

HOMES POLICY DEVELOPMENT GROUP 1 OCTOBER 2019

COUNCIL TENANCY RENT DEBIT FREQUENCY

Cabinet Member(s): Councillor Simon Clist, Cabinet Member for Housing
Responsible Officer: Mrs Claire Fry, Group Manager for Housing Services

Reason for Report: To review the weeks over which rent is charged on a yearly basis.

RECOMMENDATION: That the Policy Development Group recommends to the Cabinet that Council tenants be charged rent over 52 weeks each year and not 48 as currently.

Financial Implications: Council housing management and maintenance is funded through the Housing Revenue Account (HRA). The HRA is ring fenced and subject to specific financial controls. Rent collected from tenants provides the main income into the HRA.

In February 2019, the Government announced that the existing arrangement to reduce the level of rent by 1% over a 4 year period would end. Under the new settlement, social housing rents will rise by the Consumer Price Index (CPI), which measures inflation, with an additional 1% on top for 5 years from 2020.

Legal Implications: Registered providers of social housing, such as the Council, are subject to the provisions of the regulatory framework operated by the Regulator for Social Housing. The framework consists of a number of standards which each contain specific expectations and required outcomes.

There are legislative and regulatory requirements to consult tenants about any changes to the way in which homes are managed arising from the Housing Act 1985 and the regulatory framework.

The regulator launched a consultation in May 2019 relating to a new five-year Rent Standard. This followed a Direction to the Regulator which was published by the Government on 26 February 2019 and which stated that the regulator should set a new Rent Standard to apply from 1 April 2020. The new standard will apply to all social landlords including local authorities with retained stock and housing associations. The required outcome will be that these providers of social housing must comply with the provisions of the revised Standard and also with the Policy Statement on rents which was issued by the Government alongside the Direction to the Regulator.

Specific expectations included in the version of the Rent Standard which was consulted on relate to the 2020 limit for rents, the rules on social rents, the rules on affordable rents, and movement between the different types of rent.

Risk Assessment: Rent collected from Council tenants is the main income into the Housing Revenue Account. A large number of tenants are in receipt of benefits and the increasing pace of welfare reform has the potential to impact revenue. This is on the basis that more tenants of working age are now being moved onto Universal

Credit which is paid in arrears directly to the claimant. These payments include housing costs and therefore those who may have been used to receiving Housing Benefit as a rebate to their rent account may struggle to adjust to the need to make their own payments of rent out of a limited income.

Equality Impact Assessment: There is a suite of housing related policies. The use of these helps to ensure that service delivery is consistent and fair. There is a regulatory requirement for registered providers of social housing to tailor their service to meet the needs of the tenants and the Housing Service requests diversity data from tenants to enable compliance to be monitored.

Relationship to Corporate Plan: Homes are a priority for the Council and this includes ensuring that those homes in our ownership are managed efficiently and effectively.

Impact on Climate Change: The housing service has actively invested in energy efficiency; extensive use of solar PV and air source heat pumps already exists. This also has an impact in terms of reducing fuel costs for those whose homes have been improved. The ongoing circa £170M 30 year maintenance programme has a significant focus on ensuring energy efficiency. Where sustainable options are available they are utilised; however, it is acknowledged that where there is a significant cost differential that plays heavily in the choices made.

We recognise that the provision of sustainable communities is important. As part of our commitment to meeting the provisions of the Tenant Involvement and Empowerment Standard within the Regulatory Framework for Social Housing, the Council offers a menu of involvement which provides opportunities for tenants to get involved in service delivery. Tenants scrutinise the work of the Service and are also involved in the development of our newsletter which is published periodically. We use this and social media to promote sustainability and therefore publish information relating to a variety of topics including fuel efficiency, recycling and healthy living.

Generally, home and other visits can be scheduled to minimise the impact upon the environment as much as possible. Attendance at Exeter County Court in connection with hearings where a Stay of Execution relating to an eviction has been requested will be arranged at short notice thereby meaning that Officers cannot arrange other visits to coincide with the journey to and from the Court.

