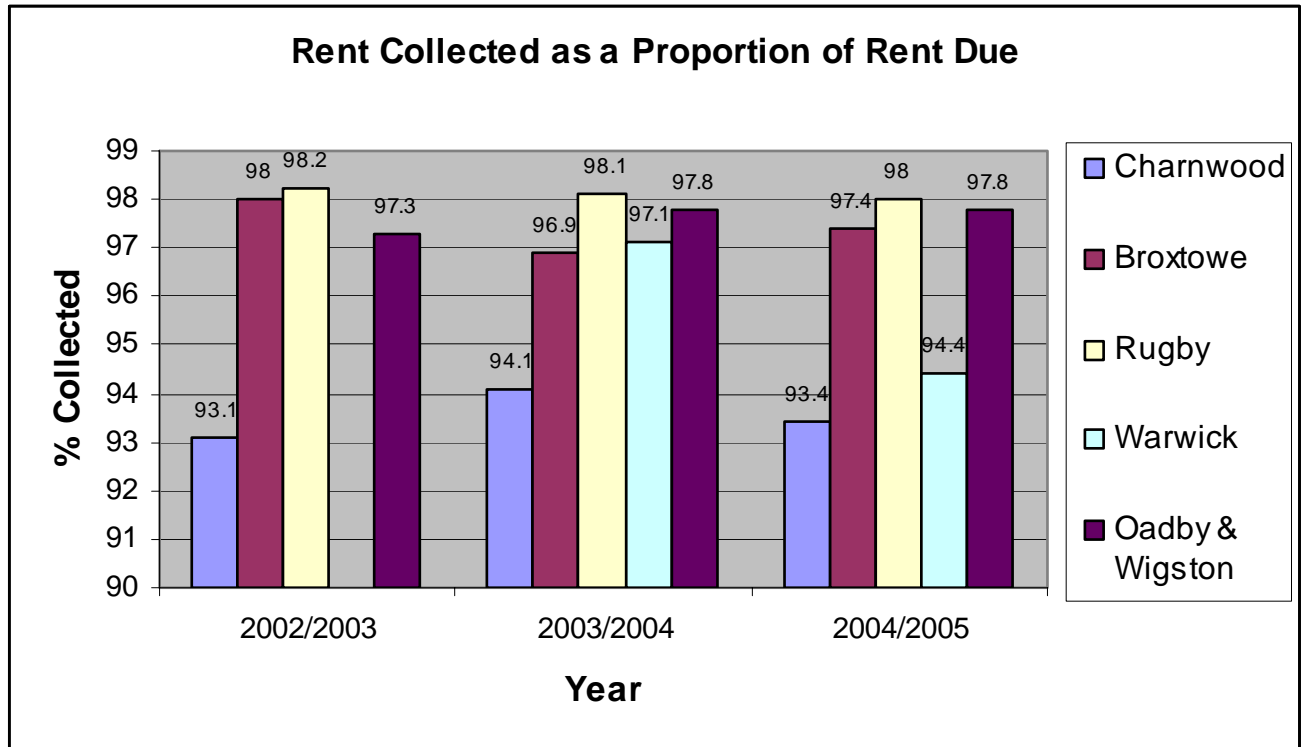
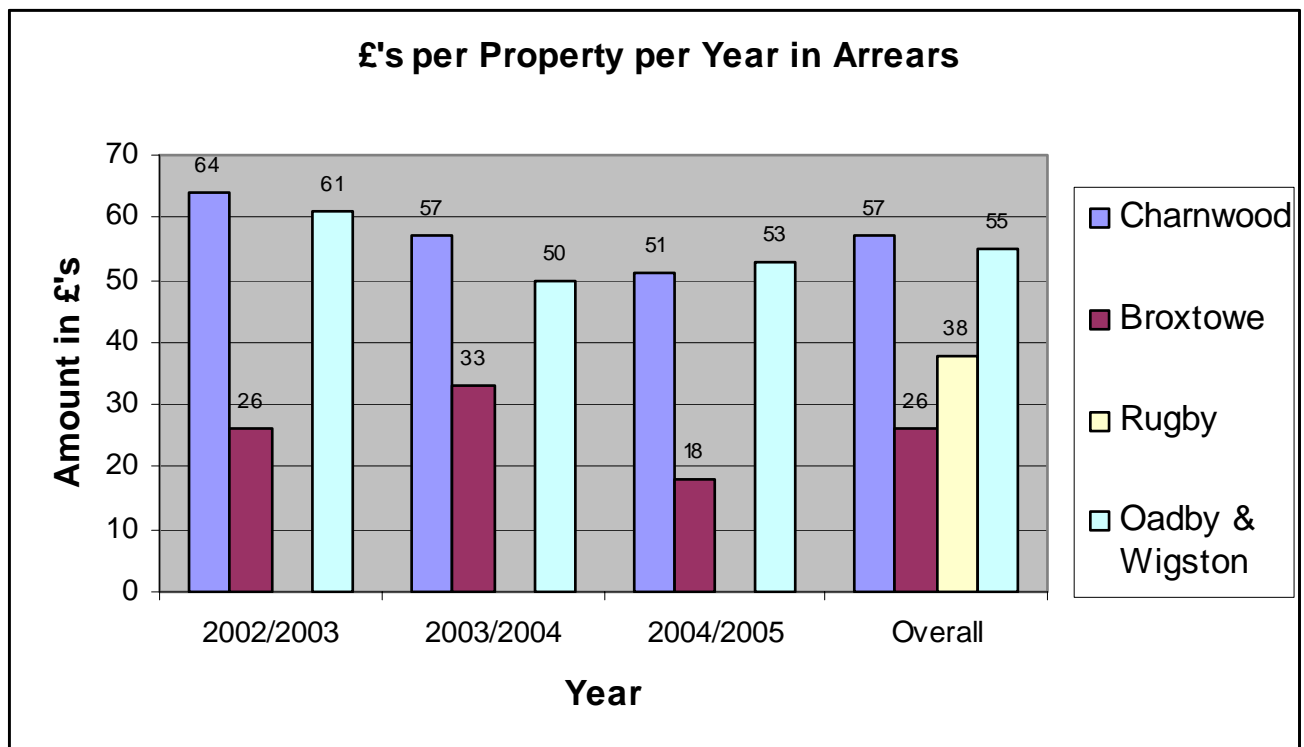


