

Housing Services – Income Management Policy

V0.1

Document Control

Document details

Name	Housing Services Income Management Policy
Version number	VO.1
Status	Draft
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Approved by	Councillor Damian White
Scheduled review date	April 2018

Version history

Version	Change	Date	Dissemination
V0.1			
V0.2			

Approval history

Version	Change	Date	Approving body
V0.1			
V0.2			

Equality analysis record

Date	Completed by	Review date
April 2016	Janis Robert Edwards	April 2018

Contents

V0.1.....	1
Document Control	2
Document details	2
Version history	2
Section One - Introduction.....	4
Purpose.....	4
Policy Summary	4
Section Two – Legal Framework.....	5
Section Three – Operating Context.....	6
Financial Inclusion	7
Section Four – Aims and Objectives	8
Policy and Procedure.....	9
Payment Methods	9
Publicity and Information (statements, Newsletters, handbooks, leaflets etc).....	10
Early Intervention	10
Methods of Contact.....	10
Housing Benefit.....	11
Rent Arrears Recovery Action.....	11
Leasehold Charges Recovery Action.....	12
Section Five - Performance Monitoring	13
Section Six – Supporting Staff.....	13
Section Seven – Data Protection	14
Section Eight – Applicability	14
Section Nine – Ownership & Authorisation.....	14
Section Ten – Dissemination & Communication	14
Section Eleven – Implementation	14
Section Twelve – Monitoring & Review	15
Section Thirteen – Further Information.....	15
Appendix 1 – Feedback from consultation	16

Section One - Introduction

Purpose

The purpose of this document is to set out Housing Services' overall approach to income recovery with regard to rents for its homes (temporary and permanent), garages, court costs, rechargeable repairs, Leasehold Services Charges, Major Works and Careline & Telecare services. It sets the framework for the development of an Action Plan to deliver the aims and objectives.

Changes to the housing subsidy system in April 2012, introduced the self-financed Housing Revenue Account (HRA). This placed a greater emphasis on collecting income to generate the funding to maintain homes and services.

In addition, there have been a number of wide ranging changes to the Welfare Benefits system which impact on household income, as benefits become amalgamated under Universal Credit and a series of caps applied to benefits since January 2012. The Government have also made changes to the grant funding system for new build homes, and linked this to the introduction of affordable rents set at 80% of market rents, and the use of fixed term tenancies.

In April 2015, Havering Council introduced target rents which saw council rents increased by approximately 9 per cent. At the same time, the new council tax support scheme replaced the former council tax benefit scheme, resulting in every resident having to pay a minimum of 15 per cent towards council tax. Previously, working age residents in receipt of Job Seeker's Allowance or Employment Support Allowance paid no council tax.

In order to maintain high standards of service delivery, Havering Council's Housing Services recognises the need to maximise its rental income. We also acknowledge that some households will face difficulty in managing their responsibility for rent payment, and require advice and assistance to help them sustain their tenancies. In the circumstances, this policy document will need to link with Havering's approach to financial inclusion.

Housing Services' Business Plan is predicated on the collection of all available rental income streams, so it is essential that income collection performance targets, as published in the Housing Services' Service Plan, are consistently delivered.

There are increasing budgetary pressures for Housing through both the General Fund (GF) and the Housing Revenue Account (HRA). The key drivers exerting and increasing these pressures are the ongoing welfare reforms and the social housing rent reductions announced in 2015. Coupled with those are the increasing costs of the private sector rental market.

As a result, Housing Services has been brought together to deliver a tenure neutral Service that will focus on delivery of preventative and sustainment services to Havering residents which could lead to elimination of waste, duplication and inefficiencies.

