Local authority housing rent income

Rent collection and arrears management by local authorities in England and Wales
The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local and national services for the public. Our work covers local government, housing, health and criminal justice services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, through inspection, audit, research and other methods, we provide practical recommendations and spread best practice. As an independent auditor, we monitor spending to ensure public services are good value for money.

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Preface

1 This report sets out current learning from the Commission’s inspections, audits and research on preventing and managing council housing rent arrears. The Commission has also published similar reports on homelessness and housing advice services, housing benefit (HB) administration, and repairs and maintenance services (Refs. 1-3). More recently reports were published on income collection among housing associations in England (Ref. 4) and on rent arrears across both council and housing association sectors in Wales (Refs. 5 & 6).

2 The main aims of this report, which covers the local authority sector in England and Wales, are to help councils to:
   • understand the scale, causes and effects of rent arrears, and the impact of their responses;
   • prevent arrears from accumulating in the first place;
   • effectively recover arrears;
   • deliver more tenant-focused services;
   • improve working relations between housing and HB services;
   • strengthen management arrangements; and
   • identify and share good practice.

3 The report is aimed primarily at councillors and officers who are responsible for rent collection, tenancy management and HB administration. It will also interest finance and social services staff and external advice and support agencies. The report is not a detailed good practice manual, although its does include many examples of positive practice drawn from inspection, audit and research reports and other sources. It also draws on evidence from visits to local authorities and discussions with key national organisations, such as the Local Government Association (LGA) and Citizens Advice. This report, along with a short briefing and summary, is available on the Audit Commission’s website (www.audit-commission.gov.uk/housing), together with a detailed ‘positive practice’ checklist. This report is one of a series published by the Commission looking at rent collection by local authorities and housing associations. A parallel study looking at rent collection in housing associations was published in May 2003. Where direct comparisons can be made to this companion report these are highlighted by the following symbol ▶.

4 The project was carried out by Angela Evans (Audit Commission in Wales), with support from colleagues in the Commission’s Public Services Research Directorate, Housing Inspectorate and Operations Directorate, and consultancy support from Angie Smith. Lorna Brady from the Housing Inspectorate saw the report through to publication. A wide range of people provided helpful comments on drafts of the report. Acknowledgements are included in Appendix 2. The Commission is grateful to all those who have contributed and, in particular, to the councils that participated in the study. As always, however, responsibility for the report’s conclusions and recommendations rests with the Commission alone.
The current position

Local authorities rely heavily on their rental income to fund the management and maintenance of their stock and other housing services. Overall levels of debt are increasing. This is a consequence of local authority management practices, socio-economic factors and failures in the administration of housing benefit.
The impact and causes of rent arrears

5 Rent arrears are much more than just an entry in a local authority’s balance sheet. How effectively councils prevent and recover housing debts has a major impact on service provision to tenants and on the sustainability of tenancies. The £19 billion repairs backlog, combined with the Government’s commitment to bring all council homes up to the Decent Homes Standard by 2010, reinforces the need for authorities to maximise rental income. Around two-thirds of Housing Revenue Account (HRA) income, which funds services to council tenants, comes from rent, compared with around one-half, ten years ago (Ref. 7). Councils also need the financial flexibility to enable them to respond to the changing needs of tenants and communities.

6 Rent arrears involve a significant amount of money. At 31 March 2002, local authorities in England and Wales were owed £647 million in rent by current and former tenants, an average of over £2 million for each authority. In 19 local authority areas, the amount owed was in excess of £5 million (Ref. 8). When the rent written off in the previous year as unrecoverable is included, the total amount owed nationally rises to £721 million. The true level of housing debt may be even higher, as some councils exclude other housing debts, such as rechargeable repairs, service charges and HB overpayments, from their figures.

7 Overall levels of debt are on the increase. Between 1997 and 2002:
- current arrears increased by 20 per cent; from £335 million to £403 million;
- former tenant arrears increased by 42 per cent; from £172 million to £244 million;
- write-offs increased from 0.8 per cent to 1 per cent of the rent roll;
- the proportion of tenants in arrears has remained more or less constant at around 40 per cent (Table 1); and
- average debt increased by 41 per cent from £246 to £348, double the increase in average council rent levels (Ref. 9).

8 When considering the trend of rent arrears increases between 1997 and 2002, additional elements such as Right-to-Buy sales and Large Scale Voluntary Transfers (LSVT) need to be ‘factored in’. The Right-to-Buy scheme has effectively removed many of the ‘good payers’ and increased the proportion of indebted and benefit-dependent tenants in council stock. A similar outcome has resulted from the stock transfer process, since many of the transfers have taken place in district councils, where there is generally better performance on rent and arrears collection than in metropolitan and unitary authorities.

9 Responding to arrears and associated problems absorbs significant amounts of housing officer time. This time could be spent on other activities, such as providing support to vulnerable tenants and involvement in community development.

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1 In most cases local authorities include service charges as part of a tenant’s rent.
Trends in performance

The overall performance of local authorities in collecting rent has stabilised in the last two years at around 97 per cent of rent roll in England and Wales. Table 2 shows that there is some balance between the number of authorities improving and worsening in rent collection performance. But, nevertheless, the overall arrears levels will continue to increase if authorities collect less than 100 per cent of the rent and arrears that are due in any one year.

Table 1
Key rent arrears statistics: local authority housing (as at March 2002)

<table>
<thead>
<tr>
<th>Current arrears</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of tenants in arrears</td>
</tr>
<tr>
<td>Average amount owed per tenant in arrears</td>
</tr>
<tr>
<td>Percentage of tenants in arrears owing 13+ weeks</td>
</tr>
<tr>
<td>Current arrears as percentage of rent roll</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Former tenant arrears</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of cases</td>
</tr>
<tr>
<td>Average former tenant arrears (amount owed)</td>
</tr>
<tr>
<td>Former tenant arrears as percentage of rent roll</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Write-offs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount written off in previous year</td>
</tr>
<tr>
<td>Amount written off in previous year as percentage of rent roll</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rent collection rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount collected as percentage of rent due</td>
</tr>
</tbody>
</table>


Table 2
Local authority rent collection performance between 2000/01 and 2001/02

<table>
<thead>
<tr>
<th>Rent collection performance</th>
<th>Improved</th>
<th>Same</th>
<th>Worsened</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total LAs as per cent</td>
<td>138</td>
<td>4</td>
<td>109</td>
</tr>
<tr>
<td>Arrears level</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total LAs as per cent</td>
<td>128</td>
<td>4</td>
<td>107</td>
</tr>
</tbody>
</table>

Source: Best value performance indicator 66a&b
Rent collection performance varies between authority types and regions, as well as between individual authorities. For example, the average collection rate was highest amongst councils in the east of England and lowest amongst London councils (Exhibit 1). Districts had higher collection rates than other authority types. For the average London borough, 1 per cent of the rent roll is the equivalent of £500,000 (Ref. 8).

External influences, such as the socio-economic characteristics of an area and HB processing times, are important factors in rent collection rates. However, it is not unusual for authorities operating in the same geographical area, with roughly the same stock and tenant profiles, to have very different levels of arrears. Collection rates can vary greatly; for example among London authorities by as much as 15 per cent in 2001/02.

Exhibit 1
Rent collection rate by region (2001/02)
The collection rate was highest among councils in the east of England and lowest among London councils and there was significant variation about the median. There were also regional differences in housing association collection rates.

Source: Best value performance indicator 66a (Data for Wales unavailable at the time of publication)
Causes of rent arrears  
There are several underlying reasons for rent arrears. Arrears are associated with low income, often exacerbated by a change of circumstance such as a move in to or out of work, illness or relationship breakdown (Ref. 10). A number of specific trends have contributed to growing arrears in the local authority sector:

- changing circumstances and attitudes of tenants;
- increasing HB dependency;
- higher turnover of tenancies;
- changing work patterns; and
- delays in taking cases to court.

