

# Managing rent arrears

Getting the balance right

JUNE 2000

A JOINT STUDY BY THE ACCOUNTS COMMISSION AND SCOTTISH HOMES



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## **Scottish Homes**

Scottish Homes is the National Housing Agency for Scotland. Set up in 1989, it is funded by the Government. Its main purpose is to help provide good quality, affordable housing and to contribute to the regeneration of local communities.

Scottish Homes has a statutory duty to act as the Registration Authority for all Registered Social Landlords (RSLs) operating in Scotland and to control and supervise their activities. The Registration & Supervision Department carries out that function and also offers a registration and supervision service to landlords who are not eligible for registration under statute.

## **Acknowledgements**

We would like to thank the study advisory group, comprising a range of experts from councils, RSLs and other bodies. The group provided valuable advice and acted as a useful sounding board for the study team. Membership of the group is listed in Appendix 1.

Scottish Homes particularly wishes to thank the 21 RSLs, who took part in the study on a voluntary basis. Appendix 5 lists the 21 RSLs involved.

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# Summary

In conducting this joint study, the Accounts Commission and Scottish Homes wish to assist Scottish councils and Registered Social Landlords (RSLs) to improve their management of rent arrears.

The study provides a 'snapshot' of the extent to which councils and a sample of mainstream<sup>1</sup> RSLs were implementing good practice in managing rent arrears in early 2000. Since then, a number of participant organisations have taken steps to improve their management of arrears, using the results of the local study fieldwork.

## Rent arrears is an increasing problem for many councils and RSLs

- at 31 March 1999, the total rent arrears due from council tenants was £37.2 million (3.3% of gross rent debit)
- at the same date, the total rent arrears due from mainstream RSL tenants was £6.8 million (2.6% of gross rent debit)
- during 1998/99, rent arrears in councils and mainstream RSLs, as a proportion of total gross rent due, increased by 9% and 8% respectively
- landlord organisations in urban areas tend to have higher levels of deprivation and higher levels of arrears, compared to those in rural areas
- many tenants in arrears with their rent are also in arrears with their council tax.

## By adopting good practice in managing rent arrears, the level of arrears can be reduced

- overall, RSLs meet more of the good practice standards than councils (eg, in such areas as taking earlier arrears action and having more face-to-face contact with tenants)
- three councils that most fully comply with good practice have the lowest gross rent arrears among urban councils. These are City of Edinburgh, North Lanarkshire and South Lanarkshire
- some landlords, particularly in rural areas, do not comply with many good practice standards, yet have relatively low levels of arrears. This is felt to be mainly due to tenants having a good payment culture and staff maintaining a close relationship with tenants
- by adopting good practice, all landlords can work to ensure that their levels of arrears are lower than they otherwise would be.

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<sup>1</sup> Mainstream RSLs exclude those with a very small number of dwellings and those having a predominant proportion of supported accommodation. Throughout this report reference to RSLs relates only to mainstream general needs RSLs. At March 2000, there were 150 mainstream general needs RSLs out of a total of 253 RSLs.

### How well councils administer housing benefit has a significant impact on councils' and RSLs' management of rent arrears

- for most landlords between four and eight out of ten of their tenants depend on housing benefit to help them pay their rent
- more than half of councils do not process housing benefit applications within the 14-day target set by the Department of Social Security and this delay can lead to increasing rent arrears
- in the majority of councils, housing benefit and rent arrears functions are managed separately and liaison within councils, and between councils and RSLs, is generally poor
- the amount of recoverable housing benefit overpaid to council tenants increased by 44% to £17.4 million a year between the years 1996/97 and 1998/99
- the majority of these overpayments are recovered through tenants' rent accounts and although this method is effective in recovering overpayments, it can also increase arrears levels.

### The extent of compliance with good practice varies among councils and RSLs

- councils found to comply with most of the good practice standards include: Aberdeen City, Argyll & Bute, City of Edinburgh, Moray, North Lanarkshire, South Lanarkshire and West Lothian
- within the sample, RSLs found to comply with most of the good practice standards include: Barrhead, Castlemilk East, Elderpark, Hillcrest, Perthshire, Rural Stirling, Rutherglen & Cambuslang, and Thenew
- councils that least comply with good practice include: Angus, Fife, Orkney Islands, Renfrewshire and South Ayrshire.

### There are a number of areas where many councils and/or RSLs are not meeting accepted good practice standards

- landlords are not making contact with tenants within two weeks of the first missed payment (52% of councils; 29% of RSLs)
- tenants are not being interviewed, or an interview being attempted, by the time that they are eight weeks in arrears with their rent (48% of councils; 24% of RSLs)
- landlords are not taking proper account of the tenant's ability to pay when making a formal repayment arrangement (45% of councils; 33% of RSLs)
- arrears staff are not being provided with sufficient needs-based training (39% of councils; 10% of RSLs)
- landlords are not regularly monitoring and reviewing the recovery of former tenant arrears (36% of councils; 43% of RSLs)
- quality of management information is insufficient to support comprehensive performance reviews and target setting (33% of councils; 10% of RSLs).

The report recommends actions that should be taken by councils and RSLs to improve their management of rent arrears. These include

- having a formal arrears policy supported by clearly documented procedures, which are regularly subject to review and improvement
- giving rent collection a high priority, with Members and the management team giving clear leadership and support to staff in implementing arrears procedures, including evictions
- council Members not being informed of tenants' names and addresses when they consider potential eviction cases
- supporting staff to do their job effectively, for example, by providing needs-based training and good IT systems that provide ready access to complete and up-to-date information on rent account balances
- maintaining effective liaison between staff involved in dealing with tenants, most particularly rent arrears and housing benefit
- managing the recovery of overpaid housing benefit separately from rent arrears, whether via tenant rent accounts or other means
- improving liaison between councils and RSLs, particularly in relation to housing benefit issues
- developing a performance culture, where staff are committed to reducing arrears, are encouraged and given support to perform well, and are involved in setting targets and monitoring performance
- adopting as targets the performance currently being achieved or bettered by 25% of councils and RSLs:

	Targets	
	% of gross rent due	% of net rent due
<b>Councils</b>		
city and urban areas	3.1%	7.0%
semi-urban and rural areas	1.7%	3.0%
<b>Mainstream RSLs</b>	<b>% of gross rent due</b>	<b>% of net rent due<sup>2</sup></b>
city and urban areas	2.0%	n/a
semi-urban and rural areas	1.5%	n/a

Both the Accounts Commission and Scottish Homes expect councils and RSLs to use this report and its recommendations to improve their management of rent arrears

- a self-assessment checklist is provided to assist managers to monitor continuous improvement towards full compliance with the good practice standards
- case studies are included from private and public sector organisations that are successfully tackling problems with rent arrears
- local external auditors will be following up the action taken by councils both in response to this report and to their local audit reports
- Scottish Homes will be monitoring the improvement action taken by all RSLs and the findings from this study will be used to update the Scottish Federation of Housing Associations' good practice manual *Raising Standards in Housing*.

<sup>2</sup> Currently RSLs do not collect information to enable them to express current tenant arrears as a percentage of the net rent due (ie, gross rent due less housing benefit).

# 1 Introduction

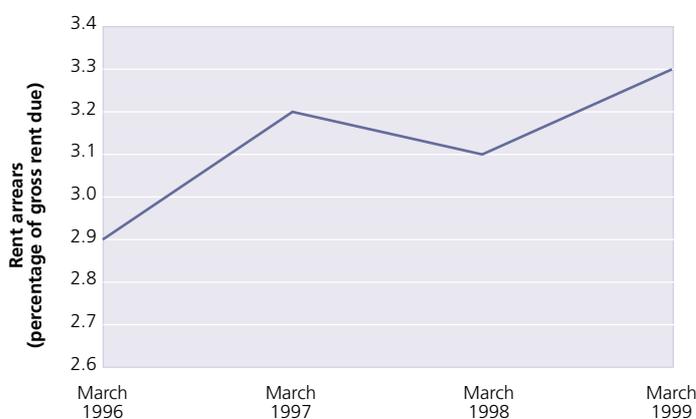
## Background

Rent arrears is a continuing problem for many councils and Registered Social Landlords<sup>3</sup> (RSLs) in Scotland. Although there is wide variation among individual councils and RSLs, the level of arrears in both sectors continues to rise.

At 31 March 1999, rent arrears in Scottish councils amounted to £37.2 million. This represents about 3.3% of the total £1,125 million rent due in 1998/99, compared to 3.1% at 31 March 1998 - an increase of 9%. The level of arrears has increased since April 1996, when local government was reorganised (Figure 1). At that time, current tenants' rent arrears amounted to £26.5 million, representing 2.9% of the total £926 million rent due. At 31 March 1999, in addition to current tenants' arrears, a further £18.2 million was due to councils by former tenants who had relinquished their tenancy owing rent.

**Figure 1: Levels of current tenants' rent arrears in Scottish councils (1996-1999)**

Council rent arrears have increased since local government reorganisation.



Source: Accounts Commission performance information, 1996-1999

Rent arrears are also increasing in the RSL sector. At 31 March 1999, rent arrears owed by tenants in mainstream RSLs amounted to approximately £6.8 million. This represents 2.6%<sup>4</sup> of the total £262 million rent collectable compared to 2.4%<sup>4</sup> at 31 March 1998 - an increase of 8%.

More than three-fifths of mainstream RSLs reported higher levels of rent arrears in 1998/99 than in 1997/98.

<sup>3</sup> RSLs (formerly known as housing associations) are social landlords that are registered with Scottish Homes. An RSL registered with Scottish Homes must:

- be registered as a legally constituted association, society or company
- have the provision of social rented housing as its primary purpose
- be non-profit distributing
- have its registered office in Scotland
- not have entered into any contracts with other parties which prevent it from complying with the requirements of Performance Standards.

<sup>4</sup> Median value, ie the value at which half of RSLs have a higher level of arrears and half have lower.

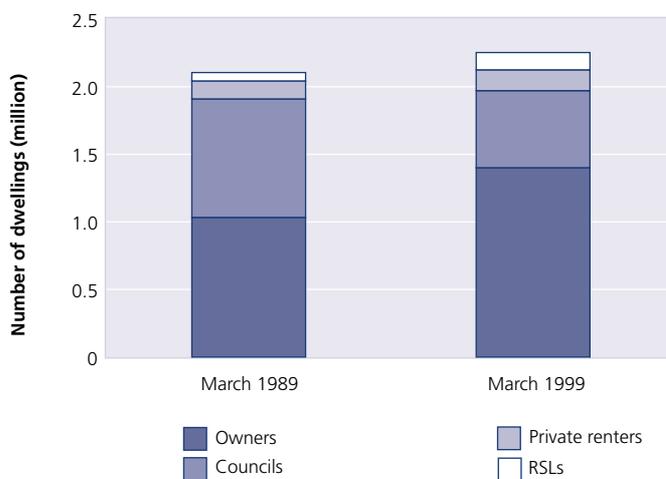
There is wide variation in the levels of rent arrears among councils and RSLs operating in similar areas with broadly comparable tenant profiles. This suggests that differences in the management of rent arrears are, to some extent, responsible for the differences in levels of arrears.

This study examines the extent to which landlords implement accepted good practice in managing rent arrears. While the level of arrears will vary according to external factors (eg, tenants' income levels), the landlord's practices will affect factors such as how quickly arrears action is taken, the level of advice offered to tenants, and the consistency with which eviction notices are enforced. By implementing good practice, landlords can be confident that their levels of arrears are lower than they otherwise would be.

Around two-fifths of the housing stock in Scotland is currently provided in the rented sector. Although Right To Buy sales (under The Tenants' Rights etc (Scotland) Act 1980) have reduced the amount of council housing stock, local authorities remain the major public sector landlord in Scotland, providing around 570,000 dwellings (about 25% of all housing and around 66% of all rented housing). RSLs currently provide around 128,000 dwellings (6% of all housing and 15% of all rented housing). Figure 2 shows how the tenure composition in Scotland has changed in recent years.

**Figure 2: The tenure of Scottish housing stock (1989-1999)**

Council housing stock has reduced significantly.



Source: Scottish Homes and Scottish Executive Statistical Bulletins

The Accounts Commission and Scottish Homes undertook this study jointly, to facilitate a cross-sector comparison of the management of rent arrears in councils and RSLs. It is particularly helpful to compare practices between the two sectors at this time as there are a number of housing policy initiatives that will have significant implications for the provision and management of social rented housing in Scotland. Within that context, it will be important to ensure that tenants receive quality housing at affordable rents and meet their obligations by paying their rent.

There is an opportunity for all social landlords to improve their management of their housing stock, for example:

- Best Value provides a framework for social landlords to review and improve their services on an ongoing basis. It also provides an opportunity for greater tenant participation.
- Stock transfers have provided the opportunity to use private investment to build and modernise social rented housing. As stock transfers increase, more RSLs will be relying on councils for effective administration of housing benefit. This will bring a greater need for good liaison and communication between the two organisations.

## Study objectives

The objectives of this study are:

- to undertake an independent assessment of the extent to which councils and RSLs implement accepted good practice in managing rent arrears
- to review the effectiveness of different practices in liaison between the different functions of rent arrears management (eg, housing benefit, rent collection, rent arrears and external support agencies)
- to collect information and examples of good practice that will assist councils and RSLs to undertake process benchmarking and so improve their management of rent arrears
- to challenge social landlords to take action, where appropriate, to improve rent arrears performance.

## Study approach

The primary focus of this study is an independent assessment of the extent to which social landlords implement good practice in managing rent arrears. Good practice in rent arrears management is generally well known and is set out in a number of publications<sup>5</sup>. Using existing material, advice from the Advisory Group (Appendix 1), and views from managers in RSLs and councils, the central study team developed a set of good practice statements (Appendix 2). These statements were designed to reflect the elements of good practice that practitioners feel are most critical in controlling arrears.

There were four main strands to the study:

- **Local assessments:** External auditors (for councils) and housing consultants (for RSLs) used the good practice statements as a framework to independently assess whether or not individual councils and RSLs were implementing good practice.
- **Contextual information:** The study collected information on the role of Members, organisational structures, staff numbers and roles, and the use of IT, to enable the performance of each landlord to be assessed in context. Data was also gathered on the number of tenants in arrears and the amount of arrears due.
- **Focus groups:** Discussions were undertaken with rent arrears staff and managers from councils and RSLs to collect views about their experiences of working in different organisational environments. The main findings are presented in Appendix 3.
- **Case studies:** Successful initiatives were identified during the course of the study. These are included in Appendix 4 and throughout the report to enable landlords to learn from the good practice of others.

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<sup>5</sup> Examples of good practice material include:

- *Performance Standards for RSLs*, Scottish Homes and the Scottish Federation of Housing Associations, 1999
- *Raising Standards in Housing*, Scottish Federation of Housing Associations, 1999
- *Good Practice Briefing Issue 11*, Chartered Institute of Housing, 1997
- *Tenants rent arrears – a problem?*, Accounts Commission, 1991.

Assessments were carried out in all 32 councils and in 21 RSLs. Appendix 5 lists the names of the 21 RSLs that participated in the study. The sample was selected by Scottish Homes to be representative of the profile of mainstream general needs organisations. To enable comparison between the two sectors, very small RSLs, and those dealing with predominantly supported accommodation, were excluded.

To ensure consistency of approach, the central study team developed a comprehensive audit guide and provided training to all the auditors and housing consultants who undertook the local assessments. The assessments were undertaken between December 1999 and February 2000. During spring 2000, the central study team undertook consistency checks, collated and analysed the results, followed up case studies and prepared the national report.

This study therefore provides a 'snapshot' of the extent to which councils and RSLs were implementing good practice in early 2000. Since then, a number of organisations have taken steps to improve their management of arrears. Some of these have been in response to the local audit process, which helped these organisations to identify areas where they could improve their performance.

### Factors affecting rent arrears

The Accounts Commission's previous study of rent arrears, *Tenants rent arrears – a problem?* identified a wide range of factors that affect levels of arrears.

Broadly speaking, these fall into two categories – those substantially outwith the direct control of landlords and those mostly within their control. Factors over which landlords have less direct control include:

- **the socio-demographic profile of their tenants:** previous Accounts Commission and other research has shown that tenants who are most likely to fall into arrears include those on low, or constantly changing, incomes and those in particularly deprived or vulnerable groups. Landlords that have high proportions of tenants with these profiles have a greater propensity to develop higher levels of arrears
- **whether there is a culture of payment:** research has shown that elderly tenants in particular tend to place a high priority on paying their rent and other bills. A good payment culture is generally found to exist in rural areas and among tenants who have lived in the same area, or the same house, for a long time.

However, landlords can minimise the impact of the factors less within their direct control by good management of factors that do fall within their control, for example:

- providing good quality housing
- charging affordable rents
- providing good advice and support to tenants (eg, having payment methods that suit tenants' lifestyles and referring them for money advice)
- encouraging full uptake of housing and other welfare benefits
- taking a firm line on arrears legal action where tenants fail to pay their rent, after being given every opportunity to do so.

The report is confined to dealing with the areas of accepted good practice contained within the statements used to assess councils and RSLs. Some particular areas fall outwith the study remit:

- housing benefit administration is addressed only to the extent of its direct impact on rent arrears management
- the range of options available to landlords in the specific legal action they can take (eg, alternatives to pursuing eviction)
- the cost implications of implementing each of the areas of good practice, as this is likely to vary significantly from one landlord organisation to another, depending on how the rent arrears service is organised
- tenants' views in relation to rent arrears or services provided by their landlord. This was addressed in the Accounts Commission's earlier report *Tenants rent arrears - a problem? – Tenants attitudes* (1991).

This report concentrates on the factors over which landlords have direct control and makes recommendations on the actions that landlords should take to improve their management of rent arrears.

### Structure of the report

**Section 2** looks at the levels of rent arrears in councils and RSLs, and analyses these within comparable groups of landlords with similar local circumstances.

**Section 3** looks at housing benefit administration and uptake. Tenants in most RSLs and councils have a high dependence on housing benefit to enable them to afford to pay their rent. This topic is dealt with separately because of the significant relationship between administration of housing benefit and management of rent arrears.

**Section 4** looks at organisation and resources. The way landlords structure their organisation and manage staff and other resources has an influence on rent arrears performance. This section looks at how landlords have organised their rent arrears services, liaison between services, and staffing and IT issues.

**Section 5** looks at arrears policies and procedures. The approach adopted by landlords to prevent and recover arrears will directly influence the extent to which rent arrears are kept under control. This section focuses on the key processes where substantial proportions of councils and RSLs are not meeting accepted good practice standards, and makes recommendations to address the identified weaknesses.

**Section 6** sets out a framework for management action, including a self-assessment checklist for managers to use in monitoring improvement towards the adoption of good practice standards.

## 2 Benchmarking rent arrears

### Levels of rent arrears in councils

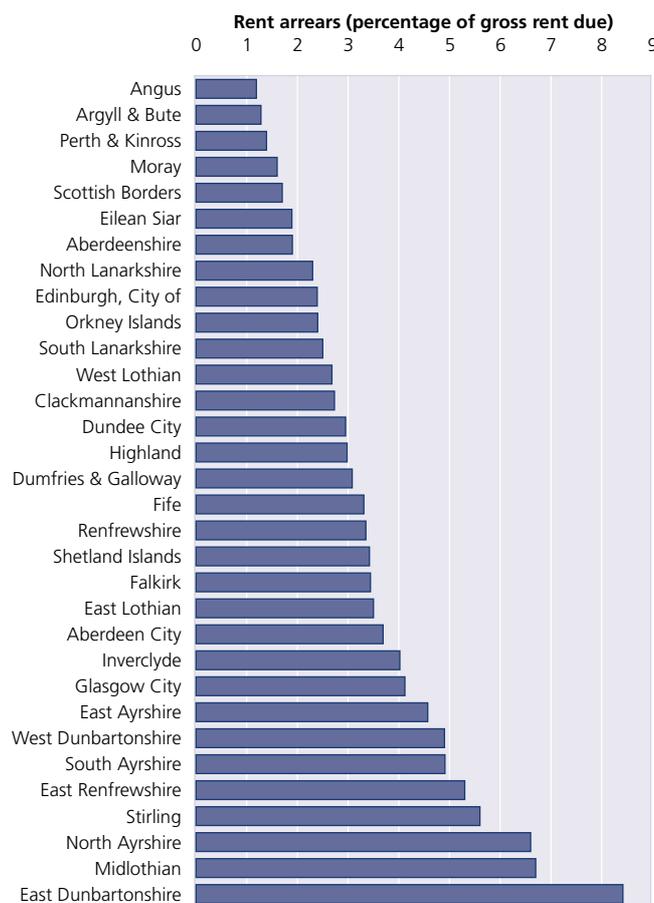
The Accounts Commission Statutory Performance Indicators show that:

- in 1998/99<sup>6</sup>, councils were due to collect gross rent of about £1,125 million from their tenants. £674 million of this rent was met by housing benefit
- at 31 March 1999, the amount of unpaid rent due by tenants (excluding housing benefit payments) amounted to £37.2 million. This represents about 3.3% of the gross rent due<sup>7</sup>.

