

EAST AYRSHIRE COUNCIL

HOUSING COMMITTEE - 13 SEPTEMBER 2000

ARREARS CONTROL - ACCOUNTS COMMISSION STUDY

Report by the Director of Homes and Technical Services

1. PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to advise members of the findings of the Accounts Commission Study, 'Managing Rent Arrears'. The study was carried out in conjunction with Scottish Homes.

2. BACKGROUND

- 2.1 As previously reported to Committee, the Accounts Commission visited East Ayrshire in December 1999/Jan 2000 to examine our policies and procedures with regard to rent arrears management. Our policies and procedures were then matched against a series of Good Practice Statements to which weightings were accorded the purpose being to promote focus in key areas of arrears management. Action was taken by the Council, following that Audit, and this report sets out the details of the National Study.

3. FINDINGS OF THE REPORT

- 3.1 The Study found that rent arrears is an increasing problem for many Councils and Registered Social Landlords. Overall, rent arrears have risen across the Council sector since reorganisation, increasing from 2.9% in 1996 to 3.3% of gross debit as at 31 March 1999. In cash terms, this amounts to £10.7m across the whole of Scotland. East Ayrshire's figure of 4.6% for the same period is higher than the national average, but lower than the other Ayrshire authorities.
- 3.2 This study referred to previous research which found that there were a variety of reasons for rent arrears accruing, some outwith immediate management control. Specific mention was made of the socio-demographic profile of tenants, where a correlation was noted between high arrears levels and tenants with low or constantly changing income levels. Similarly, where there are high levels of deprivation or where tenants can be categorised as vulnerable there are correspondingly higher levels of rent arrears. The study also alluded to a 'culture of payment' being more prevalent among older tenants and those established over longer periods in their homes.
- 3.3 The Study found that delays in processing Housing Benefit had a significant impact on Councils' and RSLs' management of rent arrears, as tenants don't know how much rent to pay and that is combined with landlord uncertainty in quantifying the precise level of rent arrears.

For most councils between 40% and 80% of tenants depend on Housing Benefit to help them pay their rent. More than half the Councils do not process Housing Benefit within the 14 day target set by the Department of Social Security and this delay can lead to increasing rent arrears. At the time of the study nearly a third of councils had a significant backlog of benefit applications. Interestingly, the rate of failure to process claims within the recommended 14 day period has also steadily risen since Local Government re-organisation, from 8% in 1996 to 27% in 1998/99. The Study also noted that the introduction of the Verification Framework has had an adverse effect on the total time taken by some councils to gather and validate information to process claims. The amount of recoverable Housing Benefit overpaid to Council tenants nationally increased by 44% to £17.4m a year between the years 1996/1997 and 1998/1999. The majority of these overpayments are recovered through tenants' rent accounts and although this method is effective in recovering overpayments, it can also increase arrears levels.

4. GOOD PRACTICE STATEMENTS

4.1 The Study examined each Council's compliance across a range of Good Practice Statements under six generic headings. The Council's position at the time of the study is shown below.

Heading	Assessment Grade Attained
Policy and Procedure	B
Arrears Prevention	C
Arrears Recovery	C
Legal Action	B
Former Tenants arrears	B
Performance Review	C

4.2 Assessment Grade B indicates at least two thirds of Good Practice Statements are being implemented.

4.3 Assessment Grade C indicates that between one third and two thirds of Good Practice Statements are being implemented.

4.4 Following on from the earlier fieldwork exercise and its reference to Good Practice Statements and taking cognisance of the recommendations of the Member Officer Working Group on Housing Benefits, an Arrears Action Plan was developed to address perceived deficiencies in approach and processes related to arrears management. The areas addressed are now being implemented to ensure full compliance with the Good practice Statements identified within the Study. A copy of the Action Plan is appended. Members are reminded that this Action Plan was constructed following the individual audit of the Council.

