



**HOUSING INCOME MANAGEMENT POLICY**

| <b>Item</b> | <b>Details</b>                            |
|-------------|---|
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| Owner:      | Head of Housing                           |
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## Key policy details

### Approvals

| Item   | Date of Approval | Version No. |
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| Consulted with [insert]                                  |                  |             |
| Reviewed by [insert e.g. Audit and Governance Committee] |                  |             |
| Approved by [insert]                                     |                  |             |

The policy owner has the authority to make the following minor changes without approval

XX  
XX  
XX

### Policy Location

This policy can be found at [insert location of policy e.g. NWLDC website, SharePoint page under current policies tab]

### Revision history

| Version Control | Revision Date | Summary of Changes |
|-----------------|---------------|--------------------|
| 1.0             |               | n/a                |
|                 |               |                    |
|                 |               |                    |
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### Policy Review Plans

This policy is subject to a scheduled review once every [insert number] years or earlier if there is a change in legislation or local policy that requires it.

### Distribution

| Title   | Date of Issue | Version No. |
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| [Insert e.g. distributed to Cabinet, on Website etc]. |               |             |
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# HOUSING INCOME MANAGEMENT POLICY

## Contents

|  |    |
|--|----|
| 1. Reasons for Policy.....                                   | 4  |
| 2. Legislative Context .....                                 | 4  |
| 3. Objectives of the Policy .....                            | 4  |
| 4. Definitions.....  | 4  |
| 5. Responsible Party .....                                   | 5  |
| 6. Customer Contact .....                                    | 5  |
| Rent Setting .....   | 5  |
| Recalculating the Target Rent .....                          | 6  |
| Annual Rent Increases .....                                  | 6  |
| Service Charge Setting.....                                  | 6  |
| Use and Occupation Charges.....                              | 7  |
| Taking Properties Out of Debit .....                         | 7  |
| Managing Current Tenancy Balances (arrears and credits)..... | 8  |
| Hierarchy of Housing Debt.....                               | 9  |
| Recovering Former Tenant Arrears .....                       | 9  |
| Further Intervention.....                                    | 10 |
| Writing-Off Former Tenant Arrears .....                      | 10 |
| Bereavement Allowance.....                                   | 11 |
| Writing Debt Back On.....                                    | 11 |
| Full and Final Offers of Settlement .....                    | 11 |
| Recharges.....   | 12 |
| Repayment Plans .....  | 12 |
| Refunds.....   | 12 |
| Internal Payments to the rent account .....                  | 12 |
| Challenging debts or charges .....                           | 13 |
| Equality and Diversity .....                                 | 13 |

## 1. Reasons for Policy

- 1.1 As a landlord the Council is responsible for ensuring tenants live in safe well maintained and affordable homes. To achieve this, it is important that the Council is able to manage and maximise its income streams effectively to support investment in Council homes and communities.
- 1.2 This policy sets out how this will be achieved.

## 2. Legislative Context

- 2.1 Effective income management is underpinned by a range of legislation and government guidance including
  - Housing Act 1986
  - The Rent Standard
  - Housing Act 1985 (as amended by the Housing Act 1996)
  - Localism Act 2011
  - Equality Act 2010
  - Disability Discrimination Act 1995 & 2005
  - The Limitation Act 1980

## 3. Objectives of the Policy

- 3.1 This policy ensures that we maximise income whilst acting in a fair and empathetic manner when dealing with those in financial difficulty.
- 3.2 It recognises that the Council is a social landlord and provider of affordable housing who has an obligation to all of its tenants to act in a fair and professional manner.
- 3.3 This means we should aim to collect all charges owing whilst being fair and reasonable to anyone experiencing financial difficulties.

## 4. Definitions

- 4.1 **Affordable Rent:** a property let by a registered provider of housing where the rent charged inclusive of service charges can be up to 80% of the market rent.  
**Local Housing Allowance:** the rates that housing benefit (and Universal Credit) will pay toward a private rented property. They are set at a local and vary depending on the number of bedrooms a household require.  
**Recharge:** a bill for work that the tenant would usually be responsible carried out by the landlord.

**Rent Standard:** the housing regulators instruction setting out how rents can be set and increased.

**Service Charge:** an amount paid on top of the core rent to cover the cost of providing shared services to a building.

**Social Rent:** a rent set by a formula that takes into account property size, value and county earnings at the time the formula was introduced.

**Target rent:** the maximum amount that can be charged under the rent standard for a particular property

## 5. Responsible Party

5.1 The responsibility for this policy sits with the Head of Housing

## 6. Customer Contact

The council will ensure that it is easy for customers to access information about their fees and charges as well as current account balances. As a minimum quarterly rent statements will be sent to existing tenants, and outgoing tenants will be advised of their anticipated final balance at the time of termination.

