

## **Norwich City Council**

# **SCRUTINY COMMITTEE**

**BRIEFING PAPER for meeting to be held on 13 November 2008**

### **Housing Rent Arrears**

#### **Purpose**

To inform the Scrutiny Committee of the progress in reducing rent arrears, the current improvement plan and other initiatives.

#### **Contact Officers**

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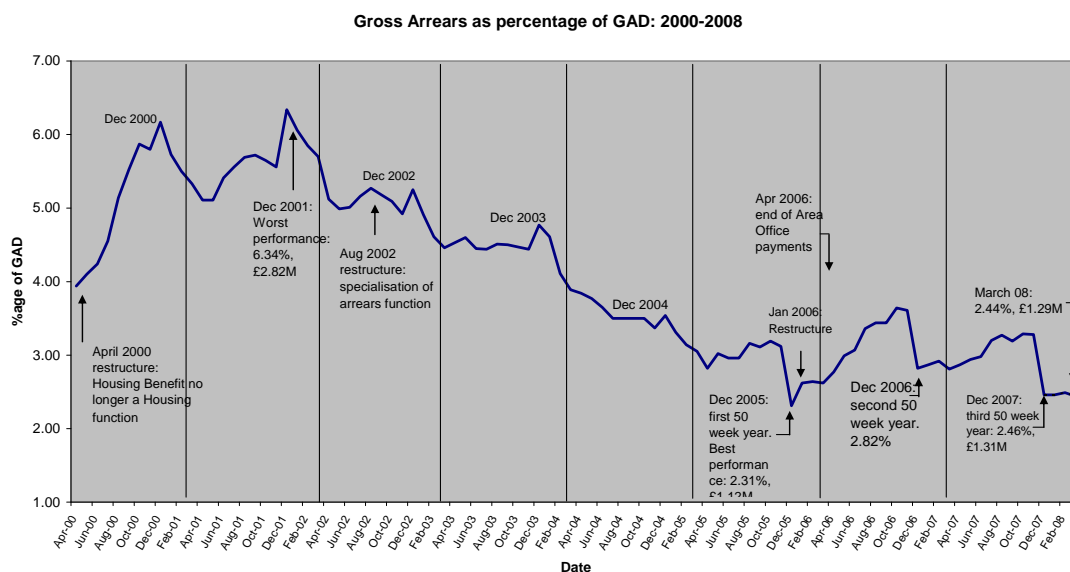
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#### **Responsible Executive Member**

Councillor Brenda Arthur – Executive member for housing and adult services

## Local Context

- Over the last 6 years Council rent arrears have reduced from a high of £2.8m in 2002 to £1.29m at the end of March 2008. This drop represents an overachievement on the targets which the Council set itself. The following graph shows the key milestones in that achievement.



- The graph shows that the drop off in performance experienced during the 2006 restructure of the Landlord Service, when there were a number of vacant posts, new staff and changes to payment methods, has been fully recovered and improved upon by March 2008.

## 2007/8 Performance

- The final outturn for the period 2007/08 was £1,293,574. This amount represents 2.44% of gross debit. The target for the period was 2.5% of gross debit. This represents the lowest year end level recorded since comparable statistics began in 2000. Of the £1,293,574 outstanding, £476,376 or 36% was being dealt with through court possession action.

## 2008/9 Performance

- The target for 2008/9 is an arrears total of £1,142,000, or 2.05% of gross debit.
- As illustrated by the graph Appendix 4 current performance is set to achieve the required target. There are two crucial factors to take into account when analysing this graph. Firstly, Direct debits are collected in twelve equal instalments, often in arrears meaning accounts will not be clear until the final payment is received in March 2009. Secondly, it is a

requirement that those in arrears maintain arrangement payments over the rent free weeks at Christmas.

## National Context

6. Despite the significant improvement in reducing arrears over the last 5 years, the following table shows that the Council's performance, compared against four national best value performance targets, remains in lower quartiles.

7.