Policy Summary

Housing Services manages a range of different tenures which are let using the appropriate form of agreement:

- Lifetime Secure Tenancies
- Five year fixed term tenancies
- Three year fixed term tenancies
- Introductory Tenancies

- Non Secure Tenancies (private sector leased properties)
- Assured shorthold tenancies (private sector leased properties)
- Licences (temporary accommodation – hostels and houses in multiple occupation)
- Leases for properties purchased under the Right to Buy Scheme
- Shared Ownership
- Tenants' Homebuy

Scope

This policy applies to all tenure types in tenanted properties managed by Housing Services. It applies to the income and arrears recovery of:

- Current rent
- Leasehold Service Charges & Forfeiture of Leases
- Leasehold Major Works charges
- Garage rent
- Hostels
- Houses in Multiple Occupation
- Private Sector Leased Properties
- Use and Occupation Charges
- Court Costs
- Rechargeable Repairs
- Careline/Telecare charges

The policy aims to ensure income streams are maximised through effective and efficient management of accounts and there is a firm but fair and equitable approach when dealing with arrears and income collection.

Section Two – Legal Framework

The Housing Act 1996 introduced starter or introductory tenancies and demoted tenancies. Introductory tenancies are currently being used but there are no demoted tenancies.

The statutory framework for income collection and recovery of council rent is set out in the Housing Acts 1985 and 1988, which provide legal grounds for seeking possession of tenanted properties and forfeiture of leases.

Housing Services must also pay regard to related legislation including the Protection from Eviction Act 1977, the Law of Property Act 1925, the Data Protection Act 1984 (as amended 1998), the Human Rights Act 1998 and the Equality Act 2010 in the application of its income recovery procedures.

The legal grounds for possession are set out in the Housing Acts 1985 and 1988. Section 21 of the Housing Act 1988 gives the landlord an automatic right of possession once a fixed term tenancy has expired, and Schedule 2 of that act provides Grounds 8, 10 and 11 (as amended by the Housing Act 1996 for assured shorthold tenancies. Schedule 2 of the 1985 Act governs secure tenancies.

Legal casework also influences the approach to income recovery, and specific cases may restrict the extent to which debts may be recovered. For example, Harlow v Hall (2006) and the fact that in recent times tenants have started applying for bankruptcy, Individual Voluntary Arrangements (IVAs) and Debt Relief Orders.

The effect of Individual Voluntary Arrangements (IVAs) and Debt Relief Orders is that there can be inordinate delays in collecting rent arrears from tenants who seek these types of relief, postponing the date, in some cases, for long periods before we are able to recover some of the monies owed.

Leaseholders can also apply for IVAs and bankruptcy and this would result in delays in collecting the sums due to the council for major works and service charges.

The County Court Civil Procedure Rules set out the requirements for making applications for possession, money judgments, and other debt recovery orders. A guide was introduced by the Civil Justice Council to comply with a Pre-action Protocol (2006) setting out the steps taken to secure the recovery of the arrears.

The Welfare Reform Act introduced welfare benefits reform, some of which are already in place. In February 2016, Universal Credit commenced in Havering for single new JSA claimants. The aim is to reduce reliance on welfare benefits and promote a back to work culture.

The Localism Act 2012 makes arrangements for fixed term tenancies as part of the government's plans to reduce public sector debt and manage the demand for social housing.

The enhancement in the Right to Buy discount has resulted in an increase in the leasehold stock, but an overall reduction in the number of properties available to the council to let to tenants.

Historically, the council held a large percentage of houses amongst its stock. Many of these have been sold on the Right to Buy scheme further reducing the available stock of family sized accommodation.

Section Three – Operating Context

A key aspect of developing the strategy for income management is knowledge and awareness of the customer profile.

Equality Profile

Havering has the largest percentage of elderly residents of all London boroughs. Havering has the oldest population of all London boroughs with a median age of 40 years. This is also reflected in the makeup of the council tenancy population. Seventy three per cent of Havering council tenants are over the age of forty.

Tenants in arrears and evicted tenants are profiled on the basis of age, ethnicity, disability and gender to allow proper planning strategies to tackle rent arrears. An analysis undertaken in April 2016 shows that 3,075 tenants (27 per cent) declared that they have a disability or vulnerability.

About 30 per cent of households in the borough live in rented accommodation. The rate of homeless households in temporary accommodation is 6.3 per 1000 households. This is lower than the London average of 12.8.

About 18 per cent of working age people in Havering disclosed that they have a disability or long term illness. In addition we receive approximately 50 domestic violence cases per year

and on a daily basis officers deal with tenants who have either a drug or alcohol problem or mental illness.