Tenants’ circumstances and attitudes  
Council tenants are now more likely to be on low incomes, dependent on benefits and more vulnerable than previously. And there is an increasing trend in this direction. Only 31 per cent of council tenants were in paid work (full or part-time) in 2000/01, compared with around 50 per cent 20 years ago (Ref. 11). There was a similar level of unemployment among housing association tenants. Two-thirds of council tenants receive HB to help pay the rent (Ref. 12) and juggling bills and debts is a daily struggle for many.

The national growth in levels of personal debt, and broader changes in attitudes to debt, are also relevant. People on low incomes are the most likely to fall into debt (Exhibit 2, overleaf). Research by York University into the reasons for increasing levels of rent arrears found that young tenants had a much more casual attitude to debt (Ref. 13). In the future, the increase in the proportion of younger tenants in the local authority sector may exacerbate the arrears problem.

Local authorities are also re-housing more vulnerable tenants, many of whom struggle to make regular rent payments. A Citizens Advice survey of court action taken by social landlords to recover rent arrears found that in one-half of the cases the client or family member was vulnerable in some respect (Ref. 14).
Exhibit 2

Unsecured debt as a percentage of income

The burden of debt on low-income families has increased.

![Graph showing unsecured debt as a percentage of income for the years 1995 and 2000.]

**Source:** Bank of England

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**Housing benefit dependency**

The high level of HB dependency among council tenants and the amount of time it takes authorities to process benefits (Table 3) have a significant impact on levels of arrears. HB delays accounted for 10 per cent of local authority rent arrears in 2000/01. For some councils, the difficulties can be acute. Over two-thirds of the councils in England experience problems with HB backlogs and one-fifth of the councils in Wales describe relations with HB departments as poor or ineffective (Ref. 5). Authorities that take in excess of 100 days on average to process new HB claims almost always have low rent collection rates (Exhibit 3).

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**Table 3**

Housing benefit performance (England and Wales, 2001/02)

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>England</th>
<th>Wales</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average time taken to process new HB claims 2001/02*</td>
<td>7 weeks</td>
<td>8 weeks</td>
<td>3 to 20 weeks</td>
</tr>
<tr>
<td>Average time taken to process renewal claims 2001/02*</td>
<td></td>
<td></td>
<td>2 weeks</td>
</tr>
<tr>
<td>Proportion of renewal claims processed on time 1998/99</td>
<td>80 per cent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion of renewal claims processed on time 2001/02</td>
<td>70 per cent</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Changes to performance indicator definitions make it difficult to compare performance over time

**Source:** Best value performance indicators and National Assembly for Wales performance indicators
Exhibit 3
The relationship between rent collection performance and HB processing time (2001/02)
Authorities that take over 100 days on average to process claims generally have low rent collection rates.

The recovery of HB overpayments is a major problem for many local authorities. Overpayments can result from official error, claimant error or fraud. In some authorities overpayments can account for one-half of the total housing debt. Where the HB service recovers overpayments by deducting £8.10 (the maximum allowed) a week from benefit, tenants can find it difficult to reduce their arrears (Box A, overleaf). Citizens Advice found that 58 per cent of tenants in receipt of HB who appeared in court because of rent arrears said HB was one of the main reasons for their arrears (Ref. 14).

Problems with HB administration can also have a significant impact on arrears levels (Box B, overleaf). The introduction of the Verification Framework, a Department for Work and Pensions (DWP) anti-fraud initiative, can temporarily disrupt the HB service and lead to large backlogs of claims and escalating arrears.
Box A

Typical HB claim problems

**Tenant A** made an HB claim early in April 2002. A large amount of documentary verification was required and the claim was not processed until July 2002, when arrears had increased by £640 to £2,400.

**Tenant B's** last rent payment was received in January 2002 when he left work, but the tenant did not submit an HB claim until July 2002, when arrears had increased from £1,355 to £3,309. A suspended possession order was already in place and an eviction order was obtained in August.

**Tenant C** received an HB overpayment because non-dependent deductions were not made. Overpayment recovered at full rate of £8.10 from benefit entitlement since February 2002. Arrears increased by £320 over the period.

*Source:* Housing Inspectorate reports

Box B

The impact of HB on arrears

As part of its best value review of housing management services, **Derby City Council** calculated that 29 per cent of its current rent arrears were due to delays in processing HB claims. The council was at that time taking an average of 75 days to process new HB claims.

Telephone surveys of tenants in arrears, carried out by the Housing Inspectorate, have found high levels of arrears that are attributable to HB delays. In **Bury**, for example, almost 50 per cent of tenants said that their arrears were due solely or mainly to HB, whilst in **North Tyneside** the proportion was lower but still significant at 39 per cent.

*Source:* Housing inspectorate reports

Higher tenancy turnover rates

Councils with high tenancy turnover rates are particularly vulnerable to increases in arrears because of delays in processing new tenants’ HB claims. This is a growing problem. In 1990/91 lettings to new tenants in England were made to 6 per cent of council housing stock; by 2000/01 this had increased to 8 per cent (**Ref. 15**). There is significant regional variation. The largest increase was in the north east – from 6 per cent to 11 per cent – but in London the rate dropped from 6 per cent to 5 per cent. **Rochdale Metropolitan Borough Council** has a tenancy turnover rate of 20 per cent. High turnover rates in areas of low demand may be due to tenants being less committed to their tenancies and this in turn could make them less likely to pay their rents.
Movements in to and out of work

21 Councils report an increased tendency for tenants to move in to and out of work. Reasons for this may include government work incentives and changes in the employment market. This disrupts benefit entitlement and, because of the time taken to process HB claims, often leads to arrears. **Wigan Metropolitan Borough Council** has calculated that, in 70 per cent of arrears cases, a household member moving in to and out of work has been a major contributory factor. Citizens Advice found that over two-fifths of tenants appearing in court were in work but that one-fifth of these also needed to claim HB to cover their rent charges (Ref.14). In order to improve the situation the DWP intends to simplify claim requirements.

Taking cases to court

22 Where rent arrears escalate and tenants are unwilling or unable to make repayments, the council should consider re-possessing its property. This requires securing a court order. However, delays in obtaining dates for court hearings are common. One authority calculated that arrears increased by an average of £283 while waiting for a hearing date. Also, courts are understandably reluctant to grant possession when a portion of the debt is due to unpaid HB. The time taken to complete this process varies greatly across England and Wales.

How councils are responding

23 Overall, the performance of rent/arrears collection services has been seen as weak by housing inspection reports. Of over 300 housing inspections carried out between September 2000 and April 2003, 104 have covered rent/arrears collection services. Sixteen of these looked specifically at rent services and judged them as mainly fair or poor, while wider housing management services fared better overall, with 33 per cent viewed as good or excellent (Table 4, overleaf). Although the numbers involved are small, they suggest that rent services may be under-performing in relation to other housing management services. This finding is echoed in other research (Ref. 16).