Indicator	Target 07/08	Year end outturn / starting point 08/09	Place nationally	Next quartile / Top quartile	Target 08/09
66A Rent collected	97.5%	97.58% (arrears reduction £104Kplus £2.5m rent increase)	Lower median	97.87% Upper Median.  Top quartile 98.61%	97.87% (arrears reduction £165Kplus £2.7m rent increase)
66B % of tenants more than 7 weeks in arrears	5.2% - 822	5.92%-937	Lower Median	5.46% -864 Upper median  Top quartile 3.89%	5.46% - 864 tenants in arrears Upper median
66C % of tenants in arrears served NSP	19%-1664 NSP	25.54%-2236	Lower Median	16.22% Top-1254	16.22 – 1254 Top
66D % of tenants evicted as result of rent arrears	0.45% – 67 Evictions	0.54%-86	Bottom	0.46% – 73 evictions Lower Median  Top quartile 0.19%	0.40% - 63 Lower median

8. In considering this table it is worth noting that the Audit Commission definitions confirm "These indicators are four discrete parts but should be looked at holistically". The reason for this is improving collection rates (BVPI 66a and former 66b) at the expense of more notices to seek possession or evictions (BVPIs 66 c & d) may not be appropriate use of these tools particularly given the councils wider objective to prevent homelessness and costs involved in dealing with it that would fall on the General Fund.

## 2008/9 indicators

9. As members are probably aware national performance indicators changed in 2008/9. There is now no national rent income collection performance

indicator. For 08/09 an upper median quartile target of 97.87% (66A) has been set, based on 06/07 quartile information. It is intended to maintain the indicator of current arrears as a % of gross debit. The target for 08/09 is 2.05%.

10. Housemark, the national housing benchmarking service, is currently developing a service for all contributing LAs to record their national and local PIs. This will be fully functional in the next couple of months and a review will be carried out to ascertain the most meaningful PIs to aid performance measurement in Norwich.

### **Arrears Improvement Plan / HQN work**

11. The Rent Arrears Improvement Plan has been under continual review since 2002. The latest version showing recent completed, current and planned actions is attached as appendices 1 and 2.
12. As members may be aware the forthcoming Audit Commission inspection of parts of the Landlord Service includes Income Management. The improvement plan now includes reference to the areas highlighted as needing improvement, by the recent Housing Quality Network mock inspection of the Council's Landlord Service. A summary of the actions is provided in appendix 3.

### **Homelessness Prevention, Tenancy Sustainment and Financial Inclusion Work**

13. As well as income collection the Rents and Arrears team are engaged in the following activities, primarily through the activities of the team's two Money Advisors and Arrears Prevention Officer.
  - **Money advice** – assistance with budgeting, debt advice, support with bankruptcies and other court hearings.
  - **Tenancy awareness sessions** – providing advice on tenancies, budgeting and where to go for help. These sessions seek to promote tenancy sustainability and financial and social inclusion. The scheme currently provides sixteen places per month although we are looking to increase this.
  - **Access to financial products**- the team runs a house contents insurance scheme for council tenants, the cost of which is just £0.09p per week per £1,000 of cover. Premiums are collected with the weekly rent for ease of budgeting.
  - **Debt profiling** – to allow us to aim the correct resources in the right areas and develop our services around the needs of our clients.
  - **Promotion and publicity**- the Money Advice service has built links with local charities and other agencies including central government and plans an annual publicity programme of information for residents

using either 'Tenant Talk' or 'Citizen'. Subjects to be promoted include take up of water meters amongst council tenants, promotion of awareness of energy suppliers' social tariffs and information about cutting energy consumption.

