



AUDIT COMMITTEE REPORT

Report Title	Rent Arrears
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AGENDA STATUS:

PUBLIC

Audit Committee Meeting Date:	2 nd December 2008
Policy Document:	No
Directorate:	Finance & Support
Accountable Cabinet Member:	Councillor Malcolm Mildren

1. Purpose

- 1.1 To outline to the Audit Committee the overall position on rent arrears between March 07 and November 08.

2. Recommendations

- 2.1 That the report be noted;
- 2.2 That the Audit Committee consider whether there are additional queries arising from this report and whether the Committee requires additional information on any specific aspects.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Audit Committee at its meeting of 24th June 2008 requested that a number of reports be produced and presented to the Committee at a future meeting.
- 3.1.2 Overall the level of rent arrears carried by the Council has not only stabilised but also shown considerable improvement and is projected to show further significant improvement before 08/09 year end.

3.2 Analysis of Rent Arrears

- 3.2.1 The rent arrears position as at year-end March 2007 was £1.710 million, with declared 2006/7 performance for BVPI66a of 95.93%.

Performance deteriorated during the first quarter of the year, with arrears of £2.024 million at the end of June 2007, a £314k increase.

The Council was in the process of implementing the new IBS OPEN Housing system, and the `go live` date for the rents module had been scheduled for July 2007. Due to technical difficulties the actual `go live` date was put back to October 2007 and two key members of staff (the Rent Income Manager and a senior Rent Income Officer), being seconded to the project team.

- 3.2.2 The Rent Income Team was re-organised, from June 2007 with the implementation of intensive case management. A `large balance` team was formed, dealing with the most serious cases, with other members of the team assigned to deal with lower level cases. Each member of staff was allocated specific work areas, with individual targets for improvement being set.

The Benefits Liaison Officers workload was also re-directed to work to quickly deal with any Benefits queries raised.

The changes had an immediate impact, with arrears levels stabilizing throughout July and August, and IHSL performance reports indicating a reduction to £1.929 million in week 25 (the week prior to IHSL closedown on 26th September 2007).

- 3.2.3 New tenancies were also closely monitored to assess the effectiveness of preventative actions being carried out by Housing Management staff.

Whilst the higher-level arrears reduced as planned in the early stages of the change, there had been a significant increase in new tenancy arrears. In view of this, management checks to test the effectiveness of the preventative work being carried out, including close monitoring of the number of completed housing benefit claim forms received at the commencement of the tenancy. This identified that only 30% of eligible new tenants had made a claim for benefits, whereas around 64% of the weekly rent debit is paid by Housing Benefit. It was apparent, therefore, that rent arrears were accruing right from the beginning of many tenancies, with ineffective support being offered to eligible new tenants to avoid them getting into debt.

In view of this, changes were implemented clearly setting out the duties and responsibilities of the Housing Management and Rent Income teams with regard to rent income management, including appropriate preventative actions.

Following the introduction of these changes, further regular management checks have been carried out, and the number of claim forms received from eligible new tenants has increased to 85%. This has had a positive impact on the new tenancy arrears levels, although further work is required in this area in order to fully comply with the Rent Income KLOE.

- 3.2.4 Problems were also being experienced with the Northampton County Court Judges, in that they were reluctant to grant eviction orders against tenants. This related to their lack of confidence in the effectiveness of measures the Council had in place to help tenants to sustain their tenancies. A meeting was, therefore, held with the Judges on 20th November 2007, where the new working practices and procedures that had recently been put in place were discussed. In particular the Judges were briefed on the improved performance of the Benefits Service; the preventative actions that were planned or being taken and the additional actions taken before a case is submitted for eviction proceedings. The Lord Chancellors Department has recently issued a pre-action protocol that clearly sets out the actions that need to be taken before a case is referred to Court for eviction proceedings, and we needed to convince the Judges that the Council was now effectively carrying out these actions.

Following the meeting, there has been a marked change in the attitude of the Judges. They appear to be more comfortable with the cases now being referred before them, and early indications are that this is resulting in more orders being granted in instances of wilful non-payment.

- 3.2.5 Unfortunately there were problems encountered during the IBS 'go live' period, with the Project Team identifying that outstanding court costs were being counted as current rent arrears within the IBS system, thereby inflating the true arrears position. When the court costs were removed, after a period of 2-3 weeks, the team reported that 'true' arrears levels at IBS start up (week 26) were £2.038 million. The IBS arrears, if accurate, identified an increase of £109k in the space of 1 week, which was unrealistic in real terms.

The Finance team reported IHSL arrears as being £1.961 million in the September BVPI66a calculation, which was also undertaken at IHSL closedown in week 26. So clearly, there was an anomaly between what the 2 systems were reporting.

Following further investigations involving the IBS project team, and Finance, it was agreed that the arrears total of £2.038 million reported by IBS was, in fact, correct. The IHSL system had historically been under-reporting arrears, and this related to cases that were subject to an arrangement being excluded. Performance reported for BVPI66a had, therefore, historically been overstated.

We are now satisfied that the IBS system is correctly reporting all management information.

- 3.2.6 Despite the issues identified above, overall performance has not only stabilised but shown considerable improvement, reducing from £2.038 at end November 2007 to the current position of £1.708 million. This represents an improvement from peak to trough of £330k the lowest arrears level experienced at this point in the financial year during the past 5 years, and with the changes now in place performance is projected to show further significant improvement to year-end 08/09.

4. Implications (including financial implications)

4.1 Policy

4.1.1 Not applicable.

4.2 Resources and Risk

4.2.1 Non-recovery of debt has an adverse impact on the Council's revenue position.

4.3 Legal

4.3.1 Not applicable.

4.4 Equality

4.4.1 Debt is normally owed by some of the more vulnerable residents and more robust recovery methods would inevitably have an impact on them.

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 None

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