

**BABERGH DISTRICT COUNCIL**

**FROM:** Head of Customer Services

**REPORT NUMBER:** **J102**

**TO:** **OVERVIEW AND SCRUTINY  
(COMMUNITY SERVICES)  
COMMITTEE**

**DATE OF MEETING:** 6 October 2009

**HOUSING RENT COLLECTION**

**1. PURPOSE OF REPORT**

- 1.1 On 19 May 2009 Overview and Scrutiny (Stewardship) Committee reviewed the Council's performance for the final quarter of 2008/09. The percentage of Housing Rents collected was below target, consequently a report was requested outlining how the collection of Housing Rent is being managed in 2009/10.

**2. RECOMMENDATION**

- 2.1 That the action being taken to manage and improve the collection of Housing Rents be noted.

The Committee is able to resolve this matter.

**3. FINANCIAL IMPLICATIONS**

- 3.1 Rent collection falls within the Housing Revenues Account (HRA). Consequently administrative overheads, staffing costs, income etc are in effect borne by this account which is separate from the General Fund.
- 3.2 Any shortfall or delay in collection therefore has an indirect impact upon HRA.
- 3.3 The gross rent to be collected in 2009/10 is £13M. Collection costs the Council around £297K. Around 3 FTE's (full time equivalent members of staff) are directly engaged on rent collection. Other staff provide IT support, back office administrative support and accountancy expertise.

**4. RISK MANAGEMENT**

- 4.1 This report is most closely linked with the Council's Significant Business Risk No. 5 - Financial, Performance and Risk Management. Key risks are set out below:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Seriousness or Impact</b>	<b>Mitigation Measures</b>
Performance is managed efficiently and effectively.	Low	Marginal	Performance is measured and monitored weekly at a Divisional level, quarterly by Management Team and Overviews and Scrutiny Committees.

<b>Risk Description</b>	<b>Likelihood</b>	<b>Seriousness or Impact</b>	<b>Mitigation Measures</b>
Customer satisfaction with services is maintained at a high level and improved wherever possible.	Low	Marginal	The Council's Debt Management Strategy and Policy ensure that customers' needs, where relevant, are taken into account during the collection process. They do not face unreasonable demands for payment, debt advice and benefits information is available.

## 5. **KEY INFORMATION**

5.1 Babergh have 3,574 Council tenants. The amount to be collected for 2009/10 is £13M. Around 63% receive Housing Benefit and Council Tax benefit. In 2008/09 although collection at 98.82% at 31<sup>st</sup> March was high it fell short of the target of 99.25%.

5.2 Although the Council continues to use BVPI 66a to measure performance, that indicator is now obsolete nationally and no similar measure is included in the National Indicator set. Benchmarking data is therefore not consistently available. The table below however gives an indication of Babergh's position against authorities in its authority group who continue to maintain this indicator.

<b>Authority</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
Mid Suffolk	98.0%	99.5%	99.13%
Mid Devon	98.4%	99%	98.86%
<b>Babergh</b>	<b>98.8%</b>	<b>99.11%</b>	<b>98.82%</b>
North Kesteven	99.1%	98.8%	N/A
Stroud	97.5%	98.4%	98.53%
Ipswich	97.4%	98.21%	98.46%
Melton	98%	97%	N/A

5.3 At 7 September 2009 collection stands at 97.54%, this is a shortfall of 1.46% on the target of 99% to be achieved by 31 March 2010 or in cash terms around £85K.

5.4 Outstanding Rent at that point totalled £159K including 32K from former tenants. £105K (66%) is being recovered via payment arrangements, either agreed with officers or bailiffs, by court order or payments direct from external agencies. £54K is outstanding from tenants who at 7 September had either fallen into arrear for the first time or failed to maintain an agreed arrangement. Some arrangements extend over a considerable period of time.

5.5 Bad debts written off to date amount to £5,426.49. This is a minimal loss against the bad debt provision of £116,000. The majority of the debt written off has been due to bankruptcy.