Figure 3⁴



⁴ Calculations based on arrears at each authority divided by total housing stock.

Staffing levels were also addressed and again compared to those in other authorities. Although levels were relatively similar it was not possible to reach firm conclusions due to differences in roles and structures between authorities. When questioned the Rents Arrears Officer and Housing Services Manager both agreed that the level of staffing at Charnwood was adequate when all positions were full. However witnesses' evidence suggested that in recent times there had been issues relating to sickness and temporary workers which had meant that the department had not been at full capacity and this had led to a drop in service levels at times.

Conclusions

1. That, although there had been a slight consistent improvement in terms of rent collected as a proportion of rent due, it was clear that CBC had been underperforming in comparison with its peers.
2. That establishment staffing levels were adequate.
3. That service levels had been affected by long term sickness and by vacant posts remaining unfilled or being filled by temporary workers.

Assessing Payment Methods

A report of the Committee Services Officer was presented in respect of the like authorities, Stafford and Rugby comparing their uptake of various types of payment method and the resulting Rents Arrears figures (appendix 3). The Housing services manager also provided the equivalent information for Charnwood Borough Council (see figure 1)

Figure 1⁵

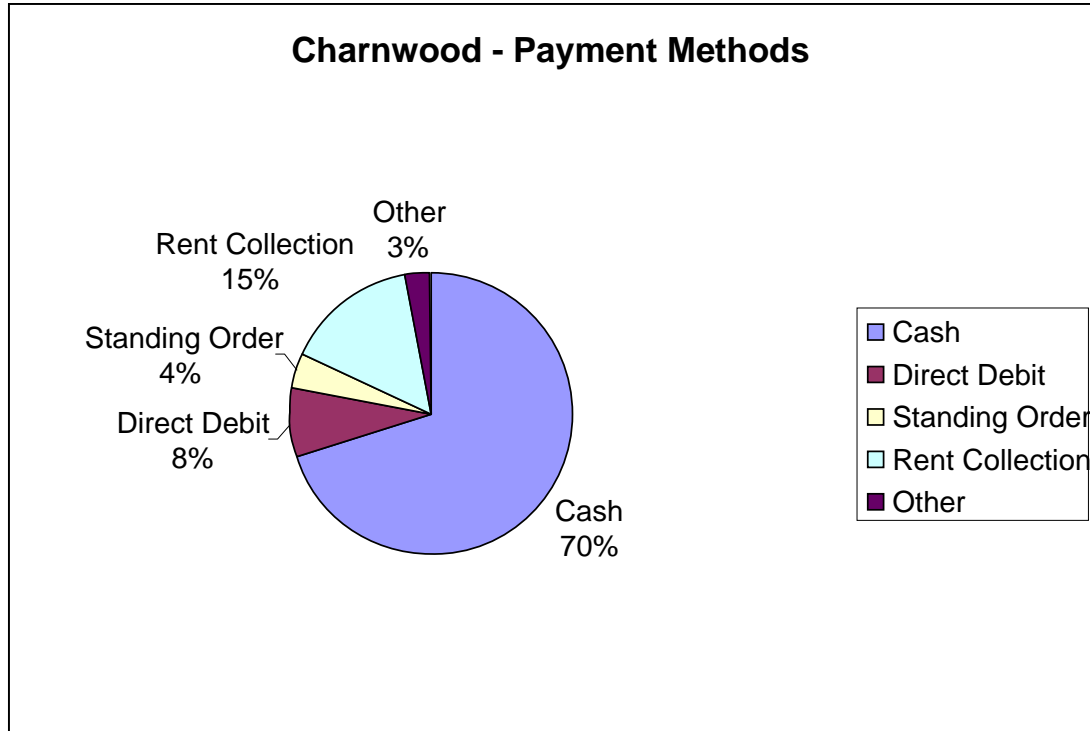
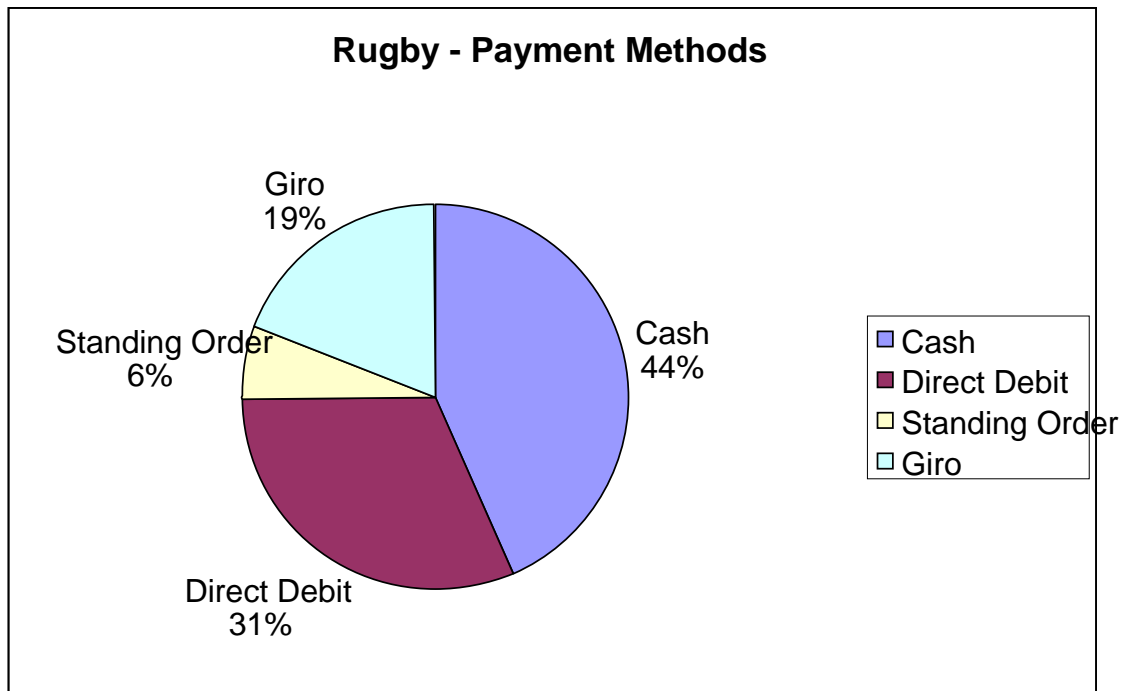


