

<p style="text-align: center;">Non-Executive Report of the:</p> <p style="text-align: center;">Overview and Scrutiny Committee</p> <p style="text-align: center;">15 October 2024</p>	
<p>Report of: Mohamed Hussein, Interim Director of Housing Options & Homelessness</p>	<p>Classification:</p>
<p style="text-align: center;">Update on Tackling Temporary Accommodation Rent Arrears</p>	

Urgency Reasons

The urgency for this report to be published is to allow sufficient time for the report to be reviewed.

Executive Summary

The audit of the ‘management and monitoring of rent arrears,’ was agreed by the Audit Committee in May 2023. The service welcomed the audit to better understand the controls and escalation measures and if these were robust enough.

The audit gave a ‘limited’ assurance’ Recommendations were made to improve rent arrears management which were agreed by the service, these included actions for current TA tenant arrears and former tenant arrears.

Recommendations:

The Overview and Scrutiny Committee is recommended to:

1. Note and comment on the actions taken on tackling temporary accommodation rent arrears

1. REASONS FOR THE DECISIONS

- 1.1 This update is following the recommendations made by internal audit following the auditing of the management and monitoring rent arrears.

2. ALTERNATIVE OPTIONS

- 2.1 N/A

3. DETAILS OF THE REPORT

3.1 At the time that the audit commenced, the current tenant rent arrears was £8,878,982 and the former tenant arrears was £11,948,753.

3.2 Following the audit recommendations, significant changes and improvements have been made to the current tenant rent arrears policy, procedures and processes which has improved officer efficiency, has increased income collection, and has reduced rent arrears. Below are the areas identified where improvements were required;

- Policy, Procedures, filing of key documents
- Creation of tenancies and TA rent accounts
- Housing Benefit
- Arrears management – current tenant arrears
- Arrears management – former tenant arrears
- Staff declaration of interest

3.3 Below are the recommendations that were made that are on our delivery plan with target dates, most of which have already started or have been completed

Activity	Start Date	Start Qtr	Target Completion Date	Completion Qtr	RAG Status
Undertake a review of the TA rent policy, procedure and processes	May-24	Qtr4	Oct-24	Qtr1	Green
Set performance standards to ensure tenancies are set up immediately after a tenant has moved into TA	May-24	Qtr4	Oct-24	Qtr1	Green
Improve the process for HB forms to be issued and collected from residents placed into TA	May-24	Qtr4	Oct-24	Qtr1	Green
Arrears management, review current tenant arrears	May-24	Qtr4	Mar-25	Qtr3	Green
Arrears management, review former tenant arrears	Nov-24	Qtr1	Mar-25	Qtr3	Green
Staff declaration of interest - ensure staff members are completing DOI's on an annual basis	May-24	Qtr4	Oct-24	Qtr1	Complete

3.4 In April 24, the current and former TA Rent Team moved temporarily to Revenues and Benefits to get benefit from wider income collection control and escalation methods

3.5 The following are the updates on the activities that have taken place since the audit;

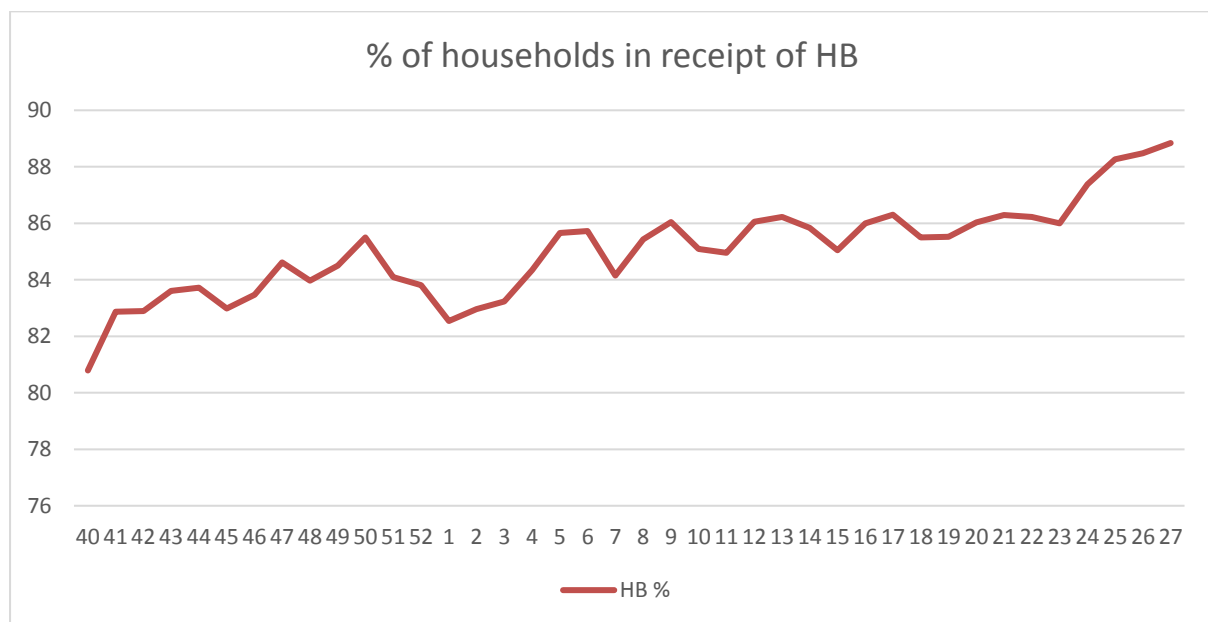
Policy, procedures, filing key documents and arrears management, current and former tenant arrears

