

## Overview and Scrutiny Committee – 7<sup>th</sup> November 2019

### Briefing note: Rent Arrears

At the July O&S Committee meeting, Members sought further information on the percentage of rent that was collected from tenants by the Council per month. The note below provides an explanation of the annual rent measures that we are required to submit to the Government and how this measure is calculated.

Each year we submit returns to the government these are known as the Local Authority Housing Statistics (LAHS). The key measures we look at from a rent perspective are:

- Total cumulative arrears as a percentage of rent roll
  - $\text{Cumulative arrears} / \text{rent roll} \times 100$
- Rent income to HRA (total rent collectable)
  - $\text{Rent roll} - \text{rent lost through voids}$
- Rent collection rate expressed as a percentage
  - $((\text{Rent income to HRA} - \text{amount written off}) / \text{rent income to HRA}) \times 100$

To determine these measures we need to know the:

- rent roll – this is the total of all the rents chargeable for the properties across the year
- the total arrears (current arrears plus former tenant)
- rent lost through voids – this is how much rent we have lost through not being able to let the property
- total rent collectable – this is the rent roll less the rent lost through voids

At the end of the financial year 18/19 the figures that were collated from the EFIN finance and the Saffron housing system for the government annual return (Local Authority Housing Statistics) were as follows:

	<b>31<sup>st</sup> March 2019</b>	<b>31<sup>st</sup> March 2018</b>	<b>Comment</b>
<b>Rent roll</b>	£23,184,410.10	£23,639,520	The decrease in the rent roll is due to the 1% rent reduction that is currently in place as part of government policy.
<b>Current arrears</b>	712,707.24	£757,685.91	
<b>Former tenant arrears</b>	334,663.03	£313,381.37	Total cumulative arrears as at 31 <sup>st</sup> March 2019 was <b>£1,047,370</b>
<b>Rent lost through voids</b>	£354,582.90	£378,252	

<b>Total Rent collectable</b>	£22,829,827	£23,261,268	This is the rent lost through voids figure deducted from the rent roll.
<b>Write offs</b>	£111,238	£152,518	

- Total cumulative arrears as a percentage of rent roll is **4.5%**
  - $((712,707.24 + 334,663.03 / 23,184,410.10) \times 100$
- Rent income to HRA (total rent collectable) is **£22,829,827**
  - $23,184,410.10 - 354,582.90$
- Rent collection rate expressed as a percentage **99.5%**
  - $((22,829,827 - 111,238.06) / 22,829,827.20) \times 100$

Members have requested that these figures are reported monthly. Housing Database Officers are working with the Finance team to understand how best this figure can be collated on a monthly basis.

It's important to note that the current rent arrears reporting system is technically very old and it is difficult to drill down into the data to get a true overall picture of rent arrears month by month. Year-end figures are reported back to Government and generally are how we benchmark outcomes in terms of performance.

During each financial year arrears typically follow a trend, there are a number of reasons why this may be the case, for example how people pay and where the no-collection weeks fall.

In the cases of tenants that pay by direct debit, if they pay in advance at the beginning of each financial year during that year the account will fall into arrears due to the no collection weeks. Tenants are charged for 48 weeks over 12 months, no collection weeks fall 4 times a year, 1<sup>st</sup> August, 2<sup>nd</sup> at Christmas and 3<sup>rd</sup> and 4<sup>th</sup> end of March. This would also explain why at year end the overall figure is much less than it is in the early part of each year and depending on when the 1<sup>st</sup> of April falls will depend on whether the new monthly direct debit payments have been received when the year-end report is run.

There are also a number of tenants that we agree payment plans with, for example when a court order is in place we can only expect the payment that the court has ordered, therefore if these accounts are in arrears technically as we can only expect the payments as agreed. We also have a number of tenants who are on full benefit that have direct deductions for arrears arrangements from the DWP.

With the implementation of a new housing management system we will have greater flexibility for arrears reporting.