24 Analysis of inspection and audit reports identifies a number of key areas for improvement:

- improving working relations between housing services and HB departments;
- increasing advice and support for tenants;
- more consistent application of procedures;
- extending payment options;
- strengthening performance management;
- greater focus on former tenant arrears (FTA); and
- improving understanding of the problem.
Table 4
Housing inspection judgements (August 2000 to April 2003)

<table>
<thead>
<tr>
<th></th>
<th>Rent/arrears collection only</th>
<th>Housing management (including rent/arrears collection)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excellent</td>
<td>0</td>
<td>7 per cent</td>
</tr>
<tr>
<td>Good</td>
<td>19 per cent</td>
<td>26 per cent</td>
</tr>
<tr>
<td>Fair</td>
<td>56 per cent</td>
<td>55 per cent</td>
</tr>
<tr>
<td>Poor</td>
<td>25 per cent</td>
<td>12 per cent</td>
</tr>
<tr>
<td>Number of inspections</td>
<td>16</td>
<td>104</td>
</tr>
<tr>
<td>Prospects for improvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excellent</td>
<td>13 per cent</td>
<td>13 per cent</td>
</tr>
<tr>
<td>Promising</td>
<td>69 per cent</td>
<td>54 per cent</td>
</tr>
<tr>
<td>Uncertain</td>
<td>12 per cent</td>
<td>30 per cent</td>
</tr>
<tr>
<td>Poor</td>
<td>6 per cent</td>
<td>3 per cent</td>
</tr>
<tr>
<td>Number of inspections</td>
<td>16</td>
<td>104</td>
</tr>
</tbody>
</table>

Source: Audit Commission

Improving working relations between housing services and HB departments

HB delays make it difficult for arrears staff to take early action, since they are uncertain what portion of a debt is due to unpaid HB and what portion is the responsibility of the tenant. Housing and HB staff need to work together to speed up the claims process and to improve services to claimants. The better performing authorities have good relationships in these areas, but others fall short of this aim, and in some cases relations are so poor that there is a ‘cold war’ of mutual mistrust and blame:

In our view the working arrangements between housing services and HB are appalling and working to the detriment of tenants, as rent arrears increase. The Data Protection Act and ‘silo working’ are being used as excuses to do nothing. Unless the Council gets to grips with the issue, rent arrears will rise further, as the tenant continues to be a victim of bureaucracy.

Housing inspection report

With the scale of the problem of rent arrears, I couldn’t understand how two departments so dependent on each other are not working together.

Councillor, quoted in housing inspection report
Increasing advice and support for tenants

Authorities need to provide a good range and quality of information, advice and support to tenants in arrears. There must be adequate arrangements for referring tenants to external providers of money, benefits and debt advice (Ref. 17). Providing tenants with necessary advice and support before moving to court action is also recommended and when referral agreements are in place, all staff should be aware of them.

Inspectors recommend that all authorities complete a thorough evaluation of the effectiveness of their advice and support schemes and use this to set in place service targets or standards. Very few authorities are currently doing this.

More consistent application of procedures

Nearly all authorities have policies and procedures for rent/arrears collection, but it is important that these are interpreted and applied consistently across different teams and/or areas. Inspectors found this an issue at one council where a standard letter, which should be sent out when a tenant is one week in arrears, was posted, in one case, to a tenant with arrears of £18.80 and to another with arrears of £1,576. Citizens Advice also found wide variations in the amount of rent owed by tenants being taken to court, from £200 to several thousand pounds. Systematic monitoring of compliance to policies and procedures can safeguard against this.

Extending payment options

Authorities state that the main barriers to extending payment options are:

- set-up and ongoing costs, especially for small authorities;
- staff/councillor resistance;
- lack of information on the costs and benefits of existing methods, and of tenant preferences; and
- many council tenants still do not have a bank account.

Nevertheless, many councils are exploring ways to provide tenants with a wider range of payment options. Payment at council offices and post offices are the most widely available options. Local authorities should also be looking to accommodate the growing number of debit/switch cards which many tenants use. Direct debit has the benefits of lower transaction costs and the facilitation of regular payments, but is not yet available in most areas. Local authorities also rarely look to work co-operatively to maximise economies of scales and to increase payment options.

Councils must challenge payment options they offer, and their costs. One inspected authority used door-to-door collection and council cash offices for 90 per cent of its transactions, despite the cost (£1.45 and 60p per transaction, respectively) and interest from 20 per cent of tenants in paying by direct debit (10p per transaction). If these tenants switched to direct debit, the authority would save
£20,000 a year on transaction charges in addition to savings in staff time. It should, however, be noted that door-to-door collection can be an effective tool for controlling some tenants arrears.

**Strengthening performance management**

Inspectors identified the key areas needed for effective performance management:

- provision of comprehensive and accessible service standards for tenants;
- use of local performance indicators;
- use of performance indicators as a basis for preventative work;
- monitoring of partnerships/external agencies that are funded or supported by the authority;
- setting of targets for teams or individual staff; and
- involvement of tenants and other stakeholders in developing and monitoring the service.

**Greater focus on former tenant arrears (FTA)**

Sufficient attention should be paid to the recovery of debts from former tenants which, in many areas, are increasing at a faster rate than current arrears. These debts are more difficult to recover, are less closely monitored than current arrears (there is no separate statutory indicator) and are often transferred from the HRA to a sundry debtors account. This has the effect of masking poor FTA collection performance.

**Improving understanding of the problem**

Systematically analysing or profiling arrears can help local authorities to target rent collection activity effectively. However, few have systems that enable them to break down the debt in terms of arrears, HB overpayments, rechargeable repairs and service charges. Many do not analyse which types of tenant/area are particularly prone to arrears.

Inspection reports suggest that many authorities are taking positive steps to prevent and manage arrears. Such authorities have good prospects for improvement. Thirteen of the sixteen rent services inspected, and 67 per cent of the broader housing management services, have promising or excellent prospects for improvement. To realise this potential, authorities can learn from the positive practice of their peers, identified by inspectors, focusing on a number of key issues (Exhibit 4). The rest of this report discusses these key ingredients in more detail. Chapter 2 suggests ways of improving the strategic response, and chapter 3 focuses on how to react at the operational level. Finally, chapter 4 summarises the Commission’s conclusions and recommendations.
Exhibit 4
Key ingredients for success in collecting rent income

To realise their potential to improve, authorities can learn from the positive practice identified by inspectors.

1. Clear corporate approach and commitment
2. Effective management arrangements
3. Tenant focus
4. Emphasis on prevention
5. Working closely with housing benefit
6. Effective recovery procedures
7. Focus on former tenants

Source: Audit Commission
The strategic response

An effective rent arrears strategy requires support from senior management and councillors, clear and efficient information systems and challenges to current performance. The needs and preferences of the tenant should be balanced with the need to optimise rent collection to fund services.
Those local authorities that are making the most progress in tackling high rent arrears have responded at both strategic and operational levels. This chapter focuses on the strategic elements (Exhibit 5).

**Exhibit 5**

**Key ingredients of a strategic response to arrears**

Successful authorities have a range of strategic responses

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**Source:** Audit Commission
Clear corporate approach and commitment – key ingredient 1

The conflicts inherent in arrears management – the need to maximise income while sustaining tenancies and reducing social exclusion – make it difficult for local authorities to have a clear corporate approach. But, to ensure that staff and tenants receive consistent messages, authorities should have:

• an arrears strategy with clear links to other relevant policies/strategies such as the homelessness strategy;
• a corporate debt recovery policy; and
• a strong corporate commitment to the effective prevention and management of arrears.

1.1 Arrears strategy clearly linked to other relevant strategies

An arrears strategy is an important mechanism for agreeing the local authority’s corporate aims and objectives and for raising the profile of arrears recovery. The aims and objectives should reflect:

• the authority’s financial interests;
• tenants’ interests – for example, in helping to maximise income and prevent debt and ensuring possession action is used as a last resort; and
• broader corporate objectives, such as reducing social exclusion and homelessness.

The strategy should encompass:

• all housing-related debts;
• payment options;
• preventing arrears and increasing benefit take-up;
• sanctions policy, including legal action and eviction; and
• policies on FTA and write-offs.

It must also be based on a sound understanding of the scale, nature and causes of arrears and the impact of the authority’s approach (Box C).

1.2 Corporate debt recovery policy

The majority of tenants in rent arrears have other debts. Different departments within the council might often pursue the same people, with no communication or co-ordination between them. A corporate debt recovery policy should make clear where responsibilities for collecting different debts lie. It should set out principles and standards in relation to contact, recovery processes, repayments and benefit/money advice.
1.3 Corporate commitment to the prevention and management of arrears

Councillors and senior managers need to understand and support the strategy and ensure that it is properly resourced. They need to understand the impact of arrears on the council’s business and services. For example, they should be aware of the significance of a 1 per cent increase or decrease in the rent collection rate in relation to the council’s overall priorities.

**Box C**

**Acting strategically on arrears**

**Derby Homes** bases its approach to recovery on findings from research it commissioned into the reasons for rising arrears. It has, for example, improved tenants’ access to debt counselling.