About 77 per cent of working age residents were in employment between July 2014 and June 2015. The employment rate in Havering is higher than both the London and all England average. The percentage of working age residents in the borough claiming out of work benefits is 7.6%, significantly lower than England at 9.1 per cent.

Our most recent analysis for evictions shows that 44% of all tenants evicted between April and December 2015, were under the age of 35, and 48% of all evicted tenants were single males.

Financial Inclusion

Rent arrears are often associated with the existence of other household debts, unemployment, and with accessing welfare benefits. Tenants in social housing are estimated to make up 60% of the financially excluded¹.

The following statistics are also available²

- 41% of all social housing tenants are either of working age and claiming Job Seekers Allowance, Income Support, Employment Support allowance or Pension Credit Age and claiming Guarantee Pension Credit.
- 63% of all social housing tenants claim housing benefit
- 73% of all home credit lenders' customers live in social housing
- 23% of social housing tenants do not have a bank account
- 32% of social housing tenants are in the poorest fifth of the population

Financial exclusion means that, low income households are vulnerable to higher interest rates, are prey to loan sharks, and face difficulty in accessing affordable credit

The on-going welfare reforms will cause further restrictions on household budgets. The introduction of Universal Credit will require the majority of tenants to be directly responsible for paying their own rent. The additional welfare benefit cap, introduced from November 2016, will further reduce the amount of Housing Benefit which a tenant can receive

An additional pressure which tenants can face is the 15% reduction to council tax support for all working age claimants. This can impact negatively on overall household finances³. In the past, low income families in receipt of an income based benefit like Job Seeker's Allowance or Employment Support Allowance did not pay any council tax. When the new council tax support scheme began, many assumed that this was still the case and they ignored their council tax bills assuming that they did not have to contribute to their council tax bill. Unfortunately, some tenants missed the first instalment of their yearly council tax payment. Once that first instalment is missed, the full amount becomes due and there is no further opportunity for them to pay by instalments, thereby creating further debt.

There are a range of advice agencies offering access to financial products and services

¹ Financial inclusion is where all people have access to appropriate, desired financial products and services in order to make their money work well for them.

² Social Housing & Financial Inclusion, Paul O'Connor, Financial Inclusion Advisor, Chartered Institute of Housing

³ Report from the Harold Hill Foodbank

budgeting, managing money and dealing with debts. Partnership working is regarded as an essential tool in the approach to providing information, advice and support.

Housing Services has set up a Welfare Reform Working Group tasked with devising and implementing a Universal Credit Communications Strategy and Financial Inclusion and Welfare Reforms Action Plan with the objective of mitigating the effects of welfare reforms on tenants.

Housing Services is aware of the Poverty Premium which describes the additional fees, charges or higher prices people pay as a result of being poor. As a result, we recognise that those affected lack access to choice about when and how they pay for essential services such as housing, utilities and communications. This is an area of work that is being looked into with a view to take positive steps to eradicate it. However, tackling the Poverty Premium is complex and may require additional resources to deal with it effectively.

Exercises have been undertaken to determine how many tenants are likely to be affected by Universal Credit and the likely impact. The results of these exercises will assist in deciding what initiatives and strategies we need to introduce and implement.

There are three Financial Inclusion & Welfare Benefit Officers in Housing Services who provide in-house support to tenants, such as:

- Maximising income by completing financial assessments and benefit checks
- Minimising expenditure by changing ways in which they spend money e.g. shopping around, using comparison sites
- Budgeting sessions to alter spending habits e.g. plan meals in advance and use a list
- Dealing with debts by referrals to free debt advice agencies
- Encouraging saving to improve financial resilience e.g. credit unions
- Access to appropriate financial services e.g. fee free bank accounts, avoiding interest charges
- Providing holistic support to tenants affected by the welfare reforms
- Completing Housing Benefit, council tax support and universal credit application forms
- Improving financial capability so that tenants can understand financial products and terms, be able to use them appropriately, and have the confidence and motivation to do so

Housing Services' Community Engagement Team work with residents in the borough to enhance their employability. These include:

- Referrals to Job Clubs
- Recruitment Events
- IT suites in sheltered accommodation
- IT courses

Section Four – Aims and Objectives

Housing Services' overall strategic aim is to apply a firm but fair approach to managing arrears, which takes account of individual tenant circumstances, and is sensitive to equality considerations including vulnerability, language, age and literacy.

