



CABINET – 1ST JUNE 2016

SUBJECT: HOUSING REPAIRS – REVIEW OF RECHARGE DISCOUNT

REPORT BY: CORPORATE DIRECTOR - COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to review the impact on income and recovery levels of the recent trial to offer tenants a 25% discount for prompt repayment of invoices for rechargeable repairs and end of tenancy works. This trial was introduced following the submission of a report to Cabinet on 18th March 2015. Members' approval is sought to withdraw the offer of a discount to tenants for prompt repayment.

2. SUMMARY

- 2.1 The aim of the Rechargeable Repairs Policy is to contribute to the efficient and effective maintenance of the Council's housing stock. At the request of the repairs and Improvements Group a 25% discount for tenants for the payment of invoices within 35 days of receipt was introduced for a trial period in an attempt to incentivise tenants to pay their recharges within a reasonable timescale and to encourage more tenants to pay. If successful this would increase income to the Housing Revenue Account, despite the discount resulting in an under recovery of costs incurred in carrying out the repair works. The trial has run for approximately ten months.
- 2.2 Whilst there has been an improving trend in collections for rechargeable repairs and end of tenancy works over the previous four years, the trial of offering a 25% discount for prompt repayment has not, in itself, resulted in a significant increase in the number or size of payments received. Should the trial be extended a capital outlay would be required for IT improvements to ensure the process can be administered effectively and the discount would constitute a subsidy to tenants from the HRA.

3. LINKS TO STRATEGY

- 3.1 The Rechargeable Repairs Policy assists the Council in meeting the aims and priorities detailed in the following strategies:
- 3.2 **National Housing Strategy:** The Welsh Assembly Government's National Housing Strategy 'Better Homes for People in Wales' (2001) has key themes of quality and choice. The WAG vision for housing "*wants everyone in Wales to have the opportunity to live in good quality, affordable housing*".
- 3.3 **The Single Integrated Plan 2013-2017:** has a priority to: "Improve standards of housing and communities giving appropriate access to services across the county borough".

- 3.4 **Local Housing Strategy:** Property Theme: *“Providing the opportunity for everyone to live in affordable, sustainable, good quality housing, regardless of tenure.”*
And links specifically to Strategic Aim 6: Housing Management, *“To provide good quality, well-managed homes in communities where people want to live, and offer people housing choices which meet their needs and aspirations.”*

4. THE REPORT

- 4.1 The Council as Landlord has an obligation to keep its housing stock in a good state of repair. When repairs are reported they are completed at no cost to the tenant, providing the repair is a Landlord responsibility and is required as a result of fair wear and tear. This usually means where the fixture or fitting has worn out or has come to the end of its natural life. Tenants have a responsibility to act responsibly and maintain their homes to a satisfactory standard and when a repair has been identified as not being caused through fair wear and tear, the Council may recharge the cost of the repair to the tenant.
- 4.2 The Rechargeable Repairs Policy is referenced in Section 21 of the Tenancy Agreement which states:
21. You will pay the Council on demand any costs it incurs:
- 21.1 for repairs to the property or to common parts of flats as a result of willful damage, neglect or negligence by you or any person residing in or visiting the property; or
- 21.2 for the removal of any unauthorised alterations or improvements to the property and any necessary reinstatement work or where any alterations, improvements or repairs have been carried out by you or on your behalf in an unworkmanlike manner; or
- 21.3 as a result of you having failed to carry out within a reasonable time repairs to the property which are your responsibility
- 4.3 It is accepted that the vast majority of Council tenants have not been or are unlikely to be recharged for undertaking repairs, however, the Rechargeable Repairs Policy is in place to deal with the situations where tenants fail to act responsibly and maintain their homes to a satisfactory standard.
- 4.4 When the Rechargeable Repairs Policy was introduced in 2015 it was agreed that, for a trial period, a discount of 25% would be offered to tenants if payment was made within 35 days from the date of the invoice. It was further agreed that the discount be subject to a review within 6 to 12 months in order to establish its success in respect of improving the amount of income received for the HRA. The discount was introduced in May 2015.
- 4.5 The purpose of applying a discount was to reduce the costs that are applied to our tenants for rechargeable repairs and to also incentivise tenants to pay charges within an acceptable timescale. Any discount applied however, results in an under recovery of the costs involved in undertaking the works and it was not possible to predict whether a discount would result in more tenants paying their recharges, or in tenants paying larger recharges than they may have done historically, without the Council having to utilise the sundry debtor process. If those tenants who had previously paid promptly for repairs continued to do so, this would result in reduced income to the Housing Revenue Account, as those payers would receive a 25% discount on payments that would have previously been received in full.
- 4.6 The table below provides information on the number and gross value of invoices issued for rechargeable repairs and end of tenancy works in the most recent four financial years and compares this data to the value of collections over the same period. It must be recognised, however, that a proportion of the payments collected in any one year will relate to invoices issued in previous years as, utilising existing systems, it is not possible to establish how much

of the amount invoiced is actually paid within the financial year in which it was issued.