**Leicester City Council**’s fair debt collection code of practice includes a methodology for calculating affordable payments to be used by all departments. A central database records repayment agreements to ensure that people are not being asked for unrealistic amounts.

The **London Borough of Southwark** has made reducing housing debts by one-half one of six key corporate priorities. Members are supporting initiatives, such as staff training events and publicity campaigns, to help achieve their target.

*Source:* Housing Inspectorate reports

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**Effective management arrangements – key ingredient 2**

In order to deliver high quality services, councils need to effectively manage performance, people and information.

2.1 Performance management and monitoring and a service improvement plan

A strong performance management system is central to improvement. It provides a clear focus and sense of direction for the service and a framework for measuring the effectiveness of policies and procedures. Councils should have:

- appropriate performance measures and targets;
- a service improvement plan to address weaknesses; and
- effective monitoring and review arrangements.
Appropriate measures and targets

Councils need to have in place a range of measures to provide a balanced picture of their performance. These should cover costs and resources; the tenant perspective; internal management arrangements and outcomes. In addition to best value indicators, the selection of measures should draw on:

- Chartered Institute of Housing (CIH) PIs on rent/arrears collection;
- Audit Commission/IdeA library of local indicators; and
- Good practice and benchmarking services.

Although a focus on outcomes is desirable, outcome measures are more susceptible to external influences. Wherever possible, councils should include measures/targets over which they have some control. For example, HB arrears should be separated from tenant arrears, since they require different responses. Rent collection performance is often seen as a more meaningful measure than the level of current arrears, which includes cumulative arrears and is affected by write-off policies.

Setting personal targets for staff can improve performance. Leeds City Council has introduced individual, team and area targets for rent and arrears collection. It presents quarterly good practice awards to teams or individuals who have performed particularly well.

Measures and targets developed jointly with staff, tenants and other key stakeholders are more likely to be relevant and receive support. The Vale of Glamorgan County Borough Council has held focus groups with tenants to develop housing management service standards, including standards on rent collection and arrears recovery.

Service improvement plans

Service improvement plans should record the aims and objectives of the service, including appropriate targets and standards, key tasks, responsibilities and timescales for achieving improvement, and the identification of appropriate resources. They should also link to other relevant strategies and plans and be monitored on a regular basis (Box D).

Effective monitoring and review arrangements

Councils should review and challenge their performance by making comparisons with targets, previous years’ performance and that of other authorities. National performance indicators provide the most convenient source of comparative data. In selecting comparators, councils should evaluate factors such as:

- stock turnover;
- urban/rural nature of area;
- proportion of new tenants in receipt of HB and proportion who are single;
• tenant age profile;
• proportion of tenancies less than 12 months old; and
• HB processing times.

Benchmarking clubs can provide additional opportunities to get beneath the statistics and compare processes and resources.

**Box D**

**Examples of service improvement plans**

Following a critical inspection report in May 2001 **Denbighshire County Council** introduced a five-year development plan and a comprehensive management framework to improve its collection/arrears performance. Performance over the past year has improved significantly, and in September 2002 current arrears were at their lowest since 1996.

<table>
<thead>
<tr>
<th>Position as at:</th>
<th>September 2001</th>
<th>September 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tenant arrears</td>
<td>£959,640</td>
<td>£597,132</td>
</tr>
<tr>
<td>Number of cases owing more than £1,000</td>
<td>298</td>
<td>174</td>
</tr>
<tr>
<td>Former tenant arrears</td>
<td>£271,522</td>
<td>£182,883</td>
</tr>
</tbody>
</table>

The **London Borough of Southwark** reduced current arrears from £23.5 million to £17.5 million in just over a year. It developed a detailed Income Improvement Plan that includes targets, actions and service standards for payment options, prevention, the recovery of current and former tenant arrears and working with the HB service provider. They also complete compliance checks (Case study 1, overleaf).

**Edinburgh City Council** has introduced a ten-point plan to reduce arrears by £1 million. The plan involves:

• encouraging tenants to make firm arrangements to pay rent from day one of their tenancies;
• encouraging tenants to claim HB;
• providing a home rent collection service where appropriate;
• maximising use of standing orders and direct debits;
• early intervention, coupled with intensive work on low level arrears;
• writing all letters in plain English;
• reviewing repayment arrangements and setting firm deadlines to clear debts;
• reviewing the use of legal action;
• reviewing office opening hours; and
• a media campaign to raise the profile of the issue.

*Source: Housing Inspectorate and Audit Commission fieldwork reports*
Councils should monitor recovery actions closely, including the application of discretion (for example, where staff modify standard letters or apply the escalation policy), to ensure that all actions are in accordance with policies and procedures and have a consistent approach.

2.2 Skilled and motivated staff

Effective arrears control requires timely, preferably face-to-face, contact with tenants. Well-motivated staff not only reduce arrears levels but also bring other service benefits by identifying additional needs that tenants may have.

There is growing evidence of a move towards more specialised arrangements for recovering rent arrears, although in 2001 only around one-third of authorities had specialised posts (Box E). Dedicated posts and teams have been created in benefit advice, liaison with HB and court action or where a much more targeted approach is required. Smaller authorities find it more difficult to specialise in this way – by 2001 just one-tenth of district councils in the Midlands region had specialised staff. These moves make it all the more important for councils to select, train and support staff properly.

Box E
A move to specialised arrangements

In April 2002 Wigan Metropolitan Borough Council established a centralised current arrears team to deal with persistent arrears cases in three area housing offices. Staff telephone or make home visits to tenants and work on one or two evenings a week. In the first six months of the pilot, arrears had reduced by £4,000. In another initiative, three specialist arrears staff are spending time in each of the council’s area housing offices to train staff and help them to better target arrears cases. Again, the results on arrears levels are encouraging.

Following a best value review, Ellesmere Port and Neston Council increased the number of specialist staff for more serious arrears cases. They are responsible for enforcement and monitor cases subject to a suspended possession order. To ensure that specialist staff have a wider understanding of the environment in which they work, posts are rotated. For four months each year they work on a range of housing management duties and can be used as a flexible resource to cover staff absences.

The London Borough of Hammersmith and Fulham has decided to retain its generic housing officers but has introduced specialist staff for voids, lettings and rent arrears. It is also building up the community development role of housing staff.

York City Council has introduced rent recovery assistant posts to deal with low level cases, thus freeing up estate managers’ time to deal with more complex cases.

Case study 1
Compliance checks

The London Borough of Southwark’s central arrears team carries out regular compliance checks at each neighbourhood office. A sample of 50 cases is selected, split by size of debt, age of tenancy and responsible officer. The team looks at the advice and information provided, how prompt action was, methods of contact and repayment agreements. The team also monitors the 30 highest arrears cases in each neighbourhood.

Source: Housing Inspectorate report

Audit Commission Survey, 2001
There is no ideal organisational or staffing structure for arrears work, although the use of specialists to manage arrears appears to be working well. Whatever structure is chosen, it is important to ensure that staff have the appropriate skills, knowledge and commitment to perform their job. Some councils have successfully used competency-based frameworks to allocate people to posts. Others have offered jobs on higher grades or with additional incentives (for example, flexible hours and career grades) to attract the right staff.

CIH has identified a range of training needs for arrears staff:

- arrears policies and procedures (including use of IT systems);
- equal opportunities;
- interviewing and negotiating;
- legal framework for arrears;
- benefit advice;
- basic debt counselling; and
- dealing with difficult or violent situations.

Staff are more committed and effective if their responsibilities are clearly defined, and if they are given explicit objectives and targets. They need regular feedback and information from managers and from colleagues. Councils should also involve staff in more fundamental organisational and strategy reviews.

2.3 Effective, well-integrated IT

Good IT systems are essential for the effective management of rent accounts and arrears. Systems should:

- allow for the speedy posting of payments to individual rent accounts;
- distinguish between different types of debt, such as HB overpayments, water rates (where applicable), rechargeable repairs and service charges;
- monitor compliance with policies and procedures;
- track performance; and
- interface with other relevant systems, such as HB and allocations.