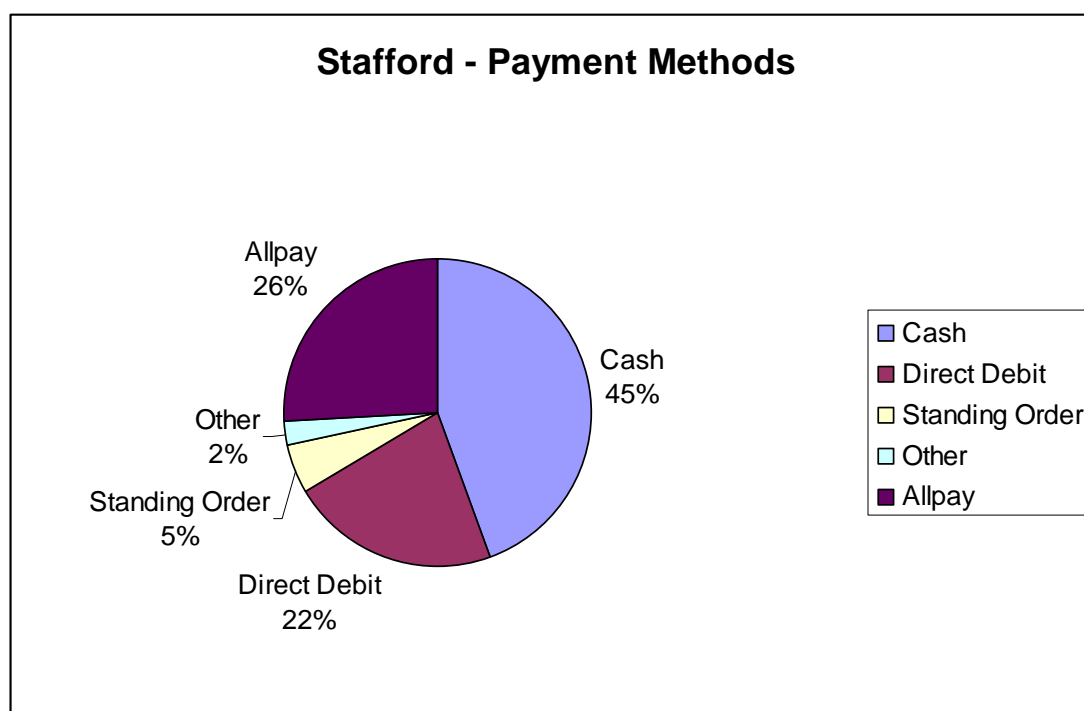
Figure 2⁶



⁵ Figure 1 is also included in Appendix 2 with additional comments. The cash office total also includes direct benefit payments and this is also true of the other authorities in figures 2 & 3.

⁶ Figure 2 is also included in Appendix 2 with additional comments.

Figure 3



The information gathered showed that AllPay was a popular method of payment at Stafford with 24.5% of tenants utilising the service. It was a convenient way for people to pay by cash without having to visit the offices of the Council, as rent payments could be made at many shops and post offices in a tenant's local area. This was especially useful as Stafford did not offer a rent collection service. The Allpay method also allowed those people who may work full time to pay cash should they so wish. In Charnwood, for a tenant who does not work in Loughborough, cash payment is virtually impossible at present, because of the limited hours of the rent collection service and the office location and hours. It was noted that the take up of AllPay was higher at Stafford than that of the Rent Collection service at CBC. It was reported that the AllPay system had been investigated at CBC and funding sought and ring-fenced, but the project had been deferred because of staffing issues despite it being in the Council's Housing Improvement Plan. Independent witnesses from The Bridge Housing Advice Service (The Bridge) agreed that payment of rent should be made as easy as possible for all tenants and that Allpay was an effective way of helping to achieve this.