We aim to provide an income recovery and arrears management process that combines efficient debt recovery processes and use of sanctions, with arrears prevention through welfare benefits advice and debt counselling, including referral to specialist agencies for employment opportunities and income maximisation.

Housing services staff work with other social housing providers, voluntary organisations, and debt advice agencies to co-ordinate the provision of welfare benefits and debt advice, and help tenants to budget effectively and reduce energy costs. In order to achieve these aims we will seek to:

- Comply with best practice
- Make effective use of sanctions
- Link arrears recovery action with our approach to financial inclusion
- Signpost tenants to agencies for specialist advice

Policy and Procedure

Operational procedures are in place for income collection and arrears recovery for all tenure types. Responsibility for income collection and recovery of rent arrears, sits within the Income team.

The success of arrears recovery action links directly with the application of policy and procedure, and the knowledge and experience of the staff. Regular training events are arranged both in-house and externally to keep teams up to date with best practice, welfare benefits and legislative changes. We will ensure that procedures are:

- Equality impact assessed
- Kept under review to reflect good practice and changes in legislation and regulation
- Focused on maximising income and ensuring value for money
- Documented to include expected standards and provide a training tool for staff.

Payment Methods

Payment by Direct Debit is regarded as the most efficient method to collect income, and reduce arrears administration. This will be of increasing importance where payment of housing costs through Universal Credit is made directly to tenants in the future. Housing Services offers a wide range of payment methods:

- Direct Debit
- Standing Order
- Credit/Debit Card
- Allpay Card
- SMS text payments via Allpay
- Cheque
- Havering Council's Express Payment Line
- Internet Banking

Many tenants experience difficulty in accessing financial products and services, including setting up a bank account. Liberty Credit Union can offer affordable products and bank accounts. In addition, as part of the Universal Credit rollout, central government has an arrangement with nine high street banks to provide fee free banking from which automated transactions can take place. We will:

- Promote a culture of rent payment responsibility with all tenants
- Promote Direct Debit as the preferred payment method
- Provide advice to tenants about the role of the credit union
- Publicise details of the banks offering a free banking service.

Publicity and Information

Effective communication is essential to ensuring that tenants are made aware of their responsibility for rent payment, and the action that Housing Services will take to recover arrears. Methods of communication will need to pay regard to language, disability and literacy. We will ensure effective communication by:

- Producing written material in plain language
- Provide information in alternative formats e.g. large print
- Making use of translation or interpretation facilities
- Recording the communication needs of our tenants
- Involving social workers, support workers and advocates
- Provide rent statements on at least a quarterly basis

Early Intervention

The foundation for effective income management begins from the first point of contact with a new tenant, which usually takes place at the viewing or tenancy sign up. Research by Shelter showed that failed tenancies happen within the first 18 months, and that this is more prevalent for tenancies with young people, those previously homeless or leaving care/prison, and young families. Housing Services' analysis of eviction cases shows that in the last three years:

- 41% of all evicted tenants were under the age of 35.
- 13% of all evicted tenants were Care Leavers, and
- 31% of evicted tenants under the age of 35 were Care Leavers
- 14% of evicted tenants had dependent children

New tenants may already have debts, have experienced unemployment, homelessness or face wide ranging socio-economic circumstances within their households. We will ensure that:

- Information about the importance of paying rent is profiled at viewings and tenancy sign up.
- We are proactive in offering help to complete benefit applications
- All new tenants are informed of whom to contact about rent payment, and where to get help if they get into debt
- We arrange post-tenancy visits as necessary
- The Tenancy Sustainment team which is in the process of being set up, work proactively with tenants to assist them with complying with their tenancy terms and conditions, and signposting them for support and advice.
- We comply with the provisions of the Pre-Action Protocol for Rent Arrears
- We make realistic repayment arrangements with tenants

Methods of Contact

Some arrears actions must be put in writing and tenants formally advised about legal proceedings. However, direct contact in person, or by telephone, helps to promote the

importance of rent payment, and provides the opportunity to discuss household circumstances, and seek to reach a repayment arrangement.