- Investigation of an 'affinity agreement' with non-profit energy supplier Ebico. Investigations of good practice in financial inclusion highlighted the partnership working between Solihull Housing (a three star ALMO) and Ebico who supply energy at fair prices irrespective of income, circumstances or how the customer chooses to pay

## Appendix 1 Previously Completed Actions

	Objective	Detail	Date completed	Outcome
	Debt Advice changes	Historically Housing Debt Advice has concentrated on specific casework, which has led to sustained engagement with tenants in some cases over many years. Resources are now spread between prevention initiatives, signposting to other agencies and where appropriate individual case work	Implemented Oct 2007	Establishment of Arrears Prevention Officer has led to a number of new initiatives, particularly information for staff and customers. Money Advisors are working more efficiently.
1.	Non-rent debts	All outstanding court costs have been transferred to Academy so that once arrears are cleared tenants with costs can be informed and start paying. The Academy sub accounts system will also shortly be used for rechargeable repair costs.	Implemented Oct 2007	Reduction in Sundry Income workload. Seamless collection of court costs.
2.	On line possession hearing applications	Following the withdrawal of Legal Services administrative support for routine possession cases. On line application reduces paperwork and helps to simplify the process complicated by recent legislative changes. The cost of an online application is £100 as opposed to £150 offline. Court costs are ultimately recoverable from the tenant but the council has the initial outlay and cost of collection or ultimate write off. The reduction of £50 will reduce annual expenditure by £85K at current order levels and reduce the amount due from tenants.	Implemented Nov 07	Budget savings made. Exact figures available with final out turn) Streamlining of process.
3.	Court work specialism	Team working has been reviewed and the role of dedicated court officers reinstated. This was removed as part of the earlier structural changes, but has proved unworkable.	Implemented Nov 07	Two teams ran parallel trial of both methods and the court officer model proved most efficient and

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				has been adopted by both teams
4.	Tenancy status	Tenants who have been taken to court for rent arrears and defaulted on the judgement lose their secure tenancy and become a tolerated trespasser. Previously the tenant may have been discouraged from attempting to reduce their arrears, by only being able to regain their tenancy and rights by clearing all the rent arrears and court costs. A policy change, to bring rent arrears policy in line with choice based lettings, means that regular reducing payments off arrears can lead to the creation of a new introductory tenancy after 12 months.	Implemented Nov 07	Bespoke policy has lead to reduction in residents' application to court to have secure tenancies reinstated. Provides opportunity to reward sustained compliance with terms of possession order.
5.	Introductory Tenancies	Procedures have been put in place to deal with monitoring and taking appropriate enforcement action for introductory tenancies. The arrears procedure now also includes the compulsory referral of IT cases to a Housing Options Adviser before service of notice of legal proceedings. This has been very successful in 'kick-starting' some reluctant payers who did not grasp that they were already on the route to certain eviction. It is also useful in providing checks and information which may inform any future homelessness application for those tenants who choose to ignore the offer of advice and will	Implemented Nov 07	Most vulnerable customers receive dedicated support and advice to sustain tenancies.

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		subsequently be evicted.		
6.	Rent Statements	Production and dispatch of redesigned quarterly rent statements to all tenants including an explanatory guide. Many tenants have cited a lack of balance information as to why they are in low level arrears.	Completed	A one third reduction in the number of low level cases and £125,000 reduction in debt. A reduced number of account queries received.
7.	Temporary payment cards	A pilot will start in August 2008 to produce temporary payment cards to new tenants at sign up so that they do not have to wait up to six weeks to be able to make a payment at a pay point outlet.	Completed after delayed start.	To early to evaluate effect.
8.	Paypoint	Paypoint coverage has been reviewed and request made to paypoint for more businesses to be targeted.	Complete	Discussions held with paypoint but they have been unable to add any further businesses.



