

NOTTINGHAM CITY HOMES

**PERFORMANCE &
REGULATORY COMMITTEE
10 FEBRUARY 2009**

REPORT OF DIRECTOR OF HOUSING OPERATIONS

RENT COLLECTION PERFORMANCE UPDATE

1 SUMMARY

1.1 This report provides an update on rent collection performance for the first quarter of 2008/9, following the previous report to committee on 21st October 2008.

2 RECOMMENDATIONS

2.1 It is recommended that the Performance and Regulatory Committee note the contents of the report.

3 COLLECTION PERFORMANCE

3.1 Best Value and Local Performance Indicators targets and actuals are as follows;

<u>Indicator</u>	<u>Target</u>	<u>Actual</u>
In Year Collection (collected/ rent due; high best)	100.67%	100.61%
BV66a (collection of rent & arrears; highest best)	96.80%	96.78%
BV66b (tenants owing 7 weeks +; lowest best)	8.30%	8.30%
BV66c (tenants served with Notice; lowest best)	26.0%	29.58%
BV66d (tenants evicted for arrears; lowest best)	1.00%	1.00%
Arrears as % of rent due; (lowest best)	4.15%	3.47%

3.2 In Year Collection Rate

£60.20 million of rent and service charges have been levied to 27th December 2008. £60.57 million, or 100.61%, of sums due have been collected.

When compared to the same point in 2007, the performance this year has improved by 0.88% representing an additional £529,732 collected thus far.

3.3 BV66a

Arrears of £3.5 million have been brought forward into this year's calculation. The shortfall of 0.02% against target represents a cash shortfall of just £15,132.

When compared to the same point in 2007, the performance this year has improved by 0.93%.

3.4 BV66b

2,289 tenants owe seven weeks or more in rent, this indicator is now on target. When compared to the same point in 2007, the performance this year has

improved by 1.84%, representing 618 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 10 from 28 at December 2007 (50 at December 2006 & 117 at December 2005).

3.5 BV66c

2,987 secure tenants have been served with a Notice of Seeking Possession in the 12 months to 27th December 2008. The indicator is within target.

When compared to the same point in 2007, 417 more tenants have received a notice this year.

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, standard practice at notice stage, are at record levels. Until arrears are brought under better control, this indicator is likely to remain high, although evidence shows that the consistently better collection performing organisations generally serve higher levels of notices than those who are poorer performing.

3.6 BV66d

258 households have been evicted in the 12 months to 27th December 2008.

When compared to the same point in 2007, 45 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 £2,970,400, or 3.47% of the debit charged. This is a significant milestone for the section to break the three million pound barrier – the first time this figure has been at this level for many years.

3.8 2008/9 rents have increased by an average of 5% on last year. This, when added to other significant pressures on household income such as increase fuel and food prices, the effects of the 'credit crunch' have created very difficult economic conditions.

4 **PLANS TO IMPROVE PERFORMANCE**

4.1 Each Rent Account Manager now has an individual target set for them to achieve. They are all fully aware on a weekly basis of their own individual performance and also how this compares to the rest of their colleagues in their particular team. The results of their endeavours are produced in graphic format and displayed prominently in each office.

4.2 The Tenants Rent Incentive Scheme is now in full operation. A £50 monthly prize draw is taking place for those tenants who have a zero balance on their rent account – with the winners being selected by members of the Tenants Rent Panel.

- 4.3 Obtaining early contact with tenants is absolutely vital in managing debt effectively. Rent Account Managers are challenged to make contact with every increasing arrears case with contact actions (visits, office interviews and telephone calls) were up by 30% per person per day. It is expected that the number of home visits must increase throughout the recovery process.
- 4.4 Managers are undertaking regular casework supervision sessions with all Rent Account Managers to ensure that all accounts are being managed effectively, and in line with procedures. Areas of under performance are being challenged and addressed.
- 4.5 Employees in the Rents Call Centre, also have individual targets set for them to achieve. During periods of 'down time', they are tasked with going through specific lists of debtors, to aid in the collection of rent. The lists consist mainly of those cases that are low level static debt cases.
- 4.6 The way we manage new tenancies has been reviewed with the Lettings and Homelink teams to ensure that the necessary support and assistance is provided. Colleagues from these teams are now insisting that all new sign-ups have relevant proofs of benefit entitlement – this will help prevent arrears accruing.
- 4.7 New area 'Patch Plans' have been developed that detail how debt will be managed within particular areas. Plans detail the profile of the tenants in the area, what specific days of action will take place, and how colleagues across NCH can help in the reduction of debt.
- 4.8 A new suite of Arrears posters have been developed that are incorporated into a Marketing and Communication Strategy for the section. These are targeted at seasonal events, such as the holiday period, Christmas etc., and at geographical hotspots such as high rise blocks. The Audit Commission in their recent inspection made particular comment of their liking for these posters, and the profiling information that supports the targeted actions.
- 4.9 The Rents Free (to customers) SMS Text system is proving an effective and popular method of contact, particularly from the harder to reach groups such as younger tenants. Over 13,000 texts have been sent since April 2008. Customer satisfaction surveys have identified this as a popular method of making contact and other ALMOs and RSLs have shown texts to be effective and good value for money. It has been particularly effective tool, being used as a reminder to those tenants in arrears to keep paying over the Rent Free Weeks.
- 4.10 In September last year the Rent Incentive Scheme was launched to incentivise tenants to pay their rent by Direct Debit (seen as the most cost effective way of collecting rent). This is already showing positive signs with the numbers of tenants paying by this method increasing by 540 cases in the 3 months since the scheme has been in operation.

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 from Housemark for the second quarter on 2008/9 is available and is detailed in Appendix 2.

It is pleasing to note that Nottingham City Homes is currently the best performing Metropolitan ALMO, when it comes to cash collected against the debit levied in the current year.

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 an immediate and 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.

10 EQUALITY & DIVERSITY IMPLICATIONS

- 10.1 Despite a more systematic and robust approach being adopted, 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.

- 10.2 Work is being undertaken to provide better profiling information on tenants to understand the effects on debt levels, benefit take up and arrears actions.

Any letter that is addressed to a tenant who is highlighted as being vulnerable is hand-delivered by the relevant Rent Account Manager.

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

- 11.1 Performance and Regulatory Committee Rent Collection Performance report; 21st October 2008.

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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