1.0 Introduction/Background

1.1 Currently, the Housing Service collects dwelling and garage rent over 48 weeks during each year. In the past, there have been two “rent free” weeks over the festive holiday period at the end of December and two more at the end of the financial year.

1.2 Rent weeks begin on a Monday and this means that every seven years there will be an extra week in the year. 2019/20 is one of these years. Previously, in these 53 week years, there was an additional “rent free” week at the end of March; however, this year, following consultation with tenants, the rent free weeks were changed so that they were distributed more evenly throughout the year to weeks 9, 22, 39, 40 and 53.

1.3 The tenancy agreement currently in use by the Housing Service contains a clause which states that tenants must pay their rent weekly in advance on every Monday. Another condition of tenancy makes tenants responsible for paying their rent on time.

1.4 The tenancy agreement also makes it clear that tenants must not carry a debt in relation to rent or other charges at any time.

2.0 **The Annual Rent Debit**

2.1 The “rent free” weeks were previously seen as a time when tenants in arrears could reduce their rent debts.

2.2 In actual fact, the term “rent free” is a misnomer. The annual rent for a property is divided by 48 instead of by 52 or 53 and this has the effect of making the tenant pay more on those weeks in which rent is charged than they would if it was spread evenly across all the weeks in the year. As an example, the rent for a property could be £5,000 each year. When rent is charged over 48 weeks, a total of £104.17 per week would be due. However, if the rent were to be charged over 52 weeks, this reduces the total due each week by £8.02 to £96.15.

3.0 **Welfare Reform**

3.1 Universal Credit (UC) is now being rolled out in the District. This benefit has been introduced to consolidate many other entitlements and replaces the following benefits:

- Child Tax Credit
- Housing Benefit
- Income Support
- Income based Job Seekers Allowance (JSA)
- Income related Employment and Support Allowance (ESA)
- Working Tax Credit

3.2 Although the Government has put the managed migration of all those of working age in receipt of benefits onto UC on hold, those reporting changes in circumstances to the Department of Work & Pensions (DWP) are being switched over to it when their claims are updated.

3.3 UC is paid in 12 monthly instalments based on a 52 week year. It is paid in arrears. The aim is to help people to cope better with the transition into work. Housing costs are included in the payments of Universal Credit and tenants are expected to pay their rent themselves. Council tenants in receipt of housing benefit have their payments rebated to their rent accounts and do not pay or transfer these payments directly to the Council. Therefore, when the change is made, it can be difficult for some people on low incomes and those who are vulnerable to manage their finances. This is because they may not have had any previous experience of having to make payments of rent themselves.

- 3.4 It should also be noted that many tenants who have never had a relationship with the DWP could be affected by the changes. This is due to the fact that they have been receiving Child Tax Credits in the past. As they switch onto UC, there could be a delay in them receiving their benefits. The Housing Service has many tenants with children who will have to adapt to the new welfare regime. Many of these people may never have had to claim Housing Benefit and may have been able to keep their rent accounts up to date in the past. However, they could experience difficulty doing so during the transition to UC, and this could have an impact upon the revenue stream of the Housing Service. It also has the potential to impact resources because more interventions will be required.
- 3.5 The restructure implemented last year put in place a specialist team with responsibility for income collection. The Neighbourhood Officers in the team are alerted by the DWP, which administers UC, when a tenant makes a claim. This is because there is an online portal and the DWP asks for verification of rent costs, if a claimant has said that they are a tenant of the Council. Once the team becomes aware that someone is switching onto UC, the Neighbourhood Officer responsible for managing the rent account will endeavour to work intensively with the tenant to ensure that they understand their responsibilities; and to signpost or refer them to other agencies which can help if they are experiencing financial distress.
- 3.6 The number of tenants in receipt of UC is increasing rapidly. On 1 April 2019, there were 259 current tenants in receipt of UC. By the end of June 2019 (week 13), this had increased to 318 and by the end of July (week 18, ending 4 August 2019), the number of tenants receiving UC was 353.
- 3.7 The total arrears owed by current tenants at the end of July (week 18, ending 4 August 2019) was £131,280.15 and this debt can be attributed to 508 tenants.
- 3.8 195 of these tenants who had arrears of rent were in receipt of UC.
- 3.9 The total debt owed at the end of that week by this cohort was £68,714.01. The average debt owed by these tenants in receipt of UC was £352.38 and the level of debt ranged from £0.59 to £2,274.45.
- 3.10 Therefore, it can be demonstrated that proportionately, those current tenants in receipt of UC at the end of the week in question owed more than those who were not:
- 52.3% of the total debt outstanding in respect of current tenancies is the responsibility of tenants in receipt of UC.
 - 38.4% of current tenants in arrears were in receipt of UC
- 3.11 If a tenant is vulnerable and meets the criteria specified by the DWP, the Housing Service can request direct payments of rent using the Alternative Payments Arrangements Scheme (APA scheme); in addition, Officers can request direct payments in respect of arrears in some cases, but the amount which can be paid will depend upon what other debts the claimant may have which are also being collected using this method. It should be noted that