5. CONCLUSIONS

- 5.1** The Study has indicated that Rent Arrears is an increasing problem nationally and across tenures. However, it concludes that if Good Practice is adopted, arrears can be kept under control. To this end, regular performance and process review is recommended.
- 5.2** Although the Study makes reference to the phenomenon of a 'payment culture' or indeed absence thereof there is no further detail provided on the importance of this and how best this can be developed. Significantly, the Council with the lowest level of arrears also recorded the lowest level of compliance with Good Practice Statements. This is attributed to a good payment culture.
- 5.3** The Study also concludes that the efficient administration of Housing Benefit is crucial to prevent rent arrears from escalating and demonstrates that Housing Benefit backlogs and delays in processing benefits have lead to a corresponding rise in rent arrears.

6. PROPOSED DEVELOPMENTS

- 6.1** The Department is currently developing, in conjunction with the Finance Dept, the Rent and Arrears Module within the Orchard Integrated Housing Management System. The feedback from the Accounts commission during the fieldwork exercise was that the functionality this would afford would contribute significantly in meeting more of the Good Practice guidelines and greatly enhance management information to allow earlier intervention. This module is due to go live in April 2001.
- 6.2** The Arrears Action Plan is being further reviewed in light of the Study findings and recommendations.

7. FINANCIAL IMPLICATIONS

- 7.1** Nil

8. RECOMMENDATIONS

- 8.1** It is recommended that the Committee note the content of the report.

James Lavery
Director of Homes and Technical Services
GD/WT
24 August 2000

LIST OF BACKGROUND PAPERS

Nil

Anyone wishing further information should contact James Lavery, Director of Homes and Technical Services on 01563 554875

Arrears Action Plan

OBJECTIVE	IMPROVEMENT ACTIVITY	LEAD ROLE	<u>TIMESCALE</u>	<u>Progress/action</u>
1. To prevent rent arrears accruing whilst awaiting HB determination	1. Formalise system for liaison channelled through 5 area Housing Officers to 3 Benefits Team Leaders	Op Mgr/ HB Mgr	1/3/ 00	In Place
	2. Establish targets for caseload of enquiries to be turned around in one week	Op Mgr/ HB Mgr	1/3/00	In Place
	3. Establish a system to enable Housing Officers to provide income verification/ collection of information required to process HB claim via home visitation	Op Mgr/ HB Mgr	15/3/00	In Place
	4. Provide HB calculation Ready Reckoner training to all HO's	Geoff Crow	15/3/00	Complete
	5. Access to Housing Benefit enquiry screens to be given to HO's through IT network	Op Mgr/IT	22/3/00	In Place
	6. Arrange IT training in use of HB enquiry screens for HO's	Geoff Crow	29/3/00	Complete
	7. HB procedural manual circulated to Housing. HB training to follow.	Op Mgr/HB Mgr	15/4/00	Manual circulated Training completed
	8. Purchase HB calculators for use in Area Offices	Op Mgr	04/04/00	Pilot agreed with Ferret
	9. Re-let notification forms redesigned to incorporate relevant information to accelerate processing of HB claims	Op Mgr/Rev Mgr	01/03/00	In Place
	10. Welfare Benefit entitlement to be routinely checked at arrears interview	Op Mgr/Ian Gemmell (SWD)	June 2000	Training Programme commenced
	11. Arrange list of HB Review cancellations to be passed to HO's for urgent home visit.	Op Mgr /HB Mgr	Ongoing	Arrangements now in place