## Action being taken to improve performance

- 5.6 The following strategy is now in place to improve collection rates. It is intended to maintain a fair balance between a firm collection regime and the social and economic issues generated by the current recession. That balance is achieved and controlled through the Council's Debt Management Strategy and Policy.
- 5.7 Proactive work aimed at preventing arrears has more value than a reactive approach. It minimises the need and overhead of enforcement action. The aim is to ensure that tenants understand the importance of ensuring their rent is paid on time. At the start of a new tenancy, officers complete a face to face meet with new tenants as part of the tenancy sign-up process. At that meeting tenants are advised of the following:-
- Their responsibility to ensure rent is paid on time.
  - The methods of payment available, giving particular emphasis to payment by Direct Debit as most effective solution for both tenant and the Council.
  - Potential entitlement to Housing Benefit, at the sign up meeting or at some point in the future.
  - Contact points if they are experiencing problems paying.
- 5.8 Outstanding balances are grouped by value, to allow Officers to focus their attention where it will have the greatest impact. In the main this involves arrears between £200 and £500 due from a mix of tenants with a range of issues. For example:-
- The early stages of financial difficulty.
  - Tardy or irregular bill payment culture in the household.
  - Ineffective management of household budgets.
  - A dependence on employed family members contributing towards household expenditure.
  - Prioritising non-priority debts because of their significance to the tenant or household.
- Again the intention is use early action to prevent debts escalating to the point they become unmanageable or Court action and potential eviction is necessary to focus a tenant on making payment.
- 5.9 Personal contact achieves the best results. Initially, it is a labour intensive process that needs to be constantly repeated until tenants take on board the importance of paying on time. However it does enable payments to be collected on the spot with any subsequent actions agreed then being confirmed in writing. Calls are made outside office hours; bailiffs are used to collect some debts and home visits made where appropriate. The structure of the Recovery Team has been revised to allow the staffing resource to be deployed more effectively.
- 5.10 Debts are considered in the round and Council Tax liability and Housing Benefit overpayments are considered and taken into account, when in contact with the tenant, to ensure that they are aware of their overall liability, and also are not facing competing pressures.

- 5.11 Households with severe financial difficulties can be fast tracked into the CAB system to get some stability into their affairs. Where the CAB advise that at a practical level there is little likelihood of payment or continuing to enforce payment of their overall liability to the Council will create hardship for the household, the overall debt is rationalised to produce an achievable and manageable repayment plan.
- 5.12 Potential entitlement to Housing Benefit is considered throughout the process. Where there is certainty that the tenant will subsequently be eligible once all the evidence is available to support a claim, payment is provisionally reduced to an appropriate level, pending a decision.
- 5.13 The earlier a tenant in financial difficulty makes contact, the greater the likelihood of reaching agreement on a payment plan.
- 5.14 Where, however, tenants refuse to co-operate or to maintain CAB appointments, no concessions are made. Court proceedings are initiated.
- 5.15 Court action and hearing dates are, unfortunately, now taking an average of between 6 – 8 weeks. Although arrears continue to accrue during that period that is beyond the Council's control. Pressure on tenants to deal with the situation is however maintained in the meantime.

### **Conclusion**

- 5.16 Although the shortfall against the target for 2008/09 is a concern, it is important to consider that in the context of the recession. The Council's role as a social housing provider inevitably means that a high proportion of tenants in vulnerable situations.
- 5.17 Recovering rent in a way which does not disadvantage an individual or household further will have an impact upon collection. Adopting the approach outlined in the report and whenever possible working with tenants will mitigate that issue. Collection rates will recover as the economy stabilises performance will recover.

### 6. **APPENDICES**

None.

### 7. **BACKGROUND PAPERS REFERRED TO**

None.

**CONTACT:** Andrew Wilcock                      **EMAIL:** andrew.wilcock@babergh.gov.uk  
Senior Revenues Manager