there are some very strict criteria relating to the payment of APAs and that the DWP will refuse some requests if these criteria are not met.

4.0 Rent Free Weeks

4.1 The “rent free” weeks were implemented for administrative reasons before rent collection was automated. The Housing Service used rent collectors then but we now offer other methods of rent payment. For example, tenants can pay their rent by Direct Debit on a weekly, fortnightly or monthly basis and we also offer telephone payments which can be made out of hours. There is also a payment kiosk at Phoenix House and tenants can pay their rent locally at a Post Office.

4.2 The implementation of a 52 week rent year would mean that there would still be one rent free week every 7 years. Those in receipt of UC receive 12 payments in respect of housing costs. There is a possibility that a discretionary payment of Housing Benefit may be available to cover the 53rd week should rent be charged for that. However, the next 53 week rent year will be in 7 years and the structure of the welfare system may have changed considerably by then. Potentially, this type of support may no longer be available at that point. For this reason, the recommendation is to move to a 52 week rent year during all years regardless of how many Mondays each has in it.

5.0 The Benefits of Implementing a 52 Week Rent Year

5.1 The rent accounts of those in receipt of UC need to be managed more carefully to ensure that those tenants pay the right amount throughout the year. Whilst they will receive rent due for the annual amount within 12 equal payments, if they do not pay an additional sum each week on top of what they are paid in respect of housing costs, their rent accounts will go into arrears.

5.2 Therefore, every month, those in receipt of UC must use monies accounted for within the personal element of their UC payments to make up the shortfall; they cannot wait until the rent free weeks to reduce their debts otherwise their accounts will go into arrears by a considerable sum.

5.3 By switching to a 52 week rent year, the Council would be giving assistance to those who are experiencing difficulty paying their rent. They would not be expected to pay so much each week, which should make budgeting easier. In turn, this should have a positive impact upon the level of rent debt, and also reduce levels of stress and anxiety for those who are finding it hard to pay on time. The main rationale for the change is to allow those in receipt of UC to spread the cost of their rent throughout the year and to ensure that their rent accounts are kept up to date as much as possible.

5.4 There is also a need to ensure that a rent payment culture is embedded in all aspects of service delivery. There is a tension between having weeks which are called “rent free” in an era where Officers are trying to encourage tenants to establish a payment habit and to keep their accounts up to date. By setting the expectation of a payment for every week of the year, it would minimise the situation where a tenant could claim that they had been under the impression

that they were not required to pay rent because there had been a rent free week, or that their debt will be cleared because they intend to use the rent free weeks as an opportunity to make additional payments.

