

**PERTH AND KINROSS COUNCIL****Housing and Health Committee****26 August 2015****Rent Arrears Update****Report by Executive Director (Housing and Community Care)****PURPOSE OF REPORT**

This report provides Housing and Health Committee with an overview of the issues around rent arrears and summarises some key actions in place to manage and reduce the level of arrears.

**1.0 BACKGROUND**

- 1.1 Managing rent arrears and ensuring tenants are able and supported to pay their rent is a key challenge and priority for the Council and for councils across Scotland, particularly in difficult economic times. The recent recession and economic challenges, changes to welfare and limited wage and salary increases for workers, have challenged many individuals and families' ability to manage their household budgets, including their rent payments.
- 1.2 Changes to the welfare system have also had a significant impact on many people. There has been a decrease of over 2.5% in those receiving key benefits in Scotland, so more people are required to self-fund than between 2010 and 2012. Some specific changes include:
  - The removal of the spare room subsidy for tenants receiving housing benefit
  - The cap on total benefits that individuals and families are entitled to claim
  - The increased loss of income through sanctions for tenants failing to comply with the Job Seekers Allowance commitment
  - Changes to Working Tax Credits
  - The replacement of Disability Living Allowance with Personal Independent Payments
  - Increased non-dependent deductions from housing benefit for tenants living in a household of people claiming income-related benefits.
- 1.3 In relation to the local economy and workforce of Perth and Kinross, there has been a rise in the number of people classed as "economically inactive who want a job": 2,200 more people were unemployed and looking for a job in March 2014 than was the case in March 2012.

While wages have continued to rise nationally among those classed as "economically active," workers in Perth and Kinross were paid on average

over £10 less per week in 2014 than they were in 2012. The average gross weekly wage in Scotland as reported in the Office of National Statistics (ONS) Annual Survey of Earnings for 2014 was £518.20 compared to £481.20 in Perth and Kinross.

Certain sectors also saw a marked change in the number of people they employed – e.g. energy and water sector employed half as many people (1,600) in 2013 as it did in 2009, while the number of people employed in the “service”<sup>1</sup> sector increased by 2,000 between 2012 and 2013.

- 1.4 These circumstances have had an impact on people managing their finances. The local Debt Advice Service has seen an increase in cases in last year: 500 new cases and 143 ongoing cases from 2013/14. In addition, the service had 23 new cases totalling around £364,000 of debt and the Council’s welfare rights and benefits teams have seen a rise in more complex cases in the last year.
- 1.5 Many of the Council’s tenants continue to face the significant financial challenges outlined in the research recently undertaken by the Joseph Rowntree Foundation (<http://www.jrf.org.uk/media-centre/families-struggle-budget-gap-despite-pause-rise-cost-living>, July 2015)

*“The budget gap between the incomes of low income families and the cost of a decent standard of living is still much wider than before the recession began, both for those earning the National Minimum Wage and those reliant on out of work benefits.”*

## **2.0 ANALYSIS OF RENT ARREARS**

- 2.1 The section above provides the context for the situation facing the Council and tenants. The vast majority (68%) of the Council’s 7,000 tenants do not have rent arrears: 42% of tenant accounts have a credit balance and 26% have a “neutral” balance. The remainder however (around 32%), owe rent. Of these tenants, the majority (64%) owe less than £500, while a small proportion (4%) owe over £3,000.
- 2.2 Further analysis indicates
  - 75% of current tenant arrears are with those who don’t receive housing benefit
  - Average rent arrears balance for those not receiving housing benefit rose from £483 in 2013 to £713 in 2015
  - 20% of households in arrears are responsible for the majority of the sum total of rent arrears
  - Areas with the highest level of arrears are Letham, Hillyland, North Muirton and Perth City

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<sup>1</sup> Services: “Wholesale and retail (including motor trades),” “Transport storage,” “Financial and other business services,” “Public admin, education and health,” “accommodation and food services,” “information and communication.”

- Tenant arrears at the end of March 2015 was 12.1% (as % of net rent due) which although high, had reduced to 11.9% at the end of June.
- The level of rent collected as a % of rent due was 96.1% in 2014/15 compared to 98% the previous year and this continues to be an area for improvement.

<b>Area</b>	<b>Performance 31<sup>st</sup> March 2015</b>	<b>Performance at 30 June 2015</b>
<i>Gross rent arrears (all tenants) at 31 March as % rent due for the reporting year (Charter Indicator No. 31)</i>	9.28%	9.06%
<i>Current tenant arrears as % of net amount of rent due in the year (Local Performance Indicator – as reported for 2014/15)</i>	12.1%	11.9%

### **2.3 Comparisons with other local authorities**

As in Perth and Kinross, rent arrears in Scotland are increasing, with the Scottish average rising from 5.84% in 2013/14, to 6.24% in 2014/15. Overall in Scotland rent arrears rose by 24% between 2012/13 and 2013/14.