Figure 4
Payment methods linked to proportion of arrears at CBC

Payment method	Total no of accounts	Total no of accounts in arrears	Proportion of accounts in arrears	Total value of accounts in arrears	Average arrears per account
Rent collectors	851	122	14.3%	26156.60	214.40
Direct debit payment	464	24	5.2%	6417.91	267.41
Cash office	4083	1172	28.7%	301741.19	257.46

The rent collection service offered by CBC was the only one of its kind in the authorities looked at. Figure 4 shows that there is a low level of arrears amongst those tenants who choose this method of payment. Evidence from the Housing Services Manager suggested that this was not necessarily a trait of the collection method but of the people who chose to use it. In discussing those tenants who used the Rent Collection Service, it was suggested that many of them were elderly, so that, although the arrears were likely to be unaffected should this service no longer be offered, consultation with tenants suggested that discontinuation would create problems for this kind of tenant: many may not be comfortable with payment methods such as Direct Debit and would find it difficult to get into the Cash Office to make a payment. It was also felt that the Rent Collectors offered a service with greater benefits than collection of rent alone. They provided a social contact for many elderly residents and a weekly visit was valuable particularly with regard to health and safety issues.

The Housing Services officer noted that it was unlikely that the additional benefits of Rent Collectors would be enough to convince housing inspectors of its cost-effectiveness, and this report acknowledges that this is the case.

Direct Debit was regarded as the most cost-effective method of rent collection and the method with the lowest arrears. However, getting people to sign up to this method often proved difficult and various reasons were suggested for this. As previously noted, tenant representatives suggested that elderly tenants may not be familiar with such methods or they welcome the visit from a rent collector. There was anecdotal evidence from officers to suggest that tenants felt a reluctance to give up the perceived 'free weeks' that tenants who paid cash enjoyed. Direct Debit also lacked the flexibility of paying by cash and at present Charnwood Borough Council only offered one date for payment to be made. It was agreed that most people like to pay bills as close to their payday as possible, particularly if they were paid monthly, but the Housing Management System was not capable of offering more than one date. The Housing Services Manager confirmed that the software could be upgraded in order to do this. At both Stafford and Rugby where the uptake of Direct Debit was higher than at CBC they offered more than one payment date to tenants.

Cash office figures were high in all authorities. This is due to a combination of the popularity of this method and the inclusion of direct benefits payments in this figure.

Conclusions

1. That making payments should be made as easy as possible for all tenants.
2. That the Allpay system at Stafford provided a popular and easy way for those tenants wishing to pay cash to do so without having to visit the office.
3. That Direct Debit as a means of payment was cost effective and successful in terms of levels of arrears.
4. That the rent collection service offered by CBC was valued by tenants, particularly the elderly or disabled, but was costly

Reasons for, and Prevention of, Arrears

Information gathered in this section related largely to the aims of Term of Reference 3, “Analyse the main reasons for rent arrears and approaches currently being taken to lessen the problem, including preventative measures and the role of Benefits and Revenue Services and consider the actions being taken by best performing authorities”.

Evidence pointed to various reasons for tenants getting into arrears. This evidence was based largely on the testimonies of those interviewees who worked in the sector of Debt Counselling and Arrears, as well as officers of CBC. Statistics were not readily available with regard to the demographics of people in arrears within Charnwood, as the system at present meant that it was laborious and time-consuming to obtain such information.

It was agreed that one of the groups of people most likely to be in arrears were the young, particularly those who had moved into a place of their own for the first time. This group are largely inexperienced in terms of budgeting, and often unrealistic regarding money. They may also lack experience of actually paying bills and be unfamiliar with the processes. It is also not uncommon for young people to have difficulty in opening bank accounts, particularly in circumstances where family support is lacking. Making contact with such tenants was often difficult as they were more likely to ignore written requests. Officers suggested that the Rent Statements that had been sent out in the past may prove more successful and the technology is available to include messages about the state of the account.

Another relevant category of people in terms of risk of falling into arrears were those who had suffered a family breakdown of some kind or who had other emotional or mental health difficulties, and so were likely to be less able to focus on tasks such as maintaining payments for debts including rent.

