

NOTTINGHAM CITY HOMES

**PERFORMANCE AND
REGULATORY COMMITTEE
11 NOVEMBER 2008**

REPORT OF THE DIRECTOR OF HOUSING OPERATIONS

RENT COLLECTION PERFORMANCE UPDATE

1 SUMMARY

1.1 This report provides an update on rent collection performance for the second quarter of 2008/9, following the previous report to committee on 29th July 2008.

2 RECOMMENDATIONS

2.1 That Performance and Regulatory Committee note the contents of the report.

3 COLLECTION PERFORMANCE

3.1 Best Value and Local Performance Indicators targets and actuals for the second quarter of 2008/09 are as follows;

<u>Indicator</u>	<u>Sep-07 Actual</u>	<u>Sep-08 Target</u>	<u>Sep-08 Actual</u>	<u>2007/ 2008 Change</u>
In Year Collection (collected/ rent due; highest best)	99.21%	100.48%	100.29%	↑ 1.08%
BV66a (collection of rent & arrears; highest best)	95.37%	96.30%	96.59%	↑ 1.22%
BV66b (tenants owing 7 weeks +; lowest best)	10.27%	8.70%	8.43%	↑ 1.84%
BV66c (tenants served with Notice; lowest best)	21.35%	28.0%	25.83%	↓ 4.48%
BV66d (tenants evicted for arrears; lowest best)	1.11%	0.85%	1.01%	↑ 0.10%
Arrears as % of rent due; (lowest best)	4.57%	4.00%	3.75%	↑ 0.82%

The cash and number values for the change in performance from 2007 to 2008 are contained in the following explanations.

3.2 In Year Collection Rate

From April to September 2008 inclusive, £41.95 million has been collected against £41.83 million of rent charged. This represents a collection rate of 100.29%; £81,146 additional income beyond the rent due.

When compared to the same point in 2007, the performance this year has improved by 1.08% representing an additional £451,783 collected thus far.

3.3 BV66a
Arrears of £3.5 million have been brought forward into this year's calculation and added to the rent due in 3.2. The actual performance of 0.29% ahead.

3.4 BV66b
2,387 tenants owe seven weeks or more in rent, 77 less than the target. When compared to the same point in 2007, the performance this year has improved by 1.84%, representing 558 fewer tenants at this level.

It is also worthy of note that the number of tenants owing more than 52 times their rent has reduced to just 11 compared to 32 at September 2007 (at September 2005 the figure was 185).

3.5 BV66c
3,059 secure tenants have been served with a Notice of Seeking Possession in the 12 months to 30th September 2008. The indicator is within target.

High debt levels, the need to intervene early and take a robust approach has resulted in more notices being served than previously anticipated. Support and assistance is provided to tenants that need it and referrals to our Debt Advice Service, is standard practice at notice stage. This indicator is likely to remain high, although evidence shows that the consistently higher performing organisations, generally serve higher levels of notices than those who are the poorest performing.

3.6 BV66d
287 households have been evicted in the 12 months to 30th September 2008. The indicator is missing target at present. However, this figure is continually improving from April to September, and it is projected to hit target for the year end.

When compared to the same point in 2007, 31 fewer tenants have been evicted.

Considerable work is undertaken to reduce evictions to prevent homelessness. Evictions also represent poor value for money for the Company with average rent loss and void repair costs amounting to £4,000 per eviction.

3.7 Arrears as a Percentage of the Debit
This is a local indicator used for comparative purposes. Current residential tenancy arrears stand at £3,222,084, or 3.75% of the debit charged.

Current tenant rent arrears are down £292,893 on March 2008 and £506,599 lower than September 2007.

3.8 In 2008/09 rents have increased by an average of 5% on the previous year. This, when added to other significant pressures on household income such as increased fuel and food prices and the effects of the 'credit crunch' have all lead to extremely difficult economic conditions. We are awaiting comparative benchmarking data, but a number of large ALMO's in the Northern Benchmarking group are reporting reduced collection rates this year.

4 PLANS TO IMPROVE PERFORMANCE

- 4.1 Rent collection performance is currently achieving over 100% for the in year collection rate. This means that the Income Management section is now making headway into the £3.5 million debt that was brought forward from previous years. Compared to last years performance an additional half a million pounds has been collected. This is particularly pleasing as there is also a reduction in the number of tenants being evicted compared to previous years.
- 4.2 The Rents Call Centre collected £114,377 in card payments in September – which is nearly £50,000 more than the same month last year. September also saw the Call Centre answer 98.48% of calls – the highest rate so far this year, with an average answer time of just 9 seconds (again the best so far this year).
- 4.3 Significant progress has been made into the higher levels of debt cases. In June 2008 there were 447 cases that each owed in excess of £1,500. This has now reduced to 302 cases by mid-September. A recent review of these cases shows that the vast majority have realistic payment plans in place, regular contact with Rent Account Managers and are reducing in line with their agreements.
- 4.4 Further progress has been made to those cases that owe 52 x their weekly rent. In March 2005 there were 290 such cases. In September this year this amount has reduced to just 11.
- 4.5 There has been an increased emphasis from Rent Account Managers to have personal contact with tenants – ensuring that tenants are aware that they can approach them for help and support. The Rent Operation Managers are proactively reviewing the cases in their areas. Regular supervision sessions are held every month with all Rent Account Managers to ensure that accounts are being managed effectively and in line with procedures.
- 4.6 A new vulnerability check has been put into place with the Lettings team colleagues. Lettings Officers are now carrying out a risk assessment of vulnerable cases at the sign-up stage. This is then being highlighted to the Financial Inclusion Officers who will ensure that a new tenant is visited, and supported throughout the early days of their tenancy to increase the chances of the tenancy being sustained.
- 4.7 The number of tenants paying by Direct Debit has also increased – up 21.89% in the past twelve months to over 2,500 residential tenants. This is the preferred method of payment for the Company as it has the lowest transaction costs. It is hoped to increase this number further as a concerted campaign to promote this way of payment has recently been undertaken. This is linked to an incentive scheme that has recently been introduced with a monthly £50 prize draw for all those tenants who regularly pay their rent by Direct Debit. In an attempt to encourage tenants to save and promote the Nottingham Credit Union, prize winners can elect to have their award doubled if it is paid directly into a Credit Union account.
- 4.8 New Protocols have been developed and signed with two local colleges and Nottingham Credit Union. It is hoped that by forming closer links with our partners that we will be able to signpost our customers more effectively to the help and advice that they may need. New publicity literature has also been