During any recovery action customers will be contacted in a courteous but firm manner taking on board customer preference for communication wherever possible.

At the end of a tenancy, all outgoing tenants will be contacted to inform them of outstanding fees and charges as soon as possible.

Whenever possible customers experiencing financial difficulties will be supported to assist them to meet their financial obligations whilst accessing the help they need to be financially independent in the future.

## Rent Setting

As a housing landlord the majority of Council properties are set at a social rent level as calculated having regard to the rents standard. Currently the tolerances available to set properties above formula are not used, although this option may be explored in future where significant investment has taken place to particular stock.

For new supply the Council will usually set rents at Affordable Rent levels when allowed through agreement with Homes England. The only exception is where the social rent including service charge is calculated to be higher than the applicable affordable rent that would otherwise be charged. An affordable rent is calculated as 80% of the market rent of a given property.

To ensure that properties are affordable and to balance demand between social rent and affordable rented units the Council will tie affordable rents to the local housing allowance rates in the private rented sector. The LHA rate will effectively be used as a cap on affordable rent charged. However, because in some years LHA is not raised only for there to be a significant catch up after a period of time in years where

LHA is not increased the Council will apply an uplift to the LHA rate equivalent to the allowable increase to affordable rents in that year.

As the LHA rate does not reflect the additional costs of producing some unit types, predominantly bungalows the Council will reserve the right to set a cap of LHA + 10% based on the same principles as described above when acquiring or developing units with demonstrable additional costs. Furthermore, as LHA rate is limited to a maximum of 4 bedrooms if in future the Council develops or acquires properties larger than 4 bedroom a 10% increase over LHA may be applied for each further bedroom.

Properties with rents set above LHA will be a minority of new supply and Cabinet permission will be sought if they are ever likely to form more than 2% of the overall stock.

For a range of reasons there will from time to time, properties with rent levels that have diverged from the rent standard. In such circumstances, properties will be relet at target rents wherever possible.

The Council calculates an annual rent which is then charged across the year. Each year the Council will allocate two non-collection weeks.

### Recalculating the Target Rent

Whilst normal planned investment will not impact on a properties target rent, there will be some occasions where a property receives significant investment or remodelling that is likely to have a fundamental impact on the 1999 value, the market rent valuation or the applicable LHA cap.

This is most likely to occur where there has been a fundamental change to the property such as an extension changing the number of bedrooms in a property directly impacting on the formula or additional floor space fundamentally changing the nature and likely value of the property.

Such changes are likely to take place during a void period and the rent adjusted accordingly before reletting,

### Annual Rent Increases

Rent increases will occur from the first Monday in April each year. Increases will be agreed by full council and tenants will be given four weeks' notice of any increase.

### Service Charge Setting

Landlords are able to make charges for additional services that are not provided to every tenant. Normally these charges relate to communal facilities such as cleaning communal areas or share lighting in corridors.

It is worth noting that whilst properties let at a social rent are exclusive of service charges, properties let at an affordable rent are inclusive and additional charges cannot be applied.

The purpose of service charging is to recoup actual expenditure on eligible items apportioned fairly across those benefitting from the service. Service charges must not recover more than the cost of the service provided.

Examples of eligible charges include:

- Communal area cleaning
- Communal area utilities
- Communal window cleaning
- Grounds maintenance
- Communal facilities in sheltered schemes
- Door entry systems

Service charges will be reviewed and updated annually and wherever possible actual expenditure and contractual increases will form the basis of calculations.

Where such an approach is not possible we will use a range of measures to make the most accurate estimation of future expenditure.

An annual review will be carried out to identify whether each individual charge remains appropriate.

Where there has been an unforeseen reduction in service in year the Council will ensure that an equivalent reduction in charge is levied in the following year

There may be circumstances where a new chargeable service is being considered. If this impacts on existing tenanted properties such a charge will only be introduced after consultation with affected tenants. Where newbuild/newly acquired properties are let on a social rent there may be opportunities to levy a service charge alongside the rent.

### Use and Occupation Charges

There are certain occupiers of council dwellings who because of their occupation status are not liable for rent, however the Council will instead recover use and occupation charges.

Use and occupation charges will be set in line with the agreed rent for the property concerned.

### Taking Properties Out of Debit

The Council recognises that there is a shortage of affordable housing in the district and that it should ensure its stock is available for occupation at all times. There will however be occasions where stock will need to be decommissioned either to allow for significant remodelling or disposal. As accommodation is not available for letting in its current form at these times such properties will be taken out of the debit.

A property would not normally be taken out of debit where the intention is to eventually relet it in its current form unless it is being repurposed temporarily such as for use as an office or community room.

Decisions to take a property out of debit must be confirmed in writing by the Head of Housing setting out the grounds for removal and reasons for it. Only once an approval is received will adjustments be actioned.