In addition tenants would often fall into arrears while waiting for benefit claims to be processed and this problem could affect the same tenant many times. For example should the tenant find temporary work which ends, they then have to take up benefits again, applying from fresh. Other benefit-related issues were lack of knowledge of entitlements whereby a tenant was not maximising their income, and the incorrect filling in of forms which would cause additional delays. It was noted that delays in benefit receipt were not linked to CBC’s Benefit Department, but to the Department of Work and Pensions which was experiencing a backlog that caused delays. Benefit claw-backs from overpayments impact on a tenants rent account and would register as arrears. However the Housing Services Manager reported that the effect on the figures for arrears was minimal.

Tenants in arrears, according to debt advisors, would more often than not have other debts also. These people would often prioritise debts based on factors such as who would call at the door for money, rather than assessing the importance of each debt and therefore maintaining rent payments or repayments. It was noted that the way that this information could impact on dealing with arrears highlights the importance of inter-agency working, as CBC could not address the needs of tenants such as these alone.

Housing officers detailed the preventative measures in place at present, largely relating to the interview at the time of handing over the keys. However in recent years this process had been eroded. It was still an opportunity to describe to the tenants their rights and responsibilities as a tenant but little more. Officers were not trained in benefit claims or identifying need and the Benefits Department of the Council did not now sit in on the interview, although this had been the case at one time.

Officers were expected to visit new tenants in the first four weeks of their tenancy, but this practice had slipped during recent times of staff shortages – it was however still the policy, and visits had been taking place if not in the agreed time frame. After this initial visit no other planned visits were contained in policy documents although they were carried out if arrears occurred, but it was acknowledged during interviews with staff that this was often a letter through the door rather than a face to face visit. In addition each tenant received an introductory pack on moving into a council property and within this there was information relating to, amongst other things, the Bridge Housing Advice centre.

There were no other preventative measures in place.

In relation to ToR 3, other authorities that were reviewed were questioned regarding preventative measures in place. Although they all had intentions to conduct preventative measures such as visits they had often faced problems akin to those described by the officers at CBC, in particular with regard to staffing. Because information on best practice regarding preventative measures was unavailable from other authorities, the document from the ODPM “Improving the Effectiveness of Rent Arrears Management” was reviewed, and many of the preventative measures detailed therein are contained within our recommendations.

Conclusions

1. That young people are at high risk of falling into arrears.
2. That people often fall into arrears due to issues other than purely financial ones, for example family breakdown.
3. That delays in benefit receipt cause arrears.
4. That lack of knowledge of benefit availability was a common cause of failing to maximise income.
5. That incorrect filling in of forms caused unnecessary delays and arrears.
6. That a person in arrears would be likely to have multiple debts.

Arrears Action

Also in relation to Term of Reference 3 and the action being taken in relation to arrears, evidence was gathered regarding what happened when a tenant became in arrears.

The first point of contact for Charnwood Borough Council when a tenant became in arrears was to send a standard letter 'as soon as possible' after the arrears occur. The letter can be viewed below at Figure 1

Figure 1

Dear
Re: Arrears £ at Account No:
I have reviewed your rent account and the above amount is outstanding.
I must advise that you contact the Rent Collection Section on receipt of this letter to discuss the matter.
Please contact the Rent Collection Section immediately on 01509 634567 between the hours of 8am-8pm Monday-Friday and 8am-1pm on a Saturday
A visit to your home could be made to discuss your account if this is more convenient.
Do not hesitate to contact the staff in the Rent Collection Section, we are here to help and advise you.
If you do not respond to this letter we may need to take further action, I would therefore encourage you to get in touch.
Yours sincerely
Housing Services

Evidence had come before the panel that tenants in contact with the Bridge often said that letters had been ignored because they were hard to understand or not clear about the consequences of actions described. However, eviction leaflets were sent out with the later letters and did explain quite clearly about the consequences of non payment. All letters included information about The Bridge.

There had not been a formal policy with regard to rents and collection thereof for some time, but there had been a series of documents that were used as guidelines and these were reviewed. This has now been replaced by the Housing Income Policy agreed by Cabinet in December 2005 and into which much of the work of the panel has been incorporated. This lack of policy had caused the system to be

somewhat ad hoc and therefore difficult to assess in terms of successful actions and those that were less successful.

