

COMMITTEE	Housing and Environment
DATE	11 March 2014
DIRECTOR	Pete Leonard
TITLE OF REPORT	Rent Arrears - Update
REPORT NUMBER:	H&E/14/026

1. PURPOSE OF REPORT

The purpose of this report is to update Committee on the actions being taken to implement targets for the management of rent arrears, and in particular those tenants with 13 weeks or more of rent arrears as requested at the last Housing and Environment Committee of 14 January 2014.

2. RECOMMENDATION(S)

Committee are asked to note the report

3. FINANCIAL IMPLICATIONS

N/A

4. OTHER IMPLICATIONS

N/A

5. BACKGROUND/MAIN ISSUES

At the end of January 2014 the overall balance of outstanding arrears was £3.9m with almost £2.5m of this debt being due for arrears greater than 13 weeks, including those with arrears of less than £250.

Of the 2804 cases with arrears greater than 13 weeks a significant proportion of these cases have either, been served with a Notice of Proceedings, enrolled in court or indeed suspended in court following an arrangement having been agreed with the Sheriff. The numbers and values are as follows:

- 286 cases at NOP stage with a value of £293,854
- 456 cases enrolled in court, with a value of £723,328
- 526 cases suspended in court, value of £733,328

This brings the total value of cases already within the Court arena to more than £1.75m and largely outwith the control of the Housing Management teams.

A further 481 cases have an acceptable arrangement in place to repay their arrears. These cases account for a further £410,000 of the outstanding arrears greater than 13 weeks. The balance of these cases is currently at the pre-NOP stage and are in the process of being escalated unless arrangements to pay are agreed with the tenant

Members should be aware that the maximum number of cases that Aberdeen City Council are currently allowed to lodge into the Heritable Property Court are restricted by the Scottish Court Service. Currently the Court will only hear 30 “new” cases and 35 “incidental” (returning) cases each week. These maximum numbers are due for review soon and the concern is that the Scottish Court Service may further reduce the number of spaces available to the Council.

The small number of cases being heard each week at Court does mean that there is a bottleneck effect on the rent arrears, which of course results in higher arrears balances.

The percentage of arrears greater than 13 weeks is currently sitting at 9.5% with a current target of 8.6%. As part of the Performance Review and Development meetings individual Housing Officers are being given a target of their own to meet, to try and ensure that the overall target of 8.6% is achieved for next year.

Given the fact however that largely Housing staff have little control of the case once the arrear has passed the Notice of Proceedings stage, it is more important to focus on the early intervention work, and try to reduce the number of cases escalating to an arrear greater than 13 weeks. This however is dependent on tenants engaging with us when contacted.

Some of the early actions that have now been introduced since the last Committee are that new guidance has been issued to staff on how to come to an arrangement with tenants in arrears. This is attached at Appendix 1 for information. This was introduced following concerns that staff were not confident when agreeing a repayment plan which could be sustained by the tenant. This new guidance provides information for staff on how to do this and appropriate levels for repayment in different circumstances, but still leaves Housing Officers with the option of agreeing a more flexible approach where necessary.

A new pre-abandonment procedure has also been introduced. This will be used when a tenant has failed to respond to our overtures to make contact during escalation and we cannot be sure whether they are in fact still resident. Housing Officers can consider the history of the

tenancy and issue a warning of possible future abandonment action. This approach can save time and money, particularly in terms of avoiding the lengthy court process, thereby avoiding further arrears and court costs. This procedure will also help where tenants who have been unwilling to come and discuss their arrears with us, encourages or forces contact from the tenant. Feedback from other Scottish Local Authorities confirms that this approach can work well in specific circumstances. It will certainly help us determine whether a property has been genuinely abandoned or someone with no attachment to the property and no intention to pay. Similarly, it will also help us identify tenants who need specialist support and advice.

Housing Benefit Clawbacks account for approximately £28k being added to the rent accounts every month. This is where tenants who have previously been in receipt of Housing Benefit have been paid too much and therefore the Revenues and Benefits Team seek to recover the overpayment from the tenants ongoing housing benefit award. The average amount recovered in this way is £9.00 per week from individual tenants, however this amount can be reduced where tenants complete an income and expenditure form. A new procedure has been introduced where all new Housing Benefit claw-backs are identified as soon as they are added to the rent account with a prompt to the relevant Housing staff to intervene. The staff member will seek to contact the tenant to explain what has happened and why; attempt to get a revised payment arrangement in place and consider an application to the Revenues and Benefits Service to have the claw-back reduced using the income and expenditure form as evidence that the tenant cannot realistically afford the amount being recovered. This procedure will also assist in identifying whether an application for Direct Deductions can be made to the Benefits Agency to help cover the extra cost.