The number of properties currently out of debit, reasons for removal and cumulative rent loss will be reported quarterly to ensure there is sufficient oversight of the process.

In exceptional circumstances, a property taken out of debit will be returned to stock in the same format as it was removed without a change of use. In these circumstances the property will be written back on from the start of the current year for accounting purposes.

To enable oversight a formula rent will be calculated for all properties out of debit applying the same formula as those on the debit.

## Managing Current Tenancy Balances (arrears and credits)

### **Tenancy Agreement**

The tenancy agreement is the legal contract between the Council as landlord and tenants. In most circumstances this sets out the legal requirements for tenants to pay their rent. The current agreement is clear that tenants are expected to pay all rent and charges due weekly in advance. Any tenant who does not do this is effectively in arrears.

### **Approach to arrears management**

The Council will be proactive in preventing rent arrears and will focus on early intervention to collect rent and minimise losses, including collecting rent in advance when it is due at the frequency agreed at sign up.

Debt recovery action and arrears prevention will be undertaken using letters, emails, visits, text messages, legal notices and where necessary the courts. Actions taken will be on a staged and escalating basis, culminating in legal action, and using eviction as a last resort.

Actions will be sensitive and sympathetic, fair but firm when determining when pursuing recovery. Every opportunity to provide tenants in arrears with necessary



advice and support to understand the implications of their action will be explored.

Action for non-payment of rent will be appropriate and proportionate.

An *Income and Rent Collection Procedure* will be used to provide the framework for action to be taken to recover rent arrears and other fees or charges.

At each stage of the *Income and Rent Collection Procedure* the primary objective will be enabling rent payment and maintaining the tenancy. Repayment arrangements will therefore always be affordable and satisfactory.

Tenants will be encouraged to prioritise their rent payments ahead of other debts as the consequence of non-payment could be homelessness. Tenants will be advised of the consequences of eviction through arrears on future rehousing options.

Where all other options have been exhausted, legal action will be taken against tenants for non-payment of rent. Ultimately, this action may result in the tenants losing their home.

In all cases, tenants will be provided with advice to make sure that they are aware of the support and options available to them.

Tenants will be encouraged to maximise their income by applying for welfare benefits and grants.

Partnerships are in place with other agencies to ensure tenants can access advice, support, and financial services. Opportunities to enhance this offer will be explored at all times.

A range of payment options will be available. Any new payment technologies will be adopted where it is cost effective and appropriate to do so.

When legal action is taken legal costs will usually be recovered from tenants unless to do so is considered disproportionate and is likely to leave a tenant in excessive financial difficulty.

### Hierarchy of Housing Debt

Where tenants have multiple debts with the Housing Service a coordinated approach will be taken to recovery to ensure repayments are manageable and realistic.

Current rent arrears will be prioritised as these are the only housing debt that could directly lead to the loss of accommodation. Whilst there are arrears on the current rent account any payment received will always be applied to this account.

### Recovering Former Tenant Arrears

Effective former arrears recover begins before a tenancy is terminated. When a notice is received from an outgoing contact will be made within the notice period wherever possible to ensure the tenant understands their current rental balance and likely balance when the tenancy terminates

A former tenant who has arrears will be encouraged to agree a repayment plan that is affordable, sustainable and devised with customer care and cost effectiveness in mind.

The Council recognises that a fair and flexible approach should be used when making an agreement to pay off former tenant arrears.

Detailed procedures for arrears recovery ensure that each case will be regularly monitored and the appropriate action taken.

The Council will provide support and assistance to former tenants, where necessary, with referrals to independent debt and money advice services where appropriate.

The Council will aim to collect all former tenant arrears without recourse to legal action through the use of repayment agreements to avoid unnecessary further costs to the former tenant.

All agreements will be monitored by the appropriate officers until the account has been cleared.

#### Further Intervention

Where an agreement cannot be put in place either because contact information is not up to date or where the former tenant is not responding to contact all reasonable measures will be taken to pursue the debt.

A range of methods to trace former tenants may be employed including tracing services and tracing agents where it is cost effective to do so given the nature of the debt.

Legal action to recover the arrears will be taken in cases where an assessment of the former tenant's financial circumstances indicate that such action would be appropriate.

Where the arrears are in respect of a deceased tenant action will be limited to contacting the next of kin or executor to claim against the estate. Where there is no response or confirmation is received of no estate the arrears at the time of termination will be written off.

Where a debt is uneconomical to pursue or there is no prospect of recovery The debt will be recommended for write off. In such circumstances the appropriate policies will be followed.

#### Writing - Off Former Tenant Arrears

There will be instances where, despite all reasonable efforts, it is not possible to pursue a debt further and the former tenant debt should be submitted for write-off. Debts should only be written off in four circumstances.