Many IT systems are not effective at generating management information. Systems should allow managers to generate exception reports in cases where actions have not been taken, and they should produce information that will improve understanding of the arrears profile – for example, the number of static arrears cases of less than £50, the number of cases over £300 in different areas and the number of new tenants with arrears.

Better systems integration would mean that tenants/claimants would only have to provide information once, the information held by different departments would be consistent, and it would be easier for staff to access. It is, however, important for councils to ensure that arrangements comply with the Data Protection Act (Ref. 18).
Opportunities for departments to share information more effectively include:

- notifying HB services of relevant issues, such as rent increases and tenancy terminations;
- notifying housing services of benefit claims that are due for renewal, suspended or terminated; and
- allowing housing staff to have read-only access to the HB system in order to track claims progress, provided that tenants have given their consent.

Tenant focus – key ingredient 3

Although local authorities need to maximise their income, this needs to be balanced with sensitivity to tenants’ needs and interests. Services need to be tailored to tenants’ circumstances and preferences, and tenants need to be involved in shaping and assessing services (Box F). Local authorities should be empowering their tenants through community development activities, carried out in partnership with other agencies, that encourage good financial planning and management.

Box F

Tailoring services to tenant needs

York City Council has published a customer contract for rent services, which details the level and type of service that tenants can expect to receive. The key promises made by the council are to:

- offer a fortnightly rent collection service;
- send out a rent account statement every three months;
- refund credits on rent accounts within ten working days;
- check and return rent cards within ten working days;
- set up a rent account and send out a rent card within three working days of the start of a tenancy; and
- put any problems right quickly.

Following a best value review of its estate management service, carried out in 1998, Manchester City Council has developed a call centre, Manchester on Call, which acts as the main point of access to housing services, including rent accounting and arrears management. Generic advisers at the call centre deal with enquiries on rent account balances and send out rent statements on request, and can negotiate repayment plans if arrears are less than £100. More complex cases, or cases where arrears are more than £100, are referred to a specialist rent team.

Source: Housing Inspectorate reports
3.1 Tenant input into developing and monitoring services

Tenants’ views should be taken into account when developing and reviewing rent collection and arrears services. Some councils are developing more innovative ways to take on board tenants’ views – for example, through focus groups and surveys – as well as consulting with tenants’ and residents’ groups. The Vale of Glamorgan County Borough Council held a series of focus groups with tenants to develop housing management standards, including standards on rent/arrears collection.

3.2 Commitment to customer care and clear service standards

Customers should be made aware of the range of information and advice available on rent issues, and what sanctions will be imposed by the local authority on the non-payment of rent. This information should be outlined in service standards, written in consultation with tenants, and be readily available in estate offices, handbooks and electronically. In all aspects of rent collection, staff should treat tenants fairly and equitably.

3.3 Accessible services, good quality facilities and information

All information and communications concerning rent and arrears (including rent statements and letters) should be clear, concise and easy to understand. Where appropriate, information should be made available in relevant community languages and in large print, Braille and tape versions. It would be positive practice to print key pieces of information on any written correspondence, perhaps on the back of standard letters. This information might include the phone number to order repairs, housing advice numbers, and advice on how to pay. The information should be communicated in a number of different ways – in leaflets, tenants’ handbooks and on posters and websites. Information should cover:

- payment options;
- how rent payments are set and broken down;
- the council’s arrears policies and procedures and its performance;
- the consequences of not paying;
- what to do if in arrears;
- what to do if facing eviction; and
- how to get help and information (including external sources).

Taken together, these strategic responses have demonstrated a way forward in many authorities. But to maximise the impact on arrears, these responses need to cascade down to the operational level. These steps are expanded in the next chapter.
The operational response

Operational changes can prompt real improvements in rent collection rates. Local authorities achieve this by working co-operatively with housing benefit and by focusing attention on methods of prevention and recovery (without neglecting former tenant arrears). Communication with tenants needs to be clear and comprehensive.
There is a range of practical steps that can be considered in responding to arrears at the operational level (Exhibit 6)

**Exhibit 6**

Key ingredients of an operational response to arrears

Successful authorities are also responding at the operational level.

Source: Audit Commission
An emphasis on prevention – key ingredient 4

Prevention is far better than cure. It is more cost effective, allows authorities to devote resources to improving services, reduces the anxiety and disruption experienced by tenants and helps to sustain tenancies and communities. Debt recovery ties up overstretched staff resources, and an eviction for rent arrears can cost an authority thousands of pounds. One way of shifting the focus of tenancy management from penalising default to rewarding compliance is by looking at strategies which combine incentives to pay with selective, but committed use of legal enforcement. Analysis of inspection and audit reports, and other sources, suggests that there is considerable scope for improvement. Local authorities should:

- send out clear messages about the importance of paying the rent;
- make it easy for tenants to pay; and
- identify and support vulnerable tenants, ensuring access to finance and benefit advice.

4.1 Sending out clear messages

Some authorities have run publicity campaigns to emphasise the importance of paying the rent and to highlight the consequences of not doing so. Conwy County Borough Council’s campaign targeted periods when arrears traditionally increase, before Christmas and during summer holidays.

Authorities should check whether housing applicants have debts with other social landlords and set clear criteria for excluding or suspending applications while arrangements are made for debts to be cleared. The London Borough of Wandsworth requires new housing register applicants to provide a photo, as well as proof of identification and residence, to facilitate checks against previous records.

New tenants should be advised that eligibility for future tenancies could be affected by their arrears record. Homelessness resulting from eviction for arrears can be treated as intentional. Although the Code of Guidance accompanying the Homelessness Act 2002 (Ref. 19) states that modest rent arrears should not exclude an applicant from the housing register, authorities have discretion to give applicants with arrears lower priority for re-housing.

Some authorities require their housing management service providers to give applicants pre-tenancy advice and to make early contact with new tenants to identify, among other issues, any early problems with rent payment. Westminster City Council’s ALMO CityWest Homes has contracts with six external providers that include service standards for accompanied viewings and comprehensive welcome and sign-up packs. The London Borough of Camden’s service provider must visit
new tenants within six weeks and vulnerable tenants within one week. The London Borough of Wandsworth’s contract specifies three visits to new tenants: within three weeks, after six months, and in the last month of the introductory tenancy.

71 All tenants should receive regular (at least quarterly) statements of their rent accounts and payments. These should be easy to understand and, where appropriate, be accompanied by letters highlighting non-payment.

Increased emphasis on tenants’ responsibility to pay the rent

72 Many authorities are placing more emphasis on the responsibility of tenants to ensure that their rent is paid, even if they are eligible for HB. This is sometimes reinforced through pre-tenancy meetings, written information to tenants, publicity campaigns or incentive/penalty schemes to encourage prompt payment. Housing associations are also tightening their procedures as they need to demonstrate viability and effective cashflow to investors.

73 Growing arrears levels have prompted many authorities to take a firmer line on arrears recovery. For example, the City and County of Swansea Council has adopted a Getting Tough policy that involves moving to the next stage of the recovery process if tenants break a repayment agreement without contacting the authority or without a valid reason. This firmer approach is reflected in increased levels of court action and evictions nationally. The number of possession actions by social landlords increased by 80 per cent from 83,637 in 1995 to 150,563 in 2001. The number of orders made and suspended increased by 50 per cent over the same period (Exhibit 7, overleaf). Although these figures are for all recovery actions by local authorities and housing associations, the great majority were for rent arrears.

74 The extent to which authorities are resorting more to the courts does, however, vary. A Welsh Assembly Government survey of possession action in 2000/01 found that the ratio of possession orders to tenancies among local authorities in Wales ranged from 1:25 to 1:445. Authorities are increasingly using introductory tenancies to ensure that new tenants meet all their obligations, including paying the rent regularly. The courts do not have discretion to suspend an order in possession cases against introductory tenants.

