

CHiP practitioner article

Managing rent arrears - a local authority perspective

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Managing rent arrears - a local authority perspective

John Campaigne from South Lanarkshire Council gives a local authority perspective on the prevention and management of rent arrears.

South Lanarkshire Council's rent arrears policy is based on a strategy that involves preventative methods of control, using eviction as a last resort. Integral links have been established with the Council's Money Matters Advice Service to ensure arrears are dealt with taking into account both the personal and financial circumstances of each individual tenant.

Background

It is widely accepted that rental income represents a major source of revenue to any Local Authority. As such, the need to maximise collection of rent is a vital ingredient in the management of housing stock. The control and recovery of rent arrears has been recognised, in many quarters, as an increasing problem for councils and RSLs.

South Lanarkshire Council's Housing Department emerged from four previous District Councils. This merger highlighted various degrees of administrative practice in the management of rent arrears, providing an opportunity to examine all processes and encourage the development of best practice in a variety of areas. Our aim was to achieve a policy of arrears recovery that met acceptable standards both to customer and Council.

Our review of managing rent arrears identified the following challenges:

- Whether to centralise or decentralise aspects of the service.
- The need for a policy statement.
- An examination of recovery procedures.
- A review of our staff training programme.
- A requirement to develop links with other organisations (internal and external).
- An examination of benefit administration.
- The development of IT systems to provide improved information.

The way forward

The ethos underpinning a rent arrears strategy should be based on preventative methods of control of the debt. Eviction should always be seen as a last resort.

At South Lanarkshire, a formal policy was introduced that included:

- Clear objectives
- A clearly defined approach to arrears prevention
- The management of arrears
- The need to liaise with other agencies/organisations
- Publicity of the Housing Benefit scheme

Procedures were introduced which included timescales and the approach to be taken to tackle rent arrears. The aim was to make contact with tenants as soon as a rent payment was missed and ensure this contact was followed up in a timely manner. This prevents debts from growing too large to repay.

A series of letters that reflected the tenant's situation - ranging from first missed payment to cases being passed for court action - was also introduced.

The age, health and financial status of tenants with rent arrears is taken into account when dealing with their ability to repay debts. All arrears letters provide the opportunity to seek financial advice via a Money Matters Advice Service set up by the Council.

Repayment arrangements

One of the areas causing difficulties concerned the requirement to agree a suitable repayment arrangement that met with both tenant and Council's acceptance. Analysis has shown that many arrangements are broken due to unrealistic amounts or timescales being set at the outset, without taking a detailed look at the individual tenant's financial circumstances.

A formula was created that was based on the Income Support applicable amount, which was then compared with the tenant's net weekly income. A percentage (10%) where income exceeded the applicable amount was added to the minimum amount of repayment arrangement - similar to the process for Income Support arrears deduction.

Example – Weekly Repayment Arrangement

Single Person – Net Income	£74.65
Applicable Amount	£54.65
Excess	£20.00
Repayment arrangement:	
Minimum Amount	£2.80 (Standard IS arrears deduction)
10% of excess	£2.00
Total	£4.80 towards rent arrears exclusive of normal rent due.

The emphasis of such a formula is on the gradual reduction of arrears over a longer period, rather than an aggressive approach to achieve a ‘quick fix’ reduction of the debt.

The main advantages of this approach are that staff find it simple and effective, eliminating the need to haggle with tenants over the repayment arrangements. Using the formula also achieves consistency in the management of caseload and staff changes.

Clearly, for such a strategy to be successful close scrutiny must be paid to any broken arrangements and any shortfall in the agreement must be made up. It’s also important to remember that with smaller repayment arrangements over a longer period, an arrears target must be seen as a long-term strategy for successful reduction.

A variety of methods of payment are made available to tenants including:

- Giro (Post Office)
- Direct Debit
- Swipe payment card
- Wage deduction
- Pay point
- Standing Order etc.

The opportunity to make payments, including repayment arrangements, outwith the normal rent debit cycle is also available.

Dealing with arrears in conjunction with other social problems

It has been accepted in many quarters that the fundamental cause of rent arrears is poverty (Audit Commission, 1992). Life crisis is also a major factor (relationship breakdown, illness, unemployment, debt problems) as well as tenants who may be vulnerable due to physical, mental health or literacy problems.

At South Lanarkshire, close liaison arrangements have been established with other agencies such as Social Work, Homeless Sections, Citizens Advice Bureaux, Shelter etc. to prevent the ultimate sanction of eviction and to involve such organisations in the creation of a policy that was deemed to meet acceptable standards and be recognised as best practice in prevention and recovery of arrears.

South Lanarkshire Council has included in its policy that no case can proceed to court without:

- The opportunity for tenants to seek financial advice.
- Social Work being contacted in advance where a potential vulnerable situation may arise, e.g. young children, health, age etc.

