



CABINET REPORT

Report Title	Rent Payment Incentives
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AGENDA STATUS:

PUBLIC

Cabinet Meeting Date:	3 March 2010
Key Decision:	NO
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	HOUSING
Accountable Cabinet Member:	Cllr Sally Beardsworth
Ward(s)	All

1. Purpose

1.1 To consider the use of incentives to encourage payment by direct debit and to encourage tenants to pay rent on time.

2. Recommendations

2.1 It is recommended that the following incentive payments be approved for 2010/11:

- a) a quarterly £250 prize draw for those paying by direct debit with two prizes per quarter;
- b) an end of year prize draw of £250 for those with a clear rent account at the end of March 2010 and 2011 with two prizes awarded;
- c) a quarterly prize draw of £250 for tenants in arrears who have paid the agreed amount regularly over the previous 13 weeks. There would be two prizes per quarter.

3. Issues and Choices

3.1 Audit Commission best practice

- 3.1.1** In its key lines of enquiry document recommending best practice, the audit commission recommends that incentives should be used to encourage tenants to stay out of debt or reduce their arrears.
- 3.1.2** Last year the Council held a prize draw for tenants with a clear rent account. The first prize was £1,000. There were also four prizes of £500. All those awarded prizes still have clear rent accounts.
- 3.1.3** The analysis has shown that there is currently no incentive for those in arrears, struggling to pay. Such tenants did not have sufficient income to be able to clear their arrears by the end of the financial year. It is proposed to target this group of tenants to encourage them to pay by offering an incentive for those in rent arrears who are maintaining regular agreed payments.

3.2 Payment by direct debit

- 3.2.1** Direct debit is the most cost effective method of paying rent. However, few tenants use this method to pay. In April 2008, 283 tenants paid by direct debit. This increased to 725 at the end of December 2009. In order to increase the number of tenants paying by direct debit, tenants can now choose from four payment dates. A direct debit awareness campaign supported by incentives is recommended to increase the number of tenants who use this payment method.
- 3.2.2** Increasing the number of tenants paying by direct debit would reduce collection costs and also free up staff time. It is envisaged that late payments would reduce and staff could concentrate on those with higher and more serious arrears.

3.3 Choices

- 3.3.1** Members could choose not to pay incentives. However, this would be against best practice. Alternatively, Members could decide to keep arrangements as they are, and have a prize draw only for those with clear rent accounts. However, this will not be an effective incentive for those tenants in arrears on low incomes.
- 3.3.2** It is proposed that tenants will be eligible to win in only one category but there is the option of not restricting it in this way.

4. Implications (including financial implications)

4.1 Financial Implications

The total costs of £5,000 will be met from within existing resources. This needs to be considered along side the costs of evictions and loss of rent. There are approximately 40 evictions per year with an average void revenue repair cost of £1,500 per void. Rent loss during the void period will be in the region of £280 per property – more if major repairs are required. These costs add up to £71,200 per year. These costs do not include officers' time spent visiting and working with tenants in arrears.

4.2 Policy

None

4.3 Resources and Risk

- 4.3.1** If the incentives are not changed to include those in arrears, there is a risk that they will be seen as ineffective by the audit commission.

4.4 Legal

None arising specifically from this report.

4.4.1 Gambling Act 1985

In view of the fact that tenants are not required to pay a separate amount from their rent in order to participate in the draw, it is deemed not to be a licensable activity under the Gambling Act 1985 and hence the activity does not need to be registered with the local authority.

4.5 Equality

- 4.5.1** None directly

4.6 Consultees (Internal and External)

- 4.6.1** Stakeholders working with those in rent arrears.

4.7 How the Proposals deliver Priority Outcomes

- 4.7.1** The proposals are consistent with the following corporate priorities as outlined in the Councils' Corporate Plan

Improve Housing Health and Well-being

Reduce homelessness
Encouraged vibrant neighbourhoods and engaged communities.

4.8 Other Implications

None

5. Background Papers

None

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