YEAR	No. of Invoices	Value of Invoices	Collections	Collections as % of Invoices Raised in the Financial Year
2012 / 2013	1221	£439,676	£60,493	13.76%
2013 / 2014	1237	£263,184	£77,921	29.61%
2014 / 2015	1893	£412,512	£116,216	28.17%
2015 / 2016	1533	£320,044	£106,688	33.33%

- 4.7 As mentioned previously, it is not possible to establish, for payments received in any one year, in which year the individual invoices were raised, and it is recognised that a significant proportion of the income received in any one year relates to invoices raised in previous years. Nevertheless it is pleasing to note an improving trend in collection rates for rechargeable repairs and end of tenancy works. This is due, in no small part, to the continued efforts of officers within both Housing and Finance and to the work of debt collection agencies appointed by the Authority to assist in the recovery of outstanding debts. In 15/16 these agencies collected £21,348 of Housing recharges, approximately 20% of the total recovered. There have also been procedural changes that are likely to have contributed to the increase.
- 4.8 The introduction of the 25% discount for prompt payment has not had a significant impact on the payment levels received for rechargeable repairs and end of tenancy works. In 15/16, across the County Borough 104 payments were received from tenants who benefitted from the 25% discount. These payments totalled £5,232.94 after application of the discount, £6,977.25 before application, demonstrating a saving to tenants, and consequential loss to the HRA, of £1,733.31. These payments relate to only 2.18% of the total value of invoices raised in 15/16 and 4.90% of payments received.
- 4.9 The average repayment after application of the discount was £50.32 which demonstrates that the discount has not incentivised tenants to pay larger invoices, as had been hoped. Only seven payments received were in excess of £100. These smaller payments are historically recognised to be those that are most likely to be paid by tenants. A reasonable assumption would, therefore, be that a significant proportion of those who paid their invoices promptly, thereby benefitting from the discounts, would have paid those invoices even without the discount being offered. Due to the small numbers taking up the offer, the introduction of the discount is, therefore, not considered to have resulted in an overall increase in income to the HRA.
- 4.10 There have been extensive difficulties encountered in administering and reporting on the 25% discount trial using existing IT systems. If the trial were to be extended the Sundry Debtor Section has confirmed that their IT software would be required to be upgraded. Having consulted with their existing IT software supplier an appropriate enhancement of the existing system, to identify and automatically process any discount adjustments where the relevant criteria have been met, would cost approximately £8,000. There would also be consequential costs for the IT and Sundry Debtor Sections of implementing and maintaining the enhancements.

5. EQUALITIES IMPLICATIONS

- 5.1 There are no equalities implications associated with this report.

6. FINANCIAL IMPLICATIONS

- 6.1 Continuing to offer a discount for tenants who settle their invoice promptly is, in effect, a cost to the Service as any discount applied results in an under recovery of the costs incurred. If the trial continues and only the same level of recharges are repaid as have been paid historically, this would result in a reduced income to the Housing Revenue Account. Evidence obtained from the trial indicates that continuing to offer such a discount would not have a positive impact on the levels of bad debts and arrears as the introduction of a discount has not substantially increased the level of income received for the Housing Revenue Account.
- 6.2 Should the trial be extended new IT software will be required to be purchased at a cost of approximately £8,000, in order to administer the service effectively. There would also be as yet undetermined consequential costs for the IT and Sundry Debtor Sections of implementing and maintaining the enhancements.

7. PERSONNEL IMPLICATIONS

- 7.1 There are no direct personnel implications. Housing staff will continue to take direct action in the recovery process which includes home visits, providing money advice and signposting to appropriate support agencies.

8. CONSULTATIONS

- 8.1 There are no consultation responses that have not been reflected in this report.

9. RECOMMENDATIONS

- 9.1 That a trial to offer tenants a 25% discount for payments made within 35 days of receipt of an invoice for both rechargeable repairs and end of tenancy repairs be withdrawn.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 The 25% discount results in an under recovery of costs to the Service and has not resulted in an increase in income to the HRA. It is considered that the continuation of the trial will not provide value for money for the HRA as it will incur increased IT costs, reduce the level of income received and will not have a positive impact on the levels of bad debts.

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Paul Smythe - Housing Repair Operations Manager
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Background Papers: Policy and Resources Scrutiny Committee Report 3rd March 2015 –
Rechargeable Repairs Policy
Cabinet Report 18th March 2015 – Rechargeable Repairs Policy