

	<b>AGENDA ITEM NO.</b>
<b>Report Cover Sheet</b>	
<b>Name of Meeting:</b>	Executive
<b>Date of Meeting:</b>	23 <sup>rd</sup> July 2007
<b>Report Title:</b>	Introduction of rent free weeks
<b>Summary of report:</b>	A proposal to charge rent for council properties over 48 weeks from April 2008, leaving four rent free weeks. In addition to providing an incentive for tenants to pay rent in accordance with their tenancy conditions all monies collected in the rent free weeks are a 'windfall' to set against the overall arrears balance and should significantly improve performance in this key service area. To maintain performance prior to implementation it is also proposed to recruit an additional temporary arrears officer for the remainder of this financial year.
<b>For further information please contact (report author);</b>	Cassandra Lewington, Rents and Finance Manager. Tel 456433. <a href="mailto:cassandra.lewington@warwickdc.gov.uk">cassandra.lewington@warwickdc.gov.uk</a>
<b>Business Unit:</b>	Housing Services
<b>Would the recommended decision be contrary to the policy framework:</b>	No
<b>Would the recommended decision be contrary to the budgetary framework:</b>	No
<b>Wards of the District directly affected by this decision:</b>	All wards are affected by this decision
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan?</b>	Yes <span style="float: right;">Reference 22</span>
<b>Is the report Private &amp; Confidential?</b>	No
<b>Date and name of meeting when issue was last considered and relevant minute number:</b>	Not Applicable
<b>Background Papers:</b>	None

<b>Consultation Undertaken</b>		
Below is a table of the Council's regular consultees. However not all have to be consulted on every matter and if there was no obligation to consult with a specific consultee they will be marked as n/a.		
<b>Consultees</b>	<b>Yes/ No</b>	<b>Who</b>
Other Committees	No	
Ward Councillors	No	
Portfolio Holders	Yes	Councillor Doody
Other Councillors	Yes	Councillor Hatfield Councillor Grainger
Warwick District Council recognised Trades Unions	No	
Other Warwick District Council Service Areas	Yes	Revenues and Customer Services and ICT
Project partners	Yes	Warwickshire County Council - Supporting People Services Team
Parish/Town Council	No	
Highways Authority	No	
Residents	No	
Citizens Panel	No	
Other consultees	No	
<b>Officer Approval</b>		
With regard to officer approval all reports must be approved by the report authors relevant director, Finance Services and Legal Services.		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Relevant Director(s)	26.6.07	Mary Hawkins
Chief Executive	28.6.07	Chris Elliott
CMT	28.6.07	
Section 151 Officer	28.6.07	Mary Hawkins
Legal	26.6.07	Simon Best
Finance	22.6.07	Sandra Jones
<b>Final Decision?</b>		Yes

## **1. RECOMMENDATION(S)**

### **1.1 That Executive approves:**

- the adoption of a 48 week rent charging year for council tenants, commencing April 2008, with four rent free weeks.
- that the weeks commencing 22<sup>nd</sup> December, 29<sup>th</sup> December 2008, 23<sup>rd</sup> March and 30<sup>th</sup> March 2009 are the rent free weeks for the financial year 2008/09.
- the employment of a temporary Debt Recovery Officer until rent free weeks are introduced, i.e. 31 March 2008.

## **2. REASONS FOR THE RECOMMENDATIONS**

2.1 Warwick District Council has historically charged rent for council homes and garages over 52 weeks. Many other local authorities and housing associations charge rent over 48 or 50 weeks and make no charge for the remaining weeks.

2.2 Benchmarking evidence demonstrates that where rent is charged for less than 52 weeks tenants in arrears can be encouraged to continue to pay in the rent free weeks. Rent collected in these weeks can total as much as £60,000 as shown in appendix one. Payments received in rent free weeks can have significant impact on arrears performance as all payments received are deducted from the arrears balance.

2.3 Evidence suggests the use of rent free weeks is also a powerful incentive tool when managing current tenant arrears. For example, analysis of payment trends shows that arrears rise significantly in the lead up to Christmas. By introducing two rent free weeks during the Christmas and New Year holiday period we would not only enable tenants who pay regularly to have a payment 'holiday' but encourage those in arrears to maintain payments to recoup any payments missed in the lead up to Christmas. Tenants who have to continue to pay during the rent free weeks have an incentive to clear their accounts as quickly as possible so they too can benefit from the payment 'holiday'.

2.4 Placing an additional two rent free weeks at the end of the financial year enables the arrears recovery team to maximise arrears recovery before year end by encouraging tenants to clear their accounts. Many organisations report a significant decrease in arrears in the last two weeks of the year through the use of campaigns to encourage tenants to enter the new rent year with a clear account or reduced arrears balance.