## Appendix 2 SMART - Arrears Improvement Plan-Oct 08.

	Objective	Detail	Measurement	Achievable /Barriers	Relevance	Timed – Date of review
1.	Green coat visits  High visibility recovery action to encourage payment of outstanding arrears.	Visiting campaigns where a team of up to five Arrears Officers will make house calls in a specific district over a number of days and should be identifiable by their Council-issue green coats. Households are targeted by lack of recent contact and are typically tenants who pay irregularly when pressed by letter or phone call but do not normally warrant a home visit. A letter drop to the area in advance of the visits has brought excellent results in both payments and contact from difficult to reach tenants.	Record number of letters sent, payment made after letter and after visits. Compare with non green cost cases / areas.	Consumes staff resource Familiarity may lessen effectiveness.. Monitoring, comparison and review will confirm effectiveness.	Practical tool, immediate measurable effect. Quick fix as opposed to long term strategy. Medium priority.	Review after every exercise. Annual assessment of effectiveness.
2.	New tenancy work  Ensure new tenants are aware of rent paying	The first few weeks of a new tenancy are a critical period in ensuring that tenants receive advice, support and encouragement to understand the value and responsibilities of maintaining their tenancy	Monitor rent accounts of new tenants.	Work needs to complement and not replace sign up work.	Very important to establish rent paying habits early in the tenancy. Crucial objective. High priority.	Quarterly review to enable review effectiveness of sign up / new tenancy work to allow

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	obligations, assistance available and arrangements.	agreement. Because arrears monitoring does not begin until a tenant is at least three weeks behind with their rent it was recognised that there was a gap in the service which the Arrears and Rent team provides at this important stage. In February 2007 the team set up a 'new tenancy follow-up' service to support new tenants through the first six weeks of their tenancy.				for necessary remedial action.
3.	Former Tenancy arrears policy/procedures  Ensure effective arrangements	The current concentration on current arrears means that former tenant arrears are not a priority, Policy and procedure is in need of review.	Monitor creation, recovery and write off rates.	Maintain profile amongst competing priorities of current arrears. Ensure effective tenancy end work. ( Encourage payment / establishment of arrangements / capture of	Important to maintain recovery activity and advertise deterrent, but will inevitably suffer if instant proactive current arrears work required. Medium priority.	Monthly review of indebtedness, recovery, activity and write off.

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	are in place to manage and recover former tenants arrears			forwarding address. )		
4.	Campaigns  Devise and implement effective publicity campaigns	Develop benefit take up campaigns in conjunction with benefits possibly targeting those not currently in receipt of housing benefit and inviting them to make a claim Develop doorstep lending awareness campaign in conjunction with Economic Development and Trading Standards.	Identify campaign targets and monitor.	Corporate buy in. Effective placement of material to reach targets.	Effective campaigns will ensure a rent payment culture is established, hopefully leading to a reduction in arrears and the costs of recovery. High priority	Monitor activity before and after campaign.
5.	Payment during rent free weeks for those in arrears	Rent free weeks at Christmas have been highly successful in reversing the trend of a large increase in arrears at this time of year. Each December, the Arrears Team contacts as many tenants who are in arrears as possible: those tenants under court orders must be told that	Identify those required to pay, issue reminder and monitor response.	Lack of understanding of the necessity to maintain arrangement payments during rent free periods.	Important to maintain payment habit from those already committed to clear arrears. Important to build on work already done.	Review accounts targeted and monitor whether arrangements kept.

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	Objective	Detail	Measurement	Achievable /Barriers	Relevance	Timed – Date of review
	Ensure that court / arrears arrangements are maintained.	they cannot default on their court order to pay their agreement sum every week and are encouraged to pay their rent as well as the repayment sum. Other tenants in arrears are contacted to inform them that rent-free weeks only apply to tenants with clear rent accounts and must continue to pay regardless. Depending on resources, each year sees a combination of phone calls and letters to the cases at various levels of arrears recovery action.			High Priority	
6.	Anglian Water Agency Agreement  Review value for money of water rate collection agreement /	Complete review of Anglian Water Agency agreement. Officers have reviewed the current agency agreement in terms of the value for money with Anglian Water for the collection of water rates. Initial conclusions point to maintaining the agreement. A	Compare costs of collection and recovery against commission. Identify any non cashable benefits – tenants contact with hard to	Difficulty of establishing true water rate only costs. Removal of agreement would present some customers with another	Currently provides significant income. Low priority.	Prepare report for CMT / executive. ( Contract has six month termination clause. Tenant consultation required.