New technology offers other methods of contact, including issuing reminder messages by telephone or email.

Housing services started using a text messaging service approximately 9 years ago. This has proved to be excellent value for money. Eighty per cent of all tenants sent a text message respond within 48 hours. We will ensure that:

- Direct personal contact is used as the preferred method of contact
- We keep tenants informed at each stage of the arrears recovery process.
- We make effective use of new technology to inform tenants about rent arrears
- We confirm repayment arrangements in writing

Housing Benefit

The majority of council tenants are in receipt of housing benefit. Statistics for new Council tenants in 2014/15 show that 62% were in receipt of housing benefit.

Of the permanent council stock approximately 60% of tenants are in receipt of housing benefit, and 80% of the tenants under the Private Sector Leasing Scheme receive housing benefit.

Some households may have multiple debts, and require specialist advice and support. We have an arrangement with the Mary Ward Legal Centre to provide individual money advice casework one day per week. There is also a specialist service for leaseholders provided by the Disablement Association of Barking & Dagenham (DABD).

Outside of the Mary Ward arrangements, tenants can also be referred to a number of other support agencies, such as Christians Against Poverty, Family Mosaic, StepChange, National Debt line, Turn2us and the local Citizens Advice Bureau.

Welfare Benefits reform will impact on household income and we have financial Inclusion & Welfare Benefit Officers in post to work with tenants affected by welfare reforms.

We contribute articles on Welfare reform and money management to the Council's quarterly Newsletter to tenants. We will:

- Maintain close working links with Housing Benefit and the DWP
- Use in-house resources to help tenants to complete housing benefit, Universal Credit and Discretionary Housing Payment applications
- Provide welfare benefits and money advice
- Provide information about changes to welfare benefits
- Refer tenants and leaseholders to advice and support agencies.
- Provide online support to Universal Credit claimants
- Provide Personal Budgeting Support to tenants

Rent Arrears Recovery Action

The overriding aim of the arrears recovery process is to seek to clear the account or arrive at an acceptable repayment arrangement. Formal actions are applied at identified stages of debt escalation. At each stage of the procedure the primary focus will be on reaching a repayment arrangement, and sustaining the tenancy.

Various informal methods are used to profile rent arrears, and to make contact with tenants in arrears. We are in the process of making improvements to the presentation and content of arrears letters, planning events and initiatives to prevent arrears from escalating.

The ultimate sanction for non-payment of rent is eviction. We aim to help tenants sustain their tenancies, and avoid arrears, by focusing on arrears prevention. The formal stages of debt recovery are applied at identified trigger stages for escalating debt, where payment arrangements are breached, or for persistent arrears.

Legal proceedings incur court costs which add to the overall debt repayable, and are linked with the rent account as a sundry debt.

Garage lettings are conditional on having a clear rent account. Failure to clear rent arrears will result in a Notice to Quit being served, and the garage repossessed.

Careline arrears can result in the equipment being removed from the property and the Careline Service being withdrawn.

Residents in hostels who do not pay their charges may be evicted and the council will take a view as to whether they are intentionally homeless, and discharge duty to rehouse them.

Non- payment for any rechargeable repair may result in a County Court Money Claim being made.

Arrears remaining when tenancies are terminated are managed centrally by the Corporate Debt Management Team. Procedures include the use of tracing agents. Criteria are notified for writing off irrecoverable debts.

Leasehold Charges Recovery Action

The overriding aim of the process for collecting leasehold and major works charges is to seek to clear the account by the end of the financial year. This is in line with the terms of the lease which requires leaseholders to pay quarterly in advance.

Formal actions are applied at identified stages of debt escalation. At each stage of the procedure the primary focus will be on reaching a repayment arrangement, to ensure that the debt for leasehold service charges is fully paid by the end of the financial year. For major works, the payment is due 21 days after the date of the invoice, but payment arrangements can be put in place for leaseholders.