- 1) The debt is deemed uneconomical to pursue further given its size and likely costs associated with escalated recovery action.
- 2) There is no reasonable prospect of recovery given the known financial situation of the debtor.
- 3) All reasonable efforts to trace the debtor have been explored with no outcome.
- 4) The debt is past the criteria for legal recovery, including the statute of limitations or other formal processes.

Requests for right off will be escalated in line with the Council's financial regulations. Details of the circumstances and the reasoning for the write off will be provided as part of the submission.

### Bereavement Allowance

All terminations require four weeks notice and rent is chargeable during the notice period. However, a credit of up to four weeks rent can be made to the account through the application of a bereavement allowance where the termination is as a result of a bereavement. The allowance will be calculated based on the four weeks chargeable within the notice period and any credit on the account at the time notice is received will be offset from the allowance.

Rent credited after the notice is received i.e. where a direct debit is still in place and honoured by the bank will not be treated as a credit for the purposes of calculating the bereavement allowance.

Should families choose to extend the notice period beyond the initial four weeks, and further rent becomes due this will be credited to the account as normal and no further bereavement allowance will be applied.

### Writing Debt Back On

Writing debt off is not a recognition that the debt is not owed but simply that it is unlikely to be recovered and so should no longer be accounted for on the balance sheet.

There are circumstances, most commonly where a former tenant approaches for housing assistance where the decision a debt was unrecoverable may be reviewed. In these circumstances a debt should be written back on unless there are compelling reasons not to do so.

### Full and Final Offers of Settlement

There may be circumstances where an offer is made to clear a proportion of debt as a full and final offer. In these circumstances any offer will be approved by the Head of Housing and Director of Finance and the debtor will be informed that the action may still be considered to demonstrate a lack of responsibility and that they may be deemed unsuitable to be a tenant for the purposes of the allocations policy.

## Recharges

Where the Council has incurred expenditure that would normally be considered the tenants responsibility a recharge will be raised. Most often this will relate to repair work either during the course of the tenancy or where the tenancy has terminated, and the property has not been left in an acceptable condition.

A recharge will only ever be raised with clear evidence of the need to recharge along with the actual costs incurred. Furthermore, wherever possible the (former) tenant will be asked to confirm their responsibility for the costs before the charge is levied.

Arrangements to recoup recharges should always have regard to the debtor's financial circumstances and should not create additional further hardship.

## Repayment Plans

A repayment plan will be offered whenever a debt is owed. The plan that is proposed will be fair and affordable. Whilst a key objective to recovery action is to agree a repayment plan that minimises the time it will take to recover debt individual circumstances will be taken into account.

The minimum recovery amount will usually have regard to Department of Work and Pensions (DWP) third party deduction limits, however, where a tenant can demonstrate particular hardship, these limits can be reviewed. Where an agreement cannot be reached a reputable independent third party such as Citizens Advice may be asked to agree a reasonable repayment amount.

## Refunds

Wherever possible any account surpluses should be returned to the creditor at the earliest opportunity. However, prior to any refund a check will be made to ensure that there are no unrecorded charges due.

Refunds will be issued on request unless there is a justification for withholding and account holders in credit will be reviewed regularly and a refund offered.

Refunds for former tenancies will be paid once confirmation has been received that there are no other outstanding charges providing payment information is available.

Where a current tenant in credit declines the opportunity of a refund consideration will be given to whether there is a risk of financial exploitation or money laundering. Procedures are in place to escalate in these circumstances.

## Internal Payments to the rent account

To maximise income and to reduce the risk of enforcement action, wherever possible any internal payments such as downsizing payments, decant payments etc will be used to offset outstanding debts.

It is recognised there may be situations, however, such as instructions from the Housing Ombudsman where this cannot be applied.

### Challenging debts or charges

Where a customer feels they are being pursued for a charge unfairly they should raise this in writing to the Head of Housing in the first instance.

The Council will ensure that there are fair and transparent mechanisms for challenging and debt or charge the recipient feels has been unfairly applied. Whenever a bill is submitted the right of review will clearly be stated upon it.

### Equality and Diversity

The Councils aim to ensure that its policies and procedures are fair and transparent; and that the Council work towards achieving balanced and sustainable communities in accordance with its equality and diversity goals.

### Equality Analysis

#### Completion of Equality Impact Assessment (EIA) Form

|  |  |
|--|--|
| Has an EIA form been completed as part of creating / reviewing / amending this policy? | Please tick:<br>Yes <input type="checkbox"/><br>No <input type="checkbox"/><br><br>To be completed prior to consideration by Cabinet |
| If yes, where can a copy of the EIA form be found?                                     | [Insert location / available upon request]   |
| If no, please confirm why an EIA was not required?                                     | [Insert reason why form not completed]   |

DRAFT