The temporary accommodation arrears policy, strategy, procedures, and processes have been reviewed, which includes changes to the IT system. The final sign off on the review will take place by the end of November 24.

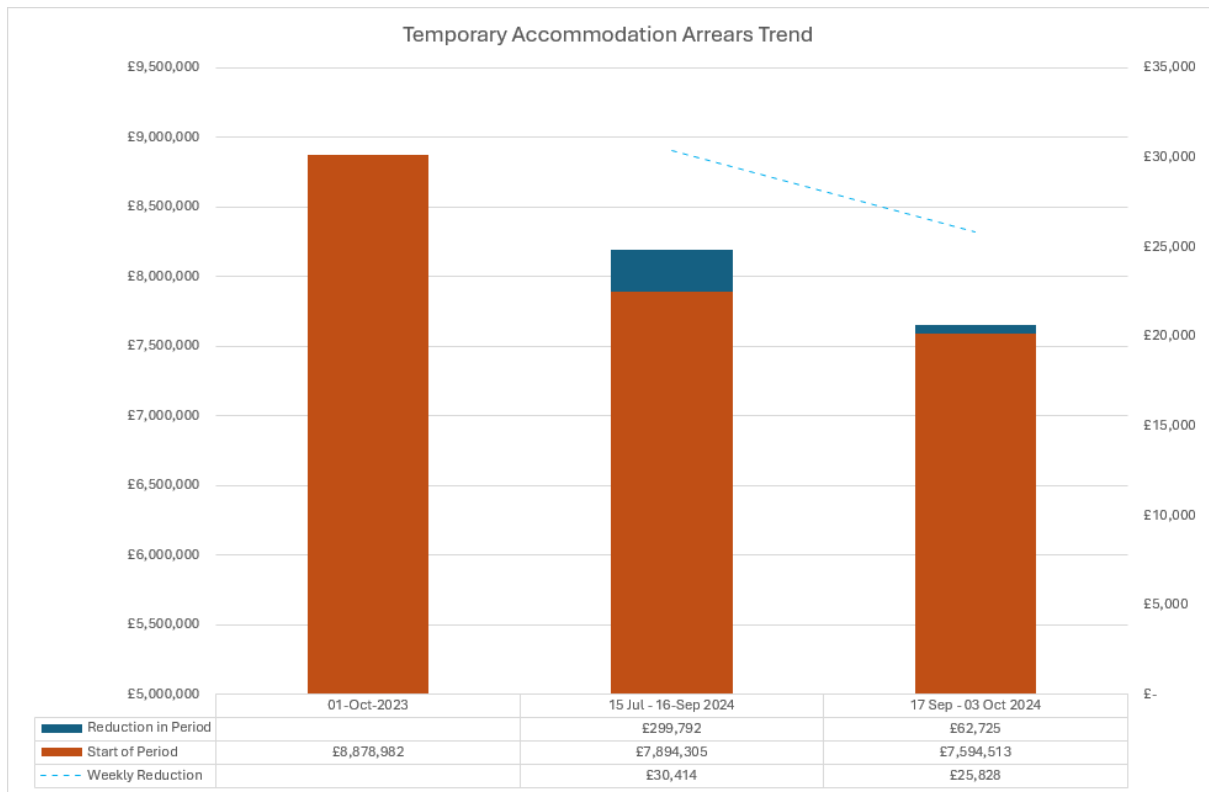
Further changes and enhancements are still in progress, which includes changes to the IT system for former tenant arrears and the deployment of Mobysoft for rents analytics, for both current and former tenant arrears.