4.2 Making payment easy

75 The easier it is for tenants to pay their rent, the more likely they are to do so. Derby City Council’s ALMO, Derby Homes, has a 24-hour payment line, local offices can take switch or debit cards and there is a mobile housing office for those who have difficulty getting to the post office or to a council office. Inspectors found Selby’s freephone service for debit payments to be ‘speedy and efficient’. Wigan’s tenants have access to 46 pay points, including supermarkets and petrol stations, and 81 post offices. Payments can be made at weekends and evenings.
Possession actions by social landlords in England
Possession action increased between 1995 and 2002

The Commission’s auditors found that the proportion of tenants using direct debit ranged from 2 per cent to 22 per cent, suggesting that considerable scope exists to extend this payment option. Leeds City Council has increased the proportion of tenants using direct debit to 7 per cent following a promotion campaign and the introduction of a prize draw.

A growing number of councils are considering introducing incentives and penalties to encourage tenants to make regular payments. Derby Homes and Kirklees Neighbourhood Housing both hold prize draws for tenants who have clear rent accounts and the London Borough of Southwark does not issue parking permits to tenants who have rent arrears.

4.3 Supporting vulnerable tenants

Forward thinking local authorities are providing enhanced information, advice and guidance services to tenants, particularly new tenants and those who are socially excluded and need practical support as well as encouragement.

It is important that councils direct support to the most vulnerable tenants to help them sustain their tenancies. York City Council uses rent collectors to check on vulnerable tenants. The London Borough of Camden provides a complementary housing service (CHUMS) from district offices to help vulnerable tenants with
financial and other matters. North Somerset Council has three tenancy support officers to help vulnerable tenants who are referred by social services, psychiatric nurses and housing staff.

Tenants with rent arrears usually have low incomes, multiple debts and limited access to financial services, including reasonably priced loans. Without appropriate advice and support, they may sink deeper into debt and ultimately lose their homes. The Homelessness Act 2002 emphasises the importance of money and benefits advice to help tenants sustain their tenancies. As a minimum, authorities should provide advice on benefits, and provide a gateway to specialised services, such as debt counselling, financial advice and credit unions (Box G). Authorities should also be aware that some tenants are unable to read or do not have English as their first language. They should, therefore, seek to provide information about specialised services through other media wherever possible.

**Box G**

**Money and benefit advice**

Rochdale Metropolitan Borough Council has worked with the local CAB to develop a self-help debt pack for residents. The pack helps people to work out their income and expenditure and to manage their finances. It also provides information on sources of help and advice.

Wigan Metropolitan Borough Council’s Welfare Rights Team, based in social services, provides services to Wigan and Leigh Housing (WLH), an ALMO that took over the management and maintenance of the council’s housing stock in April 2002. Under a pilot scheme 130 tenants were referred, leading to £106,000 of additional benefits being claimed. WLH staff can access welfare advisers’ diaries to make appointments for tenants. All area housing staff receive benefits awareness training and all court cases are referred to the Welfare Rights Team. There is also a formal referral agreement with the CAB, with over 100 referrals made between July and December 2002. The CAB provides a full service, including advice and income maximisation, administration orders and bankruptcy.

Derby City Council’s Money Advice Team is viewed as a valuable resource by housing staff and tenants. Advice is provided to tenants who are in arrears and to others with financial difficulties. The Team also works with vulnerable tenants to ensure that they are getting all of the benefits that they are entitled to. Their work is closely integrated with the arrears recovery process – for example, tenants are referred to them when a Notice of Seeking Possession is issued.

*Source: Housing Inspectorate reports*
Working closely with housing benefit – key ingredient 5

81 Housing inspectors have identified poor working relations between housing and HB services as a major issue in some local authorities. The DWP HB/Council Tax Benefit Performance Standards, developed jointly with the Benefit Fraud Inspectorate and published in March 2002, include a range of useful standards relating to working with landlords. The key areas on which authorities should focus their efforts are:

- ensuring that regular contact takes place between housing and HB services and giving housing staff access to information on claims;
- helping tenants with their HB claims, improving benefit take-up and dealing with HB overpayments; and
- having clear service standards.

5.1 Regular contact and information sharing

82 Regular meetings, joint training events and secondment/job shadowing initiatives all help to develop trust and understanding between housing and HB services. In Leeds, there are regular monthly liaison meetings between Leeds Benefit Service and the Housing Department, which have reinforced commitment to the services’ complementary aims. Torfaen County Borough Council HB service has held on-site training for housing and CAB staff. Caerphilly County Borough Council established an internal revenues forum in April 2002. It includes staff from rents, benefits, council tax and cashiers and has initiated practical service improvements (for example, allowing claimants to submit claims at any of the seven local cash offices). Innovation has also been demonstrated at the City and County of Swansea Council where extending the use of hand-held HB calculators to all area offices has lowered residual arrears.

83 Many authorities are confused about the restrictions imposed by the Data Protection Act on information sharing. Clearer guidance about this is needed urgently. However, there is considerable scope to improve the flow of information between housing and HB staff; and some authorities are making good progress in this area (Box H).
Box H

Easy access to information on claims

Rochdale Metropolitan Borough Council has an information sharing protocol that makes clear what information can and cannot be shared between services, and how information should be exchanged.

At Wigan Metropolitan Borough Council email enquiries from housing staff go into a central pool rather than to an individual HB officer. Replies are prompt, well within the 48 hours written into the service level agreement.

Ellesmere Port and Neston HB service provides weekly arrears status reports to housing officers to enable them to check progress on claims and contact tenants if necessary.

Each area housing office in the London Borough of Brent is able to access the HB computer system to audit cases and see if there are any gaps in claims that they can pursue. In its first two years (1999–2001) it enabled tenants to receive an additional £400,000 in benefits.

Luton HB officers are located permanently in some area offices and they hold surgeries in other offices.

Source: Housing Inspectorate reports

5.2 Improving benefit take-up and helping tenants with their HB claims

Housing and HB services should work together to increase benefit take-up, which has dropped in some areas (Case study 2). Citizens Advice found that one-fifth of tenants who appeared in court for rent arrears were entitled to benefits that they had not claimed. One-third of pensioners who are entitled to council tax benefit and 10 per cent of pensioners entitled to HB do not claim (Ref. 20).

The DWP's commitment to improving HB recovery rates (which in 2001/02 stood at 50 per cent) makes it particularly important for HB and housing services to work together to minimise overpayments and agree arrangements for recovery. A corporate debt recovery policy can facilitate this process.

Completing an HB form correctly with the right supporting documentation can be a daunting prospect. Many tenants need help with the process. Councils are helping tenants with their claims in a number of ways, including calculating their likely entitlement (Box I, overleaf). Many tenants are responsible for paying some of the rent themselves so it is important for councils to inform tenants at the outset of the amount that they are likely to have to pay personally. Manchester City Council has an online benefit calculator that enables staff or tenants to calculate likely benefit entitlement.

Case study 2

Targeted benefit take-up campaigns

In Rochdale the proportion of tenants on HB dropped from 73 per cent in 1996/97 to 62 per cent in 2000/01. The council attributes the decline to changing work patterns and the introduction of the verification framework. It believes that many tenants who are eligible for benefit are not applying, and has held a number of benefit advice workshops and ‘surgeries’ across different communities – for example, the Bangladeshi Association. It has also sent out 1,700 targeted notifications to council tenants who, due to changes in eligibility rules from April 2001, may now be entitled to claim benefit.

Source: Housing Inspectorate reports
Box I

Helping tenants with their HB claim forms

Carrick District Council sends out HB claim forms, as well as information on rent and payment options, with provisional offer letters.

Manchester City Council has created 18 local facilities for HB submissions, many of which are open in the evenings and at weekends. The council is piloting the use of libraries for this service, with librarians trained to carry out verification work.

In Leeds, Benefit Advisers work alongside Estate Management Officers to ensure that tenants receive all their benefits and that they submit their claims. They hold surgeries in local offices and visit tenants at home. The Benefit Service issues schedules of tenants who need to re-apply for HB and advisers refer more complex cases to the Council’s Welfare Rights Team.

Ellesmere Port and Neston has a diary date system for vulnerable clients. Under this scheme, HB advisers are asked to contact and visit clients who are having difficulty completing HB applications or providing relevant supporting documentation.

Source: Housing Inspectorate reports

5.3 Clear service standards

Clear service standards and targets for services to tenants can also help to improve working relations between housing and HB services (Exhibit 8). Some authorities use service level agreements (SLAs). The SLA between housing and HB services in Leeds commits the HB service to process claims within five days once all the necessary information has been received. However, there are mixed views on the effectiveness of SLAs. Problems most often arise when:

- the SLA is not a genuine agreement between the parties, but perhaps merely a paper exercise, or it is imposed by one party on the other;
- there is an imbalance in relation to what different parties get from the agreement;
- the agreement is not monitored at a senior level; and
- standards and targets are unrealistic, failure becomes endemic and the SLA is ignored.

It is important to ensure that standards and targets that aim to improve the service provided to council tenants do not have a negative impact on the service received by private tenants.
Exhibit 8
Service standards for HB claims

Service standards can help to improve working relations between housing and HB services.

Source: Audit Commission
Effective recovery procedures – key ingredient 6

There are several pre-requisites for the effective recovery of rent arrears, but the most important is making early, personal contact with tenants. Authorities can also improve effectiveness by:

- making realistic agreements to clear arrears by increasing the emphasis on tenants’ responsibility to pay the rent;
- applying policies and procedures consistently; and
- developing positive relations with the courts.

6.1 Early personal contact and realistic repayment agreements

The legal process is lengthy, expensive (adding at least £140 to a tenant’s debt) and, to a degree, unpredictable. Authorities should, therefore, give priority to preventing legal action by making realistic agreements with tenants before arrears get out of hand. Many of the techniques that help to prevent arrears happening such as supporting tenants to maximise their incomes, also apply when arrears first occur. In particular, checks should be made with tenants to establish whether they have any entitlement to benefits that they have not yet claimed.

Because of delays in setting possession case hearing dates, arrears rise significantly in the period between initiating court action and obtaining an order. The weekly repayment sums ordered by the courts are invariably small, which means that debts can take several years to clear (Exhibit 9). As legal action escalates, so too do the authority’s costs (Table 5).

Table 5
The range of costs of eviction for rent arrears

- Former tenant arrears
- Outstanding HB overpayment
- Cost of clearing, cleaning and repairing property
- Legal/court costs and associated staffing costs
- Foregone rent while property was empty
- Other housing-related debts
- Staffing costs associated with managing and letting property

Source: Audit Commission fieldwork

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The amount that tenants are ordered to repay varies, but the Citizens Advice court survey found that £2.70/week was one of three most commonly set amounts, accounting for 41 per cent of cases.
Exhibit 9
The court action route – illustrative example
The legal process is lengthy and expensive.

Notes
1. The Commission’s auditors found that the median time for issuing a Notice of Seeking Possession was six weeks. Arrears are calculated on the basis of a weekly rent of £48, the average local authority rent in England in 2001.
2. Inspection reports suggest that a six-week wait for a court hearing is typical.
3. Citizens Advice found average court costs added to tenants’ debts were £141.
4. NOSP – Notice of seeking possession.

Source: Audit Commission
In practice, many authorities rely almost exclusively on issuing standard letters and some do not even have personal contact with tenants when they issue a Notice of Seeking Possession. Only 53 per cent routinely visit tenants in arrears. Others, such as Caerphilly County Borough Council, Leeds City Council and Kirklees Neighbourhood Housing, which do make contact, have found that telephoning and visiting out-of-office hours has considerably improved their contact rate.

Agreements to clear arrears should take into account the tenant's financial circumstances and should cover the amount to be paid, the frequency and method of payment, and timescale. Some councils ask tenants to sign repayment agreements, which reinforces the importance of the commitment (Case study 3). Tenants should also be offered the opportunity of referral to independent advice before agreeing a repayment arrangement, particularly where there are multiple debts involved.

Where tenants in receipt of HB owe more than eight weeks’ rent, landlords can apply for weekly direct deductions of up to £2.70 from benefit entitlement. Although the repayments are small, they are affordable and dependable (as long as the tenant remains on benefit).

Case study 3
Repayment agreements

Cardiff Council’s policy on repayment agreements sets out how repayments are to be made and includes recommended amounts for different circumstances. Officers are expected, subject to the tenancy agreement, to carry out an assessment of tenants’ financial circumstances. A financial statement report records key information, including income and guideline amounts for key expenditure. Any deviations from the recommended repayment amounts must be explained on the agreement form.

Source: Housing Inspectorate report

6.2 Consistent policies and procedures

Quality accreditation schemes and compliance checks can help authorities to ensure that policies and procedures are applied evenly across all areas and/or teams (Case study 1, page 22).

6.3 Developing positive relations with the courts

Because of the increased use of court action, the time it takes to get cases to court, and the problem of getting appropriate judgements, authorities must develop good relationships with the courts. This is often easier to achieve when specific officers have responsibility for taking cases to court and liaising with court officials. This is the case in Bury, where waiting times for hearings is down from 16 to 8 weeks. A ‘statement’ proforma setting out the status of defendants’ HB claims has been agreed with the court in York after discussion with relevant judges. This helps avoid the need to adjourn cases to obtain evidence on outstanding claims.

Councils should also ensure that staff do not proceed to court action where all, or the bulk of, arrears are due to HB delays. Courts are increasingly reluctant to make a suspended, let alone an outright, possession order in these circumstances and a failed or adjourned court action can be a waste of time and money. Citizens Advice found that one-third of court actions for rent arrears were adjourned, usually because of outstanding HB issues (Ref. 14). The practice also causes unnecessary anxiety and expense for tenants. The ODPM more recently released guidance for local authorities on how to use the court effectively for rent arrears recovery.


www.housing.odpm.gov.uk/local/court/index.htm
Focus on former tenants – key ingredient 7

Former tenant rent arrears (FTAs) and other housing debts account for significant and growing amounts of money, and yet many authorities pay relatively little attention to their recovery and write-off. Many do not have FTA recovery targets and success varies significantly from a few per cent to over 20 per cent. There is considerable potential for councils to improve their performance in this area by:

- taking preventative action; and
- implementing clear policies and procedures for recovery and write-off of debt.

7.1 Preventative action

When tenants give notice to terminate their tenancy they should be informed of any outstanding arrears as soon as possible, and arrangements should be made for repayment. If the tenants are transferring to other council accommodation, a repayment clause may be included in the new tenancy agreement. When tenants are moving elsewhere, authorities should obtain forwarding details. Some councils request contact details for close relatives at the start of tenancies, who can be contacted to trace tenants who leave with no forwarding address. Sometimes information may be held by other services, such as housing advice.

Visits to outgoing tenants provide opportunities to agree repayment plans face-to-face, to check on the condition of the property and note any rechargeable repairs. However, such visits are unusual. Some tenants who owe rent leave without notice. In these cases recovery procedures should begin without delay.

7.2 Clear policies and procedures for recovery and for write-off

Responsibilities for recovering debt should be clear. Some authorities give the responsibility to specific staff or teams, often with considerable success. Others have set up FTA teams on a self-financing basis (Box J), or outsourced FTA recovery.

Box J

Different approaches to FTA recovery

Manchester City Council established an FTA group, comprising three full-time and one part-time member of staff. It has robust procedures for notifying tenants of outstanding arrears and ensuring that they are recovered. Staff receive weekly details of outgoing tenants. Tenants are expected to pay a minimum of £2.75 a week, and if a former tenant is employed, then the council obtains a money judgement through the courts.

North Tyneside set up a centralised team in 1996, following an internal review of FTA, on a self-financing basis. In 2000/01 it recovered £136,000, well in excess of its £60,000 costs.