Figure 3 shows the range of current tenant rent arrears in all Scottish councils. These results can be compared with an average of 4.4% at March 1999 in councils in England and Wales.

**Figure 3: Councils' rent arrears as a percentage of gross rent due, 31 March 1999**

In councils, rent arrears range from 1.2% to 8.4% of the gross rent due.



Source: Local audit returns

<sup>6</sup> At the time of producing this report, 1998/99 was the last year for which a full set of rent arrears data was available.

<sup>7</sup> The Accounts Commission Performance Indicator measures councils' current tenant rent arrears as a percentage of the net rent due (ie, total rent due less housing benefit). At 31 March 1999, this was 8.2%.

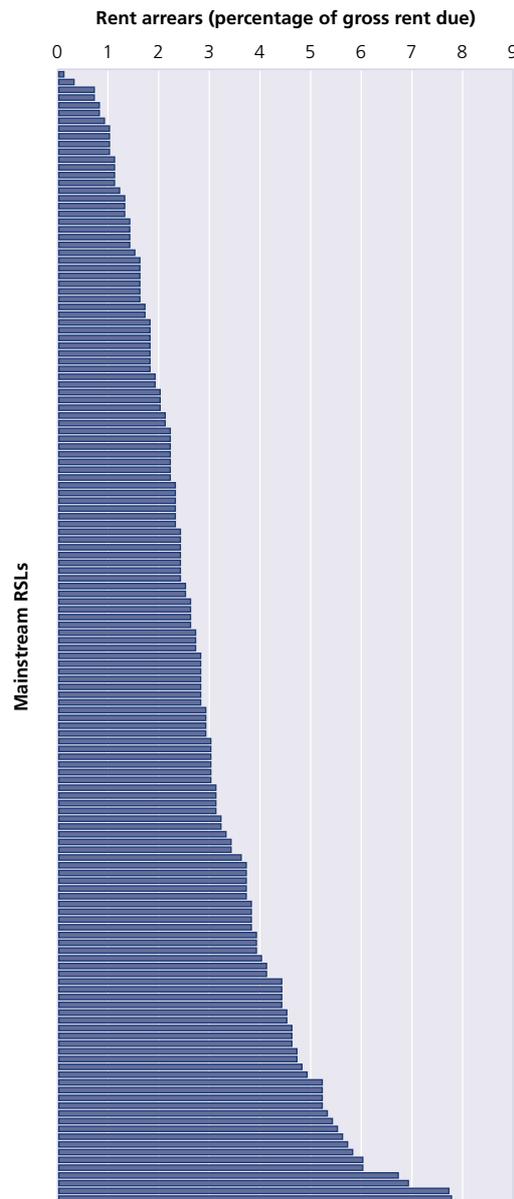
### Levels of rent arrears in RSLs

Information from Scottish Homes shows that:

- in 1998/99, mainstream RSLs were due to collect gross rent of about £262 million from their tenants
- at 31 March 1999, the total amount of unpaid rent due from tenants (excluding housing benefit payments) amounted to £6.8 million, representing around 2.6% of the gross rent due. Figure 4 shows the range of current tenant rent arrears across all mainstream RSLs in Scotland.

**Figure 4: Mainstream RSLs' rent arrears as a percentage of gross rent due, 31 March 1999**

In mainstream RSLs, rent arrears range from 0.1% to 7.8% of the gross rent due.



Source: Scottish Homes

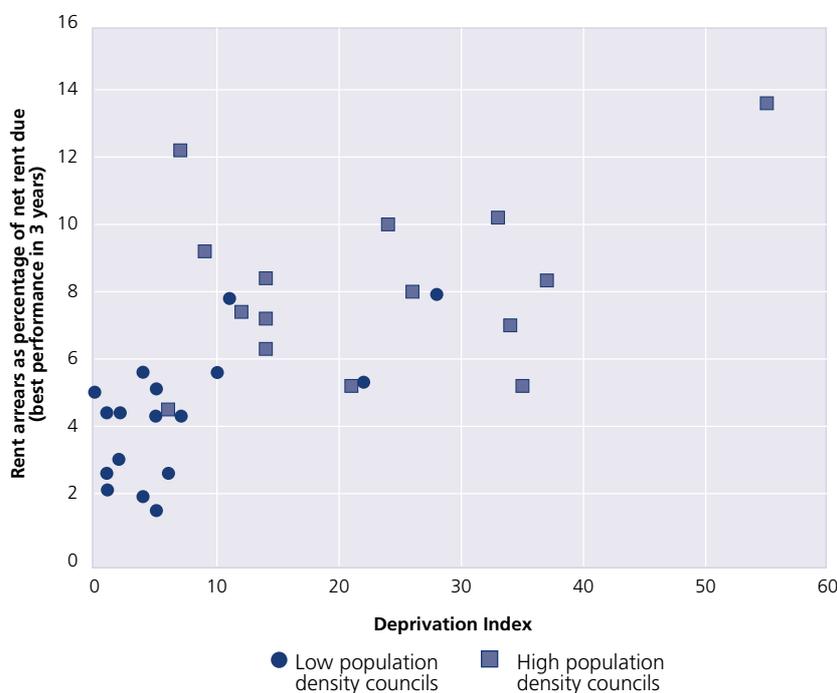
## Comparing rent arrears performance

Councils and RSLs can assess their relative performance by making comparisons with other bodies having similar local circumstances. The study uses a family group approach for both councils and RSLs. When benchmarking rent arrears performance, it is important to group landlord organisations by taking account of factors over which landlords have little direct control. The Accounts Commission's publication, *Measuring up to the best, A manager's guide to benchmarking* (1999), provides guidance in this area.

The hypothesis was tested that there is a link between levels of rent arrears and levels of deprivation. Regression analysis was carried out, comparing the Accounts Commission's Performance Indicators for councils with deprivation indices<sup>8</sup> supplied by the Scottish Executive. The analysis was based on the lowest level of rent arrears for each council over the three years to 31 March 1999, because performance can fluctuate over the years<sup>9</sup>. When population dispersion data for each council was added to the analysis, two separate clusters of councils emerged. It was found that councils with low population density (mainly rural councils) tended to have lower levels of deprivation and lower rent arrears than councils with high population density (ie, city and urban councils). The results are shown in Figure 5. Figure 6 gives the names of councils within each family group.

**Figure 5: Relationship between deprivation and rent arrears**

Councils with low population density generally have lower levels of deprivation and lower rent arrears.



Source: Accounts Commission Pls, 1997-1999 and Scottish Executive dispersion data and deprivation indices

<sup>8</sup> The Scottish Executive Central Research Unit provided deprivation indices and dispersion data. Deprivation indices rate each council area in terms of a number of indicators of deprivation. Population dispersion measures the degree to which a population is spread across its area.

<sup>9</sup> To examine the direct link between rent arrears levels and population density/deprivation, the best performance in 3 years was used. This approach excludes any worsening in arrears performance due to poor management.

**Figure 6: Rent arrears – family groups**

Councils broadly fall into two family groups.

High population density -- city and urban councils	Low population density -- semi-urban and rural councils
Glasgow City	East Ayrshire
Inverclyde	Clackmannanshire
North Lanarkshire	Stirling
Dundee City	West Lothian
West Dunbartonshire	Midlothian
Renfrewshire	Argyll & Bute
North Ayrshire	Dumfries & Galloway
South Lanarkshire	East Lothian
Edinburgh, City of	Angus
Fife	Highland
Falkirk	Perth & Kinross
South Ayrshire	Eilean Siar
East Renfrewshire	Scottish Borders
East Dunbartonshire	Orkney Islands
Aberdeen City	Aberdeenshire
	Moray
	Shetland Islands

Note: councils listed in descending order according to their deprivation index.

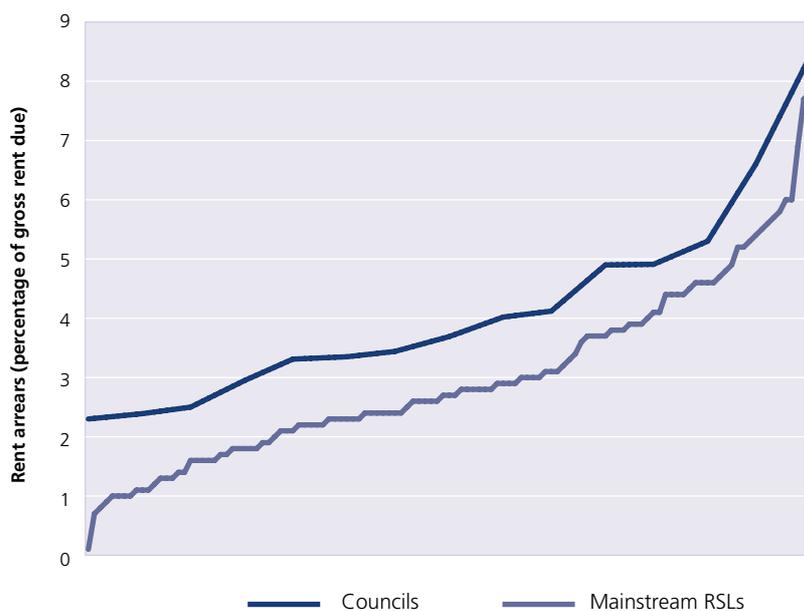
Source: Study data analysis

To facilitate comparison between the two housing sectors, RSLs have also been broadly grouped into urban and rural families, based on their main area of operation. Figures 7 and 8 show that:

- in urban areas, council rent arrears are consistently higher than those in RSLs
- in rural areas, the levels of rent arrears are lower than in urban areas and are similar in councils and RSLs.

**Figure 7: Current tenant rent arrears in city and urban areas**

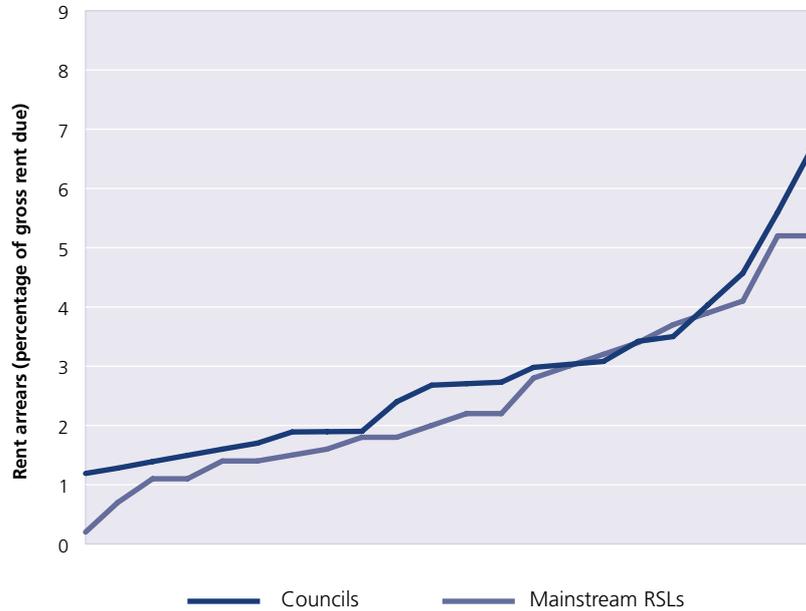
In city and urban areas, councils have higher rent arrears than RSLs.



Source: Local audit data and Scottish Homes, 1998/99

**Figure 8: Current tenant rent arrears in semi-urban and rural areas**

In semi-urban and rural areas, levels of rent arrears in councils and RSLs are broadly the same.



Source: Local audit data and Scottish Homes, 1998/99

Figure 9 shows the performance currently being achieved or bettered by 25% of councils and RSLs. These should be achievable targets for all councils and RSLs.

**Figure 9: Achievable rent arrears targets for councils and mainstream RSLs**

25% of councils and RSLs already meet these targets.

	Targets	
	% of gross rent due	% of net rent due
<b>Councils</b>		
city and urban areas	3.1%	7.0%
semi-urban and rural areas	1.7%	3.0%
<b>Mainstream RSLs</b>		
city and urban areas	2.0%	n/a
semi-urban and rural areas	1.5%	n/a

Source: Study data analysis

Whilst socio-demographic factors affect the extent to which tenants may be prone to falling into arrears, they should not affect a landlord's processes for managing rent arrears. Hence, a family group approach has not been adopted for the remaining sections of this report.

<sup>10</sup> The Accounts Commission Performance Indicator measures current tenant rent arrears as a percentage of the net rent due (ie, total rent due less housing benefit). RSLs do not currently collect the information to enable them to calculate this figure.

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## Recommendations

*Councils and RSLs should:*

- *adopt the following performance targets for their own performance reporting arrangements:*

	<i>% of gross rent due</i>	<i>% of net rent due<sup>10</sup></i>
<i>Councils in city and urban areas</i>	3.1%	7.0%
<i>Councils in semi-urban and rural areas</i>	1.7%	3.0%
<i>RSLs in city and urban areas</i>	2.0%	n/a
<i>RSLs in semi-urban and rural areas</i>	1.5%	n/a

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## 3 Housing benefit administration

Housing benefit provides financial assistance to tenants on low incomes to assist them to pay their rent. It is mainly funded by the Department of Social Security (DSS) and administered locally by councils for tenants of councils, RSLs and private landlords. Many council and RSL tenants depend on housing benefit to assist them to pay their rent. In 1998/99, a total of £674 million was paid in housing benefit to council tenants – paying £6 out of every £10 due in rent.

Between four out of ten and sometimes as many as eight out of ten council tenants rely on housing benefit to assist them to pay their rent. Among the RSLs studied, there is a wider variation, with between three and nine out of ten tenants receiving housing benefit.

For council tenants, housing benefit payments are credited directly by their council to their rent account, leaving the tenant to pay any balance (ie, gross rent due less housing benefit paid). RSL tenants may choose to have their housing benefit paid by cheque and sent to their home, or may arrange for the benefit to be paid directly to the RSL. For RSLs, where a tenant is more than eight weeks in arrears with their rent, the RSL may request that housing benefit be paid direct to the RSL<sup>11</sup>.

Housing benefit is a large and complex area, therefore this study has examined only those issues that significantly influence the level of rent arrears in both sectors. These are:

- **The amount of recoverable housing benefit overpayments identified** – the level of overpayments identified can have significant implications on rent arrears, depending on the approach adopted to recover them.
- **Delays in councils making housing benefit payments** – delays may lead to tenant rent arrears; in addition, for RSLs, such delays can lead to cash flow difficulties.
- **The uptake of housing benefit by eligible tenants** – it is important that all tenants maximise their income by taking up their full entitlement to housing benefit.
- **The effectiveness of liaison between councils and RSLs** – as RSLs depend on councils to administer housing benefit for their tenants, the need for effective two-way communication between councils and RSLs is crucial. This study has identified that there is scope to improve liaison between councils and RSLs and this is explored in more detail in Sections 4 and 5.

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<sup>11</sup> Housing benefit may be paid direct to the RSL where the tenant has requested direct payment or where direct payment is considered to be in the best interests of the claimant. Where the tenant is eight weeks or more in arrears, the RSL can request that the council pays the tenant's housing benefit direct to the RSL.

## Housing benefit overpayments

Overpayments occur where a payment of housing benefit is made to which the claimant is not entitled. Overpayments that are generally recoverable include those arising from changes in tenants' circumstances, claimant error in making claims, and fraud. In these cases, the overpayment is recoverable from the person to whom the benefit was paid (ie, the tenant or the landlord).

Overpayments that are not recoverable include those arising from errors made by the local authority, the DSS or its Benefits Agency.

It is not unusual for councils to identify and seek to recover overpayments equivalent to a year's rent. In some cases, the recoverable sums are sufficiently large that, had they arisen as ordinary rent arrears, serious legal action would already have been taken by the landlord.

In response to DSS subsidy incentives to detect fraud, the value of housing benefit overpayments identified by councils is rising steeply. Between the years 1996/97 and 1998/99 the amount of housing benefit paid to council tenants increased by 10% to £674 million. In that same period, the amount of recoverable overpayments identified by councils increased by 44% to £17.4 million.

In 1998/99, recoverable overpayments amounted to 2.6% of the total housing benefit paid by councils to tenants. However, the level of identified overpayments varies among councils from less than 1% to over 7% of total benefit paid (Figure 10). The study did not look at the reasons for this variation. However, councils should wish to ensure that they take all practical steps to identify and recover housing benefit overpayments.

**Figure 10: Levels of recoverable housing benefit overpayments to council tenants, 1998/99**

The level of housing benefit overpayments identified by individual councils varies significantly.



Note: audited data except for councils marked \*, where data is unaudited.

Source: Department of Social Security

It is important that landlords manage the recovery of housing benefit overpayments due from tenants, separately from rent arrears<sup>12</sup> because it is not lawful for tenants to be evicted from their homes for failing to repay housing benefit overpayments.

<sup>12</sup> For the purposes of the Accounts Commission's Statutory Performance Indicators, councils are asked to exclude recoverable housing benefit overpayments from their rent arrears figures. From 2000/01, the percentage of recoverable overpayments (excluding council tax benefit) recovered in the year will be included in the Indicators.

In most councils and RSLs, the process of recovering overpaid housing benefit (from their tenants) is managed through the tenant's rent account. This approach increases the amount due on the tenant's rent account as the balance then includes both rent arrears and repayable housing benefit. As landlords can only pursue repossession of tenancy based on unpaid rent, those that manage recovery of overpayments through their rent accounts require to calculate a true rent arrears figure (ie, deducting the outstanding housing benefit overpayment from outstanding rent due) when presenting a legal action in court.

For council tenants, councils can recover overpaid housing benefit through the rent account by reducing the tenant's ongoing entitlement to benefit and/or getting repayments from the tenant. Overpayments can also be recovered by invoicing the tenant for the overpaid amount. However, this approach can lead to high levels of recoverable housing benefit overpayments remaining unpaid and subsequently being written off as bad debts.

For RSL tenants, councils can recover the overpaid housing benefit in one of two ways:

- where housing benefit is paid to the tenant, the council can either invoice the tenant for recovery of the overpaid amount, or deduct the overpayment from his/her ongoing entitlement to benefit
- where the tenant's benefit is paid direct to the RSL, the council can invoice the RSL for repayment of the total amount of identified benefit overpayments. Alternatively, the council may deduct the recoverable amount of overpayments from the RSL's next housing benefit four-weekly bulk payment<sup>13</sup>. The RSL must then recover the amount from the tenant.

Where a council recovers significant overpaid sums of housing benefit by deducting them, without warning, from the bulk payments made to RSLs, it can seriously affect the RSL's cash flow. Conversely, where councils raise invoices to recover benefit overpayments from RSLs, this avoids any cash flow difficulties and enables the RSL to keep better informed of housing benefit adjustments for individual tenants.