Members asked for information relating to tenants who claim partial Housing benefit and how they are managing to pay the remaining rent. There are approximately 19% of our tenants who are receiving partial housing benefit. The actual sum they receive will vary considerably depending on their personal circumstances. This equates to approximately 4200 tenancies. In order to establish which of these tenants are in arrears with their rent this would require a substantial manual exercise which would also need to distinguish between tenants in arrears alone and those who have had any Housing Benefit clawback, those affected by the reduction in the spare room subsidy, any in receipt of assistance with our furniture scheme and related service charge and also anyone benefitting from Heat with Rent which would not be discounted by Housing Benefit. In entering into any arrangement to clear any outstanding arrears housing officers will seek to take account of all household income to endeavour to reach a sustainable arrangement.

Finally, some of the other actions that will be taken in the coming months are:

- A further rent statement issued at the end of February 2014
- Further contact with tenants for new claims of Discretionary Housing Payments
- More partnership working with Money and Debt Advice colleagues
- Increased emphasis on training for staff
- Review of new tenants and their ability to pay
- Closer working with colleagues in respect of Housing Support

6. IMPACT

Corporate

This report relates to Aberdeen – The Smarter City

- We will challenge inequalities wherever they exist and bring our communities closer together
- We will use early intervention to help people sustain their tenancies
- The report meets the National Outcome Measure 15
- Our public services are high quality, continually improving, efficient and responsive to local people's needs

Public

This report is likely to have significant interest within the public arena due to the increasing levels of debt and the likely reasons for this. The public are also likely to be interested in the case studies presented as well the actions being taken by the Council to deal with the outstanding rent arrears

7. MANAGEMENT OF RISK N/A

8. BACKGROUND PAPERS N/A

9. REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL

HOUSING & ENVIRONMENT

RENT MANAGEMENT

Rent Arrears Repayment Arrangement Guidance

February 2014

Background

This guidance is produced to help Housing Officers arrive at arrangements with tenants which are designed to clear their outstanding arrears and take cognisance of both the City Council's responsibility to collect rent due but also take account of individual tenants' financial and personal circumstances. Importantly it does not remove the need for staff to make early contact with tenants where payments have been missed and arrears are likely to accrue.

Rent arrears have steadily increased over the last 12 months and it is critical that we have confidence in the quality of repayment arrangements being entered into across the city.

Rent arrears repayment arrangements are currently agreed by a large number of Housing Officers and Assistant Housing Officers, many of who possess relatively limited specialist arrears knowledge and who have historically had little support in the form of guidance on parameters regarding the repayment instalments they should agree to. This can often result in repayment plans taking an unreasonable length of time to clear the outstanding balances. There are also significant risks in entering into arrangements which tenants cannot afford to maintain.

Concerns also exist around how consistent our approach to rent arrears repayment arrangements has been across the city, and our ability to ensure consistency and equity regarding how our tenants in rent arrears are dealt with, particularly around agreeing repayment plans.

Vision

We are committed to helping those tenants in rent arrears to clear their debt and thereby help them to sustain their tenancies.

However, we also have a responsibility to collect all outstanding rent arrears within a reasonable timeframe. We have a duty to protect the Council's financial position and to collect as much income as possible to allow us to re-invest in our housing stock.

We are striving to ensure both consistency in the quality of the arrangements we agree to, and to provide some equity in how we reflect our tenant's financial position when calculating what is considered a reasonable repayment arrangement.

We aim to consider each tenants' individual circumstances and financial position before arriving at a repayment arrangement that should be both affordable and sustainable.

The guidance set out in this document seeks to set typical minimum values that Housing staff should endeavour to achieve when entering into arrangements. However, flexibility is available where this is shown not to be practicable based on individual assessment. Further guidance is given later in this document regarding the need for Income Assessment calculations.

Issues

The following issues have been identified across the city, around repayment arrangements for rent arrears.