Source: Housing Inspectorate reports
Councils must take into account individual circumstances – for example, whether a former tenant is vulnerable and whether the arrears are also the responsibility of a partner who cannot be traced. They should also provide clear guidance on the use of external debt collection agencies.

Authorities should have clear criteria for the write-off of debts that are judged to be irrecoverable and they should make realistic bad debt provision. There is little to be gained from keeping very small or old debts on the books. One council inspected did not write off arrears for six years unless there was absolutely no chance of recovery. Another had £2.8 million of FTA of which £1.5 million pre-dated 1996. However, councils should always balance expediency with clear messages about their commitment to tracing and chasing debt until it is repaid.

A combination of strategic and operational responses can help to at least stabilise the arrears position and, better still, improve it. The Commission’s housing inspections show that many authorities are taking positive steps in this direction.
Conclusions and recommendations

The impact of rent arrears on tenants’ lives, as well as on the capability of the local authority to provide high quality services, is a growing concern. Currently, rent collection and arrears recovery services are weak. However, with the availability of many innovative approaches and examples of good practice, the prospects for improvement are positive.
High levels of rent arrears have a major impact on councils and tenants

Rent arrears account for a significant amount of money – £647 million of lost resources that could have been spent on much-needed repairs and service improvements. For tenants, escalating rent arrears generate anxiety and stress, and can ultimately lead to them losing their homes and becoming homeless. But, payment habits and attitudes to debt are changing, especially among some young people who are less concerned about the longer-term consequences of owing money.

Local authorities need to strike an appropriate balance between recovering arrears and helping tenants to sustain their tenancies, by maximising their income and providing advice and support. An overly lenient approach leads to spiralling arrears as tenants prioritise other debts, and undermines the message that rent payment is an important tenant obligation. However, an overly hard line leads to high levels of possession orders and evictions, adding to tenants’ debts and jeopardising the council’s broader social objectives.

Increased levels of benefit dependency and those on a low income among council tenants are also contributing to the increase in rent arrears. Councils with high tenancy turnover rates are particularly vulnerable to arrears, since most new tenants have to wait for their HB claims to be processed.

The performance of local authorities in preventing and recovering housing debt shows room for improvement

Overall, rent/arrears collection services have been judged by the housing inspection reports to be weak. The main problems include delays in processing HB claims, poor working relations between housing and HB services and inadequate advice and support to tenants who are vulnerable to arrears.

However, the performance of local authorities in collecting rent has stabilised in the last two years and inspection reports are more positive about the prospects for improvement than about current performance. There is considerable scope for councils to improve in this area, in particular by strengthening strategic management arrangements and by focusing more on operational tasks.

Inspection found much good practice on rent collection and arrears recovery in local authorities across England and Wales. This report has provided many illustrations and case studies of where innovative approaches are being used. A detailed ‘positive practice’ checklist is available on the Commission’s website (www.audit-commission.gov.uk/housing) and as a separate pull-out.
The Commission recommends

Local authorities should:

- Have a clear corporate approach to rent arrears and other debts that is backed by councillors and senior managers and that has clear links to other corporate priorities.
- Ensure that the homelessness strategy takes account of policies on arrears prevention and recovery, and vice-versa.
- Ensure that tenants who want it receive information, advice and support to help them maximise their incomes and manage their finances.
- Ensure that tenants are offered independent debt advice before the council commences legal action.
- Provide comprehensive pre-tenancy information and advice to prospective tenants and make early contact with new tenants to reinforce responsibilities and identify support needs.
- Prioritise the liaison between housing and HB services.
- Issue regular, at least quarterly, rent statements.
- Consider introducing incentive schemes.
- Make early personal contact with tenants whose rent accounts are in arrears, particularly before starting legal action.
- Have flexible payment options to suit tenants’ circumstances and preferences.
- Avoid taking court action where arrears are due primarily to HB delays.
- Monitor the impact of arrears action on the number of possession orders, evictions and abandonments.
- Develop sound working relationships with the courts in order to minimise delays and to smooth the legal process.
- Monitor compliance with recovery policies and procedures.
- Pursue former tenant arrears more actively.
- Ensure that sensible procedures exist to identify former tenant debts when people apply for housing.
- Consider collaborating with other local authorities on innovative and effective payment methods.
The Office of the Deputy Prime Minister (ODPM) should:
- Monitor levels of possession orders and evictions for rent arrears.

The Department for Work and Pensions (DWP) should:
- Review guidance on the rates at which HB overpayments should be recovered to ensure that they are affordable, and that repayments are sustainable.

…and, with the ODPM, the DWP should:
- Issue guidance on what information relating to benefit and tenancy issues can and cannot be shared between local authority departments.
## Appendix 1
### Further information and guidance

### Publications

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<tr>
<th>Title</th>
<th>Description</th>
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<tr>
<td><strong>Housing Association Rent Income: Rent Collection and Arrears Management by Housing Associations in England (2003)</strong></td>
<td>Audit Commission study, with the Housing Corporation, of rent collection in the housing association sector in England, accessible via <a href="http://www.audit-commission.gov.uk/housing">link</a> Tel: 0800 502030</td>
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Useful websites

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<tr>
<td>Audit Commission Inspection</td>
<td>Website for all inspection activity including housing inspection reports</td>
<td><a href="http://www.audit-commission.gov.uk/housing">http://www.audit-commission.gov.uk/housing</a></td>
</tr>
<tr>
<td>Audit Commission national performance indicators</td>
<td>Website includes all national performance indicators including those relating to rent collection, arrears and HB</td>
<td><a href="http://www.audit-commission.gov.uk">http://www.audit-commission.gov.uk</a></td>
</tr>
<tr>
<td>Audit Commission Library of Local Indicators</td>
<td>Website includes all local performance indicators developed by local authorities</td>
<td><a href="http://www.local-pi-library.gov.uk/index.shtml">http://www.local-pi-library.gov.uk/index.shtml</a></td>
</tr>
<tr>
<td>Benefit Fraud Inspectorate</td>
<td>BFI inspection reports</td>
<td><a href="http://www.dwp.gov.uk">http://www.dwp.gov.uk</a></td>
</tr>
<tr>
<td>Cabinet Office good practice database</td>
<td>Information on a wide range of initiatives that have been introduced in the public sector to improve service delivery</td>
<td><a href="http://www.goodpractice.org.uk/app/search.asp">http://www.goodpractice.org.uk/app/search.asp</a></td>
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## Good practice, benchmarking and policy services for which there is a charge

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<tr>
<td><strong>Good Practice Unit, CIH</strong></td>
<td>Can provide examples of good practice and answer practical and legal queries</td>
<td><a href="http://www.cih.org.uk">http://www.cih.org.uk</a> Tel: 024 7685 1767</td>
</tr>
<tr>
<td><strong>HouseMark</strong></td>
<td>Internet-based good practice and benchmarking service Rent arrears good practice module includes good practice examples, tips, frequently asked questions, useful contacts and references</td>
<td><a href="http://www.housemark.co.uk">http://www.housemark.co.uk</a> Tel: 024 7646 0500</td>
</tr>
<tr>
<td><strong>Housing Quality Network</strong></td>
<td>Evaluates measures that can lead to improvements in the performance, quality and value of housing services; has produced a rent arrears best value self-assessment workbook</td>
<td><a href="http://www.hqnetwork.org.uk">http://www.hqnetwork.org.uk</a> Tel: 01723 350099</td>
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Appendix 2
Acknowledgements

Advisory group
The Commission is very grateful to members of the advisory group for their advice during this study:
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Other acknowledgements
All local authorities that contributed positive practice information.
References


13 York University, *Rent Arrears Amongst Social Tenants: Reasons and Responses*, available at www.york.ac.uk/inst/chp/arrsum.htm


To order a printed copy of this report, priced £25, or the summary and briefing please contact Audit Commission Publications, PO Box 99, Wetherby, LS23 7JA, 0800 502030.

All of these formats are available on our website at www.audit-commission.gov.uk. Our website also contains a searchable version of this report.