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	commission.	formal report awaits compilation.	reach groups i.e those with otherwise no charge.	debt source. Removal of agreement would not instantly allow for cost savings due to accumulated water rate debts.		Realistic target April 2010.
7.	Tenant incentive scheme  Introduce incentive reward scheme for 'good tenants '	A tenant incentive scheme has been approved by members and will go live in April 2008. Tenants meeting the criteria of a clear rent account or regular payments to clear arrears will be eligible for a retail discount card. Those not eligible for a card will be told of the benefits and what they need to do to get card.	Review numbers of arrears cases/ sundry income indebtedness and ASB activity at agreed intervals. Carry out VFM assessment. Obtain feedback on tenants use of scheme / views.	Tenants perceptions of value of scheme. Difficulty in attributing reductions in debt/ asb activity solely to reward scheme.	Shows authority is giving something back to tenants who abide by their conditions of tenancy. Medium priority	Review numbers on scheme at beginning and at 'second cut '. There after annually review numbers.
8.	Telephone work for low	Consideration could be given to employing 2 telephone	To be agreed.	Office accommodation	Low priority.	To be agreed.

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	level arrears	<p>'credit controllers' for a trail six month period to contact tenants in under four weeks arrears who would normally get their first arrears letter in the fifth week they are in arrears. This option has been tried successfully by other organisations notably the Notting Hill Housing Trust. The Controllers would telephone those in low level arrears and either take a payment over the phone or make an arrangement to clear the debt. Advise could also be given on making a benefit claim. Calls could also be made to those currently regularly paying their rent 4 weeks in arrears encouraging them to pay by direct debit. This initial would specifically tackle the identified issue the increase of cases under 4 weeks. The estimated cost of this initiative would be £25K</p>		<p>with team. Use of Multi Q may be more effective currently being evaluated. (Mult iQ is a piece of software used to monitor case and present those requiring action to the Arrears Officer.</p>		

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		in 2008/9, depending on grade.				
9.	Hand helds / Adhoc texting  Use alternative methods of working / communicating with residents	Officers have reviewed the options of using handhelds for arrears officers and sending/receiving ad hoc texts in a structured way. A business case needs to be complied. Costs for the implementation of a pilot of 5 handhelds including Steria on costs would be a one-off up front payment of £30,453.53, followed by an addition to the unitary charge of £729.53 per month or an addition to the Unitary Charge of £1,024.66 per month. This includes 15 days implementation consultancy at £925 per day. Costs of setting up ad hoc texting would be considerably less depending on the way forward agreed. Further work should also be considered corporately to enable payment by text for rents and	Implement and compare success with other methods of working and contact.	Overtaken by other priorities. Handhelds will need significant reconfiguring of arrears software to successfully implement. Significant staff/ System staff input. Ad hoc texting needs to be part of corporate contact imitative. Dependent on accurate telephone data being obtained and maintained for customers traditionally hard to contact. Difficulty in	Low priority due to resource required to implement.	Devise review schedule when it is agreed to commence workstream.

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		council tax. If the pilot is successful further handhelds for the remaining Arrears Officers could be added for the cost of licenses and handhelds.		capturing contact content on Customer Contact Management system		
10.	Further Payment incentives  Consider offering incentives to tenants paying by direct debit / keeping to tenancy conditions.	Explore the possibilities of offering a cash incentives for direct debit payment in advance as well as prize draws for those paying by direct debit.	To be agreed.	Payment incentives for direct debit and non breach of tenancy conditions will need to be discussed at corporate level first as part of overarching income strategy.	Low Priority	To be agreed.
11.	HQN recommendations – See Housing improvement plan	Consider, prioritise and implement recommendations from HQN work: See appendix X. Full detail in Housing Improvement Plan.			High Priority.	