1. Arrangements are sometimes agreed without regard to whether the instalment is sufficient to cover any on-going rent charge or claw-back, together with a reasonable sum being paid towards reducing any arrears.
2. Arrangements are often agreed without first drilling down into the reasons why the arrears are accruing, nor considering whether what is being agreed to is sustainable for the tenant.
3. The process for arriving at instalment values needs clarity. Without this there is the risk of poor decision making and inequalities in the process.
4. The previous method of comparing 'Income against Expenditure' as a means to establish what is affordable for a tenant is flawed. The expenditure information supplied can be inaccurate and open to abuse, unless time consuming checks are made on the validity of the expenditures quoted. Genuine expenditures can also be missed from the calculation in error, resulting in the tenant being penalised in what they are asked to repay.
5. Without clear guidance or limits, tenants and staff alike will often resort to the smallest instalment amount possible (this is currently perceived as a value equal to Rent Arrears Direct @ £3.60 per week).
6. Arrangements are agreed where the outstanding debt could take 5 years or more to clear, which is not sound financial management on the Council's part, but can also result in the tenant being burdened with their Housing debt for longer than necessary.
7. There is currently no mandatory process in place to carry out quality checks on the arrangements being agreed, and as a result no opportunity to provide feedback and advice to assist in learning.

Solutions

New recommended minimum repayment arrangement instalment bandings will be introduced across the city from early February 2014.

These minimum instalment amounts will be expected to be paid on top of any existing rent charges (including HB overpayment claw-backs), and will be separate from any additional application for Rent Arrears Direct.

Tenants will be placed into a banding according to the household's income level.

Quality assurance checks will be introduced to ensure quality & compliance across the city, and to assist with feedback on how the new policy is operating.

Income Assessment forms, comparing Household Income against DWP Applicable Amounts (amount set down by Central Government as what is required for an individual or family to live on) for the

tenant(s), will be the recognised route for all requests for repayment instalments below the designated minimum values.

Intensive staff training will be undertaken across the city to include arrangement 'best practice' in conjunction with these new minimum instalment guidelines.

REPAYMENT ARRANGEMENT GUIDELINES

Minimum repayment to arrears - £5.00 per week (on top of any rent charge and/or HBC and RAD)

- Tenant(s) in receipt of full Housing Benefit while receiving the following DWP benefits - Income Support; Jobseekers Allowance(Income Based); Employment Support Allowance (Income Related); & Guaranteed Credit
- Tenant(s) in receipt of full Housing Benefit with no recognisable income or with an income only equivalent to or less than IS; JSA; ESA; GC
- Tenant(s) in receipt of full Housing Benefit while receiving reduced rates of DWP benefits awaiting the outcome of a DWP appeal
- Tenant(s) who are self-employed but in receipt of full Housing Benefit due to non-profitable business

This list is not exhaustive. Full HB refers to the full 'available' amount – ie HB Under Occupancy shortfall should not prohibit a tenant's inclusion in a banding.

Minimum repayment to arrears - £10.00 per week (on top of any rent charge and/or HBC and RAD)

- Tenant(s) in receipt of partial Housing Benefit, with incomes above the basic levels of IS; JSA; ESA; or GC
- Tenant(s) in receipt of IS; JSA; ESA; or GC and with other adult(s) in the household receiving an independent income
- Tenant(s) who are self-employed but in receipt of partial Housing Benefit due to poor financial gains from business
- Tenant(s) in part-time or low paid jobs and receiving partial Housing Benefit and/or Working Tax Credits

This list is not exhaustive.

Minimum repayment to arrears - £20.00 per week (on top of any rent charge)

- Tenant(s) not entitled to Housing Benefit and engaged in full time remunerative work
- Tenant(s) in part-time or low paid jobs who are not entitled to Housing Benefit due to the income(s) of other adult(s) in the household

This list is not exhaustive.

An Income Assessment Form template is included at the end of this document for your information, along with the DWP Applicable Amount tables for 2013/14 & 2014/15. There are also several case studies to assist better understanding of the process.

Income Assessment

The front page allows a full picture of the household income, including any 'non-dependant' adults or grown children living in the property that would be expected to contribute towards the rent. It also provides ample opportunity for the tenant and/or their representative to propose an alternative repayment plan, with a full explanation for the figure quoted including any circumstantial or financial details. An expenditure breakdown may also be submitted as further evidence if deemed appropriate.

The reverse page allows the Housing Officer to calculate the DWP Applicable Amount for the tenant(s); to calculate whether any surplus income exists; and consider the tenant's proposal against an 'expected' repayment instalment, calculated as 10% of any surplus income. This 'expected' figure would be deemed an affordable contribution towards their arrears, and is there a guide figure so that the Housing Officer has a reliable figure to negotiate around with the tenant.

The entire process is much more consistent.

The method of taking 10% of any surplus income is believed to be fair and reasonable, but it is not binding on the Housing Officer. All staff are encouraged to show flexibility in the arrangements they are negotiating, paying particular attention to those tenants living on the lowest income levels.

The introduction of Income Assessment forms should also encourage all staff to focus on individual tenant's circumstances and financial position before making a decision on what they should be paying towards their arrears. It also allows the officer to identify the reasons why the tenant may be in arrears and consider any relevant 'sign-posting' for specialist advice.

