

Committee: Housing Management and Almshouses Sub-Committee	Date: 20/07/2020
Subject: Rent Arrears During COVID-19	Public
Report of: Director of Community and Children's Services	For Information
Report author: Liam Gillespie, Head of Housing Management	

Summary

This report provides an update to Members on the current situation with rent arrears for rented properties forming part of the Housing Revenue Account.

Unsurprisingly, arrears have increased due to many tenants being furloughed, made redundant or having their working hours reduced. Arrears stand at £329,053 as of week 13 (ending 5th July 2020), which represents an increase of £107,864 since the end of the 2019/20 financial year.

Officers are working to reduce this amount by helping tenants with arrears get benefit claims into payment where possible. It is expected that a significant amount of the arrears will be covered by benefit claims, which are subject to a significant backlog.

Recommendation

Members are asked to:

- Note the report.

Main Report

Background

1. Since the government introduced lockdown measures in response to the COVID-19 pandemic in March 2020, many of our tenants have found themselves in financial difficulty due to losing their jobs, or having their incomes adversely affected due to reduced working hours. This has resulted in difficulty paying rent and other household bills.

2. We have been monitoring the effect on our tenants' rent payments by reporting weekly on rent arrears, as well as observing the number of Universal Credit claims made by people living in City of London properties.
3. Our Income Recovery Officers have been actively contacting all tenants whose accounts have gone into arrears, offering them appropriate advice and help to manage the situation, including signposting to advice services and the Department for Work and Pensions (DWP) claims portal.
4. The majority of people they have spoken to have made claims for Universal Credit, which are taking far longer than normal to process due to the huge increase in applications nationally; 1.5m claims were made between 13th March and 9th April, a six-fold increase on the same time the previous year.
5. Applications for the housing element of Universal Credit to be paid directly to the City of London are also taking longer than normal to process.
6. The Coronavirus Act 2020 contained provisions which paused housing possession claims for three months; this was subsequently extended to 23rd August 2020. Before this protection was enacted, we made a commitment to be as flexible as possible with tenants who fall into arrears due to financial difficulties caused by COVID-19.
7. Some pre-COVID arrears cases which were scheduled for hearings, or evictions, have been paused due to the government's intervention. Members may wish to note that cases which already had eviction dates confirmed prior to COVID-19 account for approximately £21,000 of the total arrears figure.

Current Position

8. A certain level of rent arrears is to be expected at any given time when managing over 1,900 socially rented properties, and the arrears figure fluctuates throughout the year, normally reducing significantly towards year end and increasing afterwards. Income Recovery Officers work hard to maximise income by providing support and advice to tenants, helping them to claim relevant benefits and to manage their rent accounts properly.
9. As of 6th July 2020, 217 of our households had reported a loss of income resulting in them having difficulty maintaining rent payments; around 185 new claims for Universal Credit have been made so far by our tenants since lockdown began.
10. At the end of the 2019/20 financial year, arrears stood at £221,189. Since then, arrears have increased and at week 13 of 2020/21, ending 5th July 2020, they stood at £329,053 (an increase of £107,864). The figure has fluctuated and the highest arrears total this year was at week 11 (£394,444).
11. While this is concerning, Members may wish to note the following:

- Most tenants whose income has stopped or significantly reduced will be eligible to claim Universal Credit, which will reduce the arrears figure as the claims come into payment
- We are expecting a significant payment from the DWP for those with an Alternative Payment Arrangement (APA), i.e. a payment directly to the City as landlord, rather than to the claimant. The figure in May was £21,820.79 and we expect the June and July payments to be higher
- The total arrears figure includes several significant arrears cases (totalling approximately £21,000) which pre-date COVID-19 and were the point of eviction before the moratorium on repossessions; these will become former tenant arrears once possession orders are enforced
- As lockdown is eased, many tenants who were furloughed or whose hours were reduced will likely return to work and begin paying rent, plus arrears
- Part of the increase in arrears since year end can be accounted for by the normal pattern observed over several years; arrears are at their lowest towards year end and tend to increase in the following months (see details in Appendix 1)
- The level of arrears can fluctuate significantly due to the timing of Direct Debit payments, which are reconciled in bulk with the Orchard housing management system. If the arrears report is run just prior to the loading of these payments onto the system, the picture can appear worse than it is

Our Approach to Managing Arrears

12. Our overall aim of providing support and sustaining tenancies, rather than pursuing enforcement measures, remains in place. In cases where tenants fail to engage with us or manage their arrears, we will consider possession proceedings if it is both reasonable and proportionate to do so. This is always subject to advice from colleagues in the Comptroller and City Solicitor's Department.
13. Our approach to managing arrears should be viewed as a long-term one. We will enter into agreements with residents to pay back an affordable amount on top of their weekly rent. This is dependent on their household circumstances. Some households may be able to reduce their arrears relatively quickly, others may take some time to do so.
14. As this is a very unusual situation, we will have to accept a higher than normal level of arrears during the 2020/21 financial year.

Implications

15. The arrears situation across the HRA is being monitored closely by senior managers within Housing Services, who meet regularly with colleagues in the Chamberlain's Department to assess the risk to the HRA. While the current arrears figure is concerning, it is likely to improve in the longer-term and the risks to the HRA's ability to provide services are manageable at this point.

Conclusion

16. The knock-on effect from the closure of workplaces during COVID-19 has resulted in a significant number of tenants experiencing financial difficulties, which has impacted their ability to pay rent. Arrears have increased in response.

17. The arrears figure, while concerning, is being monitored closely and officers are working hard to engage with tenants to offer appropriate advice and support which is designed to help them sustain their tenancies.

18. In the longer term, we expect to be able to reduce the current arrears figure as benefit claims come into payment, and people return to work on the easing of lockdown measures. The risk to the HRA is being closely monitored and is subject to regular oversight by Chief Officers.

Liam Gillespie

Head of Housing Management

T: 020 7332 3785

E: liam.gillespie@cityoflondon.gov.uk