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## Recommendations

*Councils and RSLs should:*

- *ensure that they can identify in tenants' rent accounts the two different types of debt (ie, housing benefit overpayments separate from rent arrears).*

*Councils should:*

- *take steps to ensure that benefit overpayments are identified early, thereby minimising the amount of the overpayment and improving the likelihood of recovery*
  - *liaise with RSLs before making deductions from bulk housing benefit payments to avoid any difficulties for RSLs' cash flow. Alternatively, councils should recover overpayments from RSLs by raising an invoice for the due amount.*
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<sup>13</sup> The Fraud Act 1997 allows recoverable overpayments of housing benefit to be recovered from future benefit paid to an RSL. This applies whether or not future benefit is paid in respect of the claimant whose benefit was overpaid.

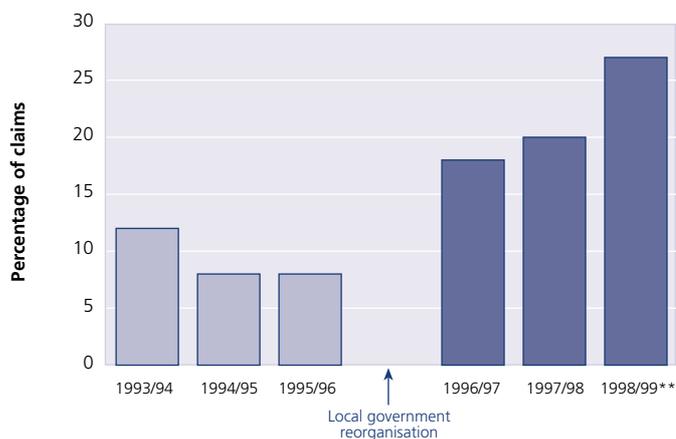
## Delays in processing housing benefits

Delays in processing housing benefit claims make it difficult for tenants to know exactly how much rent to pay without falling into arrears. It also leads to landlord uncertainty over their level of arrears. At the time of the study fieldwork, nearly a third of councils had a significant backlog of benefit applications (which was estimated to take at least 20 days to clear). The time taken to process housing benefit claims varies greatly among councils. Over half of councils fail to meet the 14-day target set by the DSS<sup>14</sup>.

The proportion of claims taking longer than 14 days to process is increasing (Figure 11). The situation has significantly worsened since local government reorganisation. At that time, an average of 8% of claims were not being processed within 14 days. This rose to 20% in 1997/98, and increased to 27% in 1998/99.

**Figure 11: Average\* percentage of housing benefit claims taking longer than 14 days to process**

Councils are taking longer to process housing benefit claims than they did before local government reorganisation.



\* These are council averages and they are not weighted to take account of the volume of claims processed by each council.

\*\* The 1998/99 figure includes both housing benefit and council tax benefit claims.

Source: Accounts Commission Performance Indicators, 1993/94 to 1998/99

The introduction of the Verification Framework<sup>15</sup> has had an adverse effect on the total time taken by some councils to gather and validate information, and process claims. Compliance with the Framework involves additional work in verifying the claimant's identity and the information submitted in their benefit application, in order to prevent potential fraud. Where such stringent checking procedures were not previously undertaken by the council, this additional work has slowed down processing times, even though additional staff were employed.

The focus groups identified a willingness among RSLs to support councils in collecting the information required to confirm details of RSL tenant housing benefit claims. This would assist speedy processing of claims.

<sup>14</sup> The Secretary of State for Social Security has set a target of 14 days from receipt of all the required information to process benefit applications.

<sup>15</sup> The Verification Framework is a set of best practice guidelines for councils on the measures which they should be taking to detect fraudulent benefits claims. It was issued in 1998 by the Department of Social Security and has been revised and reissued in April 2000.

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## Recommendations

*Councils and RSLs should:*

- *explore the scope for working together to collect the information required to verify details of RSL tenant housing benefit claims.*

*Councils should:*

- *take measures to meet the 14-day processing target set by the DSS.*
- 

### Optimising housing benefit uptake

It is important that landlords can identify all tenants who may be eligible for housing benefit and encourage them to apply. Most councils and RSLs take steps to encourage eligible tenants to apply for housing benefit. However, around nine out of ten councils and about six out of ten RSLs do not provide an estimate of housing benefit at tenancy start date. To reduce the likelihood of rent arrears building up, tenants should be asked to complete a benefit application form and given an estimate of their likely entitlement to housing benefit at the start of tenancy interview, enabling them to pay a reasonable estimated amount of rent (rather than nothing) before a formal award of housing benefit is made.

A claim for housing benefit can only be granted for a maximum of 60 weeks. However, councils should set a review period of less than 60 weeks for people with changing personal and financial circumstances. Where tenants fail to return their review and reapplication form for housing benefit, their benefit entitlement ceases and full rent becomes payable when their existing benefit period expires. Delays in returning housing benefit claims can therefore lead to a sharp increase in arrears. Some councils estimate that as many as one in three tenants may initially fail to reapply for housing benefit on time, although not all of these tenants may be eligible to continue to receive benefit.

The study found that the sharing of data between RSLs and councils is restricted where councils have not registered the use of council data by their local RSLs under The Data Protection Act 1998. When they register, councils may choose to specify that they may pass information to RSLs. This would allow councils to provide information to RSLs to enable them to encourage their tenants to return their benefit application forms on time.

### Better practice

- Glasgow City Council has registered under The Data Protection Act the use of its data by RSLs. This enables the council to share information (eg, lists of tenants failing to submit housing benefit review forms).
- Southdeen Housing Association housing officers encourage tenants to bring their review forms into the office and get assistance to complete them. Potentially late forms are hand-delivered to the council offices.
- Shettleston Housing Association has run an extensive publicity campaign since 1994 on the importance of completing and returning housing benefit review forms. It makes use of reminder letters and articles in a quarterly newsletter and, as a result, tenants are better informed of the need to complete review forms and submit them to their council on time.
- Perthshire Housing Association carries out post-allocation visits to chase up tenants who have failed to submit housing benefit forms or are showing early signs of difficulty in paying their rent.

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## Recommendations

*Councils and RSLs should:*

- *provide the tenant, at the start of tenancy interview, with an estimate of his/her likely entitlement to housing benefit, based on information supplied by the tenant, and ask him/her to complete a benefit application form. The tenant should then be requested to pay the estimated net rent due until the benefit payment is formally awarded*
- *take all practical steps to ensure that tenants make a timely application for housing benefit, both at the start of tenancy and at benefit review dates*
- *ensure that they make provision for sharing tenants' personal data when registering use of data under The Data Protection Act, to enable joint-working based on tenant information held.*

*Councils should:*

- *make RSLs aware of tenants who are due for benefit review*
  - *encourage their housing benefit sections to work jointly with RSLs in encouraging tenants to submit their benefit application forms on time.*
-

## 4 Organisation and resources

The process of managing rent arrears is the same for all landlords although how it is managed will vary depending on local circumstances such as the scale and nature of the problem, the area of operation, and the profile of tenants housed. In order to respond to these local circumstances, landlords have developed different:

- organisational cultures and structures
- liaison arrangements between the functions involved in rent arrears management
- arrears staffing arrangements
- arrangements for the extent and use of information technology (IT).

### Organisational culture and structure

Local government reorganisation in 1996 provided an opportunity for the new unitary councils to review their organisational structures and rent arrears policies and procedures. However, the process of merging two or more housing authorities also created a number of difficulties for many councils, most notably in bringing together different computer systems to manage rent and housing benefit. In a few councils, the process of harmonising previously different policies and procedures is not yet complete, and this is having an adverse impact on rent arrears performance. In these cases, completing the process should be a priority and the opportunity should be taken to review policies and procedures.

The culture of an organisation can have a major influence on staff performance and consequently the effectiveness of arrears management. Above all, rent collection needs to be given a high priority by the management team, supported by a firm but fair culture that cascades down from Members through managers to front-line rent arrears officers. However, the focus groups emphasised that, in order to achieve this, the following key building blocks need to be in place:

- good staff support – where staff are given appropriate training and provided with good IT systems and ready access to up-to-date information on housing benefit and rent account balances
- effective staff communication – where continuous liaison links are maintained between housing rent arrears and housing benefit staff
- performance culture – where staff have ownership of the problem, are encouraged to perform well, and are involved in setting targets and monitoring performance.

In the context of managing rent arrears, there are three interdependent services – rent collection, rent arrears pursuance and housing benefit administration. The study found that the organisational approach adopted by councils ranges from managing rent arrears, rent collection and housing benefit administration within the housing service, to managing rent collection and housing benefit administration in finance, but dealing with rent arrears within housing. In some councils, the responsibility for rent arrears management is divided between two services (eg, the housing service may deal with rent arrears up to the stage of issuing NOPs, with the finance service taking over responsibility for pursuance action from that stage onwards).

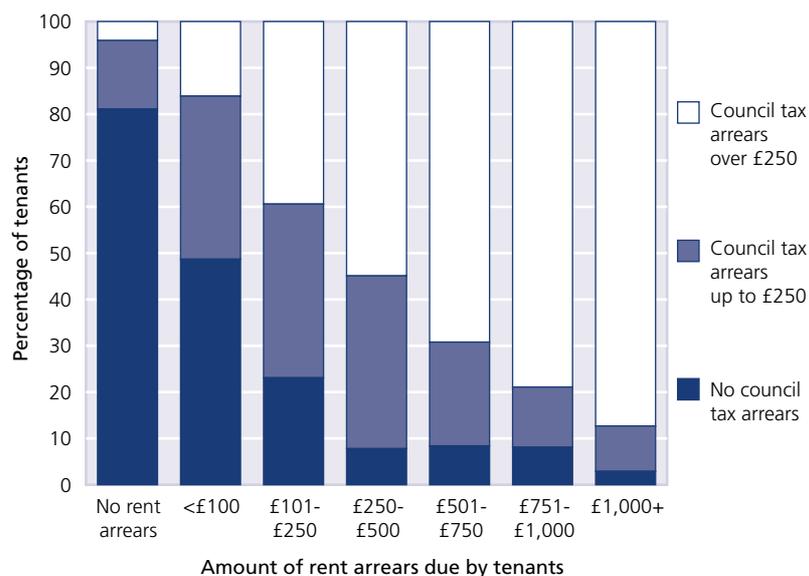
In nearly all RSLs sampled, all housing-related functions (including rent arrears and rent collection but excluding housing benefit administration) are managed together in the housing management section. Housing benefit for all RSL tenants is administered by local councils.

The study found that the organisational structure in itself has little influence on rent arrears performance provided that it is resourced effectively. However, the focus group discussions identified particular strengths in related functions being managed by the same service (eg, easier communication channels and shared workload priorities). Conversely, where two related functions are managed by different services or organisations, the focus groups emphasised the need for effective liaison at both a strategic and operational level.

Following local government reorganisation, councils are now responsible for collecting both rent and council tax. Many tenants with rent arrears also have council tax arrears. Falkirk Council provided information which shows that a high proportion of tenants with large rent arrears also have large council tax arrears (Figure 12).

**Figure 12: Links between council tax arrears and housing rent arrears**

Most tenants with rent arrears are also in arrears with their council tax.



Source: Falkirk Council, 1999/2000

A few councils have set up a corporate approach to debt recovery whereby all debts due by a tenant are pursued by one council service. South Lanarkshire is one such council and a case study is provided in Appendix 4. The Scottish Executive is currently consulting on proposed measures that will allow councils to bill jointly for council tax and rent and, therefore, to pursue both types of arrears at the same time. The Executive plans to introduce such measures from April 2001.

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## Recommendations

*Councils and RSLs should:*

- ensure that they promote an arrears pursuance performance culture by:
  - providing staff with appropriate training, good IT systems and ready access to up-to-date information on housing benefit and rent account balances
  - enabling effective staff communication
  - involving staff in setting targets and reviewing performance.

*Councils should:*

- ensure that, where they have not already done so, they harmonise their rent arrears policies across all area offices and take the opportunity to review their policies and procedures
- review the rationale for having separate units responsible for pursuing rent arrears and council tax arrears and consider the benefits of a corporate approach to debt recovery.

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## Liaison between functions involved in rent arrears management

Managing rent arrears effectively involves good liaison with other key functions including rent collection and accounting, housing benefit, social work services, welfare benefits advice and other external support agencies (eg, Shelter, Citizens' Advice Bureaux).

The focus group discussions highlighted a number of issues about liaison.

- Effective liaison needs to apply at two levels:
  - **management level** to ensure a strategic approach to priorities and to reach agreement on levels of service and formal arrangements that will support regular liaison between front-line staff of different functions
  - **staff level** to discuss operational day-to-day issues with other functions.
- A number of councils and RSLs feel there is inadequate liaison at management level. In the absence of such formal liaison, staff must work hard to foster good personal relationships with colleagues in other council services or organisations to obtain the necessary co-operation and information.
- Council and RSL staff identified the need for effective two-way communication between RSLs and councils, internally between council services, and externally between RSLs, councils and external support organisations.
- Liaison between a council's housing benefit service and its (and the local RSL's) rent arrears section is felt to be generally poor.
- Following local government reorganisation, some RSLs identified that liaison with their local councils has improved. The process of reorganisation has encouraged councils to think about the way they provide services, including the need for better liaison and sharing of information between services.

One way of improving and formalising liaison between services and external organisations is to agree a Service Level Agreement (SLA). A number of RSLs have SLAs with their local council and have found them to be particularly helpful in maintaining relationships and in providing a framework for co-operative working to agreed procedures and time-scales.

## Better practice

The Scottish Federation of Housing Associations (SFHA), COSLA, Scottish Homes and the Scottish Executive are working together to draw up a series of model contractual agreements. These provide a framework for agreeing performance requirements, operational procedures, formal liaison and exchange of information between two services or organisations.

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## Recommendations

*Councils and RSLs should:*

- *have effective liaison between all key functions relating to rent arrears management, both within and outside the landlord organisation. This should operate at two levels:*
  - *at a strategic level between managers*
  - *at an operational level between staff*
- *consider the use of Service Level Agreements (SLAs) to provide a framework for operating procedures to agreed time-scales, and in maintaining effective liaison.*

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### Arrears staffing arrangements – staff numbers

The number of staff required will depend on various factors, including:

- the profile of total arrears due by tenants, the number and seriousness of arrears cases
- the use of IT to automatically generate standard reminder letters, to produce management information and to provide an interface with other information systems (eg, housing benefit)
- the procedures involved in the prevention and recovery of rent arrears
- the extent of face-to-face contact between landlords and tenants.

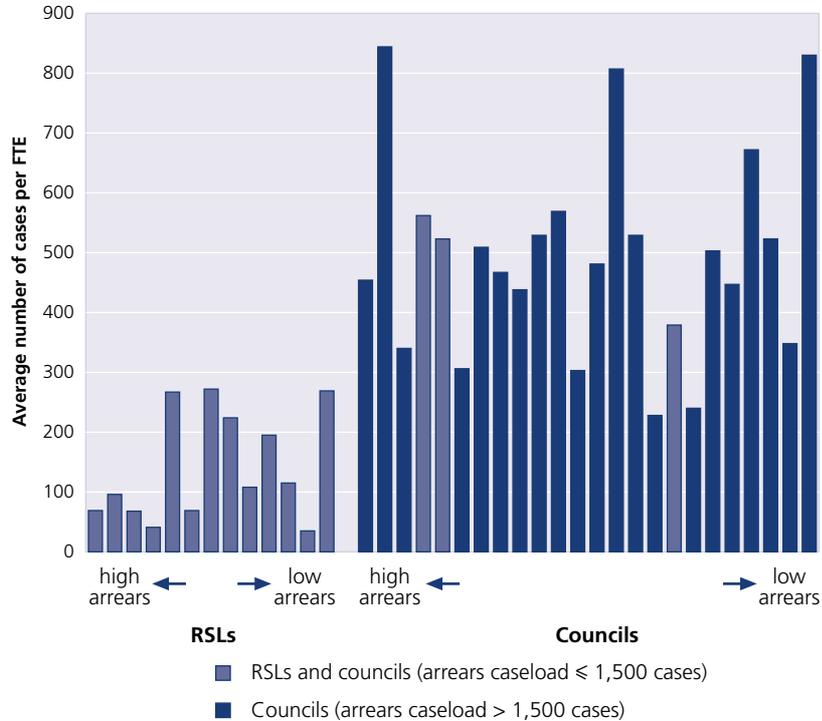
The total arrears caseload in individual councils varies between 300 and 34,000 cases. In RSLs, the caseload ranges from 40 to 1,500 cases. Figure 13 shows the wide variation found in the number of cases managed per full-time equivalent staff (FTE)<sup>16</sup>, having excluded other duties that they may have.

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<sup>16</sup> In councils and RSLs, where staff manage rent arrears as an integral part of their generic workload, time spent on rent arrears pursuance activity was estimated by the landlord organisation.

**Figure 13: Average number of rent arrears cases managed per staff FTE**

The number of arrears cases managed per member of staff (FTE) varies widely among councils and RSLs.



Source: Local audit data

In RSLs, arrears management is more staff intensive. Typically, one RSL staff FTE will manage between 70 and 270 cases, whereas in councils, one staff FTE manages a larger caseload, generally ranging from 300 to 700 cases. There are some contributory reasons for this:

- many RSLs are responsible for a small housing stock (75% have less than 1,000 units) and employ a proportionally greater number of staff. However, some RSLs share staff, allowing them to benefit from economies of scale, or buy in services from other organisations
- most RSLs choose to use more time-intensive, face-to-face contact with tenants to discuss rent arrears rather than making heavy use of standard reminder letters.

The variation in staffing levels among RSLs, and among councils, does not seem to have a direct impact on levels of arrears and so there is scope for some councils and RSLs to review their staffing levels to optimise arrears performance.

## Recommendations

*Councils and RSLs should:*

- review their arrears staffing arrangements aiming to optimise arrears performance. This should involve considering options for delivering a high-quality arrears management service, for example, buying in services from external organisations.
- consider opportunities of achieving economies of scale by entering into consortia arrangements with other organisations.

## Arrears staffing arrangements – staff roles

Rent arrears managers need to use their staff effectively if they are to successfully reduce their level of rent arrears. The study identified that council staff with rent arrears responsibilities may have different additional roles and be located in different services. There may be specialisation in arrears recovery, with expertise in all aspects of arrears recovery, or their jobs may be more generic, encompassing a range of functions from dealing with arrears, to reporting repairs or administering housing benefit.

At the time of the study, the majority of councils and RSLs had predominantly generic staff who had at least one other function in addition to rent arrears management within their job remit. The additional functions tended to be housing management functions (eg, estate management, repairs, etc). However, three councils (Clackmannanshire, Falkirk and Glasgow) incorporated housing benefit administration within multifunctional job descriptions.

The focus groups felt strongly that tenants prefer a ‘one-stop-shop’ approach, where they can go to the same person or local office for all of their housing enquiries. However, some members of the groups were concerned about including housing benefit administration as part of a fully generic job description as it was considered to be too complex and constantly changing to be incorporated with other functions. Falkirk Council is an example of an authority, which does currently include housing benefit with administration of rents and council tax in its generic working arrangements. Figure 14 summarises the benefits that it sees in this approach and highlights some of the management issues that have arisen.

It is for councils and RSLs to determine the range of functions carried out by individual housing staff. They should consider, however, the need for staff to keep up-to-date with developments in all aspects of their work, and the need for staff to be able to deal with a range of functions effectively. Performance management is also important and councils and RSLs should ensure that they have an effective performance management system in place.

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## Recommendations

*Councils and RSLs should:*

- *ensure that staff keep up-to-date with developments in all aspects of their work, and ensure that staff are able to deal with the range of functions allocated to them*
  - *ensure that an effective performance management system is in place to monitor and evaluate staff and managers’ performance.*
-

**Figure 14: A generic revenues services approach to service delivery**

***Approach adopted by Falkirk Council***

The Council has a generic revenues service which covers rent collection, council tax and benefits administration through a decentralised local office network. Tenants are directed to their local office to make enquiries and, through time, a closer link between tenants and staff is being developed, with staff gaining greater local knowledge.

