

**Meeting of the Executive Member for Housing
and Advisory Panel**

6th March 2006

Report of the Acting Director of Community Services

**Review of the way Former tenant arrears are dealt with for
homeless applicants**

Purpose of Report

1. To ask the executive member to approve a pilot incentive scheme on the repayment of former tenant arrears in the case of current homeless applicants.

Background

2. Under the Housing Act 1996 we have a duty to provide permanent accommodation to those accepted as homeless, in priority need, unintentionally and with a local connection. The council's current and new allocations policy is clear that customers will not be actively considered for alternative permanent accommodation if they have arrears of rent either on an existing tenancy or from a previous address. The practice of City of York as accepted at Committee on 20th November 2001 agreed that 50% of all Council homes to homeless households, providing that there are less than £500 of former and current arrears. This has been further established in the new allocations policy agreed in September 2005, the effect of which is to block temporary accommodation units with applicants who have been accepted as homeless but whom cannot be offered permanent accommodation due to former arrears
3. Many of these former debts are historic. It is possible that following eviction customers represent as homeless and under the Housing Act 1996 and case law the applicant is accepted as homeless. They may bring with them former rent arrears that need to be reduced to below £500 before permanent accommodation can be offered. In addition, former licence arrears may have accrued during previous stays in temporary accommodation, but a subsequent application under the Housing Act 1996 may mean that the Council now has a duty to house the applicant or on occasions, an applicant is moved with current arrears in order to meet our legal requirements to provide 'suitable' temporary accommodation.

Current Position

4. At present 47 accepted homeless applicants have arrears of around £89K to the Council, which is preventing them from being re-housed. The average debt is £1759.
5. The traditional recovery methods of pursuing the debt via Sundry Debtors, Court Action and Bailiffs has both limited effect and is expensive. Current recovery charges are £130 every court case and £75 every hearing or £35 for a successful bailiff trace plus 25% of recovery.
6. It is estimated that around 4 working days per calendar month are dedicated to chasing these arrears by the Customer Services Assistants (Homeless Services). This is equivalent of £2,330 a year.
7. A recent target set by the Office of Deputy Prime Minister (ODPM) is that all Local Authorities reduce the use of all temporary accommodation by 50% by 2010. CYC currently has approximately 300 households in temporary accommodation at any one time. An action plan developed to help reduce this number includes the option of addressing former arrears. An option is to encourage accepted homeless applicants to pay former arrears owed to the Council through an incentive payment scheme by contacting all accepted homeless applicants with former arrears and agree a payment plan based on this new incentive. Homeless applicants are currently aware of their circumstances and that permanent accommodation cannot be offered while outstanding debts above £500 are owed to the Council
8. If a customer makes regular payments as agreed in the payment plan over a continuous 6 month period the council will reduce the customers debt by the equivalent of 50% of what they have paid. For example, a customer makes a weekly payment of £5 for a 6 month period amounting to £130 CYC will further reduce their arrears by a further £65.
9. That this scheme is piloted for a 12 month period and monitored to assess success of both recovery rates and costs
10. Monitoring would include the repayments made, the cost to the Council in incentives and income generated compared to previous years.

Analysis

Option 1

11. Over the last 3 months we have actively encouraged people to pay a regular amount towards their former arrears. Of the 47 people, 28 have made payments towards their former arrears, often irregularly, amounting to £5565.18. All these customers have been notified that their applications have been placed on pending and that no offer of permanent accommodation will be made until their arrears have reduced to £500 or below. We have had one formal request for a review regarding the legitimacy of this process.

12. By introducing an incentive scheme we will be offering customers who, despite financial difficulties are actively making regular payments the opportunity to further reduce their arrears. This will in turn free up temporary accommodation and reduce B&B costs to the council and assist in meeting the Government target to reduce the use of all temporary accommodation by 50% by 2010.
13. The incentive payments will remain operational until an offer of permanent accommodation has been accepted, at which point the incentive scheme will cease. For some people this will be until the debt is reduced to below £500 or until they have made regular payments for more than 26 weeks in accordance with the new allocations policy.

Option 2

14. By continuing with the existing arrangements there is potentially a risk that we will be unable to meet the ODPM's challenging target of reducing the overall numbers of customers in temporary accommodation 50%.

Financial Implications

15. Based on an estimate of 50 customers making a weekly payment of £5 per week for 6 months the debt recovered would equal £6,500. Under this proposal they would then have half of the amount repaid "written off" their outstanding debt, which would amount to £3,250, or an average of £65 per customer. In exceptional circumstances an individual may make a significant repayment, which would result in a higher incentive payment than anticipated.
16. If the department were to pursue half of these customers through the courts then it would incur costs of £5,250 with no guarantee of repayment. If the debt were recovered through a debt collection agency, they would take 25% of the recovered debt therefore the cost would be £3,250.
17. All these debts are currently included within the bad debt provision at a rate of 95% and therefore any amount collected that reduces the level of these debts by more than 5% would bring additional income into the council and it is anticipated that the scheme would allow there to be a reduction in the level of bad debt provision. However, until the scheme has been in operation for a number of months it is difficult to assess the likely amount of any reduction.

Legal Implications

18. An pro-forma and payment plan would be drawn up for the benefit of customers and CYC to agree the terms and conditions of this agreement

Human Resources (HR) and other implications

19. Not applicable, the collection of former arrears is already an integral part of temporary accommodation job descriptions

Recommendations

20. That the Executive Member agrees this pilot scheme with a follow up report being submitted to EMAP after a 12 month period to analyse the results and if appropriate adopt on a permanent basis.

Legal	
Financial	
Human Resources	
Crime and Disorder	
Sustainability	
Equalities	
Other	

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Background Papers:

Full Executive, November 2002:- Action Plan and Monitoring arrangements for Homelessness Strategy

Temporary Accommodation Action Plan

Executive Member with Advisory Panel, September 2003:- Homelessness Review and Strategy 2003-2008