2.5 It would not be possible to move to a new charging regime midway through a financial year. It is therefore proposed to implement a 48 week rent year from start of the 2008/09 financial year.

2.6 Prior to implementation a comprehensive programme of testing will be required for the rent accounting and Housing Benefit IT systems. This is outlined further in appendix two.

- 2.7 A move to a 48 week charging year would be a change to rent collection arrangements and therefore fall within the provisions of the Housing Act 1985 which requires consultation on changes to matters of housing management. A consultation timetable is set out at in appendix three.
- 2.8 The aim of the new charging arrangements is to improve arrears recovery performance through the collection of payments from tenants in arrears during the rent free weeks. However, the first of the proposed rent free weeks would not be until December 2008 and it is vital that improvements in performance in this critical service area are achieved during the current financial year. It is therefore proposed to add to the existing complement within the rent arrears team by recruitment of a temporary full time Debt Recovery Officer for the period up to 31 March 2008 when the new charging arrangements would be introduced.

### **3. ALTERNATIVE OPTIONS CONSIDERED**

- 3.1 The alternative option is to continue to charge rent over a 52 week period and maintain the staffing resources dedicated to arrears recovery at their current level.
- 3.2 Whilst a significant reduction in the number of tenants in arrears has been achieved in the last 12 months, the overall value of current tenant rent arrears has only fallen slowly. Without the deployment of additional resource during 2007/08 it is likely that the total arrears owed will only continue to fall at the current slow pace.
- 3.3 If the current charging arrangements are maintained the opportunity of receiving 'windfall' payments in the rent free weeks, all of which would come off the overall arrears balance would not be achieved.
- 3.4 Consideration has been given to a potential disadvantage to the introduction of rent free weeks namely the impact on the weekly rent payable, as this has to increase in the chargeable weeks to ensure the total rent debit is collected over the shorter charging period. Appendix four provides examples of potential rents payable from 2008/09, showing the impact of both an assumed 5% rent increase and the effect of introducing four rent free weeks. Whilst it is possible that the higher weekly payments could initially lead to an increase in arrears, the likelihood is minimised through implementation at the start of a rent year when tenants are accustomed to facing the annual rent rise. The overall benefit of being able to collect payments during rent free weeks is also considered to significantly outweigh this potential disadvantage.
- 3.5 The impact of rent free weeks on tenants who pay by direct debit has also been considered. Currently over 37% of tenants pay their rent through this payment option and they would see no direct benefit as their monthly payments would still need to be calculated over 12 calendar months. However, the purpose of introducing rent free weeks is to assist the recovery of arrears. Payment by direct debit is only available to tenants with clear rent accounts. Whilst these tenants would receive no direct benefit from rent free weeks, neither would they be disadvantaged.

#### **4. BUDGETARY FRAMEWORK**

- 4.1 The testing regime can be achieved within existing staffing resources without impact on day to day processes.
- 4.2 The costs of the consultation process can be accommodated within existing revenue budgets.
- 4.3 There are no capital budget implications.
- 4.4 The cost of employing a temporary member of staff can be accommodated within the existing staffing budget by utilising savings on the unfilled establishment post of Tenant Participation Assistant and the currently vacant Tenancy Enforcement Officer post.

#### **5. POLICY FRAMEWORK**

- 5.1 The Housing Revenue Account (HRA) is a key component of the Council's budget and is integral to the delivery and management of the Council's landlord function.
- 5.2 The effective collection of rent and charges together with the minimisation and prompt recovery of rent arrears underpin the HRA Business Plan.

**Benchmarking**

A questionnaire was sent to all district and borough councils in Warwickshire and the main RSL's in the district. Responses were received from Rugby BC, North Warwickshire BC and South Warwickshire Housing Association.

	<b>Rugby Borough Council</b>	<b>North Warwickshire Borough Council</b>	<b>SWHA</b>
<b>Number of Properties</b>	2500	2783	5800
<b>Current Arrears</b>	£294,068	£141,210	£206,921
<b>Number of tenants in arrears</b>	1474	701	660
<b>Current Gross Debit Figure</b>	No info supplied	£8,072,960	£20,295,126
<b>Specialist Rent Team</b>	No	No	Yes
<b>Date of introduction of rent free weeks</b>	Pre – 1970's	Pre - 1974	1996 when stock transferred from Stratford DC
<b>Number of non-collection weeks</b>	4	4	4
<b>Average Rent</b>	No info supplied	£60	£71.73
<b>How much is collected in rent free weeks</b>	Between £40,000 to £50,000	£64,000	No figure supplied but response indicated arrears would otherwise increase significantly

Although response from other organisations has been poor, information from the Rent Income Excellence Network and Housemark Benchmarking clubs indicate that rent free weeks can be a powerful tool in arrears management. For example, Cambridge City Council have stated that they work very well enabling them to bring their rent arrears down by £150,000 over the Christmas period and again by a further £100,000 at year end.