Quality Checks

A new monthly performance report of all new arrangements will be compiled for the Senior Housing Officers to carry out quality checks on arrangements being agreed in their geographical areas of responsibility.

These checks can be random or targeted as appropriate. Questions to be considered include:

Does the arrangement comply with the minimum instalment allowed? If not, has an Income Assessment form been completed?

Is the timeframe required to clear the arrears reasonable?

Are any Housing Benefit Claw-back charges being sufficiently accounted for?

INCOME ASSESSMENT FORM
Rent Arrears Repayment Arrangement

Tenant name(s): _____ Other adults in property: _____

Property address: _____ Contact number(s): _____

Payment reference number: _____ Arrears balance: _____

HOUSEHOLD INCOME DETAILS (calculated as weekly)

	<u>Person 1</u>	<u>Person 2</u>	<u>Person 3</u>	<u>Person 4</u>
Tenant (*delete):	Yes/No	Yes/No	Yes/No	Yes/No
Net Earnings:	£	£	£	£
IS/JSA/ESA/GC:	£	£	£	£
PIP/AA:	£	£	£	£
Tax Credits:	£	£	£	£
Child Benefit:	£	£	£	£
Maintenance:	£	£	£	£
Student loan/grant	£	£	£	£
Pensions	£	£	£	£
Other	£	£	£	£
Total	£	£	£	£

TOTAL HOUSEHOLD INCOME (A): £ _____ **per week**

PROPOSED REPAYMENT PLAN: £ _____ per week

PAYMENTS TO BE MADE: _____ Weekly/Fortnightly/4-weekly/Monthly (*delete)

FIRST PAYMENT TO BE MADE ON: _____

REASON(S) FOR PROPOSAL:

Please provide an explanation for the proposed repayment figure, including all relevant details of your expenditure and/or personal circumstances. Include a separate weekly expenditure breakdown sheet if you wish.

Name: _____ Date: _____ Signature: _____

On completion of this page, please return the form to your local Housing Officer for a decision.

HB APPLICABLE AMOUNTS - April 2013 (& April 2014)

PERSONAL ALLOWANCES

££££ (p/w)

WORKING AGE

Single person

under 25	56.80 (57.35)
under 25 (but on main phase ESA)	71.70 (72.40)
25 or over	71.70 (72.40)

Lone Parent

under 18	56.80 (57.35)
under 18 (but on main phase ESA)	71.70 (72.40)
18 or over	71.70 (72.40)

Couple

both under 18	85.80 (86.65)
both under 18 (but claimant on main phase ESA)	112.55 (113.70)
one or both 18 or over	112.55 (113.70)

PENSION AGE

Pensioner

Single person under 65	145.40 (148.35)
Single person 65 or over	163.50 (165.15)
Couple both under 65	222.05 (226.50)
Couple one or both 65 or over	244.95 (247.20)

DEPENDENT ALLOWANCES

Dependent Children (per child or qualifying young person)

- under 20	65.62 (66.33)
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COMPONENTS (ESA only)

Work Related Activity Component	28.45 (28.75)
Support Component	34.80 (35.75)

PREMIUMS

Family premium (if in receipt of Child Benefit)	17.40 (17.45)
Lone Parent rate	22.20 (22.20)

Carers Premium (if entitled to or have underlying entitlement to Carers Allowance)	33.30 (34.20)
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Disabled Child Premium (if child is registered blind or receives DLA)	57.89 (59.50)
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Disability Premium

Single	31.00 (31.85)
Couple	44.20 (45.40)

Enhanced Disability Premium - if in receipt of DLA Care Component at the highest rate or have been placed in the Employment Support Allowance support group. Can be paid at three rates depending on whether a single claimant, couples where both satisfy the criteria or for a child.

Single	15.15 (15.55)
Couple	21.75 (22.35)
Child	23.45 (24.08)

Severe Disability Premium - if in receipt of DLA care component at the middle or highest rate or Attendance Allowance and nobody receives Carers Allowance for looking after the person. Awarded to each person who satisfies the criteria.

Single	59.50 (61.10)
Couple (low)	59.50 (61.10)
Couple (high)	119.00 (122.20)

Case Studies

Paul is a 27 year old single male in receipt of JSA(IB) at the rate of £143.40 per fortnight. He qualifies for full HB and his arrears balance is £410.

Paul fits clearly into the £5.00 per week minimum instalment band.

However, Paul states he cannot afford that much due to increasing utility bills; food costs and extra expenses associated with regular visits with his son.