***The Council's arguments for a generic revenues service***

- All tenants are liable to pay rent and council tax and are entitled to claim housing and council tax benefit.
- About 60% of its tenants are in receipt of these benefits and they account for around 80%-85% of council tax payers claiming benefit.
- There is a high degree of consistency between the information held on the council tax, rent and benefits records.
- Therefore, there is a logical link between administration of council tax, rents and benefits.

***Benefits of the adopted approach***

- Tenants' financial obligations and entitlements relating to their tenancy are dealt with through a single-door approach.
- The tenant's overall financial position can be taken into account when considering appropriate arrears action.
- Rent and council tax matters, including benefits, can be considered jointly with the emphasis on helping/encouraging the tenant to meet both liabilities.
- Effective management of rent accounts (and council tax accounts) requires close liaison with housing and council tax benefits management. Generic working ensures this, as each of these activities is administered by the same person.
- Housing and council tax benefits are administered through a single claim, further strengthening this working practice.

***Issues that require to be managed***

- Because of the differences in the recovery processes, there is frequent conflict between council tax and rent recovery actions, as any one action can affect the tenant's ability to pay the other account.
- There can be ongoing conflict between competing priorities, which affect work schedules. Council tax recovery procedures, discount reviews, housing and council tax benefit reviews result in peak workloads, which can have an adverse effect on ongoing daily/weekly routines involved in rent account management.
- The Benefits Regulations are becoming more complex and administration procedures are more onerous on staff time. This may lead to the council removing benefits processing from the generic duties of staff and creating a centralised unit.
- Continuous training is required and the width of knowledge and skills that are required are perhaps now placing a considerable burden on a number of revenues staff.
- The Council is looking at ways of supplementing the generic teams with some specialist activities (eg, a debt recovery team, responsible for monitoring and pursuing rent arrears, council tax arrears and housing benefit overpayments).

Source: Falkirk Council

## Use of IT

There is a greater reliance on IT within councils than RSLs. Because RSLs operate on a smaller scale than councils, they tend to be less dependent on sophisticated IT systems. In the context of managing rent arrears, IT is used to:

- save time and resources in doing laborious, repetitive tasks (eg, generating arrears reminder letters)
- maintain full tenant payment histories
- produce management information (eg, automatic generation of figures for performance reports)
- maintain interfaces with other related IT systems (eg, housing benefit).

Councils tend to use automatic letter-generation in the early stages of arrears follow-up action. However, their use of IT in producing comprehensive performance monitoring information is underdeveloped, mainly due to a lack of functionality in the system, but sometimes because of a lack of knowledge among staff. About three-quarters of RSLs initiate arrears reminder letters and produce management reports, manually. This is mainly because of their smaller scale of operation.

During the study fieldwork, both RSLs and councils cited problems with their IT systems as a key reason for them not effectively managing rent arrears. While local government reorganisation presented the opportunity to combine IT systems or commission new ones, some of these have taken longer to implement than expected or have not provided the necessary functionality.

Introducing new IT systems is expensive, has implications for staff training and support and can be extremely disruptive if not managed with care. The focus groups identified a need for councils (and larger RSLs) to work together and compare needs and experiences when considering new IT systems. There are a number of bespoke packages for rent arrears management but these vary in terms of how well they are meeting the needs of landlords.

The study has confirmed that there is scope for both councils and RSLs to use IT more effectively, for example:

- using flag functions to identify particular tenant circumstances (eg, tenants in receipt of welfare benefits)
- producing arrears reports tailored to the needs of staff and managers
- improving the interface between rents and benefits systems to automatically identify tenants on housing benefit.

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## Recommendations

*Councils and RSLs should:*

- *review how they exploit the use of IT to manage rent arrears, including:*
    - *the cost-effectiveness of using IT-based procedures*
    - *the functionality of IT to produce the information that staff need*
  - *consult with other related services and, where appropriate, external partner agencies when evaluating new computer systems to ensure that user needs are met.*
-

## 5 Policies and procedures

### Statements of good practice

Effective management of arrears can be characterised by a number of principles of good practice. This applies regardless of the size and nature of the landlord organisation and its current level of rent arrears.

In conjunction with the Advisory Group, the study team used existing material to develop a package of good practice statements. They are grouped to reflect the 6 key areas involved in managing rent arrears (Figure 15).

All councils and RSLs that participated in the study were assessed on the extent to which they comply with these statements. Appendix 2 shows the proportion of councils and RSLs which comply with each one.

**Figure 15: The six key areas in managing rent arrears**

**1. Policies and procedures:**

- having a formal arrears policy that sets out clearly the organisation's strategic objectives and its approach to arrears prevention and management
- adopting a firm but fair approach whereby tenants are evicted, where appropriate, for non-payment of rent but only after they have been provided with all reasonable opportunity to pay
- having written procedures that support policies and guide staff through all stages of the rent arrears process
- getting consistent support from Members for staff implementation of the organisation's rent arrears pursuance policy, including eviction
- having a performance culture where arrears pursuance is given a high priority and managers are given appropriate resources, including staff and IT.

**2. Arrears prevention:**

- maintaining effective communication with tenants at the start and throughout their tenancy
- maintaining effective liaison between managers and staff involved in rent collection, rent arrears and housing benefit services
- giving advice to tenants to help them maximise their income by claiming their full entitlement to housing and other welfare benefits, and providing advice on other support organisations, making early referrals, where appropriate
- processing housing benefit applications within the 14-day target set by the DSS.

**3. Arrears recovery:**

- maintaining up-to-date rent accounts to enable early pursuance action, preventing small amounts of arrears becoming larger
- maintaining complete records on all arrears action taken
- frequently monitoring rent account balances and taking early action to recover emerging arrears
- managing recovery of housing benefit overpayments, separately from rent arrears
- making arrangements to reduce arrears more effective by:
  - monitoring arrears balances to quickly identify cases where arrangements have been broken, allowing follow-up action to be taken at an early stage
  - making realistic arrangements for tenants to repay arrears, taking account of their circumstances
- optimising use of rent arrears direct.

**4. Legal action:**

- commencing legal action to pursue the debt as soon as the tenant fails to co-operate in reducing their arrears
- giving explicit authorisation to staff for taking legal action, including eviction.

**5. Former tenants' arrears:**

- allocating responsibility and accountability for pursuing former tenant arrears to a specific individual, unit and/or debt collection agency
- taking cost-effective action to collect rent arrears due by former tenants.

**6. Performance review and continuous improvement:**

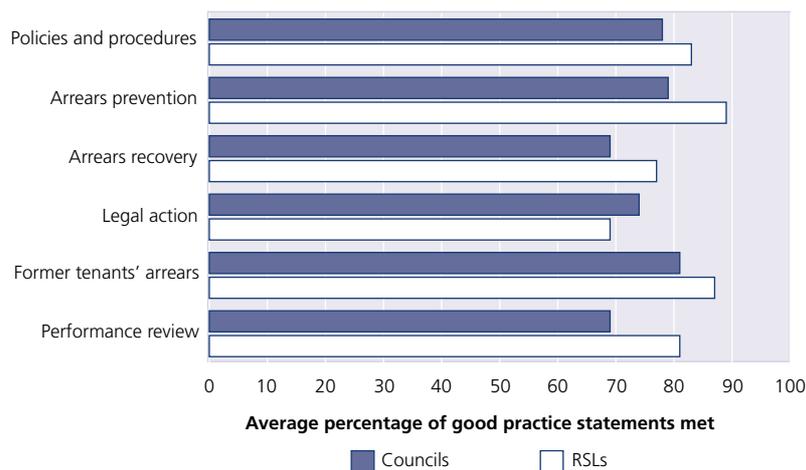
- providing regular, needs-based training to staff
- providing managers and Members with good quality management information
- setting local performance targets, reporting performance against targets and comparing performance with others
- regularly reviewing policies and procedures to ensure continuous improvement.

## Compliance with good practice

Across five of the six good practice areas, RSLs met marginally more of the statements than councils (eg, in such areas as taking earlier arrears action and having more face-to-face contact with tenants). Figure 16 shows the average percentage of good practice statements met by councils and RSLs in each of the six areas.

**Figure 16: Compliance with good practice**

On average, RSLs met marginally more of the good practice statements than councils.



Source: Local audit returns

The following councils met most of the good practice statements: Aberdeen City, Argyll & Bute, City of Edinburgh, Moray, North Lanarkshire, South Lanarkshire and West Lothian. The three urban councils that most fully complied with the good practice statements (ie, City of Edinburgh, North Lanarkshire and South Lanarkshire) were found to have the lowest gross rent arrears for their family group.

Within the sample of RSLs, the following met most of the good practice statements: Barrhead, Castlemilk East, Elderpark, Hillcrest, Perthshire, Rural Stirling, Rutherglen & Cambuslang and Thenew. Of these, Perthshire, Rutherglen & Cambuslang and Thenew have consistently displayed low rent arrears over the last 3 years. Rural Stirling and Barrhead, which previously had higher than average arrears, are now reducing their arrears levels.

Councils found to have met the least number of good practice statements were Angus, Fife, Orkney Islands, Renfrewshire and South Ayrshire. Angus Council achieves low rent arrears levels, and this is felt to be mainly due to an established culture of payment and staff maintaining close personal relationships with tenants.

A summary of each council's and RSL's performance is given in Appendix 6.

## Areas where good practice is not being met

The study identified a number of areas where more than a quarter of councils and/or RSLs are not meeting accepted good practice standards (Figure 17). These are, therefore, the main areas for improvement and are now explored in more detail.

**Figure 17: Good practice not being met by around 25% or more of councils and/or RSLs**

A number of councils and RSLs are not meeting good practice.

Reasons for failing to meet good practice	Percentage failing to comply with good practice statement	
	Councils	RSLs
<b>Policies and procedures:</b> • Not adhering to all policy guidelines and procedures	30	38
<b>Arrears prevention:</b> • Structured face-to-face interviews not always carried out at start of tenancy	27	0
• Not providing all relevant information to tenants at start of tenancy (in particular what happens if rent is not paid, estimate of benefits entitlements and where to find additional advice and support)	33	10
• Staff who carry out initial face-to-face interviews not skilled to assist tenants to claim housing and other welfare benefits at the start of a tenancy	48	33
• Not having regular formal liaison between rent arrears managers and senior housing benefit staff	24	29
<b>Arrears recovery:</b> • Not keeping clear and comprehensive records of all action taken in relation to rent arrears	27	38
• Not monitoring rent accounts at least every two weeks to identify emerging arrears	30	29
• Not making contact with tenants within two weeks of the first missed payment	52	29
• Not interviewing, or attempting to interview, tenants by the time they are eight weeks in arrears	48	24
• Not taking account of a tenant's ability to pay when making a formal repayment arrangement	45	33
• Not confirming repayment arrangements in writing to tenants within 5 days	55	29
<b>Legal action:</b> • Staff unclear about who is responsible for authorising legal action and at what stage it should be suspended	21	33
• Not adhering to the procedure timetable for initiating legal action	45	38
• Not giving clear instruction to staff on the form that legal action should take in court	3	29
• Failing to issue a NOP/NTQ within 2 weeks of establishing a tenant's non co-operation to repay arrears (where over 8 weeks in arrears)	45	43
• Tenants' personal circumstances not being assessed before cases entered into court	21	33
• Not providing tenants with all the possible information, or referrals to other sources of support, in the lead-up to court action, in particular, where to go for money advice or referral to the Citizens Advice Bureaux or the DSS	33	38
<b>Former tenants' arrears:</b> • Not having procedures in place to recover former tenants' arrears	30	14
• Not regularly monitoring and reviewing former tenant arrears	36	43
<b>Performance review and continuous improvement:</b> • Not providing needs-based comprehensive and regular training for arrears staff	39	10
• The range of management information required to set targets, review performance and identify trends not being available to management and Committee Members	33	10
• Not undertaking systematic benchmarking with equivalent offices or organisations	27	43
• Not periodically reviewing rent arrears policies and procedures	24	5

**Notes:**

1. The table shows the percentage of councils and RSLs that were not fully complying with each statement at the time of the local audits (December 1999 - February 2000).
2. The table includes only those statements where around 25% or more of councils and/or RSLs were failing to comply with good practice and which were considered to be 'crucial' or 'important' by councils and RSLs.
3. Full details of the good practice statements are provided in Appendix 2.

Source: Local audit data

## Policies and procedures

### *Adopting a formal rent arrears policy with clear procedures on taking action*

A formal written arrears policy statement supported by detailed operational procedures (appropriate to the organisation) is essential to ensure that staff understand the steps that should be taken to effectively manage rent arrears. In almost all councils and RSLs, councillors and governing body members are involved in setting policies and objectives and thereafter monitoring implementation. However, the focus groups identified that councillors do not always give consistent support to staff implementation of their organisation's arrears pursuance policy. This results in councils not being able to send their tenants a consistent and unambiguous message that arrears recovery will be pursued using all available sanctions, including eviction in appropriate cases.

Most councils and RSLs have written procedures that include guidance on time-scales for action, roles and responsibilities of staff and delegated authority on taking progressively more serious rent recovery action. However, 29% of RSLs and 15% of councils do not have comprehensive procedures with clear instructions on when other agencies (eg, social work services) should be involved in the arrears recovery process. If such procedures are not documented, officers may not systematically provide information to the tenant on all potential sources of support.

Most councils and RSLs have policies and procedures that reflect good practice. However, the study found that three out of ten councils and nearly four out of ten RSLs do not consistently adhere to them. The focus groups advised that inadequate staff resources and training, and problems with the introduction of new IT systems were the main obstacles to an organisation's compliance with documented procedures.

A number of organisations fail to meet their procedural time-scales and, because there is a general lack of formal review by managers, the extent to which time-scales are not met and the reasons for this are not identified. As a consequence, issues that contribute to the failure to meet target time-scales may not be addressed.

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## Recommendations

*Councils and RSLs should:*

- *adopt arrears policies that specify their objectives in clear and measurable terms. These should be supported by procedures that include achievable time-scales for prevention and recovery action*
- *put in place monitoring and review arrangements to ensure that adopted procedures are being adhered to. The outcomes from such reviews should result in action to ensure adherence, or to revise, policies and procedures.*

*Councils should:*

- *ensure that councillors give consistent support to staff implementation of the organisation's rent arrears pursuance policy, including evictions.*
-

## Arrears prevention

### *Maintaining effective communication with tenants*

All of the RSLs in the sample, but only three out of four councils, carry out face-to-face meetings with tenants at the start of their tenancy to explain the amount of rent due, payment methods, how to claim housing and other welfare benefits and the need for tenants to pay their due amount of rent on time. In those councils where meetings are not held, information packs are used to provide tenants with information that would otherwise have been discussed at a meeting. However, an early face-to-face meeting between the tenant and the landlord is essential as it provides an opportunity to discuss any written material, to ensure that the tenant fully understands his/her obligations and to check that he/she is aware of the sources of help available to assist payment of their rent. Early face-to-face contact also allows the landlord to better understand the tenant's personal circumstances, and target specialist help by making referrals to support services and agencies, in appropriate circumstances.

Around three-fifths of RSLs and more than a quarter of councils do not routinely record on file details of the points discussed at these meetings (eg, details of the tenant's circumstances and any support requirements). This makes it difficult to build a case history that can be used to make fully informed decisions about future arrears actions. Case histories need to be available, either on computer or paper files, to any reviewing officer.

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## Recommendations

*Councils and RSLs should:*

- *carry out face-to-face meetings with tenants at the start of their tenancy to:*
  - *explain the amount of rent due, payment methods, how to claim housing and other welfare benefits and the need for tenants to pay their due amount of rent on time*
  - *provide advice about support organisations and assist with early referrals, where appropriate*
  - *gather information about tenants' personal circumstances, which will assist the landlord to provide appropriate support*
- *keep a record of the points discussed in all communication with tenants, to build up a complete picture of the tenant's arrears history and their most up-to-date personal circumstances. This information should be available to any reviewing officer.*

---

### *Maintaining effective liaison between rent collection, rent arrears and housing benefit services*

In a quarter of councils, there is a lack of regular formal liaison between rent arrears managers and managers of services that have an impact on rent arrears management (ie, rent collection and housing benefit). However, informal contact between staff at officer level is common, particularly where a close working relationship has been established.

Seven out of ten RSLs communicate formally at manager level with their local council's housing benefit manager. In the remaining of RSLs, communication is limited to individual case enquiries.

Staff in the focus groups identified that liaison between RSLs and councils is better in some areas than others. The study found that a number of RSLs and councils are keen to establish service level agreements for housing benefit administration.

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## Recommendations

*Councils and RSLs should:*

- *hold regular formal liaison meetings, at manager level, to identify strategic issues and improve joint working practices. These should take place between managers of rent collection, rent arrears and the council's housing benefit section*
  - *hold regular meetings, where staff in rent collection, rent arrears and the council's housing benefit section can discuss and resolve operational issues.*
- 

### *Giving advice to tenants to maximise uptake of benefits*

Three-quarters of staff in both councils and in RSLs are able to provide general advice and refer tenants to appropriate support organisations. However, staff who carry out initial face-to-face interviews at the start of tenancy often lack the specialist knowledge to provide accurate advice on applying for welfare benefits.

In order to maximise tenants' incomes and prevent arrears, it is essential that tenants take up their full entitlement to benefits. To help them to do this, landlords should provide advice and an assessment of eligibility for benefits at the start and throughout their tenancy. Providing this information at arrears interviews, either directly or via specialist staff or agencies, will also help to alleviate arrears.

## Better practice

A number of RSLs have taken innovative steps to ensure that tenants get good advice and support on housing and other welfare benefits. Some examples:

- Castle Rock Housing Association has made use of a lottery grant to fund a community services team, one of whose roles is to ensure that all tenants have access to clear advice on benefits
  - Southdeen Housing Co-operative employs a full-time Welfare Rights Officer (who for the last 4 years has been shared with Cernach, Pineview, Kingsridge Cleddens and Glengarry Housing Association, in return for other support services)
  - Glasgow West Housing Association has employed a Welfare Rights Officer for the last two years.
- 

## Recommendations

*Councils and RSLs should:*

- *provide advice to tenants at the start of their tenancy, and at all subsequent arrears interviews, on housing and other welfare benefits and support organisations. Those not having the direct resources to do this should establish arrangements with other council staff or external agencies to provide the expert advice required*
  - *assess tenants' eligibility for housing and other welfare benefits, or refer them to an external organisation that can do so, at the start of tenancy and at all subsequent arrears interviews.*
- 

## Arrears recovery

### *Maintaining complete records of arrears action taken*

Around a quarter of councils and two-fifths of RSLs do not keep clear and comprehensive records of all action taken in relation to rent arrears. Incomplete records make it difficult to build up a case history of the circumstances of tenants in arrears and mean that staff and managers are not able to make informed decisions about appropriate rent arrears action.

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## Recommendation

*Councils and RSLs should:*

- *keep complete and comprehensive records to provide clear case histories of tenants' circumstances and all actions taken.*
-

### *Frequently monitoring rent account balances and taking early arrears action*

Rent accounts need to be monitored on a regular basis (eg, weekly or fortnightly) to identify emerging arrears for early follow-up action. However, around a third of both councils and RSLs monitor rent accounts less frequently than this because their tenants are on a four-weekly payment cycle. Good practice suggests that even in these cases it is useful for arrears staff to know and take action where tenants have not paid on the due date.

More than half of all councils and over a quarter of RSLs do not make contact with tenants within two weeks of the first missed payment. The study found that the most common reported reasons for failing to meet this two-week deadline were interruptions caused by problems in introducing new, or upgrading existing, IT systems.

A fifth of councils, and a slightly smaller proportion of RSLs, do not consistently credit rent payment to tenants' rent accounts within five days. For example, in councils, it can take up to 15 days to credit Giro payments; up to 14 days to credit wage deductions; and up to 10 days to credit standing order payments. Where payments take longer than 5 days, there is a danger of the affected accounts being identified and pursued as being in arrears. Maintaining up-to-date rent accounts enables landlords to instigate immediate and justifiable follow-up action.