## **Appendix 2**

### **PAYMENTS AND RENT ACCOUNTING**

The Rents and Finance team are responsible for ensuring charges are made to tenants' rent accounts. This involves a range of processes carried out on a daily/weekly basis. The introduction of rent free weeks will have an impact on how rent, housing benefit and supporting people are charged. This will involve testing the systems to ensure that processes can be administered to incorporate rent free weeks.

<b>What needs to happen</b>	<b>When</b>
Testing of Housing Benefit Calculations using existing rent charges.	June 2007
Transfer of Rents Module to SQL database to ensure compatibility with other modules.	August and September 2007
Procedures require testing by Housing Finance team. This will include processing of:- <ul style="list-style-type: none"><li>• Housing Benefit payments</li><li>• Supporting people payments</li><li>• Insurance charges</li><li>• Direct Debits</li><li>• Bank standing orders</li></ul>	August and September 2007
Identify issues from testing outcomes and amend processes. Further testing to be carried out if applicable.	October and November 2007
Testing of Housing Benefit Calculations using new rent charges for 2008/2009.	January 2008
Supporting People contract to be varied to incorporate rent free weeks.	1 <sup>st</sup> January 2008

**TENANT CONSULTATION**

The consultation process must give full information about the proposed change and reasons for it and allow a “reasonable” period for comment. This initial process will take one month and the comments received assessed and analysed.

It is vital that all tenants accept a 48 week rent charging year. If a tenant does not wish to move to rent free weeks we are unable to continue charging over a 52 week period. However, we can accommodate a minority of tenant accounts by allowing them to pay over 52 weeks and monitor the accounts in accordance with procedure.

If a majority response indicates that our tenants do not want their accounts changed to a 48 rent charging year, we will not adopt these changes and therefore the project will not go ahead.

<b>Stage</b>	<b>What happens</b>	<b>Date</b>	<b>Date</b>
First Stage	Consult tenant organisations providing one month for comments.	1 <sup>st</sup> August 2007	31 <sup>st</sup> August 2007
Second Stage	Evaluate responses and provided feedback within a reasonable period of time.	1 <sup>st</sup> September 2007	15 <sup>th</sup> September 2007
Third Stage	Serve preliminary notice on all tenants.	1 <sup>st</sup> October 2007	31 <sup>st</sup> October 2007
Fourth Stage	Evaluate responses and provided feedback within a reasonable period of time.	1 <sup>st</sup> November 2007	15 <sup>th</sup> November 2007
Fifth Stage	Serve Variation Notice on all tenants.	1 <sup>st</sup> December 2007	2 <sup>nd</sup> January 2008.

## **Appendix 4**

### **POTENTIAL CHARGES UNDER A 48 WEEK RENT YEAR**

The information in the table below shows how rent charges will be affected by the implementation of rent free weeks. It takes into account an assumed average 5% increase and re-calculates the charges over a 48 week rent period. The charges shown will not reflect the exact amount tenants will pay but provides examples of the impact of a new rent regime.

	<b>2007/08 Weekly charge</b>	<b>2008/09 Weekly charge with assumed 5% rent increase</b>	<b>2008/09 Weekly charge over 48 weeks</b>
<b><u>Bed sit</u></b>			
1 Bedroom	£40.88	42.92	46.50
<b><u>Flat</u></b>			
1 Bedroom	£55.16	57.91	62.74
2 Bedroom	£62.52	65.65	71.12
3 Bedroom	£67.42	70.79	76.69
<b><u>House</u></b>			
1 Bedroom	£57.54	60.42	65.46
2 Bedroom	£65.25	68.51	74.22
3 Bedroom	£72.30	75.92	82.25
4 Bedroom	£74.12	77.83	84.32
5 Bedroom	£79.28	83.24	90.18
<b><u>Maisonette</u></b>			
1 Bedroom	£63.21	66.37	71.90
2 Bedroom	£60.80	63.84	69.16
3 Bedroom	£64.70	67.94	73.60
4 Bedroom	£70.19	73.70	79.84
<b><u>Bungalow</u></b>			
3 Bedroom (general needs)	£68.05	71.45	77.40
2 Bedroom (O.A.P. bungalow) *	£62.52	65.65	71.12
<b><u>Sheltered Flat</u></b>			
1 Bedroom *	£66.28	69.59	75.39
2 Bedroom *	£70.22	73.73	79.87
<b><u>Very Sheltered</u></b>			
1 Bedroom *	£91.04	£95.59	£103.55

\* includes supporting people charge (and service charge where applicable)