



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.

The impact and causes of rent arrears

- 1 Rent arrears total 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. Overall levels of debt are on the increase. Between 1997 and 2002:
 - current tenant 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; and
 - average debts per tenant increased by 41 per cent, from £246 to £348.
- 2 Council tenants are more likely to be on low incomes, dependent on benefits and vulnerable than in previous years. Only 31 per cent of council tenants were in paid work in 2000/01, compared with around 50 per cent 20 years ago. Two-thirds of tenants receive housing benefit (HB) to help pay the rent. As a consequence, juggling bills and debts is a daily struggle for many.
- 3 Delays in settling HB claims were estimated to account for 10 per cent of arrears in 2000/01. The increased tendency for tenants to move into and out of work, partly as a result of government work incentives, disrupts benefit entitlement and, because of the time it takes to process HB claims, often leads to arrears. Councils with high tenancy turnover rates are particularly affected by delays in processing *new* tenants' claims.

How are councils responding?

- 4 Overall, the performance of rent/arrears collection services has been judged by our housing inspectors to be weak. Since September 2000, 104 housing inspections have covered rent/arrears collection services. Sixteen looked specifically at rent services and judged them as mainly fair or poor. Wider housing management services fared better, with 33 per cent viewed as good or excellent. Although the numbers involved are small, they suggest that rent services may be under-performing in relation to other housing services.
- 5 Since 2000/01, more authorities have improved their position than worsened. But the overall performance of councils in collecting rent has stabilised in the last two years at around 97 per cent of rent roll in England and Wales. Rent arrears, however, will continue to increase if collection rates overall are lower than 100 per cent.
- 6 Rent collection performance varies between authorities. The collection rate was on average highest among councils in the east of England and lowest among London councils. Districts had higher collection rates than other authority types.

- 7 Growing arrears levels have prompted authorities to take a firmer line on arrears recovery. This 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 84,000 in 1995 to over 150,000 in 2001. 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.
- 8 There is also growing evidence of a move towards more specialised staffing arrangements. Dedicated posts and teams have, for example, been created to handle benefit advice, liaison with HB and court action.

Stepping up the pace of change

- 9 Inspection reports suggest that many authorities have good prospects for improvement. Of the rent services inspected 82 per cent – and 67 per cent of broader housing management services – had promising or excellent prospects for improvement. To realise this potential, authorities need to respond at both the strategic and operational levels:

Strategic response

- **Clear, corporate approach and commitment** to managing rent arrears and other debts, backed by councillors and senior managers, with clear links to other corporate priorities, such as homelessness.
- **Effective management arrangements** – clear and challenging targets that enhance staff performance, and efficient and effective information systems.
- **Tenant focus** – having flexible payment options to suit tenants' preferences; providing information, advice and support to help them maximise their incomes and manage their finances.

Action at the operational level

- **Emphasis on prevention** – providing pre-tenancy information and advice to prospective tenants; making early contact with new tenants to reinforce responsibilities and identify support needs; introducing incentive schemes; issuing regular rent statements.
- **Working closely with housing benefit** – sharing information about claims and overpayments; providing an efficient, consistent service to tenants.
- **Effective recovery procedures** – making early personal contact with tenants whose rent accounts are in arrears; ensuring that tenants are offered independent debt advice before any legal action begins; avoiding court action where arrears are due to HB delays; working with the courts to minimise delays and to make the legal process as smooth as possible.

- **A focus on former tenants** - pursuing these more actively and ensuring that rigorous procedures exist to identify the past rent debts of housing applicants.

The Commission also recommends

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.

📄 Copies of this briefing and the full report are available at:

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