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## Recommendations

*Councils and RSLs should:*

- *monitor rent accounts at least fortnightly to identify arrears cases for follow-up action*
- *make contact with tenants within two weeks of the first missed payment*
- *ensure they credit all payments to rent accounts within 5 days to allow early identification of tenants in arrears.*

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### *Making arrangements to reduce arrears more effective*

Half of all councils and about a quarter of RSLs do not interview, or attempt to interview, tenants by the time they are 8 weeks in arrears, with the purpose of making a formal repayment arrangement.

When making a repayment arrangement with a tenant, about half of councils and a third of RSLs do not undertake a full financial appraisal of what the tenant can afford to pay towards reducing their arrears. As a result, repayment arrangements may be set at an amount relative to the amount due, rather than a sum that reflects the tenant's ability to pay. If the tenant cannot afford to make the repayment, then the arrangement may be broken and subsequently made for smaller amounts – meanwhile, the amount of arrears continues to increase. During the focus groups, a number of RSL and council staff commented that they felt they lacked the appropriate interview skills to properly conduct a financial appraisal of tenants' circumstances.

Over half of all councils and over a quarter of RSLs do not routinely confirm tenant repayment arrangements in writing within 5 days. A number of RSLs and councils do not always file letters confirming tenant repayment agreements. The absence of written confirmation means that the importance of sustaining the agreement is not made explicit to the tenant. It also means that reviewing officers do not have a full case history on file.

For tenants on income support, the use of DSS rent arrears direct arrangements may be the only way for the landlord to collect rent. This allows landlords to request that rent arrears be recovered through a regular deduction from other DSS benefits being paid to the tenant. RSLs make greater use of DSS direct payments than councils.

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## Recommendations

*Councils and RSLs should:*

- *conduct (or attempt) a tenant interview, to make a formal repayment arrangement by the time the tenant is 8 weeks in arrears*
- *make realistic repayment arrangements, which are affordable for the tenant*
- *train their staff in undertaking financial appraisals. Staff should have good interview skills to obtain the necessary information to set repayment arrangements that are both affordable and sustainable*
- *confirm arrangements in writing within 5 days and monitor them in accordance with the terms of the agreement*
- *make maximum use of DSS rent arrears direct arrangements to recover rent arrears.*

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## Legal action

### *Making effective use of NOPs/NTQs<sup>17</sup>*

It is important for councils and RSLs to take early legal action against tenants when they fail to co-operate in reducing their arrears (either because they have continuously broken repayment arrangements or because they have been unwilling to co-operate in making an arrangement). Good practice suggests that legal action should be taken no later than 2 weeks from the date that a tenant fails to co-operate. For example, by the time a tenant is a further 6 weeks in arrears, the sum due may have increased by more than £200. Unless legal action to recover debt from uncooperative tenants is undertaken promptly, arrears will continue to increase with time, to a level that is even more difficult for them to repay. The early stages of arrears pursuance action will involve the landlord getting the tenant to agree, and keep to, an arrangement to repay arrears. Where a tenant is 8 weeks in arrears (ie, has not paid the full net rent for 8 weeks), a NOP/NTQ should be issued within 2 weeks of the date when they fail to co-operate, unless there is good reason not to do so (eg, exceptional circumstances made known to the landlord).

Most councils and RSLs have set time-scales and criteria for issuing NOPs/NTQs (eg, a tenant is 8 weeks in arrears and owes more than £50) and for taking court action. In councils, there is likely to be a trigger in the computer system for automatically generating NOPs. However, the study found that around two-fifths of councils and RSLs do not adhere to their planned time-scales as set out in their documented legal action procedures.

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<sup>17</sup> Before commencing legal action in court, that may result in eviction action, councils issue a Notice of Proceedings for Recovery of Possession (NOP) and RSLs issue a Notice to Quit (NTQ).

A number of RSLs and some councils choose to be selective in their use of NOPs/NTQs. Rather than issuing these based on predetermined criteria, they exercise discretion or allow time for outstanding housing benefit applications to be processed. The use of discretion may often be preferable to following rigid procedures, as it can be tailored to tenants' individual circumstances. However, compliance with documented procedures provides a basis for consistency of approach.

Figure 18 contrasts two landlord organisations with similar proportions of tenants in arrears (around 40%) and similar local circumstances, but who adopt different approaches to arrears pursuance, resulting in different levels of rent arrears.

**Landlord A:**

- takes early arrears action (ie, monitors rent accounts at least fortnightly and contacts tenants within 2 weeks of the first missed payment)
- issues NOPs/NTQs to a relatively small proportion of cases because the early action results in many tenants repaying their arrears, reducing the need to issue many NOPs/NTQs
- issues NOPs/NTQs within 2 weeks of tenants not co-operating with their arrangements to reduce arrears
- quickly follows through with legal action (ie, the process of going to court, obtaining a decree and, when necessary, evicting tenants)
- as a result of tenants responding to its arrears actions, it only requires to follow through one in four NOP/NTQ cases to court.

As a result of this approach, Landlord A has a relatively low level of arrears (less than 3% of gross rent due) and a small proportion (16%) of tenants owing more than 8 weeks' rent.

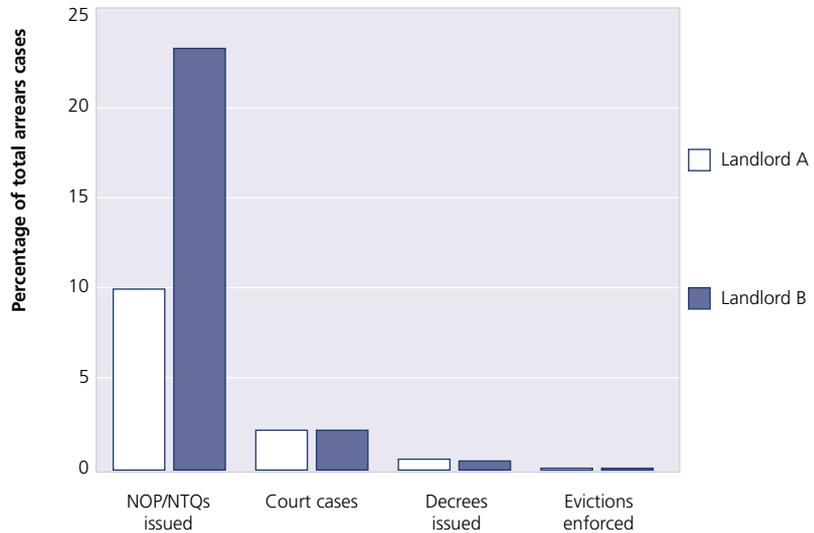
**Landlord B:**

- does not take such prompt action (ie, monitors rent accounts less frequently than fortnightly and does not contact tenants within 2 weeks of the first missed payment)
- issues NOPs/NTQs to a relatively high proportion of arrears cases because less prompt action has resulted in tenants having larger arrears
- does not issue NOPs/NTQs within 2 weeks of tenants failing to cooperate with their repayment arrangements
- does not always follow through with legal action, and only pursues one in ten NOP/NTQ cases to court

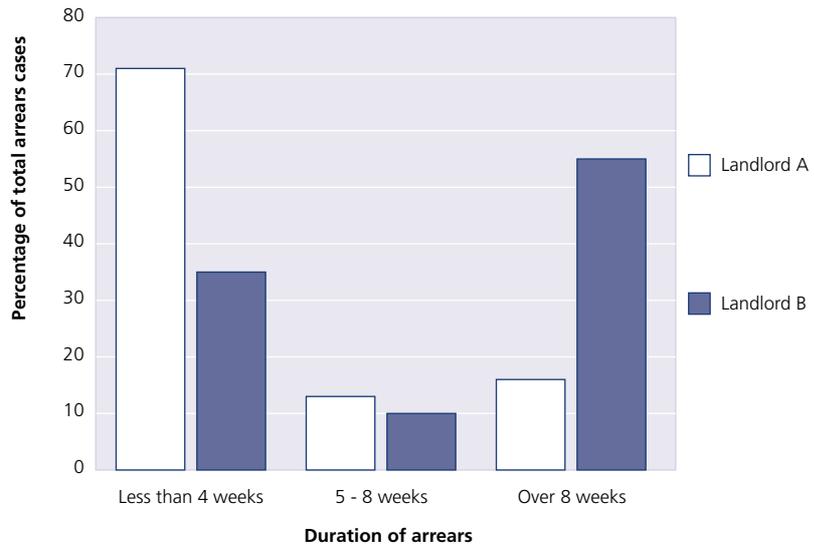
As a result of this approach, Landlord B has a relatively high level of arrears (more than 5% of gross rent due) and a high proportion (55%) of tenants owing more than 8 weeks' rent.

**Figure 18: Contrasting two different approaches to taking legal action**

The firmer action taken by Landlord A (ie, in taking early action and following through NOP/NTQ cases to court)...



...results in a lower proportion of serious arrears cases and lower rent arrears.



Source: Local audit returns

## Recommendations

*Councils and RSLs should:*

- ensure that staff comply with written criteria and time-scales for all stages of legal action
- ensure that a NOP/NTQ is issued no later than two weeks from establishing that the tenant is not co-operating in keeping to a formal arrangement to repay arrears. This time-scale should be adhered to unless there is good reason to delay
- consider selective use of NOPs/NTQs with the commitment to following the legal action process through, if necessary, to eviction.

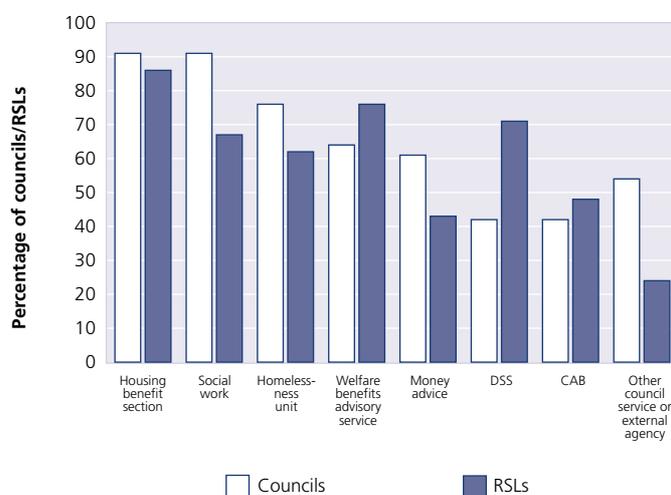
### Preparing for court action

Before commencing court action, the landlord needs to both properly understand and document the tenant's circumstances and calculate the actual amount of rent and charges due (including separating out repayable housing benefit overpayments from rent arrears). Over two-thirds of councils and RSLs carry out an assessment of the tenant's personal circumstances before the case is entered into court. However, over a third of RSLs and a quarter of councils do not maintain comprehensive records of the tenant's personal circumstances and arrears history. To ensure that tenants are provided with information on all relevant sources of support, it is important that details of advice given during informal contact with tenants are fully documented in tenant files.

Councils and RSLs need to liaise with social services and other relevant agencies to ensure that tenants can get access to support and advice in relation to legal action and any consequent repossession of their home. Figure 19 shows that almost all landlords contact their council's housing benefit service and most councils liaise with their social work departments. However, only two-thirds of RSLs contact their local council's social work department. While over 70% of RSLs refer tenants to the DSS, less than half of councils do so. Less than half of both councils and RSLs refer tenants to the Citizens' Advice Bureaux (CAB). A number of councils and RSLs refer tenants to other organisations for advice or support, including Shelter and independent legal advisors.

**Figure 19: Landlord referrals to other services/agencies**

The level of referrals to other services or agencies varies among councils and RSLs.



Source: Local audit returns

## Recommendations

*Councils and RSLs should:*

- *undertake good preparatory work before commencing legal action to ensure a proper understanding of the tenant's circumstances, and calculate the actual amount of rent arrears due (including separating out repayable housing benefit)*
- *make an assessment of the tenant's personal circumstances in order to target appropriate support*
- *maintain comprehensive records in tenant files of all advice and support given to tenants*
- *offer tenants support in the lead-up to court action. This may be achieved through referring the tenant to relevant independent agencies for advice.*

### *Giving explicit authority for suspending legal action or proceeding with eviction*

In two out of ten councils and three out of ten RSLs, documented procedures do not specify the criteria, or make clear who has the authority to suspend legal action. Without this, legal action may not be suspended as soon as it is appropriate to do so, wasting staff time and resources and causing distress to tenants. Generally, decrees are not enforced if all, or a substantial part of, the outstanding arrears is paid immediately.

Practices vary between RSLs and councils concerning the final authorisation required before proceeding with eviction action. Nine out of ten of the sampled RSLs involve their governing body members in the final approval of evictions. In two-thirds of councils, housing managers have the authority to proceed with, or suspend, eviction action and do not need to seek Members' approval. However, they generally inform the local councillor, which can lead to intervention to prevent eviction. In the remaining third of councils, the appropriate Members' Committee takes the final decision, sometimes overruling their staff's recommendations. When this happens, tenants receive mixed signals about how seriously their landlord intends to deal with enforcing eviction.

Where Members take the final decision on eviction, they do so on a named tenant basis. In contrast, RSLs withhold the tenant's name and address from members when presenting potential eviction cases for consideration. Councils should adopt this course of action and consider potential eviction cases on an anonymous tenant basis. This practice allows decisions to be made only on the basis of tenants' arrears case histories and their circumstances, without consideration of who they are and where they stay.

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## Recommendations

*Councils and RSLs should:*

- *ensure that the criteria and authority to suspend legal action is clearly documented and understood by staff*
- *have clear criteria on when decrees should be enforced by staff and when they should not.*

*Councils should:*

- *take decisions on evictions on an anonymous tenant basis, and withhold the tenant's name and address from Members when presenting eviction cases for approval.*
- 

## Former tenants' arrears

### *Maximising the recovery of former tenants' arrears*

Poor management of current tenants' arrears leads to higher levels of former tenants' arrears, as a result of tenants relinquishing their tenancies without clearing their current arrears. At March 1999, former council tenants' arrears amounted to £18.2 million.

Thirty per cent of councils and 14% of RSLs do not have documented procedures on recovering former tenants' rent arrears. In addition, around two-fifths of councils and RSLs do not regularly monitor and report progress, at least quarterly, to senior management and Members on the amount of former tenants' arrears due and the level of recovery. The absence of formal monitoring and review arrangements makes it more difficult for managers and Members to ensure that all practical steps are being taken to maximise the amount of arrears collected from former tenants.

## Recommendations

Councils and RSLs should:

- have procedures in place to maximise the recovery of former tenants' arrears.
- ensure that the level of debt recovered is subject to, at least, quarterly review by senior managers and Members.

## Performance review and continuous improvement

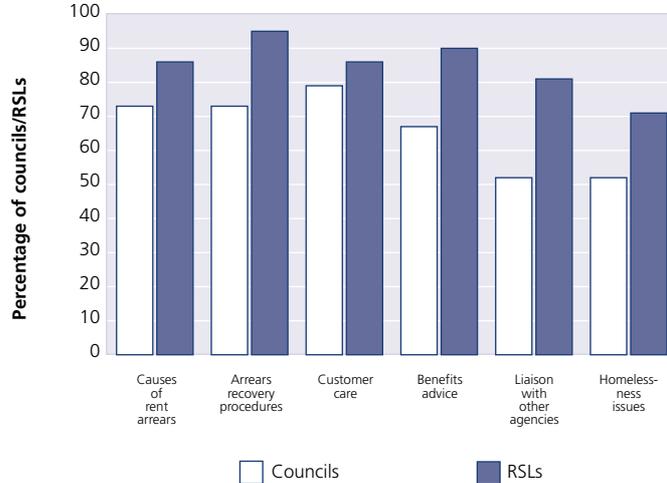
### Improving staff skills

Staff need to have the appropriate skills and knowledge if landlords are to provide the best possible service, both in terms of recovering rent arrears and in supporting tenants through the process. However, both council and RSL staff interviewed as part of the focus groups said that they feel they often lack the appropriate interview skills to conduct financial appraisals, do not have access to regular training on housing benefit issues and do not receive ongoing IT training. The focus groups identified that a number of councils rely on staff learning 'on the job', while others provide only occasional or infrequent training.

Around four out of ten councils and one in ten RSLs do not provide their staff with regular training. Overall, the study found that RSLs provide more comprehensive and regular training than councils, in the areas highlighted in Figure 20.

**Figure 20: Areas of staff training provision**

The level of staff training is higher in RSLs than in councils.



Source: Local audit returns

In some councils (eg, Aberdeen City and City of Edinburgh) and RSLs (eg, Servite Housing Association) where regular staff training is provided, a set time is allocated for training each week. Training can involve a combination of internally and externally led courses, with staff identifying and prioritising training issues.

## Recommendation

Councils and RSLs should:

- provide needs-based, regular training to all rent arrears staff. Particular attention should be paid to training in housing benefit issues, IT systems, and liaison and interview skills.

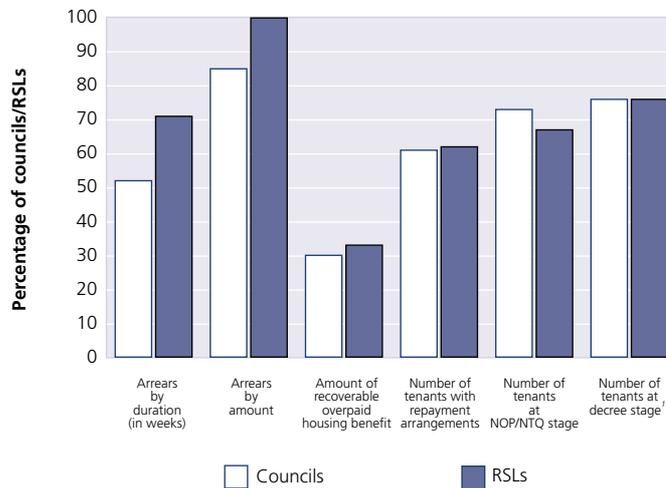
*Improving management information reporting*

A third of councils do not produce an adequate range of reports to enable informed decisions to be taken by staff and to enable effective performance monitoring and review to be undertaken by managers and Members. This is largely due to limitations in their IT systems, which do not allow them to extract performance information for certain categories of arrears. In contrast, 90% of RSLs produce a full suite of reports for their managers and governing body members, albeit that some have to pull the information together manually rather than extract it from a computer system.

Figure 21 shows the types of information routinely produced by councils and RSLs. It highlights the need for a significant proportion of councils and RSLs to improve the range of information they use, most particularly information on the amount of recoverable overpaid housing benefit.

**Figure 21: Management information routinely produced by councils and RSLs**

There is a need to improve management information reports.



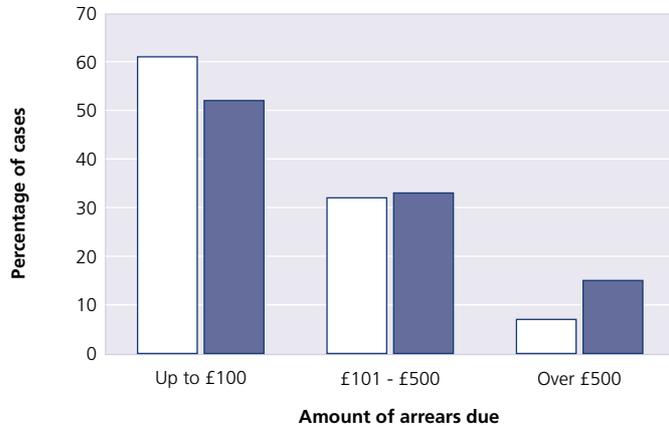
Source: Local audit returns

One of the factors that affects arrears levels is the number of arrears cases owing the largest amount of arrears. Figure 22 shows that landlords with lower arrears levels tend to have a lower proportion of serious arrears cases compared to those with higher arrears. Landlords that take early and effective pursuance action can prevent tenants falling into serious arrears, and avoid them getting into a situation of having unmanageable sums to repay.

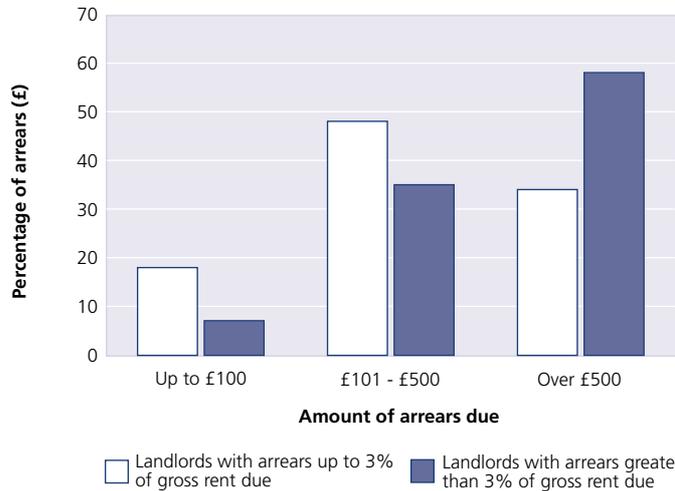
<sup>18</sup> Tenants at decree stage have had their cases presented in court and an order has been issued for their eviction.

**Figure 22: Profile of arrears in landlords with high and low rent arrears**

A small proportion of arrears cases...



...can account for a large proportion of total rent arrears.



Source: Local audit returns

Landlords can identify the extent to which serious arrears cases are influencing overall rent arrears performance by analysing the proportion of total arrears due by tenants owing the largest amounts of arrears. This will also inform the landlord how effective the organisation's rent pursuance process is in minimising serious arrears.

### Better practice

A number of RSLs have made special efforts to simplify the presentation of information on rent arrears through the use of innovative layouts and graphics. Some examples include:

- Thenew Housing Association produces reports for its governing body on all stages of the arrears process in an easily readable format. It makes use of graphs to present statistical and trend data comparing performance against targets
- Cube Housing Association prepares monthly reports with graphs that show actual arrears performance compared to target arrears performance.

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## Recommendations

*Councils and RSLs should:*

- *produce regular reports to managers and Members to enable effective performance monitoring and review. Such information should include:*
  - *categories of arrears by duration*
  - *categories of arrears by amount*
  - *amount of outstanding recoverable overpaid housing benefit being managed through rent accounts*
  - *number of tenants with repayment arrangements*
  - *number of tenants at NOP/NTQ stage*
  - *number of tenants at decree stage*
- *analyse the proportion of total arrears due by tenants owing the largest amounts of arrears.*

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### ***Benchmarking with the aim of continuous improvement***

About a quarter of councils and two-fifths of RSLs do not systematically benchmark their arrears performance with equivalent organisations. Peer group comparison is a good way of learning about better practice and identifying areas for improvement. All social landlords are encouraged to make use of the case studies provided in Appendix 4. Contact names are provided for the purposes of benchmarking.

Twenty-four per cent of councils and 5% of RSLs do not regularly review their policies and procedures on rent arrears. The lack of a formal system for continuous review and improvement means that organisations may be operating with rent arrears procedures that are no longer effective. For example, the continued application of a routine that becomes predictable can lead to tenants adopting a complacent attitude to the repayment of rent arrears. Councils and RSLs should consider innovative approaches to recovering arrears where a level of complacency occurs.

## Better practice

A number of councils and RSLs have formed benchmarking clubs to compare their performance with others. Some examples:

- seven councils established a Benchmarking Forum and produced a report based on a case study, *The monitoring and recovery of house rental debt owed by current tenants*. The councils involved were: Aberdeen City, Dundee City, East Renfrewshire, City of Edinburgh, Glasgow City, North Ayrshire and Renfrewshire
- Hillcrest, Kingdom, Eildon and Castle Rock Housing Associations have shared a range of performance data to benchmark themselves in a variety of areas
- Castle Rock and Hillcrest Housing Associations are part of the Chapman Hendy Benchmarking scheme and subscribe to Noble Financial Yearbook.

Clackmannanshire Council changed the layout, wording and signatory of its standard arrears letters and found that tenants took more notice and started repaying arrears.

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## Recommendations

*Councils and RSLs should:*

- *benchmark their performance with other social housing organisations with the aim of achieving continuous improvement*
  - *adopt innovative approaches to rent arrears recovery where the use of routine procedures has led to complacency among tenants.*
-

## 6 Conclusions and taking action

Rent arrears are a potential problem for all landlords. However, if landlords adopt good management practice, this will help them to keep arrears under control.

This study has found that many social landlords do not always adopt good rent arrears management practices. Where this is the case, lack of support to tenants and lack of timely and effective arrears actions may result in arrears being higher than they otherwise would be.

Both the Accounts Commission and Scottish Homes expect councils and RSLs to take action, where appropriate, to improve their management of rent arrears, using the recommendations contained in this report. Local external auditors will be following up the action taken by councils both in response to this report and to their local audit reports. Scottish Homes will be monitoring the improvement action taken by all RSLs in relation to their management of rent arrears. In addition, the findings from this study will be used as the basis for updating the rent arrears chapter in the Scottish Federation of Housing Associations' good practice manual *Raising Standards in Housing*.

In order to improve management of rent arrears, it is important for organisations to learn from best practice, wherever that may exist. To assist councils and RSLs, Appendix 4 contains case studies taken from both public and private sector organisations that are successfully tackling problems with rent arrears.

Having reviewed their own results, council and RSL managers can use Appendix 6 (the summary of the results of the local assessments) to identify potential benchmarking partners (ie, those organisations that have been assessed to be performing better), and undertake process benchmarking. Through networking with others, landlords can identify improved ways of working and, where appropriate, incorporate them into their own procedures.

To ensure that rent arrears management remains effective, performance should be the subject of regular review. To assist councils and RSLs in this process, a checklist has been developed that provides a useful framework for managers undertaking regular self-assessments of performance (Figure 23). As it is structured around the statements of good practice and the recommendations contained in this report, progression towards full compliance with the checklist will assist landlords to improve their management of rent arrears.

**Figure 23: Managing rent arrears – a manager’s checklist**

**Management strategy and organisational framework**



**Policy and procedures**

Do we have a policy that clearly sets out our strategic objectives on:

- rent arrears prevention?
- rent arrears recovery?
- eviction action?

Do officers receive consistent support from governing body members/ councillors in implementing arrears policy?

Do we ensure that our policies and procedures are being complied with?

Do we regularly review our procedures to ensure that they remain appropriate for effective management of arrears?

Do we have documented arrears procedures that clearly set out what staff are authorised to do, who should be contacted, and when?

**Organisational issues**

Do our organisational arrangements ensure that:

- effective communication links are maintained between rent arrears management and other related services, most particularly housing benefit?
- effective information links are maintained between rent arrears management and other related services, most particularly housing benefit?
- effective liaison is maintained with other organisations (eg, between councils and RSLs)?
- use of shared data between organisations or services is registered under The Data Protection Act?

Do we optimise the use of IT in managing rent arrears by ensuring that:  
• managers and staff get the type of information they need, on time?   
• arrears reports clearly identify problem cases for early action?

Do we make best use of our staff by ensuring that they:  
• know what arrears action to take, and when?   
• are suitably trained in the areas of work that they do?   
• have realistic work targets for achievement?

Do arrears staff recognise the importance of good housing benefit (HB) administration in managing rent arrears by:  
• routinely checking housing and welfare benefit entitlement and encouraging timely applications at arrears interviews?   
• continuously maintaining good liaison with housing benefit staff?   
• encouraging tenants to submit their HB application forms in time for benefit reviews?   
• recognising the impact of housing benefit overpayments when they arise?   
• managing recovery of housing benefit overpayments separately from rent arrears?

Do we offer a range of rent payment methods and frequencies that suit tenants’ circumstances?

✓  
Do we make it possible for tenants to make an arrangement to pay outwith the normal rent payment frequency?

Have we explored the potential for adopting a corporate approach to debt recovery (councils only)?

#### **Monitoring and performance review**

Does the organisation embrace minimisation of arrears as part of its performance culture?

Do councillors/governing body members receive reports (at least quarterly) that show the level and trend in rent arrears?

Do we hold managers to account for rent arrears performance?

Do we give managers rent arrears performance targets that reflect the circumstances of their local areas?

Do all arrears staff regularly receive reports that:  
• give the level and trend in rent arrears?   
• enable them to make comparisons in rent arrears performance between their own and other housing areas?

Do we ensure that our rent account information is up-to-date by crediting all rent payments to tenants' rent accounts within 5 days of the payment?

#### **Communication with tenants**

Do we always conduct a structured face-to-face meeting with the tenant at the start of tenancy?

In our communications with tenants, do we provide a clear, consistent and unambiguous signal of the need for them to pay their rent?

Do we use forms of communication that are appropriate for tenants' individual needs?

In making personal contact with tenants (eg, telephone interviews and home visits), do we arrange these to suit individual tenants?

Do we ensure that tenants remain fully aware of their potential entitlement to housing and other benefits?

Do we (attempt to) maintain communication with tenants in arrears, until they continue to make payments to reduce their arrears?

#### **Are rent arrears a problem?**

Do we know the profile of our total rent arrears debt (ie, total current arrears and number of cases, analysed into bands of amount due)?

If our profile of total rent arrears debt changes, do we know:  
• if the number of serious arrears cases is increasing?   
• if the number and amounts of arrears cases are generally increasing?   
• the changes in rent arrears levels, analysed by local housing areas?

Do we take sufficiently early action to prevent serious arrears developing (ie, amounts over £200)?



Do we assess the impact of serious, high arrears cases on rent arrears performance?

Do we take firm action to recover serious rent arrears, with a preparedness to evict in appropriate circumstances?

#### **Arrears recovery actions**

Do we maintain clear and comprehensive records of all action taken in relation to pursuance of individual rent arrears?

Do we check to ensure that tenants sustain their arrangements to pay arrears, and take early follow-up action when they do not?

Do we ensure that we take early reminder action, not later than 2 weeks from when the rent was lawfully due?

By the time a tenant is no more than 8 weeks in arrears, do we interview the tenant and attempt to get an arrangement to repay arrears?

Do we ensure that repayment arrangements take account of the tenant's ability to pay?

Do we confirm the arrangement agreement, by writing to the tenant within 3 to 5 days?

Do we make maximum use of DSS rent arrears direct payments?

#### **Legal action**

Do we give clear instructions to our representative in court on the form that the legal action should take?

Do we issue notice of impending legal action (eg, NOP/NTQ) within two weeks from the date of establishing that a tenant is being uncooperative in reducing their arrears?

Do we give explicit authorisation to staff to implement legal action, through to, where necessary, enforcing eviction action?

Do we assess the personal circumstances of tenants before cases are entered in court?

Do we liaise with social services and other relevant agencies to ensure that tenants can get access to support and advice in relation to legal action and any consequent repossession of their homes?

Do we exclude any recoverable housing benefit overpayments from the rent arrears due before commencing legal action?

Where governing body members/councillors are involved in eviction cases, are decisions taken on an anonymous tenant basis?



**Former tenants' arrears**

Do we allocate responsibility and accountability for pursuing former tenants' arrears to an individual officer?

Do we have effective systems and procedures in place, so that former tenants' arrears are monitored and pursued appropriately?

Do we set a realistic provision for bad debts?

Do we have an authorised process for writing off arrears where continuing attempts at recovery are unlikely to be cost-effective?

Do we subject the recovery of former tenants' arrears to regular monitoring and review (at least quarterly)?



## Appendix 1: Advisory group

### Members:

Ron Ashton, Director of Housing, Angus Council

Michael Carberry, Director, Blochairn Housing Association

Jeremy Drew, Inspection Manager, Benefit Fraud Inspectorate

Jim Lavery, Director of Housing, East Ayrshire Council

Geri Lewis, Membership and Policy Officer, Scottish Federation of Housing Associations

Jim Littlejohn, Head of Revenues, Falkirk Council

Frank McGhee, Arrears Controller, Glasgow City Council

John McGill, Rent Accounting Manager, Glasgow City Council

Moira Martindale, Chairperson, Glenrothes Area Residents' Federation

Andrea Moore, Senior Housing Manager, Viewpoint Housing Association  
(formerly Chartered Institute of Housing)

Rachel Smith, Housing Aid Worker, Shelter

Graeme Wilson, Housing Manager, Horizon Housing Association

John Woodcock, Housing Manager, Anchor Housing Association (formerly  
Berwickshire Housing Association)

## Appendix 2: Good practice statements

All councils and participating RSLs provided a ‘weighting’ for each of the good practice statements, using the following categories:

*Landlord weightings:*

A – Crucial to effective management of rent arrears

B – Important to effective management of rent arrears

C – Helpful, but not particularly important, to effective management of rent arrears.

The weighting shown in this appendix is an average of their individual weightings.

		Councils' % compliance	Councils' weighting	RSLs' % compliance	RSLs' weighting
<i>Policy and procedures</i>					
1.1a	There is a formal arrears policy statement which sets down the organisation's strategic objectives and its approach to arrears prevention and management.	79	A	90	A
1.1b	Policy guidelines and procedures are being adhered to.	70	A	62	A
1.2	There are written procedures that provide guidance to staff on the detailed implementation of the organisation's policy, including time-scales for action, roles and responsibilities and delegated authority, making clear where other agencies should be involved, throughout the arrears prevention and recovery process.	85	A	95	A
<i>Arrears prevention</i>					
2.1a	Information is provided at the start of the tenancy through structured face-to-face meetings.	73	A/B	100	A
2.1b	These meetings cover: amount of rent due; payment methods; claiming benefit; and the landlord's approach to arrears recovery. Advice is provided about support organisations and assistance given with an early referral, where appropriate. Information noted where the tenant has any particular problems.	67	B	90	A/B
2.2	In order to help prevent arrears starting, communication with tenants is clear and unambiguous and tailored to their needs and circumstances.	82	B	95	A
2.3	Tenants are offered the choice of paying through a range of methods to suit their circumstances.	91	A	100	A
2.4	It is possible for tenants to come to an arrangement to pay outwith the normal rent debit cycle to encourage regular payment.	100	B	100	A
2.5	Appropriate staff are suitably skilled and aware to be able to offer assistance to tenants (at the beginning of the tenancy and any subsequent time) to help claim housing benefit and other welfare benefits. Advice is provided about support organisations and assistance given with an early referral, where appropriate.	52	B	67	B

		Councils' % compliance	Councils' weighting	RSLs' % compliance	RSLs' weighting
2.6	Regular formal liaison meetings take place (at least quarterly) between managers of the rent collection service (including rent arrears) and senior HB staff.	76	A	71	B
2.7	Effective steps are taken by councils to ensure maximum return of HB forms at every review cycle. Tenants are reminded of the need to return forms and those not returning forms are proactively identified and pursued.	91	A	86	A
<i>Arrears recovery</i>					
3.1	All rent payments are credited to the tenant's rent account within 5 days of being paid.	79	A	86	A
3.2a	Tailored arrears reports show tenants' circumstances (eg, a system flag indicates whether the tenant is on income support, the tenant has applied for housing benefit, etc).	30	B/C	33	B/C
3.2b	Up-to-date arrears history reports are produced at period end cycles to focus arrears follow-up action.	76	A	95	A
3.2c	Staff are able to access/interrogate up-to-date information on individual rent accounts at any time.	97	A	100	A
3.3	Clear and comprehensive records are maintained of all action taken in relation to rent arrears to provide an appropriate audit trail.	73	A	62	A
3.4a	Rent accounts are monitored periodically (at intervals not more than fortnightly), to identify emerging arrears for follow-up action.	70	A	71	B
3.4b	Checks are made in line with the relevant agreement to ensure that tenants are keeping to their arrangements to repay arrears.	79	A	81	A
3.5	Staff make initial contact with tenants within 2 weeks of the first missed payment.	48	A	71	A
3.6	A range of letters is available to enable letters to be sent that reflect the circumstances of the particular tenant, and these are used appropriately.	82	B	76	A
3.7a	By the time a tenant is 8 weeks in arrears, the tenant has been interviewed or an interview attempted with the purpose of establishing a formal repayment arrangement.	52	B	76	B
3.7b	Repayment arrangements take account of a tenant's ability to pay.	55	A	67	B
3.7c	The agreement is confirmed to the tenant in writing within 3 - 5 days.	45	B	71	B
3.8	Personal contact including telephone interviews, appointments or home visits is arranged to suit tenants' individual circumstances.	97	B	95	B
3.9	Maximum use is made of DSS rent arrears direct payments.	82	A	90	B
<i>Legal action</i>					
4.1a	Staff are clear about who is authorised to commence legal action, when legal action should be taken, and when it should be suspended.	79	A	67	A
4.1b	The procedure timetable for initiating legal action is adhered to.	55	A	62	A
4.1c	Clear instructions are given to staff representing the landlord in court on the form that the legal action should take.	97	A	71	A

		Councils' % compliance	Councils' weighting	RSLs' % compliance	RSLs' weighting
4.2	Where a tenant is more than 8 weeks in arrears, and it has been established that he/she is uncooperative in reducing arrears (eg, a broken repayment arrangement), a Notice of Possession/Notice to Quit is issued within 2 weeks of the date when the tenant fails to co-operate (unless there is good reason otherwise).	55	B	57	B
4.3	There is explicit authorisation to staff concerning the implementation of arrears action from the stage of serving the NOP/NTQ through to enforcing, where necessary, eviction action.	76	A	86	A
4.4a	Assessments of the personal circumstances of tenants are carried out before cases are entered into court.	79	A	67	A/B
4.4b	Liaison with social services and other relevant agencies is carried out to ensure that tenants can get access to support and advice in relation to the legal action and any consequent repossession of their homes.	67	A/B	62	B
4.5	Calculation of the actual rent and charges due (excluding any housing benefit overpayments) is made before commencing legal action.	88	A	81	A
<i>Former tenants' arrears</i>					
5.1	Responsibility and accountability for pursuing former tenants' accounts has been allocated to an individual officer.	76	A/B	90	A
5.2	Effective systems and procedures are in place so that former tenants' arrears are monitored and pursued appropriately.	70	A	86	B
5.3	A realistic budget provision is set for bad debts.	85	B	81	B
5.4	There is an authorised process for writing off arrears where continuing attempts at recovery are unlikely to be cost-effective.	94	A/B	90	B
<i>Review and continuous improvement</i>					
6.1	Needs-based comprehensive and regular training is provided to ensure that appropriate staff are properly trained.	61	A	90	A
6.2	Good quality information is available to management and the organisation's Committee Members (at least quarterly) to allow them to identify performance against standards and targets, make informed decisions and identify trends.	67	A	90	A
6.3a	Actual performance is measured against targets and reasons sought for the variance arising to enable corrective action to be taken.	76	B	95	A
6.3b	The trend in current tenants' arrears performance is analysed by making comparisons between area offices and with other organisations having similar characteristics.	73	B	57	B
6.4	The recovery level of former tenants' arrears is subject to continuous monitoring and, at least, quarterly review.	64	B	57	B
6.5	The rent arrears policy and procedures are subject to periodic formal review (eg, by internal audit/Service Review) to ensure continuous improvement.	76	A	95	A

## Appendix 3: Focus groups

### Background

The way in which rent arrears work is organised varies considerably among councils and RSLs. In councils, the rent arrears service generally forms part of either the housing or finance service. The role carried out by staff involved in rent arrears work can either be specialised or very broad (eg, in housing services, rent arrears staff may be involved in other areas of work such as housing management duties and, in a limited number of instances, administration of housing benefit). In RSLs, staff involved in rent arrears activity generally undertake all types of housing services, but are not involved in administering housing benefit, as this work is undertaken by their local council.

### Purpose and objective of the focus groups

Because of the varying organisational approaches adopted to manage rent arrears, the study team was interested to learn firsthand about the experiences of rent arrears staff and managers working in different environments. Invitations to participate in focus groups were sent to all 32 Scottish councils and to the 21 RSLs involved in the national joint study. In addition to providing valuable information for this study, the focus groups provided an opportunity for networking and improved liaison arrangements between the organisations represented. The focus groups were hosted by an independent consultant.