Benchmarking with the Scottish Rent Arrears Forum highlights that, of the 23 local authority members, 15 had an increase in gross rent arrears during 2014/15 and a number reported arrears levels above our 9.06% performance. Of those authorities where arrears have remained static or decreased, there is evidence of a stronger approach to eviction, with a total of 434 evictions for non-payment of rent across these 8 authorities, over 200 of which were in Aberdeenshire.

### **3.0 KEY ACTIONS TO ADDRESS RENT ARREARS**

- 3.1 Tenants who do not maintain their rent payments are at risk of losing their home, although eviction is always a last resort. Supporting people to manage and sustain their tenancies is a key outcome for the service and tenancy sustainment is very high, with 96% tenancies sustained after a year. The Scottish Housing Best Value Network advises that based on initial analysis, the national average for 2014/15 will be around 88%.
- 3.2 However, with successes in tenancy sustainment it is recognised that in certain cases this can be to the detriment of rent arrears. The Council does, though need to balance support and action to prevent homelessness and maintain people within their homes, with the need to recover rent and income to maintain a healthy Housing Revenue Account. This balance requires a range of actions and these are summarised below.

### **3.3 Intervening early to prevent arrears**

3.3.1 Intervening early and preventing arrears is a key priority and a number of actions have been introduced to ensure this. For example:

- A new 'paying rent is not optional' campaign was launched with annual rent statements in June
- The Benefit Take-Up Officer is a key prevention post which has assisted tenants to gain £111,688 due in Housing Benefits
- There is excellent partnership working with Perth and Kinross Credit Union which
  - offers advice and assistance surgery in their office in Perth
  - established a regular outreach surgery at Blairgowrie office from July
  - is supporting the use of Budget Cards for tenants in debt and is now used by 37 tenants
- a new smartphone app for tenants to pay their rent - available free of charge and allows tenants to pay their rent easily at the touch of a button, using either a credit or debit card.
- The new role of Housing Assistant has been created with increased focus on income maximisation and preventing and reducing rent arrears.
- Support Officers will be based in each locality from September as part of the implementation of housing review
- There is a more systematic monitoring and review of settling in visits and early intervention if/when tenants miss payment to target new tenants getting into rent arrears
- 'Texting' messages to tenants about their rent account is being widened and will include information on any rent outstanding
- Plans are in place to pilot cash collection in some areas
- Work is underway with the Customer Service Centre to establish the opportunities of contacting tenants who have low level arrears balances and request that rent accounts are brought up to date.

### **3.3.2 Intervening early with new tenants**

All new tenants are provided with a range of information and support when they begin their tenancy and staff are now focused on making sure this happens at the earliest stage, when properties are allocated to make sure:

- There is a relationship developed with the tenant

- Tenants have a clear understanding of the Council's expectations as a landlord and their responsibilities before the tenancy starts
- Tenants can be offered budget advice, income maximisation and support around managing their tenancy where there is potential vulnerability or financial risk.

### **3.4 Repayment arrangements if tenants get into arrears**

Tenants who do fall into arrears are offered a range of ways to make repayments when they are unable to clear the full outstanding arrears balance in one single payment. A key action for staff managing tenant rents and arrears is to make sure those in arrears have a repayment plan in place.

### **3.5 Those with multiple debts**

Tenants in rent arrears often have other debt, including to the Council, and to companies or organisations. Analysis of over 2,000 accounts of tenants in arrears identified that 72% also had outstanding Council Tax debt.

### **3.6 Tenants who do not engage**

The vast majority of tenants do pay their rent and are not in arrears. Of those in arrears, the majority do engage with staff to accept support and repayment plans and are recognised as genuinely struggling, due to either financial hardship, or health and personal vulnerabilities. For others for whom there is no clear reason for them not to regularly pay their rent, sanctions, including legal sanctions and eviction, are applied.

Work is currently underway to revise the current Arrears Policy to strengthen the sanctions for arrears, which may include withholding repairs until rent is paid. This policy will be presented to committee for full approval in November 2015.