The relocation of the rents teams to Revenues and Benefits has had a positive impact as dedicated HB resources were allocated to assist with ensuring HB claims were made at the time that a household was placed into TA and also, where a household already in TA was not in receipt of HB or had gaps in their benefits, this was looked at jointly and claims were put into payment and backdated payments were made.

In January 2024, **81%** of households in TA were in receipt of HB, this has now increased to **89%**, an **8%** increase, since additional resources were allocated from the HB team and because of the revision of the rent policy, processes, and procedures. The chart below captures the movement in the HB % from week 40 2023/24 to week 27 2024/25.



The overall rent arrears for current tenants as of 3 October have reduced to **£7,531,788** since the audit took place in October 2023, a reduction in current tenant rent arrears of just over **£1.3m**.

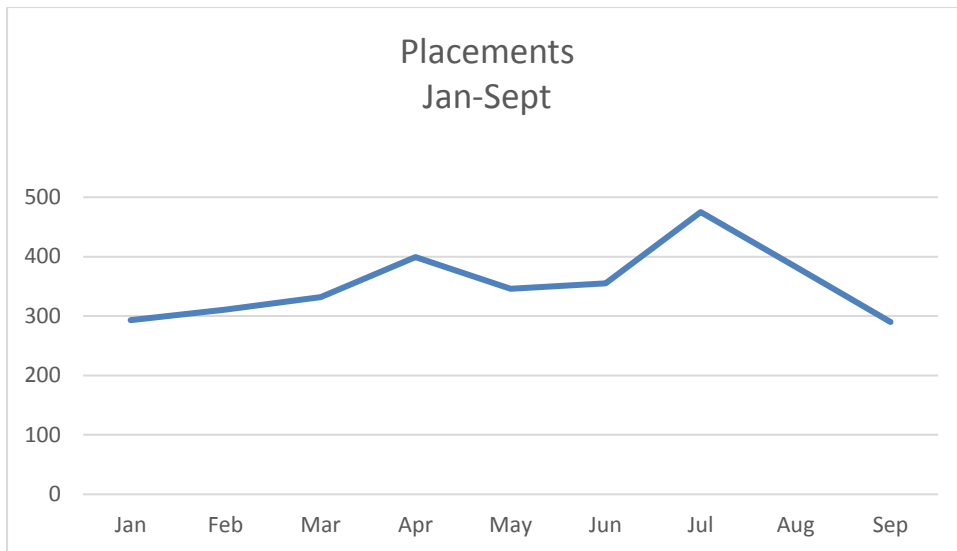


A soft launch of the new processes and IT systems for current tenant arrears took place on 15 July, since then, we have seen a significant improvement in the reduction of rent arrears and an increase in income. On average, there has been a £28k per week reduction in rent arrears.

Date	Total Arrears	Reduction in arrears	% decrease in arrears	Per Week
09-Jul (week of soft launch)	£ 7,894,305	Baseline		
16-Sep	£ 7,594,513	£ 299,792	4%	£ 30,414
03-Oct	£ 7,531,788	£ 62,725	1%	£ 25,828
	Reduction	£362,517	5%	

Housing benefit

The delay with getting HB claims made and processed was due to an increase in homelessness, and the logistics of getting completed housing benefit forms back from homeless households for processing. The table below shows the number of temporary accommodation placements from January-September 2024.



This has greatly improved with a more streamlined process has been put into place so that HB forms are handed to all residents that attend the hub for a new placement, or for when they are being transferred from one TA to another. Where a remote booking has taken place, a process has been put into place so that the resident is contacted to make a new claim or complete a change of circumstances form. Whilst the bulk of the backlog has been cleared and there are clearer, more robust processes in place,

In May 2024, two new posts within the Bookings Team were agreed and appointments have been made to these and to three vacancies. The team will be at full capacity from this month, and with training taking place over the next 2 months.

Arrears Management – current tenant rent arrears

The rent arrears policy, procedures and processes have been reviewed and significant changes to the NEC current arrears escalations policy have been made, which is already achieving on average a £30k per week in arrears reduction. We are also going to add automated SMS messages which will be implemented in December, which will increase income and reduce rent arrears.

In addition, we are exploring Mobysoft analytics for current tenant rent arrears and work to procure and implement this is currently underway. This work is being led by the Director of Finance, Deputy s.151 Officer and the implementation of this is being fast tracked.