The objectives of the focus group discussions were to:

- obtain a picture of the key organisational characteristics needed for effective management of rent arrears
- identify factors affecting rent arrears performances
- identify specific issues that councils and RSLs should address to support continuous improvement in rent arrears management.

### Main findings

#### *Organisational issues*

Both council and RSL staff expressed that there needed to be a strong commitment to reducing rent arrears levels and they shared a common view on what is needed to manage rent arrears effectively:

- personal contact with tenants
- good liaison between arrears, housing benefit and other staff
- effective preventative action
- early action in pursuing arrears
- good procedures, including IT systems
- approachable and committed staff.

The focus group participants recognised that, ideally, tenants would prefer a 'one-stop-shop' approach, where one member of staff could provide all of the information required and deal with all tenant issues concerning housing management, rent and housing benefits. However, it was felt that such an approach creates a job too onerous for staff to manage.

They suggested that councils should:

- adopt a form of generic working, where staff involved in rent arrears could have a job size that is wide and varied, but would not include housing benefit. This would go some way towards meeting the 'one-stop-shop' needs of tenants
- adopt an approach where rent arrears and housing benefit functions were the responsibility of one head of service.

The management of rent arrears and housing benefit within the same service department was considered to be vitally important to:

- ensure effective communication and liaison arrangements between staff
- ease the flow of information, and
- speed up the processing of claims.

The participants did not offer a view on whether these functions should be the responsibility of either housing or finance services – the important point was, they are so interdependent, that they need to be managed within the same service. If such an approach is not followed, and rent arrears and housing benefit functions are managed in separate service departments, councils need to ensure that proper procedures, information flows, and communication links are in place to remove the problems that currently exist.

### Factors affecting rent arrears performance

The participants identified a number of obstacles to the effective management of arrears. ***The most significant of these is the impact of housing benefit on rent arrears.*** In particular:

- the complexity of the housing benefit system, leading to
- considerable backlogs in processing claims, and
- housing benefit overpayments.

RSLs rely on councils to administer housing benefit for their tenants, therefore council problems with housing benefit cause problems for RSLs' management of rent arrears. Some RSLs have agreed a formal Service Level Agreement (SLA) with their local council as a means of clarifying standards of housing benefit service. However, SLAs have tended to focus on the processes that should be followed, and have not generally helped to speed up the time taken to process claims.

Also, for tenants more than 8 weeks in arrears with their rent, councils make bulk payments of housing benefit direct to RSLs, every 4 weeks. However, some councils deduct previously overpaid benefit to RSLs from their next bulk payment, without any advance notice. This can have a significant effect on RSL cash flows. RSLs would prefer to be separately invoiced for recovery of benefit overpayments, or at least to be given some warning before any deductions from bulk payments are made. A number of councils currently issue invoices for overpayments.

Other widely experienced housing benefit problems identified include:

- poor communications between council services
- difficulties in obtaining information from tenants
- significant amounts of time being spent chasing up the return of housing benefit claims.

## Specific issues

Issues identified by the focus groups where further improvements could be made, fell into three main areas: staffing, information technology, and access to information.

### Staffing issues

#### *Need for improved staff skills and training*

The skills and training required by rent arrears staff depend on the nature of their job. The wider the role of the job, the greater the need for wider training support. Participants involved in rent arrears and housing benefits experienced particular difficulty in keeping their housing benefit knowledge up-to-date, because of the complexity and frequency of changes in the regulations. Other areas where the participants felt further staff training is required included: IT skills, counselling skills, interviewing skills, dealing with confrontation, benefit fraud awareness, and an understanding of what the social work service does and how to access information from them.

#### *Problems with high staff turnover*

Council participants identified high turnover of arrears staff as being a problem, which was adversely affecting continuity of the rent arrears service.

High turnover was resulting in:

- the remaining staff being 'stretched' to provide cover
- a deterioration in staff morale
- increases in work backlogs because of the considerable time required for new staff to learn the job and build personal relations with colleagues in other service departments and other agencies.

The more generic the role of staff is, the greater the burden placed on remaining staff, as it takes longer for new employees to get 'up to speed'.

### Information technology

#### *Inadequate IT management information systems*

The participants felt that the resources available to support rent arrears staff in doing their jobs, were not as efficient and effective as they would like. IT systems were pinpointed as being particularly problematic, with many of the programs used to track rent arrears not providing the full range of functions that staff had hoped for. As a result, considerable manual work, which is both inefficient and resource intensive, is usually required.

#### *Potential for joint working*

Following reorganisation, most local authorities had to integrate two or more sets of rent arrears IT systems and procedures. In approaching this task, councils generally worked alone. Participants suggested that by working together, councils and RSLs could enhance their purchasing power and produce better specifications. Joint training initiatives could then be pursued if common systems were in use.

Currently, there is little evidence of joint working, for example, through councils sharing information about IT suppliers, experiences on the effectiveness, or otherwise, of new systems introduced, or making arrangements for joint training opportunities.

## Information and communication issues

### *Access to required information*

Most participants expressed a concern that rent arrears staff do not always have access to all the information they need to do their jobs. Rent arrears staff need access to a wide range of information about their clients' circumstances, but rarely have direct access to this. When required information is held by staff in other departments, it is usually more difficult to obtain. In their view, arrangements for the formal sharing of information between rent arrears, housing benefit and social work staff was generally poor.

Some councils (eg, Moray) have the use of DSS Remote Access Terminals(RAT) to view client details. The participants suggested other councils should pursue this.

### *Need for improved liaison and communication between staff*

To get the information they need, rent arrears staff often rely on the goodwill of other staff and on fostering good personal relations with staff in housing benefit and social work services. When rent arrears staff are located in close proximity to other staff from whom they require information, they find it easier to form working relationships, which enhances the exchange of, and access to, information.

### *Data protection issues*

The flow of information from housing benefit and social work staff to rent arrears staff can be inhibited by the way in which information is registered under The Data Protection Act. Problems were found to arise when information is registered for limited rather than wider use. The participants suggested that staff responsible for registering information under The Data Protection Act should liaise with rent arrears and other staff – both in councils and RSLs – to ensure that their information requirements were registered. By registering the wider use of the information, data can be exchanged between the registered parties, enabling rent arrears and other staff to carry out their jobs more effectively.

Study recommendations based on the findings from the focus groups are included in the main body of the report.

## Appendix 4: Case studies

- Case study 1: provided by **at.home nationwide**, provides an insight as to how a private sector organisation successfully turned around a high rent arrears problem.
- Case study 2: provided by **North Lanarkshire Council**, looks at how it tackled high rent arrears in one of its areas.
- Case study 3: provided by **East Dunbartonshire Council**, describes how it is tackling a serious arrears problem.
- Case study 4: provided by **City of Edinburgh Council**, shows how a city council has successfully reduced its rent arrears by almost half during the last 3 years.
- Case study 5: provided by **South Lanarkshire Council** details the steps it has taken to improve its arrears performance and its council tax collection rates by allocating responsibility for these areas to its benefits and revenue control section.
- Case study 6: provided by **Argyll and Bute Council**, explains how a rural council successfully reduced previously high levels of arrears in one of its areas.

## Case study 1

### at.home nationwide limited

#### History of the Company

The Company commenced trading in 1988 under the Quality Street Ltd. banner, with the purpose of acquiring, developing and holding residential property for private letting. In 1994, Nationwide Building Society acquired a 75% equity stake in the Company and increased this to 100% in February 1998. In October 1998, following the change in the Company's management, the name was changed to 'at.home nationwide limited'.

The Company owns over 2,200 units in about 100 developments across the UK. Its head office is based in Glasgow and it runs regional and local offices in London, Manchester, Bristol, Aberdeen and Edinburgh, as well as having its own website. In addition, third-party property management is also offered, principally in Glasgow and Aberdeen.

#### The credit control function

The credit control function has developed through a number of changes in recent years. Initially, the process was managed as a combination of head office and regional office staff. It then concentrated on centralised control, firstly in Glasgow then from Nationwide's administration centre in Northampton. Following a full process review, the function was re-established in Glasgow and a clear management responsibility created.

#### Tackling the issues

##### *The Team*

- The current Credit Control Team was established in July 1999 and comprises a supervisor and three credit controllers.
- The Team brings together a wealth of experience from social housing, credit collections, Nationwide and in-house expertise.
- Detailed induction training was provided to the whole team, providing an insight to the Company, Nationwide and the credit control process developed.
- A flexible working hours approach was also adopted to enable more opportunities to contact customers and to provide easier access for customers to contact the Company. This included Saturday and evening cover.

##### *Procedures*

- Clear and concise procedures were created, and set out in a manual and a shared computer file. The procedures cover the early stages of arrears recovery through to eviction and include a suite of letters and scripts to follow when discussing the situation with the tenant.
- The credit control supervisor is responsible for ensuring that procedures are up-to-date, relevant and are followed.

##### *Reporting*

- Key to performance of the Team is accurate and timely reports and management information.
- Arrears reports are produced on the ninth of each month and all subsequent action in the month is based on these reports.
- Two further reports are produced during the month to assess the collection activity.

### *Monitoring*

- Each member of the Team is assigned his/her own portfolio of accounts.
- Arrears reports are actioned immediately and all current arrears are expected to be actioned within two working days.
- A 'Daily Diary' system is used to ensure that commitments and arrangements to pay are met.

### *Housing benefit cases*

- Approximately 2.5% of tenants are in receipt of housing benefit.
- All housing benefit offices nationwide were advised of the Company changes and key contact names were given. This has proven successful and arrears involving housing benefit have noticeably reduced, with better liaison now in place.

### *Direct debit*

- Customers are required to pay by direct debit, unless it is agreed otherwise.

### *Performance targets*

- Clear realistic targets were set and communicated to all members of the Team. Targets are reviewed regularly.

### *Communication*

- Communication has improved throughout the Company and the Credit Control Team provides a focus for the rest of the Company.

### *Eviction policy*

- A tougher stance has been incorporated and the threat of eviction increased, where necessary.

### *Credit checking*

- Credit checking has become more thorough. Additional information is now sought and confirmed. Where necessary, guarantors are required and are all subject to rigorous checking.

### *Management information*

- Weekly meetings with the Finance Director were introduced to discuss progress and any relevant issues.
- A prudent bad debts provision is also in place.

## **Outcomes and conclusion**

Since the introduction of the new Team, and following all the changes, current tenant arrears have dropped by over 50%. Improvement has occurred due to all of the measures implemented, combined with the hard efforts of the dedicated Credit Control Team.

### *Contact officer*

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E-mail [Jill.Duff@nationwide.co.uk](mailto:Jill.Duff@nationwide.co.uk)

## Case study 2

### North Lanarkshire Council Housing and Property Services Department

#### Background

North Lanarkshire Council's housing stock consists of a merger of the former Motherwell, Monklands, Cumbernauld and part of Strathkelvin District Councils, along with stock transferred from the former Cumbernauld Development Corporation.

In April 1996, there was a variety of housing policies, procedures, systems, budgets and staff structures, which had to be harmonised. A great deal of work had been done prior to reorganisation to identify the various practices operated by the merging authorities and decisions had been made as to what procedures and systems should be operated from the start of the unitary authority.

The day-to-day provision of the housing service was split into three main geographical divisions serviced by a network of local and neighbourhood offices, with support provided by a centralised headquarters core team.

Rent arrears recovery was one of the key areas identified by North Lanarkshire Council, where harmonisation of policies, systems and procedures was deemed to be critical to the provision of an effective service.

This case study looks at one of these geographical divisions, showing the changes that have taken place since local government reorganisation and it analyses how the level of rent arrears have been affected during that time.

#### The problem

In June 1996, rent arrears for the division were 10.3% of the net rent debit – far higher than the 5.8% average for the whole of North Lanarkshire Council.

During the first year of the unitary council, identified problems that were affecting arrears performance in the division, included:

- disaggregation of the stock within the area
- a variety of staffing issues, including the introduction of generic working for previously specialised staff
- poor-quality IT systems with limited reporting facilities
- a variety of working practices
- limited payment options available to tenants
- absence of a basic rent arrears policy
- no annual rent statements sent to tenants
- no formal liaison with other departments, such as social work
- limited target-setting and performance monitoring.

#### Tackling the problem

To tackle these problems, a variety of new measures were issued from day one of the unitary authority. These changes had a major impact on the employees within these offices and praise must be given to the staff involved for their commitment and hard work during that time.

- **roles were changed** – there was a move towards a generic working approach within local offices, where many staff had to learn new skills so that they could deal with all aspects of estate management, allocations and rent arrears recovery. This new approach could not be implemented immediately and was attained by extensive training and support from staff already used to this method of working.

- **new arrears procedures were introduced** – agreed procedures were set out in an A to Z manual that explained the steps to be followed from the early stages of arrears recovery, through to eviction stage, including copies of all standard letters that were to be sent. The procedures advocated early intervention and fortnightly monitoring of all cases. A copy of the Department’s rent arrears follow-up timetable is included at the end of this case study.
- **a new rent accounting system, incorporating an arrears recovery module, was made available from April 1996** – this also had major training implications. However, as this system was already being extensively used within another division, it was possible to use staffing resources from there, including staff with experience of the new system who had transferred to the division permanently.
- **payment methods were standardised** – these included the addition of new payment methods such as the facility to pay by direct debit and standing order, and the option for North Lanarkshire Council employees to have their rent payment directly deducted from their salary.
- **regular performance monitoring systems were introduced** – this included fortnightly analysis of arrears performance within each office, with formalised monthly reporting to the Directorate and quarterly reporting of arrears performance to the Housing Committee.
- **liaison between housing benefits and arrears staff was strengthened** – the importance of the tie up between housing benefit and rent arrears services was identified. Regular liaison meetings between benefit and arrears staff, to discuss any ongoing problems, were formalised.
- **eviction policy made clear** – the threat of eviction, not always available or able to be sanctioned, was now a key part of the arrears procedures within the area.
- **improved information to tenants** – a tenant pack was introduced for all new tenants, which included information clearly indicating payment methods and the importance of paying rent and claiming housing benefit.
- **statement of rent account balances** – annual rent statements are now sent to all tenants within the division.
- **arrears targets** – realistic arrears targets were set, encouraging a competitive edge between individual teams.

A key issue in managing arrears is continuous improvement. This involves constantly reviewing practices and procedures and making improvements whenever it is deemed necessary. The following are examples of other changes and one-off exercises that have taken place since April 1996, which will have had an impact on rent arrears within the division.

- **setting up an ‘Arrears Week’** – this involved: placing an advertising feature in the local press, extending office opening hours, including cash-collection facilities in the evenings and the Saturday morning. Staff concentrated the majority of their working hours for that week on rent arrears. This included telephoning and conducting home visits outwith normal opening hours.
- **revising arrangements to speed up production and distribution of arrears letters** – the rent accounting system used allows arrears processing to be carried out on a fortnightly basis. However, arrears prints and letters were then produced centrally and distributed on paper to offices. This built in a time delay of up to 5 working days before arrears cases could be worked on. A new, stand alone database was introduced, which allows data to be updated, and printouts and letters to be produced within hours of arrears processing being completed. This database enables more detailed targeting of arrears cases, with a full interrogation of all cases being possible.

- **improving cash-collection facilities** – in April 1997, magnetic swipe-cards were introduced for payments at post offices and, from 1998, for payments at local offices.
- **direct debit was promoted as a payment method** – the numbers of tenants in the division using direct debit has been increased from none in 1996 to almost 400 presently.
- **improved consultation with tenants** – there is now consultation with local tenants' groups over the level of rent increases and budget setting within the authority. Annual rent increase notifications explain how each pound collected in rent is spent, advising tenants that no longer is there any direct subsidy from central government and it is they who fund the majority of the service.
- **arrears letters sent to tenants are constantly reviewed and are changed when deemed necessary** – an example of this is including additional text advising tenants who are in arrears to continue paying during 'rent-free' weeks.
- **sending out NOP letters on a different type of paper** – this approach gives these letters an appearance similar to a 'red reminder' from a utility company.

### Outcomes and conclusion

With the changes in working practices, procedures, and one-off exercises, combined with the improvement in IT systems mentioned, rent arrears levels within the division have fallen in real terms in the last four years. The division's net rent debit figure at December 1999 was 5.4%, compared to 10.3% in April 1996.

After consideration of why this improvement has occurred, it is felt that there is no single answer to a successful arrears policy. It is thought that successful rent arrears control involves a package of measures, which incorporate all aspects of best policy guidelines and procedures, combined with hard work and dedication of the staff involved in arrears recovery.

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## North Lanarkshire Council Rent arrears procedures

Weeks in arrears	Action taken
2	Arrears letter 1
4	Arrears letter 2 (4 weeks' arrears and <£40.00)
4	Arrears letter 3 (4 weeks' arrears and >£40.00)
4	Arrears visit (all arrangements recorded and benefits check made)
	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Arrangement fails</p> <p>↓</p> </div> <div style="text-align: center;"> <p>Arrangement kept</p> <p>↓</p> <p>No further action</p> </div> </div>
6	Notice of proceeding (NOP) served
8	Breach of tenancy (letter with appointment to call at office if no response within 14 days)
10	Court action letter (with home visit appointment date)
10	Arrears visit (possible arrangement to halt court action)
11	Preparation of case for passing to court officer (following liaison with appropriate agencies)
15	Court officer lodges case at court for warranting
23	Case heard in court (seeking appropriate decree)
28	Area manager approves eviction
29	Final warning letter delivered by sheriff officer
30	<b>Eviction</b>

## Case study 3

### East Dunbartonshire Council Housing Department

#### Background

Until July 1998, rent arrears procedures in East Dunbartonshire required that serious arrears cases be submitted to a formal Council committee for approval to take court action. This resulted in delays, and consequently a higher level of arrears, before legal action could be commenced and concluded. Responsibility for the full range of arrears work was devolved to officers in July 1998, when new streamlined procedures were introduced.

#### Actions taken to improve arrears performance

##### *Policy and procedures*

- Policy and procedures approved by the Council's Social Services Committee in April 2000.
- Administrative procedures subject to ongoing review following implementation of new rent accounting software (December 1999) and new staffing structure (January 2000).
- Procedures now published on the housing department's procedures bulletin board (networked to all staff).

##### *Arrears prevention*

- 'Script' developed for face-to-face meetings when signing up new tenants. This forms part of generic officers' training.

##### *Arrears recovery*

- Procedures revised to emphasise early contact through phone calls and visits at 2 weeks' arrears, before formal arrears letters produced at 3 and 4 weeks' arrears.
- On the new rent accounting system, benefits staff will be able to access tenant records, allowing them to input notes to identify problem benefit cases.
- New computer system automatically monitors payments and arrangements and produces weekly letters and action lists for housing officers.
- New procedures allow for referral to the welfare rights officer to assist entitled tenants to apply for income support. Outcome of referral is reported back to the housing officer to apply for rent arrears direct payments, where appropriate.

##### *Legal action*

- Since late 1999, the Council's legal services section is used for rent arrears court work. Previously such work was outsourced to a private firm of solicitors. Procedures for court action have been streamlined as a result, and standard pro forma used to instruct court action.

##### *Former tenants' arrears*

- Pilot exercise carried out whereby 100 former tenant arrears cases (around half the total caseload) were passed to external debt collectors on a trace and collect basis.
- Propose to extend pilot exercise during new financial year to cover remainder of former tenants arrears over 1 year old.
- A number of cases are being submitted to the Council's Policy and Resources Committee for approval for write-off.

### *Review and continuous improvement*

- The housing department is a member of the Scottish Housing Best Value Network (SHBVN) – a group of 14 local authorities that regularly benchmark a number of housing-related indicators, including rent arrears. This provides opportunities to discuss various indicators with similar organisations, and determine reasons behind variances in performance.

### **Outcomes and conclusion**

In November 1998, East Dunbartonshire's arrears peaked at 19.8% of the net rent debit. By March 1999, this had reduced to 17.7%, and further reduced to 16.4% at March 2000. Between summer 1999 and March 2000, the housing department implemented a new IT system, and is confident that it will provide much improved support to their arrears recovery activities.

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## Case study 4

### City of Edinburgh Council Housing Department

#### Background

The City of Edinburgh Council has a housing stock of around 28,900 properties. The housing management function (including rent arrears control) is carried out by six area-based teams, with a separate specialist sheltered housing team.

The main responsibility for arrears control rests with locally based housing officers, usually working generically on a 'patch basis'. Legal action is coordinated by a central court action section, and the department now has an in-house solicitor whose role includes arrears court work. There is also a small central arrears monitoring unit, which provides statistical and management information.

The creation of the unitary authority had little effect on the Council's working arrangements. However, a decision was taken to move administration of housing benefits from the housing department to the finance department. Public sector housing benefit staff had previously been located within each of the local area teams.

#### The problem

By 1998, the level of rent arrears had reached £2.5 million and was giving cause for concern. A number of factors were felt to be behind this, the main ones being:

- lack of a clear city-wide procedure
- difficulties in implementing generic working for housing officers
- lack of clear performance targets
- problems arising from the 'separation' of housing benefits, following the transfer of housing benefit administration from housing to finance.

It was clear that a radical overhaul of existing working practices was required and a new approach was introduced.

#### Actions taken to improve arrears performance

Over the past 2 to 3 years, a range of actions have been taken, and work is continuing to find new ways of reducing and, where possible, avoiding rent arrears. The approach is based on the following principles.

##### *Early intervention and preventative work*

- Procedures have been changed to allow staff to contact the tenant as soon as arrears start to accrue. This is normally 3 weeks after the first missed payment. At this point a full assessment is made of the tenant's circumstances and a payment arrangement is agreed. Any default in this arrangement normally results in the case being lodged in court.
- Eligible tenants are now expected to submit a housing benefit claim, with the relevant supporting documentation, at the point when they sign the missive for their tenancy.
- A media campaign was run, with a dedicated telephone help-line, stressing the need for tenants to contact the Department as soon as they begin having problems with rent payment.

### *Maximising tenants' income*

- Housing officers have been trained to be able to carry out interim Housing Benefit assessments, and offer advice on entitlement. A further programme of training on other welfare benefits is planned.
- Links have been made with local money advice agencies. Tenants are routinely referred to agencies once a Court Decree has been obtained against them. Work is continuing to promote understanding of the Council's approach and to develop ways of ensuring that tenants receive advice at key stages.

### *Policies and procedures that are clear to both staff and tenants*

- All standard letters have been rewritten, and now include details of how to contact local advice agencies. A series of new information leaflets, and a statement of the arrears policy for tenants will shortly be published.
- A clear 'minimum framework' arrears procedure has been developed. This ensures a degree of consistency between cases, while allowing some discretion to reflect local circumstances.
- The arrangements for lodging cases in court were streamlined, with a target of 8 weeks from the decision to lodge until the first calling. This helps to restrict the level of arrears accruing in these cases.
- Area teams have a degree of flexibility in the management of arrears work. Some have continued to work with fully generic staff, while others have introduced more specialist local arrears teams. This allows local decisions on the best use of resources.

### *Robust payment arrangements*

- Arrangements are calculated with a view to arrears being cleared in a finite period. In cases where a decree has been obtained, tenants are normally expected to clear the arrears within one year.
- A formula for payment arrangements ensures consistency across the city. It was felt that our approach needed to be seen as both consistent and fair, and to be easily understood by both tenants and advice agencies.

### *Clear targets and performance monitoring*

- An improved monitoring regime has been introduced, which concentrates on minimising delays and monitoring high-quality intervention. This is designed to firmly establish ownership of cases within the area teams, while allowing central monitoring of consistency and quality.
- Clear targets were developed for the department as a whole and for each Area Team. Performance against these targets is regularly monitored to allow early identification of any problems.
- A number of long-standing cases were reviewed, with new tenancies agreed for those who had maintained their payment arrangements. Defaulting payers were listed for eviction.

### ***Further work is planned*** and this will include:

- a review of the policy on rehousing tenants with rent arrears
- a review of rent payment methods
- the introduction of a service level agreement with the housing benefit section
- the possibility of developing a corporate debt policy.

## Outcomes and conclusion

At March 1997 the Council's rent arrears were 14.5% of the net rent due. The Department set clearly defined targets for a number of key performance areas, and the target adopted for arrears was the Accounts Commission benchmark figure of 7% of net rent debit. Considerable progress has been made towards achieving this target, with a figure of 8.4% as at March 1999, further reducing to 7.9% by November 1999.

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## Case study 5

### South Lanarkshire Council Housing and Technical Resources – Benefits and Revenue Control

#### Background

At local government reorganisation in April 1996, four local authorities merged to form South Lanarkshire Council. At that time, the benefits and revenue control section was charged with administration of housing benefit, and control and recovery of rent arrears and other specific housing debts. At April 1996, rent arrears totalled £2.3 million.

#### The problem

The process of merging four local authorities highlighted varying degrees of inconsistencies in the management of rent arrears and benefits, for example:

- the Council inherited different structures, grades, policies and procedures from the demitting authorities
- varying practices were being used to control rent arrears
- some areas had decentralised delivery of service, others were centralised
- training was given low priority and investment
- four different computer systems existed for processing benefit and controlling rent arrears
- responsibility for the administration of housing and council tax benefit was split between housing and technical resources and finance
- 16 different housing and council tax benefit claim forms were in use
- welfare rights and money advice staff were clustered in one area. The service was not available throughout the Council
- a Benefits Agency remote access terminal was in place, but covered only four of the seven area offices.

#### Actions taken to improve arrears performance

The varying procedures and inconsistencies between area offices afforded us the opportunity to examine all current processes, highlight best practice and implement immediate improvements. Rent arrears management was improved by:

**Immediately decentralising all administrative functions** – Decentralisation allowed us to have seven teams strategically placed within each area, making it easier for customers to call and seek advice or discuss benefit and/or arrears problems. Included in the decentralisation was a *Money Matters* advice service team who work alongside benefits and revenue control in maximising tenants' income and provide advice on renegotiating debt repayments, when necessary. Prior to being called to court, all rent arrears cases are referred to the *Money Matters* advice service, who contact the tenant to offer support.

**Establishing a central support unit** – In addition to the seven decentralised area teams, a central support unit was established. It consists of a number of small specialised teams who support the area teams, and co-ordinate specialised functions such as:

- **policy and procedures** – Staff within the central support unit are responsible for all policy issues and preparing/updating staff procedures.
- **debt recovery** – A team was established to deal with all court work (excluding 'Proof Hearings'). Members of the team represent the Council at court, and liaise with internal and external organisation in relation to arrears cases (eg, Shelter, solicitors, social work services, and homeless sections). This team is also responsible for pursuing the recovery of former tenants' arrears, housing benefit overpayments and lock-up arrears.

- ***audit and development*** – This team works closely with software suppliers and developed our integrated HB/CTB and rent arrears control systems. The team is also involved in staff training and liaises closely with software companies in relation to system alterations (eg, following changes in legislation and policy). The audit and development team carries out the audit of all benefits and revenue control functions.
- ***staff training*** – Training is one of our top priorities and we have a continuous training programme covering all functions under our remit.

**Introducing standard rent control policy and procedures** – Our rent arrears strategy is based on preventative methods of control; eviction action is always a last resort. Procedures adopted to achieve this objective include:

- ***maximising uptake of housing benefit and council tax benefit*** by routinely carrying out a welfare benefit check at all arrears interviews, and making referrals to the *Money Matters* advice service, when appropriate
- ***securing continuous awards of housing benefit/council tax benefit*** by maximising return of benefit renewal forms
- ***having clearly written procedures*** that detail time-scales for action, roles and responsibilities, and identify when to involve other sections/agencies
- ***reacting immediately by letter or visit*** following non-payment of rent/repayment arrangement. This prevents debts from growing too large to repay
- ***using a series of arrears letters that reflect the tenant's situation***, ranging from first missed payment to cases being passed for court action. All letters advise of our *Money Matters* advice service where they can seek additional help and support
- ***consistently using a standard formula*** to calculate repayment arrangements. This formula is based on income support applicable amounts and takes into account each individual's ability to repay
- ***availing tenants of the opportunity to make repayment arrangements outwith the normal rent debit cycle***, if this meets the tenant's needs
- ***taking preventative measures that include both reducing the numbers and amount of arrears***
- ***promoting all available methods of payment***, for example, direct debit, standing order, wage deduction, post office, DSS, etc
- ***tailoring reports from arrears systems*** to identify areas for action and to identify tenants in receipt of income support. Reports are produced daily, if required
- ***instructing the in-house court team***, who represent the Council at court, on progressing individual cases
- ***dealing with arrears in conjunction with other social problems***, for example, by highlighting serious rent arrears cases to social work and homeless sections where regular liaison takes place. Liaison with external agencies (eg, Shelter and Citizens' Advice Bureaux) and representing solicitors also regularly takes place
- ***setting realistic targets*** to reduce arrears for each local area office.

**Introducing a staff training plan** – A major training programme was commenced aimed at giving staff the ability and confidence to carry out their roles. Training was given, not only to benefits and revenue control staff, but also to staff from social work and the *Money Matters* advice service.

**Piloting a decentralised administration of council tax benefit** – There had been clear duplication in administering housing benefit and council tax benefit, as different services were administering these. To help review this situation, a pilot project was set up, in April 1997, whereby council tax benefit and administrative staff were decentralised to one area office. Following successful pilots, administration of council tax benefit was transferred to the benefits and revenue control section. This resulted in immediate improvements in service delivery, including:

- fully decentralising council tax benefit staff and administration of council tax benefit
- introducing a composite claim form
- increasing uptake of council tax benefit (increased from £13 million in 1996 to £19.3 million currently). This additional income helped tenants meet their rent and council tax liabilities
- carrying out a cross-matching exercise that resulted in awards of benefit to residents being increased by more than £2 million
- expanding the coverage of the Benefits Agency remote access terminal to all areas within the Council, increasing benefits performance
- conducting a further pilot scheme for decentralising administration of council tax in two area offices.

The pilot project has proved so successful that it has resulted in management responsibility for the following functions being transferred to the benefits and revenue control section:

- administration of council tax and control and recovery of council tax arrears
- administration of non-domestic rates and control and recovery of arrears
- cash collection throughout South Lanarkshire Council
- collection of corporate debts.

**New IT systems** – In early 1998, a new integrated housing benefit and council tax benefit computer system was introduced. This streamlined and standardised our benefits administration, resulting in greater efficiency and eradicated double input. A new rent control system was also introduced. This system is customised to complement our rent control procedures and provides tailored reports to automatically identify cases requiring action.

**Continuous monitoring and review** – We continually monitor and review procedures, and improvements have continued to be made to the original processes. Some of these improvements are:

- **Face-to-face meetings** are held between all new tenants and staff from housing allocation, and benefits and revenue control units, covering rent and council tax due, and methods of payment. Benefits are claimed, and advice and leaflets supplied giving information on what to do if difficulties are encountered in paying rent or council tax. Staff use check-lists to ensure all issues are addressed.
- **A fast-track arrears process** is now in use for persistent rent arrears cases. In these instances, legal services contact the tenant on our behalf and explain that legal action will result in repossession of the home (regardless of outstanding debt).
- **The original rent arrears** procedures have been improved slightly, and the content of standard letters updated. Original aims and objectives are still, however, achieved.
- **Use of rent arrears direct** is made in all appropriate circumstances. All residents who are in arrears with their rent/council tax, and who are in receipt of income support, are automatically identified and passed to the Benefits Agency for direct deductions.

## Outcomes and conclusion

Since reorganisation, our service has continued to develop and build on best practice in administering benefits and arrears recovery. Improvements achieved include:

- **establishing a decentralised multi-skilled workforce** who administer and deal with enquiries from residents covering housing benefit, council tax benefit, council tax, rent and council tax arrears and corporate debts
- **achieving a consistency in all processes**, including no competing priorities. Where appropriate, joint repayment arrangements are made, taking account of personal circumstances
- **improved and more efficient management** of rent and council tax arrears
- **eliminating duplication and enhancing customer service**. Customers need only deal with one member of staff at their local office
- **enhancing staff development** by all staff having their own personal training plan, increasing their knowledge and future prospects of advancement
- **significantly reducing rent arrears** from £2.3 million in April 1996 to £1.3 million (5.4% net debit) as at March 2000
- **improved council tax collection rates** – although administration of council tax and control of council tax arrears has only recently been transferred to the benefits and revenue control section, performance is already showing to improvements. In 2000/2001, we hope to improve our collection rates to 89% or more (1999/2000 – 87%), which will help arrest the trend of increasing council tax debt.

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## Case study 6

### Argyll and Bute Council Housing Services

#### Background

In April 1996, at the creation of Argyll & Bute Council, two very different arrears control policies were inherited from the predecessor authorities. In the Helensburgh and Lomond area of the former Dumbarton District Council at that time, rent arrears amounted to £133,387, which represented just under 10% of the net rent collectable for the area.

#### Action taken to improve management of rent arrears

At the May 1996 Housing Committee, members approved a standard arrears policy with the aim of reducing rent arrears for the whole authority down to 2.8% of net rent collectable. The revised arrears policy and procedures included:

- ensuring **consistent compliance** with systematic procedures
- **explaining the new policy** to all tenant associations who were helpful and encouraging in supporting the Council's aims
- adopting an organisational culture of **early contact** with people who experienced debt problems and focusing on pursuing debt owed to the Council
- **maintaining a register and giving support** to people who have problems completing forms, particularly those with learning difficulties and elderly clients
- focusing on **maximising take-up of housing benefit (HB)**, with close liaison between arrears and benefits teams. Targeting follow-up of HB review claims to individuals who regularly experience rent payment difficulties
- conducting **education and publicity campaign** for tenants in Helensburgh and Lomond area – emphasising individual responsibility and the requirement to pay debt, and highlighting the assistance that can be gained from applying for benefit
- **establishing reasonable arrangements** to recover debts – setting affordable, but meaningful levels of repayment and highlighting rent payment as a key household priority
- **following through the policy** for unreasonable defaulters – where all else fails, carrying out eviction action as a last resort.

#### Outcomes and conclusion

As at March 2000, the level of rent arrears in the Helensburgh and Lomond area had reduced by £98,409 to £34,977, which achieved the Council target of less than 3% of the net rent collectable. The level of rent arrears as a percentage of net rent due for the whole Council was 2.2%.

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## Appendix 5: RSLs sampled

Twenty-one RSLs were sampled to take part in the study:

**Barrhead**  
**Blairtummock**  
**Bute**  
**Castle Rock**  
**Castlemilk East**  
**Copperworks**  
**Cube**  
**Dalmuir Park**  
**Dunbritton**  
**Dunedin**  
**Elderpark**  
**Hillcrest**  
**Hilltopview**  
**Muirhouse**  
**Ochil View**  
**Perthshire**  
**Rural Stirling**  
**Rutherglen & Cambuslang**  
**Servite**  
**Thenew**  
**Vale of Duntrune**

## Appendix 6: Compliance with good practice

The following tables provide the results of the independent assessments undertaken by external auditors and consultants involved in the study. They identify the areas where landlords should take action to improve their compliance with good practice. The assessments took place between December 1999 and February 2000. Councils' and RSLs' compliance with good practice may have changed since then.

<b>Councils</b>	<b>Policy and procedures</b>	<b>Arrears prevention</b>	<b>Arrears recovery</b>	<b>Legal action</b>	<b>Former tenants' arrears</b>	<b>Performance review</b>
<i>Number of statements</i>	<i>3</i>	<i>8</i>	<i>14</i>	<i>8</i>	<i>4</i>	<i>6</i>
Aberdeen City	A	B	B	A	A	B
Aberdeenshire	A	A	B	B	C	B
Angus	D	C	C	D	C	D
Argyll & Bute	A	A	B	A	B	B
Clackmannanshire	A	B	C	A	A	A
Dumfries & Galloway	A	B	B	B	C	B
Dundee City	B	C	B	B	B	B
East Ayrshire	B	C	C	B	B	C
East Dunbartonshire	B	A	C	B	D	C
East Lothian	B	B	C	C	A	D
East Renfrewshire	C	A	B	C	A	B
Edinburgh, City of	A	A	B	A	A	A
Eilean Siar	A	A	C	B	A	A
Falkirk	B	B	C	C	B	C
Fife	D	B	B	D	C	D
Glasgow City	A	C	C	C	A	B
Highland	B	B	B	A	B	B
Inverclyde	B	C	C	C	A	A
Midlothian	B	B	C	A	A	B
Moray	A	B	B	A	B	A
North Ayrshire	A	C	C	B	B	B
North Lanarkshire	A	A	A	A	A	A
Orkney Islands	C	B	C	D	A	C
Perth & Kinross	B	B	C	C	A	C
Renfrewshire	C	C	C	C	B	B
Scottish Borders	A	C	B	B	B	B
Shetland Islands	A	B	B	A	B	B
South Ayrshire	A	C	C	D	A	D
South Lanarkshire	A	A	B	A	A	B
Stirling	B	C	C	C	B	B
West Dunbartonshire						
Alexandria	A	B	B	A	A	B
Clydebank	A	A	C	B	C	B
West Lothian	A	A	B	A	B	B
<b>Council overall</b>	<b>78</b>	<b>79</b>	<b>69</b>	<b>74</b>	<b>81</b>	<b>69</b>
<b>percentage compliance</b>						

Note: There are 33 assessments covering 32 councils, as two assessments were conducted for two separate areas in West Dunbartonshire Council.

<b>RSLs sampled</b>	<b>Number of units</b>	<b>Policy and procedures</b>	<b>Arrears prevention</b>	<b>Arrears recovery</b>	<b>Legal action</b>	<b>Former tenants' arrears</b>	<b>Performance review</b>
<i>Number of statements</i>		3	8	14	8	4	6
<b>RSLs</b>							
Barrhead	400	A	A	B	A	A	A
Castlemilk East	370	A	A	B	A	A	A
Elderpark	1,030	A	A	B	A	A	B
Hillcrest	2,900	A	B	B	A	A	B
Perthshire	680	A	B	B	A	A	A
Rural Stirling	160	A	A	A	A	A	A
Rutherglen & Cambuslang	700	A	A	B	A	B	B
Thenew	1,930	A	B	A	A	A	A
<b>Council areas</b>							
Argyll & Bute	970	C	B	B	C	A	A
Argyll & Bute	220	B	C	C	D	C	C
Clackmannanshire	970	B	B	B	D	A	B
Dundee	1,060	A	A	B	B	C	B
Dundee	220	B	B	B	C	B	B
Edinburgh	2,250	B	A	C	B	B	B
Edinburgh	1,160	A	B	B	B	B	C
Edinburgh	300	B	B	C	B	A	B
Glasgow	3,120	B	A	C	C	A	B
Glasgow	340	B	B	B	C	A	B
Glasgow	260	B	B	B	C	B	B
Glasgow	230	A	B	C	D	B	B
West Dunbartonshire	690	B	B	C	B	B	B
<b>RSL overall percentage compliance</b>		<b>83</b>	<b>89</b>	<b>77</b>	<b>69</b>	<b>87</b>	<b>81</b>

**Performance assessment grades:**

- A All good practice statements are being implemented
- B Two-thirds or more of the good practice statements are being implemented
- C Between one-third and two-thirds of the good practice statements are being implemented
- D Less than one-third of the good practice statements are being implemented

**Note:**

RSLs named in this table are those in the sample that met two-thirds or more of the good practice statements in all six areas (ie, A or B). RSLs meeting less than two-thirds have not been named because, unlike councils, only a sample of RSLs participated in the study. It is likely that there are many other RSLs, who did not participate in the study, whose compliance is also less than two-thirds. In these cases, the council area within which they operate is shown.



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