It is proposed that, in the meantime, Committee approve an immediate enhancement to technical evictions which will mean that tenants will be moved to alternative accommodation under a Short Scottish Secure Tenancy (SSST) agreement and have to accept support as a condition of their tenancy. The benefits of this are that it will remove the full security of tenure, protect the wider corporate duties if there are children in the household, and will enable the service to ensure tenants engage with support. If after that the tenant does not engage to address their arrears, the tenancy will be ended through the normal process.

### **3.7 High Level Arrears Cases**

In June 2015 there were 196 tenants (of 7,207 (2.7%)) who owed more than £2,000 but with levels which accounted for 42% of the current rent arrears. These tenants are being targeted for key action, including legal proceedings. Fortnightly scrutiny meetings have been introduced with managers at which a

plan of action is agreed. In addition, the court team, along with housing officers are focusing on the recovery of high level arrears cases.

- 3.8 Although a number of key actions have been described above, the section below summarises some key work of the **rent arrears project team** which includes staff from all key areas of Housing, Revenues/Benefits and Finance. The actions include:

- Introducing rent payment before tenants sign their tenancy agreements
- Piloting the use of Sheriff Officers to collect arrears from former tenants
- Carrying out settling in visits within 5 working days of the tenant moving in
- Supporting outreach surgeries for the Credit Union in our local areas to help with budget support and advice
- Reviewing existing processes to support early intervention and to make sure cases of increasing arrears are escalated quicker
- Agreeing a maximum number of repayment plans with the payment determined as a % of tenant's disposable income

In addition:

- Fortnightly scrutiny meetings are carried out with all Team Leaders and Co-ordinators to focus on high level arrears cases
- Audit of 5 arrears cases in each locality by Team Leader – Income Maximisation
- Half day Welfare Rights training for all our Housing Assistants to support their new role

#### **4. CONCLUSION AND RECOMMENDATIONS**

- 4.1 This report highlights the key issues for the Council and tenants in relation to rent arrears and provides an overview of improvement actions in place to address these and reduce the level of arrears.
- 4.2 It is recommended that the Housing and Health Committee:
- (i) Note the contents of this report, including the analysis of rent arrears and the benchmarking performance.
  - (ii) Endorse the key actions to improve on the Council's rent arrears performance.
  - (iii) Approve the recommendation at 3.6 to strengthen the application of 'technical evictions' which would involve tenants being moved into an alternative property and provided with support.

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**Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
John Walker	Executive Director (Housing and Community Care)	18 August 2015

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	<b>Yes</b>
Corporate Plan	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>None</b>
Workforce	<b>None</b>
Asset Management (land, property, IST)	<b>None</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>None</b>
Strategic Environmental Assessment	<b>None</b>
Sustainability (community, economic, environmental)	<b>None</b>
Legal and Governance	<b>None</b>
Risk	<b>Yes</b>
<b>Consultation</b>	
Internal	<b>Yes</b>
External	<b>Yes</b>
<b>Communication</b>	
Communications Plan	<b>No</b>

### 1. Strategic Implications

#### Community Plan / Single Outcome Agreement

- 1.1 The Community Plan and Single Outcome objectives are all relevant to this report:

- (i) *Giving every child the best start in life*
- (ii) *Developing educated, responsible and informed citizens*
- (iii) *Promoting a prosperous, inclusive and sustainable economy*
- (iv) *Supporting people to lead independent, healthy and active lives*
- (v) *Creating a safe and sustainable place for future generations*

#### Corporate Plan

- 1.2 As above.

### 2. Resource Implications

#### Financial

- 2.1 None arising from this report.



### Workforce

- 2.2 None arising from this report.

### Asset Management (land, property, IT)

- 2.3 None arising from this report.

## **3. Assessments**

### Equality Impact Assessment

- 3.1 A full EQIA will be undertaken on the revised Rent Arrears Policy prior to submission of the proposed report in November 2015.

### Strategic Environmental Assessment

- 3.2 N/A

### Sustainability

- 3.3 N/A

### Legal and Governance

- 3.4 None arising from this report.

### Risk

- 3.5 The financial risks to the Council of non-collection of rent have been well documented and many of them relate to the welfare reform agenda. This is a corporate risk and is included in the Council's risk profile. The Service's Welfare Reform Board and Rent Arrears Steering Group has an action plan designed to address and mitigate the risks of high levels of rent arrears.

## **4. Consultation**

### Internal

- 4.1 The Head of Legal Services and the Head of Finance have been consulted on this report.

### External

- 4.2 The Tenant Committee Report Panel was consulted in this report. They 'noted the contents of this report and believe all actions are a step in the right direction and suggest earlier interventions with tenants.'

**5. Communication**

5.1 None at present

**6. BACKGROUND PAPERS**

None

**7. APPENDICES**

None.