Mobysoft have assessed the benefits of using analytics based on our current tenant rent arrears, and these are the benefits that they can deliver;

- 36% immediate officer productivity gains from removal of waste-work, equivalent to 5.4 FTE officer capacity gains across HRA and TA rent collection)

- Additional 8% officer productivity gains from increased usage of intelligent omni-channel assisted automation, increasing tenant digital self-serve (Further 1.2 FTE capacity gains)
- 54% improvement in arrears data accuracy
- £523,554 reduction in arrears debt across Temporary Accommodation
- Continued reduction in volume of unmanaged arrears caseload as more individuals maintain more successful payment profiles, resulting in approximate 12% lower caseload within 12 months, meaning more tenants alleviated from the burden of debt

The analytics software will support a review of the bad debt policy, which in turn, can enable a reduction in the bad debt provision

Arrears Management – former tenant rent arrears

In relation to the former tenant arrears, a deep dive into all accounts is still required, including reviewing the current IT processes on NEC.

There are around 5,500 former tenant arrears accounts, with the former arrears totalling £11,555m. The former debt includes a number of different types of debts, these are listed below;

- Statute barred
- Absconded
- Not liable eg benefit cap, rough sleeper, NRPF arrears
- Bankruptcy/Individual Voluntary Arrangement (IVA)
- Deceased
- Uneconomical to collect

Around 1,900 former accounts are over 6 years old, so potentially statute barred and valued at around **£4.4m**. Write-offs are being done but not at the speed that we would like given resource pressures.

There is a 100% provision for bad debt for TA arrears. The provision on 1 April 24, was £18.8m broken down as follows;

- Current arrears - £7.6m
- Former arrears - £11.2m

This will increase or decrease based on our in year bad debt position.

3.6 Current tenant arrears have been the key focus of the teams activities in the last 10 months. With resources now in place and a review of the current tenant rent arrears, the number of claims being put in on time the has increased, albeit, still with some delays which the team are working on.

- 3.7 The improved rents policy, procedures and processes is reducing rent arrears and has increased income.
- 3.8 We are now able to focus our efforts on former tenant rent arrears processes, with a deep dive of all former rent accounts.

4. EQUALITIES IMPLICATIONS

- 4.1 BME and single parent households are disproportionately represented amongst homeless applicants. The rents policy will therefore have a positive impact on poorer, BME and single parent households in the Borough and will contribute to overarching strategies designed to improve social inclusion and eradicate poverty

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Safeguarding.
 - Data Protection / Privacy Impact Assessment.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 A number of recommendations were made as a result of an audit of Temporary Accommodation rent arrears. As a result of implementing these recommendations around policy, process and procedures, including utilising a wider resource for income collection, the outstanding debt relating to current tenants has reduced by £1.3m since last year. This has a positive impact on the General Fund revenue for the service, with greater income and a reduction in the bad debt provision required as 100% of any debt is provided for.
- 6.2 The improved processes have increased the percentage of T.A. clients in receipt of housing benefit from 81% to 89%. This again has a positive impact on the income position within T.A. as rent payments are guaranteed to be paid through housing benefit, without arrears being built up. However, the increase in the amount of housing benefit paid out will result in a greater subsidy loss where rents are higher than 90% January 2011 LHA rate. Two new posts have been created within the bookings team to ensure tenants are processed onto Housing Benefits efficiently. These posts are unbudgeted and contribute to the current T.A. forecast overspend in year.
- 6.3 To date the focus has been on current tenants. However, there is a further £11.9m of former tenant arrears. £4.4m of this debt is over six years old and

therefore statute barred for collection. This debt has been 100% provided for and should be written off. These write offs will not impact the General Fund revenue position negatively.

- 6.4 This former tenant debt will be harder to collect with these tenants being harder to trace. Decisions will need to be taken as to what of this debt is economically viable to pursue and the remainder written off. This debt has been 100% provided for. The Council could consider other options such as selling the debt to specialist debt collection companies, particularly if it does not have the resources in house to pursue this former tenant debt.

7. COMMENTS OF LEGAL SERVICES

- 7.1 This is a noting report setting out the actions taken on tackling temporary accommodation rent arrears. It is important that the Council maximises its income by improvements to the arrears collection processes. There are no direct legal implications arising out of this report other than to note that there are time limits for collecting debts which may prevent the Council from pursuing the debtors to recover money owed if prompt action is not taken to recover the debts owed.

Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- **None**

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report

List any background documents not already in the public domain including officer contact information.

- These must be sent to Democratic Services with the report
- State NONE if none. None

Officer contact details for documents: