

COMMUNITY, HOUSING AND ASSETS OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Wednesday 16 December 2020
Report Subject	Housing Rent Income
Cabinet Member	Cabinet Member for Housing
Report Author	Chief Officer (Housing & Assets)
Type of Report	Operational

EXECUTIVE SUMMARY

This report provides Members with a further operational update on rent collection and arrears for 2020/21.

Total Rent Arrears, as at week 34 (up to Monday 23rd November), were £2.49m, compared to £2.31m at the same point in 2019/20 – a rise of £184k.

The Rent Income service continues to fully support tenants and ensure intervention and regular communication is maintained to prevent further legal action being taken and to ensure tenants meet their payment obligations.

The Covid-19 has impacted on the ability of some tenants to pay on time. However, in cases where tenants do not engage or pay, despite all the offers of help and support, the service is now re-activating rent recovery, including through the courts where necessary, to ensure tenants keep to the terms of their tenancy agreements.

RECOMMENDATIONS

1	Note the latest financial position for rent collection in 2020/21 as set out in the report.
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REPORT DETAILS

1.00	EXPLAINING THE LATEST RENT ARREARS POSITION
1.01	The Rent Income service continues to collect rent from around 7,309 properties with an in-year collection yield of £39.9m in 2020/21.
1.02	The 2019/20 year end position showed rent arrears had started to stabilise and even fall by £65k – a position last seen in 2017/18. Since then, and due to the Covid situation, the financial challenges to maintain rent income levels remains a risk for the Council HRA.
1.03	<p>The current position for 2020/21 can be illustrated using the chart below.</p> <p>Arrears Comparisons (2015/16 - 2020/21)</p> <p>The chart displays weekly rent arrears for six financial years. The 2020/21 year (green line) shows a sharp increase starting around Week 29, reaching approximately £2.49m by Week 34, which is higher than the 2019/20 level (blue line) of £2.31m at the same point. Other years show relatively stable or slightly increasing trends.</p>
1.04	The trend in 20/21 shows that rent arrears have gradually increased since the start of the Covid situation. Total Rent Arrears, specifically at week 34, (up to Monday 23 rd November), were £2.49m, compared to £2.31m at the same point in 2019/20 – a rise of £184k
1.05	The impacts of the current Covid situation have had a negative effect on rent collections, as some tenants have struggled to meet their payment obligations as a result of reduced working hours, losing their employment or being placed on ‘furlough’. Other social landlords are facing the same challenges too.
1.06	The UK and Welsh governments also introduced additional measures, enacting these through the Coronavirus Act, some of which were aimed at protecting tenants from eviction and legal action. The measures, up to September 2020, also ensured that anyone struggling with payment of rent was not subject to court action which could ultimately lead to an eviction.
1.07	Whilst the moratorium of legal action and evictions offered ‘breathing space’ to tenants, there are ongoing risks that some tenants have also built up significant levels of unpaid rent which will be difficult or impossible