OBJECTIVE	IMPROVEMENT ACTIVITY	LEAD ROLE	<u>TIMESCALE</u>	<u>Progress/action</u>
2. To prevent New Tenant Arrears Accruing	1. All new tenants to complete HB application, prior to being issued with keys.	Area Managers	13/3/00	In Place
	2. Issue all new tenants with advice on how and where to pay rent.	Ops Mgr / Policy	31/3/00	
	3. Issue all new tenants with information on implications of not paying rent.	Ops Mgr / Policy	31/3/00	
	4. Implement New Tenant Visit Procedure within 4 weeks of start of tenancy to include rent / Benefit check.	Ops Mgr	31/3/00	
	5. Issue advice of where to get further information on Welfare Rights / Benefits	GD/Ian Gemmell/ SWD / Policy	June 2000	Liaison meetings in place. Training being arranged.
3. To reduce arrears accruing by taking early preventative action	1. Ensure that new Arrears Policy is fully implemented with action commencing at 2 weeks.	Area Managers	3/4/00	In Place
	2. Provide refresher training for HO's to include all aspects of above and Arrears Recovery Procedure in general.	Op Mgr/ Training	31/3/00	Working Group developing further.
	3. Ensure that rents across the district are being posted within timescale to validate action at 2 weeks.	Op Mgr/ Rent Income	31/3/00	In Place
4. To take decisive effective action to reduce existing arrears.	1. Introduce evening visits / telephone calls to combat problem of persistent no access.	Area Managers	31/3/00	Carried out as overtime exercise.
	2. Increase use of telephone contact and routine logging of phone numbers on files.		31/3/00	In Place

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OBJECTIVE	IMPROVEMENT ACTIVITY	LEAD ROLE	<u>TIMESCALE</u>	<u>Progress/action</u>
5. Ensure that arrears information is current and acted upon timeously	1. Arrange for print-out to be produced at required frequency.	Rent Income/IT	Feb 2000	In Place
	2. Arrange for printout to be printed at Area Teams	M Campbell	Feb 2000	In Place
	3. Arrange for printout in South to show only current tenant housing arrears	IT/ Rent Inc	April 2000	In progress
6. Ensure written communication with tenants is issued timeously	1. Consider overtime/ flexible working arrangements to clear backlogs	Area managers	March 2000	Exercise complete
	2. Explore alternative technological solutions – file transfer to Excel to facilitate mail merge.	Policy Mgr/IT	March 2000	Abandoned. Await introduction of IHMS Rent and arrears Module
7. Minimise time spent on collating Management info.	1. Review parameters of print-out information.	Ops Mgr/Pol Mgr/IT	April 2000	Incorporate into IHMS
8. Extend the range of payment methods.	1. Discuss with the Director of Finance introduction of Direct Debit and Internet Payment.	Policy/ Finance	T.B.A	Discussion ongoing to implement with Rent and Arrears Module
9. Take effective action against tenants with long-term small static balances	1. Discuss with legal section utilising small debt actions.	Ops Mgr	March 2000	In Place
10. Re-charge Court expenses in full to	1. Ensure that systems are in place to facilitate raising invoices.	Ops Mgr	March 2000	In Place

act as a disincentive to regarding arrears as an interest free loan				
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OBJECTIVE	IMPROVEMENT ACTIVITY	LEAD ROLE	<u>TIMESCALE</u>	<u>Progress/action</u>
11. Ensure that rent arrears are given equal priority to other Council Debt.	1. Open discussions on Corporate Debt Policy.	Head of Homes/ Depute Director of Finance	May 2000	Ongoing
12. Raise the profile of Arrears Recovery in public perception	1. Launch Advertising Campaign on the consequences of non-payment of rent. 2. Advertising Campaign for Money Advice service 3. HB / Welfare Benefits / CTB takeup campaign or Information Roadshows / Hit squads	Ops Mgr/Policy/PR Ops Mgr/SWD HB Mgr	April / May	Missed Target. To be developed. To be developed.
13. Improved public accessibility to HB in terms of advice, information and transparency in procedures for HB claims	1. Explore feasibility with Finance to decentralise HB staff to local area housing offices. 2. Improve access to HB offices – adequate reception facilities, full disabled access, increase in external phone lines	Director of HATS/ Director of Finance	T.B.A	

AGENDA