The letter and subsequent letters encourage the tenant to contact the Council. In conjunction with this approach the tenant is visited by a rents collection officer.

It was noted that tenants had complained that getting through to the person they needed on the phone was not always easy, and this was compounded by evidence from Citizens Advice Bureau (CAB) that, in acting on behalf of tenants, they too had struggled to reach appropriate officers.

When contact is made the officer attempts to arrange for repayment of the arrears. The tenant is asked to repay a particular amount based on the level of arrears and no other considerations. The agreement is not recorded in a consistent manner. In fact, evidence suggested that there was sometimes only a verbal agreement between the officer and the tenant.

The council would issue a Notice of Seeking Possession (NOSP) in those cases where arrears had not been successfully repaid, or an agreement not brokered. Often this would be the point at which the tenant would get in touch. As a result of this, it seemed on occasion that the NOSP had been used merely to encourage payment rather than as a genuine attempt to seek possession of the property at that stage.

Tenants are advised of the help available at The Bridge and the first-stage referral system here is working well. Informally an officer might suggest CAB as a route if a person is in multiple debt, but this is not policy and there is no referral system in place. It should be noted that CAB would initially have capacity issues should a formal referral system be imposed and this would need to be addressed, possibly by buying services.

Conclusions

1. That the Charnwood Borough Council system of collection of arrears is somewhat adhoc due to a lack of policy guidance.
2. That officers lacked clear guidance with regard to producing repayment arrangements.
3. That the system is heavily reliant on written communication.
4. That the written communication was sometimes hard for tenants to understand, and, until the later letters, was unclear about the consequences of non payment.
5. That information for The Bridge was routinely being sent out with Housing letters as is good practice.
6. That NOSP's had been used at unnecessary stages of arrears.

Rent arrears impact on Council Finances

The following table shows the levels of rent arrears over the past seven financial years:-

	1998/99 £000	1999/00 £000	2000/01 £000	2001/02 £000	2002/03 £000	2003/04 £000	2004/05 £000
Arrears at 31st March:							
Current Tenants	397	435	476	463	422	402	380
Former Tenants	133	138	151	208	220	238	314
Garages and Shops	6	6	7	9	6	7	7
	536	579	634	680	648	647	701
Arrears as % of gross debit	4.33%	4.52%	4.76%	5.06%	4.74%	4.91%	5.52%
Write-offs/irrecoverable	25	68	103	59	86	82	34

Source: Note 1 of the audited Statement of Accounts 1998/99 – 2004/05

These figures are shown for the year end (31st March). Write-off's/irrecoverable are the amounts written-off for that year, i.e., for 2004/05, total rent arrears would be higher by £34k than the £701k total presented had these amounts not been written off during the year.

Rent Arrears are written off against a bad debt provision that is within the Balance Sheet of the Council's accounts. The provision is based on a SORP⁷ recommended calculation of both the age and value of the arrears owed to us. Within the calculation, the longer the debt has been uncollected, together with its value, decide how much of the provision is required to be set-aside.

The bad debt provision is added to each year by contributions from the Housing Revenue Account. The following table presents the level of bad debt provision at the year end. This is after the write-offs have been deducted from the provision and the provision adjusted to reflect the rent arrears at year-end.

Source: Note 1 of the audited Statement of Accounts 1998/99 – 2004/05

	£000 31/03/01	£000 31/03/02	£000 31/03/03	£000 31/03/04	£000 31/03/05
Bad Debt Provision	537	567	539	519	636

Conclusion

Rent Arrears and amounts written off have a direct impact on the level of resources available to spend on repairs and maintenance and service improvements.