	to pay back quickly. In turn, this presents a financial 'cash-flow' risk for the Council, in the same way it does for other social and commercial landlords.																																																						
1.08	A decision was made to re-commence with rent recovery at the end of August, effectively the first available opportunity. Initially this work started with 'soft' recovery letters being sent to tenants who were not responding to telephone calls or text messages and who are at risk of falling behind with their payments.																																																						
1.09	The recovery strategy throughout 20/21 has focused been on encouraging engagement with tenants who are experiencing problems with paying their rent and discussing any changes in their personal circumstances, particularly any Covid related impacts.																																																						
1.10	Evidentially, the pandemic has hindered the ability of some tenants to pay their rent. This though does not mean that tenants should have stopped paying rent over this period. In a small number of cases, especially with tenants who previously had a poor record of payment prior to the pandemic, the concern is also that a small number of tenants have exploited the situation in the knowledge that legal action could not be taken.																																																						
1.11	Legal action is now being considered on a case-by-case basis to remedy some of the more complex and challenging cases. This is being done by a Reviewing Panel of consisting of the Chief Officer for Housing & Assets and other senior managers in the Housing service.																																																						
1.12	Prior to the UK lockdown in March there were five cases that were due to move to warrants of eviction. The cases have now been re-authorized by the reviewing panel but delays in bringing these cases to a final conclusion and which will result in eviction is also exacerbating the overall financial position and continues to impact on the rising rent arrears position. Rent arrears alone in these five serious cases equates to a total of £26k.																																																						
1.13	<p>The current levels of arrears can also be illustrated in the table below. This helps to highlight the bulk of the increase in arrears equating to £184k as at week 34 is mainly attributable to a small number of tenancies where new or existing tenancy enforcement action through the courts has been delayed.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2">Banded Arrears (£)</th> <th colspan="2">Apr-20</th> <th colspan="2">Nov-20</th> </tr> <tr> <th>No. Tenancies</th> <th>Arrears</th> <th>No. Tenancies</th> <th>Arrears</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>250 - 500</td> <td>504</td> <td>185,702</td> <td>603</td> <td>218,371</td> </tr> <tr> <td>500 - 750</td> <td>334</td> <td>206,413</td> <td>327</td> <td>200,747</td> </tr> <tr> <td>750 - 1,000</td> <td>197</td> <td>171,180</td> <td>201</td> <td>174,160</td> </tr> <tr> <td>1,000 - 2,500</td> <td>489</td> <td>768,287</td> <td>481</td> <td>754,234</td> </tr> <tr> <td>2,500 - 5,000</td> <td>134</td> <td>444,175</td> <td>156</td> <td>530,271</td> </tr> <tr> <td>5000+</td> <td>8</td> <td>44,787</td> <td>21</td> <td>126,509</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Totals</td> <td>1,666</td> <td>1,820,544</td> <td>1,789</td> <td>2,004,292</td> </tr> </tbody> </table>	Banded Arrears (£)	Apr-20		Nov-20		No. Tenancies	Arrears	No. Tenancies	Arrears						250 - 500	504	185,702	603	218,371	500 - 750	334	206,413	327	200,747	750 - 1,000	197	171,180	201	174,160	1,000 - 2,500	489	768,287	481	754,234	2,500 - 5,000	134	444,175	156	530,271	5000+	8	44,787	21	126,509						Totals	1,666	1,820,544	1,789	2,004,292
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1.14	Even though the County Courts have re-opened at a local and national level from September 2020, there are significant backlogs of cases in the County Court system. Case progression and listings for court hearings are expected to be very slow for the foreseeable future. In turn, this will inevitably impact on the rent arrears position and the ability of the Rent Income service to resolve many of the cases, leading to further deterioration in the overall rent income position.
1.15	In addition to this, there is also a new requirement from September 2020 for landlords to provide six months' notice on "notice of seeking possession" letters. In other words, the regulations now extend eviction notice periods granted under the Housing Act 1988 to six months in most cases, as opposed to the usual three months' notice for notices served in respect of secure tenancies and introductory tenancies.
1.16	The purpose of these temporary alterations is to ensure landlords give increased notice to tenants facing eviction from rented properties before landlords can issue proceedings for possession. The effect will be to further delay evictions during the ongoing public health emergency; fewer people will face eviction into homelessness at a time when local authorities are less able to respond to these situations; those renting their homes will benefit from increased security and reduced anxiety; and individuals at risk of eviction will be provided with increased time to seek support to resolve any problems.
1.17	The Council applauds all measures to protect tenants and which allow for additional 'breathing space' but conversely such measures also hinder the Council from taking timely remedial action to end tenancies and mitigate rising rent arrears for those tenants who, despite all reasonable attempts, refuse to pay and do not engage.
1.18	Despite the challenges that lie ahead, the Rent Income service will continue to work with all tenants through the continuing Covid situation to ensure they receive maximum help and support to sustain tenancies. The service will also continue to strike the right balance by also taking legal action quickly, but only as a last resort, against tenants who fail to pay and fail to engage.

2.00	RESOURCE IMPLICATIONS
2.01	Despite the ongoing challenges, the Rent Income service continues to deploy sufficient resources when combined with the ongoing use of the Mobysoft 'Rent Sense' software. This is data analytical software that helps to identify tenants at risk of falling further into arrears.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	To mitigate the financial risks of rent arrears, losses in collections and increased bad debt impairment, the continued investment in specialised software is designed to ensure financial risks are minimised as far as

	possible during the current situation. Cases are progressing through the legal system as quickly as possible.
3.02	Each year there is a HRA bad debt provision (BDP) revenue budget set aside to meet the cost of potential bad debts and this is used to fund the 'in-year' write offs of non-recoverable debts and to increase the provision in the balance sheet for any increase in arrears based on the bad debt provision criteria.
3.03	Senior Officers in Revenues and Finance continue to track and monitor the rent arrear levels to ensure there is sufficient capacity and resilience in the HRA. There is sufficient bad debt provision set aside in the 20/21 and 21/22 HRA business plan to meet the cost of any bad debts. Although write offs are only considered as a last resort, the current provision also provides with sufficient headroom to meet the cost of increased losses in collection and write offs.
3.04	Further reviews will take place to assess the ongoing impact of rent arrears and the Covid situation before final sign off of the HRA 2021/22 business plan in January 2021.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None.

5.00	APPENDICES
5.01	https://gov.wales/written-statement-use-powers-under-coronavirus-act-2020

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Housing (Wales) Act 2014 • Welfare Reform Act 2012 • The Coronavirus Act 2020 • Residential Tenancies (Protection from Eviction) (Wales) Regulations 2020

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: David Barnes, Revenues Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	<p>Housing Revenue Account (HRA): The Council is required to keep a HRA to record all income and expenditure relating to the provision of local authority housing. All rental income, including arrears, must be held within a ring fenced HRA account. This means that income can only be used for council housing purposes and not general council expenditure. This also allows the rental income to be invested locally to help improve and maintain council owned homes and also build new council homes.</p> <p>Bad Debt Provision (BDP): is a reserve to cover financial losses for rents that may be uncollectable in the future. BDP is sometimes also referred to as 'impairment allowances for doubtful debts'.</p>