The formal arrears process will commence on the breach of a repayment arrangement. The ultimate sanction is forfeiture of the lease and there is no obligation on the council to rehouse as such leaseholders may be deemed to be intentionally homeless.

Legal proceedings incur court costs which are added to the service charge/major works account, and are recoverable as part of the overall debt. In carrying out income recovery procedures we will:

- Closely monitor arrears to ensure early intervention
- Use a variety of methods to profile tenants in rent arrears
- Identify trigger levels for the key stages of formal arrears action

- Seek to arrive at a repayment arrangement at all stages of the arrears process prior to a court hearing.
- Use eviction/forfeiture as a last resort

Section Five - Performance Monitoring

The targets for rent arrears and leasehold charges are set annually, and performance is kept under review through individual and team meetings, and performance reports.

Rent arrears recovery and leasehold charges are key performance indicators, which are monitored weekly by the Income Manager, and is included in monthly performance reports to the Tenant Sustainment Services Manager and the Housing Board.

The key arrears performance indicators are:

- Percentage of income collected
- Arrears as a percentage of the rent roll
- Current rent collection
- Trend against previous year
- Case work by arrears value banding
- NOSPS
- Possession Orders
- Evictions
- Top 10 arrears cases
- Percentage of arrears cases in arrears of 7 weeks or more without a NOSP or arrangement
- No of cases on Sensitivity
- Percentage of leaseholder service charge collected
- Percentage of major works charges collected
- Percentage of leaseholders paying by Direct Debit

Housing Services aims to achieve upper quartile performance for income collection within its peer group. We will:

- Seek to attain upper quartile performance within our peer group
- Set and monitor our performance against targets
- Report performance to senior management and the Housing Board
- Review performance on an ongoing basis
- Benchmark our performance

Section Six – Supporting Staff

There will be on-going training and awareness sessions for all Income Staff to ensure that they are well equipped to undertake the tasks required of an Income Officer. This will include, but not limited to:

- Customer Care Standards
- Changes in legislation
- Briefings and updates on Welfare reforms
- Safeguarding

- Illegal Money Lending
- Policies and Procedures
- Data Protection & Freedom of Information
- Equality Act
- Relevant External Conferences

Section Seven – Data Protection

Staff will treat all information about customers and service users with the utmost confidentiality and comply with the requirement of the Data Protection Act 1998 (and subsequent amendments)

Section Eight – Applicability

The policy gives guidance to Housing Services staff to ensure tenants and leaseholders are supported through the Welfare Reform changes and that income streams due to the Council are not compromised. The County Court Pre Action court protocols are strictly adhered to.

Section Nine – Ownership & Authorisation

Policy Lead:	Peter Doherty
Authorising body:	Cabinet
Date approved:	
Effective date:	
Review date:	
Version:	1

Related documents

Income Management Rent Arrears Recovery Processes.

[Council's Debt Management Policy](#)

[County Court Pre Action Court Protocols](#)

Section Ten – Dissemination & Communication

Housing Services will consult with relevant partners and all appropriate stakeholders to review this policy prior to publication. The policy will be available on the intranet and internet for officers and members of the public.

Section Eleven – Implementation

The policy will be implemented by Housing Services staff with a responsibility to ensure tenants receive support and advice to sustain their tenancies and that income streams due to the Council are not compromised through welfare reform changes, or any other factors which may affect a tenant's ability to pay.

The Income Management Policy has a mandatory training requirement which is detailed below and is reviewed on a yearly basis.

- Induction training for all new staff in the teams identified in this policy.
- Training for teams implementing the policy.
- Briefings to teams at team meetings.
- Monthly Welfare Reform & Financial Inclusion initiative updates.
- Legal updates

Section Twelve – Monitoring & Review

The policy will be reviewed within 3 years but regularly monitored and evaluated to ensure it is current and reflects the changes being implemented through the Welfare Reform Act and any other legislative changes or initiatives. Any review or changes made to the policy will be carried out by the Income Manager.

Section Thirteen – Further Information

This Policy is managed by the Tenant Sustainment Services Manager who will ensure Managers in Housing Services arrange appropriate training and support for staff to implement the policy. The Income Manager will be the first point of contact for staff if they have any questions about the policy.