Paul completes an IA form proposing £1.00 per week towards his arrears, which he believes is reasonable.

Income:	71.70
Applicable Amount:	71.70 (1 x Personal Allowance over 25 years)
Surplus Income:	0.00 per week

Paul has completed an IA form and has no surplus income above what he requires to live on, so we are free to negotiate a repayment plan less than the £5.00 per week minimum. Given the relatively small arrears balance of £410 and the fact that he is in receipt of full HB to cover his on-going rent, we could perhaps propose £3.00 per week as a starting point in the negotiations. Paul is in receipt of JSA(IB) so we could submit an application for Rent Arrears Direct (RAD @ £3.60 per week). Perhaps you may wish to rely more on payments direct from DWP and advise Paul to pay anything else he can afford on top of this. The decision will ultimately sit with the individual Housing Officer.

Mr & Mrs Smith are a couple in their 40s. He works full time earning a net wage of £920 per month. They do not qualify for HB and their arrears balance is £1,150 and rising.

They fit clearly into the £20.00 per week minimum instalment band.

However, they state they cannot afford that due to personal loans; car repayments (he needs his car for his work); and Council Tax arrears repayments.

They complete an IA form proposing £20.00 per month (£5.00 p/w) towards their arrears.

Income:	230.00
Applicable Amount:	112.55 (1 x Personal Allowance Couple Rate)
Surplus Income:	117.45 per week
Arrangement instalment:	117.45 X 10% = 11.75 per week

The Smiths have completed an IA form and we have calculated what should be an affordable repayment instalment of £11.75 per week, so we are free to negotiate below the £20.00 per week minimum. Given their relatively high balance, we could perhaps propose £15.00 per week as a starting point, still giving ourselves some room for negotiation down towards £11.00 or £12.00 if required. They have flagged up several other debts on the form that are impacting on their ability to clear their arrears. Perhaps also a referral to Debt Counselling may be appropriate to try and get their other debt repayment instalments reduced.

Yvonne (22) is a single mother of 2 boys aged 4 & 2. She works 20 hours per week qualifying for Tax Credits to top up her wages. She advises she just fails to qualify for HB and her arrears balance is worrying at £2,300.

She fits into the £10.00 per week minimum instalment band as she works part-time and is in receipt of Working Tax Credits.

However, she advises she cannot afford this as she only works part-time and has 2 small children to support without any help and her ex-partner refuses to pay regular maintenance.

She completes an IA form proposing £3.00 per week towards her arrears.

Income:	473.00 [Wages £170; Tax Credits £270; Child Benefit £33]
Applicable Amount:	227.14 [Personal Allowance; 2 x Dep Allowance; Family Premium]
Surplus Income:	245.86 per week
Arrangement instalment:	$245.86 \times 10\% = 24.59$ per week

Yvonne should be able to afford a weekly repayment of nearly £25.00 on top of her rent. The £10.00 per week minimum banding will stand. Debt Counselling may be able to assist her in terms of budgeting assistance or a financial health check. Alternatively, Benefits Advice may be able to help with maximising her income. It may be worth sign-posting her to CSA regarding child support. All this information has come to light through the completion of the IA form. Her proposal given her income and outstanding balance is completely unrealistic and this needs to be reinforced with her. Negotiate a repayment plan somewhere between £10.00 and £25.00 per week, starting perhaps at the higher end.

Bryan (19) is signing on JSA while he looks for full time work. Due to his age he only qualifies for £56.80 per week. He was allocated his tenancy last year when he came through the 'Homeless' route. He had some Tenancy Support but this stopped some time ago and he has accrued some arrears since due to gaps in his Housing Benefit from missing Job Centre appointments and interviews without acceptable explanations.

He is currently in receipt of full HB and his arrears balance is £335.

Bryan fits into the £5.00 per week minimum payment banding. However, it is clear that asking a young man to sustain a tenancy and repay his rent arrears on top of all household bills on £56.80 per week is a tall order. You encourage Bryan to complete an IA form to allow you to assist him further.

Income:	51.80
Applicable Amount:	56.80
Surplus Income:	-5.00

Bryan advises that he has £5.00 per week taken from his JSA to pay off a Court imposed fine from last year although he thinks this is about paid off now. This further reduction to his income that has come to light through the completion of the IA form suggests a different approach may be relevant here. Given the relatively small balance and the fact that his on-going rent charge is currently being covered in full, perhaps an arrangement for £1.00 per week may be acceptable as perhaps might asking for nothing at present and checking when the fine deductions are due to end and review the position then. Again, it will be at the Housing Officer's discretion.