

CABINET (HOUSING) COMMITTEE

26 November 2014

RENT FREE WEEKS

REPORT OF ASSISTANT DIRECTOR (CHIEF HOUSING OFFICER)

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RECENT REFERENCES:

None.

EXECUTIVE SUMMARY:

This report discusses Rent Free Weeks, a historical feature of tenants' rents which provides normally 4 weeks during the financial year where no weekly charge is applied to the tenant's rent account. In preparation for the introduction of Universal Credit and the increasingly preference from tenants for monthly payments rather than weekly, the need and place for Rent Free Weeks is now questionable.

RECOMMENDATIONS:

That the Committee agree that from 1 April 2015, rents be calculated and recovered over 52 weeks and that Rent Free Weeks will no longer be in place.

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DETAIL:

1 Introduction

- 1.1 For many years the Council has offered “Rent Free Weeks” (RFWs) to tenants. The tenant’s annual rent is divided over 48 weeks, to give four or five RFWs per financial year, depending on whether there are 52 or 53 weeks in the financial year respectively. The RFWs are staggered throughout the year and occur at the end of March, May, August and December.
- 1.2 This report recommends that RFWs are abolished from April 2015 and that rents are calculated over 52 weeks. The reasons for this are detailed below.

2 History of Rent Free Weeks (RFWs)

- 2.1 RFWs are a historical feature of tenants’ rents which date back to the time when the Council employed Rent Collectors to provide a door-to-door collection service. To facilitate holiday needs, the Rent Collectors did not collect payments in the bank holiday weeks and therefore the RFWs were brought in to overcome this problem.
- 2.2 Although the Council has not employed Rent Collectors for over 20 years, the tradition of RFWs has continued. This is partly due to them being popular with tenants who pay their rent weekly and like the benefit of not having to come in to the Cash Office or Post Office to pay their rent on these weeks.
- 2.3 However, as more tenants now pay their rent monthly, and given the Government’s drive for tenants’ rents and any benefits to mirror mortgage payments and wages, the need and place for RFWs is now questionable.

3 Concerns with Rent Free Weeks (RFWs)

- 3.1 RFWs generate a degree of confusion for tenants. The term “Rent Free Week” in itself is misleading. Tenants are charged an annual amount to cover the Council’s expenses for owning and maintaining their property which is payable over 52 weeks. This annual charge is then divided over 48 weeks so that the weekly charge is higher than it would be if there were no RFWs. For example, a rent of £100 per week charged over 52 weeks equates to the tenant being requested to pay the actual amount of £108.63 per week over 48

weeks. The 48 week rent also takes into account that there is an extra rent free week every 5 or 6 years, which occurs when there is 53 weeks in a financial year. Tenants may prefer a lower weekly charge than having RFWs.

- 3.2 For tenants who pay their rent monthly by Direct Debit (which is the Council's preferred payment method), the presence of RFWs adds to the complexity and cost of collection. Rent accounts show in arrears at some points during the year due to the timing and frequency of the RFWs and this can cause concern and confusion for tenants when they receive their quarterly rent statement or contact the Council to find out their rent balance. Amounts collected by the Rents Team may vary as a result, which then means the required notices being issued with a cost in terms of both production, postage and staff time.
- 3.3 Tenants who pay their rent monthly by other methods do sometimes pay less during the months with RFWs which can mean their account falls into arrears.
- 3.4 Tenants who are in arrears are requested to pay during the RFWs as this is a good way to reduce the amount owed on the rent account. The removal of RFWs would therefore take away this opportunity to catch up with payments. However in reality, many tenants in arrears still choose not to pay during the RFWs despite requests from officers and literature stating otherwise.
- 3.5 The main consideration for reviewing the existing rent charge frequency is due to the Government's Welfare Reforms. Universal Credit, which is due for introduction between now and 2017, is being paid monthly in arrears to mirror a salary or wage, direct to tenants in most cases. The amount paid is based on the total annual rent. Should RFWs continue, with the rent loaded to cover the cost of RFWs, when the month does not have RFW in it the amount of Universal Credit the tenant receives will not be sufficient to cover their rent.
- 3.6 Once Universal Credit is established in Winchester the additional factor of RFWs will undoubtedly cause more confusion for many tenants in what will already be for some a very daunting and difficult change to manage.
- 3.7 In meeting housing need, the Council works with partner registered providers (Housing Associations) within the Hampshire Home Choice choice-based lettings scheme. In accordance with national rent policy, rents quoted for similarly sized local properties should be broadly in line. As other local providers do not have Rent Free Weeks it is more difficult for housing applicants to compare our rents with those charged by different providers by looking at the property adverts.
- 3.8 From March 2014, the Council has set all new build properties at affordable rent levels which are chargeable over 52 weeks of the year. A number of the tenants who have moved to these units were already Winchester City Council tenants and there has been no negative feedback from them or the other tenants regarding not having RFWs.

- 3.9 It should be pointed out that the removal of RFWs will have an adverse effect on published rent arrears performance for the City Council. Currently, the end of year reported figure is a RFW period and as explained in 3.4, any payments made during this week come off the total arrears balance. The end of year figure for 2013/14 for rent outstanding was 0.9% (this was a double RFW), although the average monthly performance this year has generally been slightly higher between 1.1 and 1.2%. The removal of RFWs will however make performance more realistic and also assist with tracking and monitoring purposes.

4 Conclusion

- 4.1 It is therefore recommended that from April 2015, rents are charged over 52 weeks, rather than the current 48 weeks. A charge would also be made in the 53rd week where there are 53 weeks in a financial year. It is important that the Council's rent charging policy reflects the Government policy for Universal Credit and other income sources with a consistent charge being applied each week throughout the year.
- 4.2 Tenants will be advised of the change with the annual notification letter of changes to rent and other charges. Notices will also be placed in the Customer Service Centre, Cash Office and the Council web-site informing tenants of the change. Any rent statements sent to tenant will also include a notification of the impending change.

OTHER CONSIDERATIONS:

5 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 5.1 The proposals accord with the principles of making the best use of all available resources by continued clear financial planning.

6 RESOURCE IMPLICATIONS:

- 6.1 The change in approach will not impact on the total rent recovered and no provision for increased resources or savings has been assumed in the HRA Business Plan report elsewhere on this agenda (CAB2631(HSG) refers).
- 6.2 It is a fact that housing officers have at times used RFWs as a means of encouraging additional payments for those in arrears and it is possible that future annual arrears performance statistics may increase slightly as a result of there not being RFWs at the end of the financial year. However, any such impact will be marginal and if anything will represent a more accurate reflection of actual arrears.
- 6.3 Whilst the change will have a "cash flow" impact on the Council, the existing budget has already been profiled to take account of equal monthly income and so this change will not require any significant changes to the budget. In fact, it will result in some minor administrative efficiencies.

7 RISK MANAGEMENT ISSUES

- 7.1 There is a marginal risk of an impact on arrears management as described above. This will continue to be monitored closely although at this stage is not considered to be a material risk.

8 TACT COMMENT

- 8.1 TACT considered the proposal in detail at its meeting in October and thank Amber Russell for taking the time to present the issues to tenants and consult them on their views.
- 8.2 Some tenants do welcome Rent Free Weeks and see them as a “rent holiday”. Whilst TACT supports the proposals and recognise the advantages that it offers, particularly in regard to the potential impact of universal credits, it is concerned on the impact it will have for some tenants.

BACKGROUND DOCUMENTS:

None

APPENDICES:

None