- 5.5 In addition, the change would simplify matters for both tenants and other partners. For example, the courts do not currently take the “rent free” weeks into account when making orders. Instead, they will order a tenant to pay current rent plus an amount throughout the year. This can make it difficult if someone is on full or partial housing benefit, in particular, because it means that they are still expected to pay the total amount due during the “rent free” weeks. The amount needed to cover the total due can sometimes be too much for them as they do not receive housing benefit over those weeks. This then means that they breach the court order, through no fault of their own.
- 5.6 The change to a 52 week rent year would make it easier to explain the amount due to a tenant. This would apply especially in cases where someone wishes to negotiate an arrangement or where a Court Order has been made which sets out what needs to be paid to reduce any arrears of rent in instalments.
- 5.7 Furthermore, the move away from rent free weeks is likely to make it easier to benchmark performance relating to income collection because a diminishing number of social landlords now offer “rent free” weeks.

6.0 **Consultation**

- 6.1 The Tenants Together Group (TT) discussed the proposal at length at the meeting on 8 August 2019.
- 6.2 It was noted that some of those with a fixed income, such as pensioners, appreciate the opportunity afforded by the rent free weeks over the festive period. It was noted that some tenants may see this as a rent payment holiday which comes at a time when there can be a lot of additional expenditure. It was noted that financial pressures can have a detrimental impact upon those with bad health, and, in particular, those with mental health issues. In addition, it was noted that those experiencing ill health could find the festive period difficult anyway and may experience additional stress caused by the need to continue making rent payments.
- 6.3 The group therefore suggested that consideration is given to retaining two rent free weeks over the festive period. However, such a suggestion would still have the potential to cause confusion for those in receipt of UC and, at worst, to place them in increased financial hardship. This would be as a result of the need to make additional payments during the rest of the year to ensure that their rent accounts were kept up to date at all times.
- 6.4 If a tenant is in receipt of UC, the DWP pays housing costs and the tenant is expected to pay these to the landlord irrespective of the time of year or whether there is a rent free week. Officers are used to tailoring the service to meet the needs of the individual and to taking the needs of those experiencing ill health into account.

- 6.5 Members of the TT also asked if the Housing Service could consider offering two schemes in respect of the rent debit, one which gave tenants an opportunity to pay their rent over 48 weeks, and another which allowed them to pay over 52 weeks.
- 6.6 The electronic integrated housing management system currently used by the Housing Service cannot be configured to provide two different schemes of debit. However, following the move to a 52 week rent year, if this is agreed, tenants could still agree an arrangement with Officers which would enable them to have breaks in payment. For example, payments could be increased during the first 11 months of the year to ensure that there was enough credit on the rent account to cover the rent due for the last 4 weeks of each year. This would reflect the arrangements currently in place regarding Council Tax payments.
- 6.7 There is a risk that managing tenants with differing arrangements relating to rent payments could be problematic. Potentially, it could divert resources away from work designed to manage increasing arrears. It could also cause confusion because the tenancy agreement states that tenants should pay their rent weekly in advance. Any arrangement designed to build up a credit would necessitate different advice being given.
- 6.8 In accordance with the Housing Act 1985, the Housing Service must consult tenants on any changes of this nature and therefore letters would be sent to all tenants to notify them about the plans to implement a 52 week rent debit.
- 6.9 It should be noted that the Housing Service received no feedback on the proposal to move the fifth “rent free” week to the end of May, earlier this year.

7.0 **Equalities Impact Assessment**

- 7.1 Before any such a change was agreed, an equality impact assessment would be undertaken. It is likely that there could be some negative impacts upon certain groups of tenants, in particular, those who are elderly, disabled in some way, and those whose first language is not English.
- 7.2 However, the Neighbourhood Officers in the Income team are the main point of contact for tenants and would be available to assist those who had any questions or concerns. The two Community Housing Support Officers who work alongside these Officers would be able to identify those tenants who may not be able to comprehend the implication of the changes. They could target support to ensure that there is a greater understanding. This may involve spending more time explaining the transition to the new way of charging rent but the expected benefits would justify the additional work required.

8.0 **Recommendation**

- 8.1 Members are asked to agree that Council tenants should be charged rent over 52 weeks each year, and not 48, as currently, with effect from April 2020. This is on the basis that all tenants will be consulted by letter about the forthcoming change during November 2019.

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Circulation of the Report: Cabinet Member for Housing, Leadership Team

List of Background Papers: None