produced promoting Debt Advice, and the role and support that a Financial Inclusion Officer can provide to tenants.

4.9 In these difficult financial times, the Income Management section is trying to help those tenants who may be experiencing money problems. On the 12th November we are facilitating a Financial Inclusion Roadshow to be held at the Guildhall that has been widely publicised. We have approximately 20 partner organisations attending an event that is free to all tenants. The event will provide advice and assistance to those with debt/financial problems. Organisations that will be in attendance include: Severn Trent, Nottingham Law Centre, Debt Advice Service, Job Centre Plus, Welfare Rights.

4.10 The Income Management section has also started to submit court applications on line, saving £50 court fees per case. It is predicted that this will save £40,000 per annum which will be put back into service delivery. Additionally, Court costs levied to already indebted tenants will reduce from £206 per case to £100.

5 2008/9 PROJECTIONS AND TARGETS

5.1 Challenging targets for BVPI's and the In Year Collection rate have been set and are displayed in Appendix 1.

6 COMPARATIVE PERFORMANCE

6.1 Comparative performance data is shown at appendix 2, with the Rents Collection Trend Analysis charts.

7 FINANCIAL & RISK IMPLICATIONS

7.1 Achieving good performance in rent collection is essential both for the overall position of Nottingham's Housing Revenue Account and for the status of the Company. Minimising the amounts written off as rent arrears will ensure that more resources are made available for front line services. The Company must demonstrate that it has developed sound processes to maximise collection rates and robust monitoring systems are essential.

8 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

8.1 The failure to maximise collections will have a detrimental effect on the management fee and the Company's ability to provide essential services.

9 VALUE FOR MONEY & EFFICIENCY ISSUES

9.1 Higher collection rates will enable more HRA funds being put to productive service provision rather than bad debt provision. Implementing the new Possession Claims On Line, as stated in 4.10 above, will result in efficiency savings of approximately £40k p.a.

10 EQUALITY & DIVERSITY IMPLICATIONS

10.1 A Knowing Our Customers report has been produced to better understand the profile of customers and their needs. By using profiling we will effectively target resources to the areas of greatest need, whilst ensuring we provide excellent services in appropriate ways.

10.2 A 'firm but fair' approach has been adopted and the results achieved are reflected by having significantly improved collection results. Support will continue to be provided for vulnerable tenants who are having difficulty in paying or claiming benefit. Referral procedures and links with support providers have been improved. A profiling document has been produced by the section which will help the Company to target its resources more effectively to those in greatest need of experiencing tenancy failure.

10.3 All three Financial Inclusion Officer (F.I.O.) posts have been recruited to, and all new team members have undergone various welfare rights and benefit awareness training courses. A new vulnerability check has also been introduced at tenancy sign-up stage which will alert F.I.O's to increased action to ensure increased tenancy sustainment.

11 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

11.1 "Knowing our Customers" – Profiling Document. – Income Management Section.

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Month/ 2008_9	BV66a	BV66b	BV66c	BV66d	In Year by Month	In Year Cumulative
2007/8 End of Year Actuals	96.23%	9.03%	27.93%	1.07%	99.36%	99.36%
April	95.80%	9.10%	28.00%	1.05%	100.00%	100.00%
May	95.90%	9.00%	29.00%	1.03%	100.20%	100.10%
June	95.90%	9.00%	30.00%	1.00%	100.00%	100.07%
July	96.10%	8.90%	29.00%	1.00%	100.20%	100.09%
August	96.50%	8.60%	28.00%	0.98%	103.50%	100.61%
September	96.30%	8.70%	28.00%	0.95%	100.00%	100.48%
October	96.40%	8.60%	27.00%	0.95%	100.20%	100.44%
November	96.50%	8.50%	26.00%	0.93%	100.50%	100.45%
December	96.80%	8.30%	26.00%	0.85%	102.50%	100.67%
January	96.60%	8.30%	28.00%	0.90%	100.00%	100.61%
February	96.75%	8.20%	27.00%	0.88%	100.40%	100.58%
March & Year End	97.00%	8.00%	26.00%	0.85%	100.80%	100.60%

Commentary

- BV66a Targeted improvement from 96.23% to 97% represents a potential arrears reduction of up to £505,084 to £2.95 million
- BV66b Targeted improvement will reduce the number of tenants owing 7 weeks or more by 297 to 2,280
- BV66c Targeted improvement will slightly reduce the number of tenants served with a notice by 200 to 2,692.
- BV66d Targeted improvement will reduce the number of tenants evicted by 62 to 242
- In Year Targeted improvement to 100.6% represents additional income of £505,084 collected.
- BV66a $\text{£83,950,000 debit} + \text{£3,500,000 arrears} = \text{£87,450,000} * 97.0\% = \text{£84,826,500}$, therefore arrears reduction of up to £876,500