

Meeting of the Decent & Affordable Homes Policy Development Group:

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Briefing Paper: Moving to a 52/53 Week Rent Charge

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Currently, the Housing Service collects dwelling and garage rent over 48 weeks during each year. There are two “rent free” weeks over the Christmas holiday period and two more before the end of the financial year. Rent weeks begin on a Monday and this means that every seven years there will be an extra week in the year. In these 53 week years, there has been an additional “rent free” week at the end March. These “rent free” weeks were seen as a time when tenants in arrears can reduce their rent debts.

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 across all the weeks in the year. As an example, we can look at the amount due in respect of rent for a two bedroom property in Bampton, which is £4,173.60 annually. When rent is charged over 48 weeks, a total of £86.95 per week is due. However, if the rent is charged over 52 weeks, this reduces to £80.26, a reduction of £6.69 each week.

The Housing Service is proposing to consult tenants about moving away from charging rent over 48 weeks each year to charging rent over 52/53 weeks with effect from April 2016.

Universal Credit is now being implemented in the District. This benefit has been introduced to consolidate many other entitlements and will be paid in 12 monthly instalments based on a 52 week year. It will be paid in arrears. The aim is to help people cope better with the transition into work. Housing costs will be included in the payments of Universal Credit and tenants will be expected to pay their rent themselves. Currently, those 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 us. It is anticipated that many people on low incomes and those who are vulnerable will find it very difficult to manage their finances. Experience in other areas where Universal Credit has already been implemented shows that social landlords have noted increased rent arrears in the weeks following the introduction of the new arrangements.

The “rent free” weeks were implemented for administrative reasons before rent collection was automated. We 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 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 at any Post Office®.

By switching to a 52/53 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 reduce levels of stress and anxiety for those who are finding it hard to pay on time.

In addition, the change should 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 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.

The Housing Benefit Manager has confirmed that any necessary changes to the ICT system used to calculate benefits, to bring it into line with any new arrangements relating to the way rent is charged for Council properties, should be relatively easy to implement.

A local authority in the north of England implemented the change at the beginning of 2014/15. The process of transition went smoothly. They found that tenants were largely supportive of the change but they have a high number paying by Direct Debit and therefore no impact on the changes. In Mid Devon, approximately 38% of tenants pay rent for their homes by Direct Debit and this percentage is higher for garage tenants; nearly 65% of these pay their rent by this method..

The same authority promoted the change by saying that it would help tenants to budget more effectively as the weekly payments would be reduced. They also made it clear that tenants could make larger payments than expected in order to build up a credit large enough to enable them to have a payment holiday if needed. However, they asked that people contact them if this was their intention.

Soon after the change, a sizeable number of tenants forgot there were no “rent free” weeks. The authority has reported that their rent arrears did go up after this and that they had to concentrate on recovering a number of small debts which had an impact upon resources. To mitigate that happening again, they wrote to tenants before Christmas to remind them that the seasonal rent-free week had been removed and the situation settled down. They are planning to put a note in their Christmas newsletter this year reminding tenants that rent is collected during every week of the year.

Any change to the way in which we charge rent is a change to the terms and conditions of the tenancy. An informal consultation involving a random sample of tenants commenced at the beginning of November. The outcome was that those people questioned were not unduly concerned about the proposed arrangement.

However, we have a statutory obligation to undertake a formal consultation of tenants in relation to such a change. It is proposed that the new charging regime is introduced as part of the amendments to the tenancy agreement. Members will recall that the tenancy agreement has been reviewed and that consultation on the changes is to commence shortly.

Members will also recall that flexible tenancies have been in use since April 2013. The consultation arrangements relating to these tenancies are slightly different to those relating to secure tenancies. The Housing Service must obtain specific consent to vary any condition of the tenancy where the tenant has a flexible tenancy and, for this reason, the consultation of recent introductory tenants and flexible tenants will be time-consuming as each will have to be visited individually.

There is a possibility that not all of the recent introductory or flexible tenants will agree to the change. In such cases, we will have to continue charging their rent over a 48 week rent year. This will have an impact upon resources because we will then be operating two rent calendars until the end of the term of the last flexible tenancy offered before the change.

Should Members agree to this change, it will be easier to benchmark performance during a year relating to income collection because a diminishing number of social landlords offer “rent free” weeks.

An equality impact assessment relating to the proposed change has been undertaken. There could be some negative impacts upon certain groups of tenants, in particular, those who are elderly or disabled in some way, and those whose first language is not English. However, we have neighbourhood teams which operate generically. Individual officers are responsible for housing management in specific geographical areas. They are the main point of contact for tenants and have good local knowledge. Two community housing support officers work alongside the neighbourhood teams and we are confident that all officers will be able to identify those tenants who may not comprehend the implication of the changes. They can then tailor support to ensure there is a greater understanding. This may involve spending more time explaining the transition to the new way of charging rent. Alternatively, it might involve the provision of information in different formats.

Please contact Claire Fry, Housing Services Manager, if you require any more information. cfry@middevon.gov.uk