### **Appendix 3 HQN mock inspection outcomes.**

The recent HQN mock inspection identified the following strengths in the Arrears and Rents teams:

- II Positive and enthusiastic officers – appetite for improvement
- II Specialist team enabling clearer focus on arrears
- II Improved performance in rent collection for 2007/8
- II Academy enables effective arrears monitoring
- II KLOE gap analysis carried out
- II Some planned improvements are captured in the arrears improvement plan
- II Useful information is being gathered to enable future profiling of customer/debt and targeting of resources
- II Money advice team providing effective and innovative services, such as pre-tenancy awareness sessions
- II Financial inclusion strategy is being developed at corporate level

The inspection also highlighted the following areas for improvement. These areas have been included in the draft Housing Improvement Workplan in readiness for the Audit Commission inspection of the Council's Landlord Service, due to take place in January 2009.

- II Develop overarching income management strategy
- II Implement SMART service standards in consultation with residents and monitor performance against those standards
- II Carry out VfM review of income management to ensure the service is sustainable and resourced appropriately to meet business/customer needs
- II Review accessibility of service and evaluate the availability of benefit/debt advice
- II Update policies and procedures with residents and officers:
- II Ensure consistency in arrears monitoring/approach
- II Review escalation policy on Academy
- II Identify stages where officers tend to over-ride system prompts and amend policy/practice where appropriate
- II Incorporate action prompts to drive earlier, proactive arrears action
- II Analyse the increased trend in evictions (BVPI 66D) to determine the underpinning causes and take appropriate action (expansion of the pre-court Initiative may help to address this)
- II Develop performance management framework
- II Ensure all officers have up-to-date personal development plans with actions, responsibilities and timescales
- II Develop equality monitoring for income management
- II Develop tenant involvement strategy for income collection
- II Carry out a customer satisfaction survey
- II Use customer survey results to inform service development
- II Implement communication plan to promote and publicise rent payment/consequences of non-payment and money advice
- II Improve procedures for starting tenancies –
- II Using risk assessment at sign-up to identify higher risk cases and target appraisal visits to an earlier stage

### **Appendix 3 HQN mock inspection outcomes.**

- II Revise arrears letters. Ensure plain English compliance
- II Include translation taglines in community languages on all leaflets/documents. Ensure translations accompanying key documents emphasise importance of the document
- II Ensure financial statements are used consistently when making arrangements and that these are available as evidence in court
- II Review all agreements every six months
- II Develop strategy for promoting lower-cost payment methods; maximising uptake of DD
- II Agree referral/protocols with key advice/support partners and with NCC, eg, council tax department
- II Carry out cost/benefit analysis of pre-court initiative with partners to explore potential for expanding the number of people supported (currently six per month)
- II Update the website, including information on rent payment, arrears procedures, court action, debt advice and welfare benefit. Also consider including the following, with clear links between related pages/facilities:
  - II Complete a full training needs analysis
  - II Continue to research best practice
  - II Ensure officers and residents are included in the design and implementation of policies, procedures and strategies
  - II Develop clearer links to the NCC financial inclusion strategy
  - II Implement SLA with HB dept. Monitor for compliance
  - II Consider introducing in-house HB verification
  - II Evaluate incentive/reward scheme – use outcomes to inform further development
  - II Consider out of hours service to allow tenants to contact by telephone
  - II Consider consolidating collection of all debts through IT
  - II Continue to develop information on website
  - II Consider using targeted mailshots to tenants about initiatives, payment methods and incentives
  - II Review DD dates – consider offering more dates and helping those paying in arrears to move to payment in advance
  - II Evaluate the effectiveness of visiting tenants – try to ensure the visits are targeted when the tenant will be at home
  - II Evaluate the effectiveness of ‘Green Coat’ days and consider running them more frequently
  - II Consider drafting targeted leaflets for rent arrears, eg, at NSP and court action stages)
  - II Ensure information is available in the appropriate media and/or language
  - II Ensure that there is full rent payment, arrears information and basic money advice on the website
  - II Evaluate the use of Comino and Academy to identify more efficient ways of using both. Explore possible improvements to links between the two systems.
- II Carry out thorough review of FTA process:

# APPENDIX 4 – 2008 /09 – Performance to target : gross arrears