Regular liaison takes place between Social Work and Housing and funding has recently been approved to have a dedicated officer from Social Work seconded to Housing to deal with vulnerable cases at an early stage in the rent arrears recovery process.

Maximisation of Housing Benefit

Unclaimed benefits, including Housing Benefit, can also be a cause of rent arrears, as well as a regular change in a tenant's circumstances leading to tenants coming off and on Housing Benefit on a regular basis.

Tenants with rent arrears have the opportunity to have a welfare benefits check, either carried out routinely at all arrears interviews, or a referral to an organisation that is experienced in such matters.

Delay in the processing of Housing Benefit can also be a contributory factor in the cause of rent arrears. The Department for Work and Pensions has introduced performance standards for Councils who administer Housing Benefit; including publishing their performance on processing benefit claims for new and change of circumstances applications.

It is important that Councils have measures in place to show continuous improvement in the administration of Housing Benefit, which will reduce unnecessary rent arrears being created. Regular liaison with arrears and benefits staff is critical to any arrears strategy.

Issues such as Housing Benefit entitlement, advice on rent payments etc. are covered at the initial signing of a tenancy agreement with new tenants. If possible a follow up visit should be made to tenants within four to six weeks of their new tenancy, primarily to ensure there are no problems in relation to their housing needs, including their ability to make rent payments.

Tailoring reports from IT systems

It is important that IT systems can produce reports to assist in the recovery process. The minimum standards should contain the following:

- Tailored to show tenants' circumstances e.g. Housing Benefit, rent direct, income status.
- Arrears value
- Number of weeks in arrears
- Arrears history; up to date information on rent accounts
- Close scrutiny of repayment arrangement.
- Court action activity, including any additional costs.

Training

Staff training on arrears prevention and recovery should be seen as a priority including a continuous training programme covering all functions. Staff should be supported to ensure they have the ability and confidence to carry out their remit.

At South Lanarkshire, clearly defined policy and procedures are set out for staff which allows consistency in the approach to arrears recovery with staff being able to develop their own personal training plan, thus increasing their knowledge and future prospects of advancement in their chosen career.

Training should also be considered for other stakeholders e.g. Social Work, Homeless sections. This allows a better understanding of the recovery process but equally importantly it provides organisations with the opportunity to assist in developing best practice measures to achieve appropriate performance standards in the administration of rent arrears.

Centralised Debt Recovery Team

South Lanarkshire Council operates a decentralised housing service with seven local area offices. However, a decision was taken to establish officers within a central support section to deal with any court work. Members of the team represent the Council at court,

and liaise with internal and external organisations in relation to arrears cases (e.g. solicitors, Social Work etc.)

A comprehensive checklist of actions taken prior to court work is completed by staff and passed to the Debt Recovery Team with proposed recommendations. Details include:

- Contact made with tenant and outcome
- Information on repayment arrangements
- Housing Benefit details where appropriate
- Money Advice referral
- Vulnerability
- Tenant's income
- Internal/external liaison contacts
- Payments made
- Other debts
- Previous court actions

No application can be accepted for court action unless all relevant issues have been addressed. This has led to a significant decrease in applications for court activity and an increase in preventative measures being applied to control rent arrears amounts.

It must be emphasised that no case can proceed to court unless the individual has been contacted and ultimately referred for money advice. If a case is considered to be potentially vulnerable, Social Work Service is notified in advance of any potential court action.

Many initially difficult situations are resolved well in advance of the potential risk of tenants losing their home through eviction. This is evident by the number of eviction decrees implemented compared with our performance in rent arrears recovery.

Fast tracking

In some cases, a fast tracking arrears process is now in use for persistent rent arrears cases, and, as such, are dealt with outwith the standard follow up procedures.

Where two or more previous court actions have occurred, an interview is arranged with the tenant where emphasis is placed on their responsibility in meeting their condition of tenancy agreement, including timely payment of rent. These cases are monitored extremely closely.

Outcomes

South Lanarkshire Council has continued to develop and build on best practice in the control and recovery of rent arrears, minimising court activity, thus ensuring eviction as a last resort. Rent arrears levels have continued to reduce over the last five years:

Year	98/99	99/00	00/01	01/02	02/03
Current tenants arrears as % of rent due	8.5	6.0	5.5	4.8	4.5
% with arrears > 13 week rent	3.6	2.6	2.6	2.3	2.3
Number of evictions	N/A	N/A	60	78	34

South Lanarkshire Council's rent arrears are now one of the lowest in Scotland without having to use eviction to achieve a satisfactory level of performance.

Further information

If you would like to contact John for more information about his work, please email chip@shelter.org.uk in the first instance.