⁷ SORP – Statement of Recommended Practice – this is the accounting code of practice the Statement of Accounts is prepared and audited against as prepared by CIPFA – the chartered institute of Public Finance and Accountancy

Recommendations (Term of Reference 4)

Payment Methods - Recommendations

1. That payment of rent should be made as easy as possible for as many tenants as possible. This should include telephone and internet payments.
2. That the Allpay system be introduced in Charnwood, within six months.
3. That the system be implemented with the input and guidance of both tenants and officers particularly the Policy Officer (equalities).
4. That the introduction of Allpay be supported by a care package for tenants who may wish to utilise the service.
5. That should Allpay be successful the Rent Collection service be phased out.
6. That the Rent Collection Service runs in conjunction with Allpay for at least six months.
7. That people should be encouraged to pay by direct debit.
8. That various methods should be used to encourage people to convert to Direct Debit, including prize draws and utilising the Benefit Take Up initiative.
9. That software be upgraded or changed to make it possible for more than one date to be offered for payment when choosing to pay by Direct Debit.
10. That tenants paying by Direct Debit should receive a 'payment free month' by changing to a charging scheme more in line with Council Tax, but with payments running over 11 months instead of 10, in order that the rent does not rise too drastically. This would create a consistency for tenants changing from cash payments.

Prevention of Arrears – Recommendations

1. That the interview at the time of the handover of keys be combined with benefits advice where necessary.
2. That Housing officers receive basic benefits training in order to identify this need.
3. That where need is identified during the interview a benefits officer is immediately called to assist in the completion of forms with the tenant.
4. That this level of service should be purchased by the Housing Services section as part of a Service Level Agreement.

5. That the Tenants' Introduction Pack be updated to include a budgetary advice section and within that a standard form from CAB to help people manage their money. This section should also include clear directions for CAB and The Bridge. That this section be flagged up at interview, particularly for young people.
6. That each new tenant should be given a personal visit during the first four weeks of their tenancy.
7. That Rent Statements should be reinstated.
8. That these rent statements should carry messages for tenants regarding the state of their accounts. This should also include positive messages.
9. That a reward, decorating Vouchers would be appropriate for example, be offered to those tenants who maintain a clean record of rent payment for a year. Such a scheme should not disadvantage those people on benefits who pay only part of their rent.
10. That software systems be put in place in particular the upgrading of the HMS system, so that high risk groups can be easily identified.
11. Such high risk groups should be targeted in a manner appropriate to their characteristics be they sociological, geographical or other.
12. Methods we would expect to see employed for these high risk groups would be leafleting of high risk areas, innovative ways of contacting young people including text messaging and more regular visits or visits over an extended period to a particular group.
13. That advertising campaigns be run highlighting different payment methods available at Charnwood Borough Council.
14. That an advertising campaign be run highlighting the damaging effects of arrears.
15. That these adverts be run on buses, in health centres and job centres.
16. That all existing tenants receive updated information about their tenancy that is included in the introduction packs for new tenants.

Arrears Action - Recommendations

1. That contact with people in arrears be made within one month of arrears occurring.
2. That this contact takes the form of a personal visit.
3. That, where contact cannot be made by home visit after several successive attempts within a defined timeframe, various methods of communication are

used. Again these should include text messaging, e-mail, telephone calls and messages on statements.

4. That letters used in communication regarding arrears be rewritten, using language that is easy to understand and clear about consequences.
5. In line with the previous recommendation about written correspondence the first written contact regarding arrears should include a revised version of the Council's eviction leaflet.
6. That letters requesting contact contain a direct line to the case manager, rather than a generic Housing or Call Centre number.
7. That there should be another version of the eviction leaflet which would be sent in later correspondence and would be more severe in its language.
8. That any written correspondence includes clear information about The Bridge and CAB.
9. That during the visit / interview the officer establishes causes for arrears and other debts that may exist.
10. That other debts are taken into account when negotiating repayment of rents arrears, and officers undertake training where appropriate.
11. That officers receive training in Housing Benefits in order to establish whether the tenant's income could be increased.
12. That arrangements for repayment are written down and signed by both parties.
13. That a formal protocol for referral be created and utilised with CAB.
14. That NOSP's be used only when possession is genuinely being sought and not as a tactic to encourage tenants to settle arrears.
15. That repayment arrangements continue to be sought even when court proceedings have begun

Special Recommendation

1. That management systems be put in place to ensure that despite staff turnover or other extenuating factors decisions taken by the council are carried out.

This recommendation arises from the failure of the Allpay system to be implemented in the original timeframe.