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## Income Collection Policy



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# Income Collection Policy

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## 1. Purpose of the Policy

### 1.1 General Purpose of the Policy

1.1.1 To ensure that First Choice Homes Oldham's (FCHO) income is maximised to ensure the viability of the business whilst adhering to regulatory frameworks.

### 1.2 Introduction

1.2.1 As a Registered Provider of Social Housing, FCHO is required by The Regulatory Framework for Social Housing in England to publish "clear and accessible policies which outline FCHO's approach to tenancy management, including enforcement of tenancy conditions, creating sustainable tenancies, preventing evictions, and tackling tenancy fraud."

1.2.2 FCHO aims to collect the maximum amount of rental income and service charges to achieve its Corporate Objectives ensuring that the provision of services to customers is protected and that FCHO remains viable. The processes which the Income Collection Team will follow will be efficient and effective to ensure resources are maximised and that arrears are pro-actively managed.

1.2.3 The collection of rent and service charges are a priority and FCHO are aiming to create and embed a payment culture, offer a wide range of payment solutions and also ensure that customers are supported to manage their money and have the ability to pay their rent.

1.2.4 FCHO will adopt a firm but fair approach to income recovery and be proactive in taking preventative actions to avoid the accrual of high arrears and will respond in a sensitive manner ensuring that tailoring the service to the need of the customer.

1.2.5 The Income Collection Policy is to mitigate the impact of direct payments to customers through Universal Credit on the financial viability of FCHO.

1.2.6 The culture of 'Rent First' is embedded and FCHO had adopted a 'One Team' approach where each officer / team has a responsibility to its customers to educate, support and challenge and ensure that their tenancies are sustained and rent is paid.

1.2.7 FCHO recognises that in the short term customers will need to adjust to budgeting monthly and managing their finances. Therefore FCHO will normally assess each new customer to identify the risk of not meeting the conditions of their tenancy and put in place the advice and support to ensure their rent is paid.

1.2.8 Customers at allocation stage will be clear they are entering into a contract with FCHO, including the agreement to keep a clear rent account.

- FCHO will promote with new and existing customers the benefits of paying by Direct Debit.
- In exceptional circumstances consider other electronic payment methods, offer advice and assistance on paying rent, claiming benefits and general advice / support from the Income Collection Team will be available to all customers to ensure that income is maximised and to facilitate the payment of rent due.
- To offer customers support by providing benefit, money and debt advice and income maximisation before and during the period of a tenancy. This will include referrals to internal teams such as Tenancy Support, as well as referrals to our external partners such as the Citizens Advice Bureau (CAB).

- FCHO will ensure customers are provided with regular rent statements and statements are also available upon request, to enable customers to manage their rent accounts. Customers can view their rent account on-line; this enables them to see their balance and payments which they have made.
- If a customer goes into arrears not only will FCHO contact them by telephone, letter, e-mail or visits we can also text them to ask them to contact us.
- FCHO may choose to offer incentives to customers who pay their rent promptly, to encourage clear rent accounts and paying by direct debit transfer.
- FCHO provides relevant publicity to raise awareness of the policy on rent arrears and to encourage customers to engage with officers to manage any arrears.

1.2.9 If a customer owes FCHO debts under more than one income streams, then below is the order in which those debts are repaid:

1. Current customer rent arrears
2. Former customer rent arrears
3. Current garage arrears
4. Former garage arrears
5. Court costs associated with legal action to recover rent arrears
6. Rechargeable repairs

1.2.10 This hierarchy of debt is in line with common practice. The policy does not set out FCHO's approach to other income streams.

### **1.3 Scope of the policy**

1.3.1 This policy sets out:-

1. FCHO's Rent First approach Banking Offer
2. Arrears Recovery
3. Ground 8
4. Section 21
5. Housing Benefit and technical arrears
6. Universal Credit
7. Under-occupiers
8. Customer support

### **1.4 Definitions**

Direct Debit Transfer – a transfer of money from a bank or other account directly into an FCHO account.

Oldham Credit Union Jam Jar accounts – These accounts are specifically designed to meet the needs of people on low incomes or with poor financial management skills. They allow customers to split their account balance into different jars for spending, saving and bill payment and help improve budgeting through low balance alerts and automated transfers between jars.

Assured Tenancy – An Assured Tenancy is a tenancy which has been transferred from an Assured Shorthold Tenancy after 12 months or 18 months if the Assured Shorthold Tenancy has been extended, and gives customers a degree of security of tenure. FCHO now offers Probationary Tenancies to its new customers.

Probationary Tenancy – Usually offered to all new customers for 12 months, normally followed by a Fixed Term Tenancy provided the Probationary Tenancy is not extended by FCHO for a further 6 months. This provides the opportunity to support the new customer(s) and to engage with them to sustain the tenancy.

Fixed Term Tenancies – A tenancy that lasts for a set period of time. At the end of the set period of time the tenancy will end using a prescribed process or a further suitable tenancy will normally be offered.

Universal Credit – Is a new benefit which was rolled out nationally in October 2013 replacing the 6 existing benefits with a simpler, single monthly payment if you're out of work or on a low income. Universal Credit replaces:-

- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Income Support
- Working Tax Credit
- Child Tax Credit
- Housing Benefit

Customers in receipt of Universal Credit are paid in arrears – therefore they will be in technical arrears by week 6 when they receive their full claim from DWP.

Under-Occupiers – Welfare reforms will cut the amount of benefit that people can get if they are deemed to have a spare bedroom in their council or housing association home. This measure applies to housing benefit claimants of working age from 1 April 2013. The power to reduce housing benefit in this way is contained in the Welfare Reform Act 2012 and is commonly referred to as the bedroom tax, spare room subsidy or under-occupation penalty.

Benefit Cap – In July 2013 a cap was introduced on the total amount of benefit that working-age claimants can receive so that households on out of work benefits will no longer be entitled to receive more in benefit than the average weekly wage, after tax and national insurance. Initially the cap will be administered by local authorities via Housing Benefit and from October 2013 applied for all new claims to Universal Credit including those migrated from existing benefits.

Sustainability Risk Assessment (SRA) - This is carried out by FCHO's One Point Team and includes the checks outlined in section 2.1.2 of this policy. The SRA is recorded in the Housing Advice Module within FCHO's housing management system, Northgate, and is the evidence to support enforcement action.

Risk Assessment Panel - The membership of the panel includes FCHO's Income, Neighbourhoods and Allocations staff whose role is to assess the merits of whether an applicant with exceptional circumstances can be offered a tenancy with conditions by FCHO.

Personal budgeting support – This is provided by the DWP through Oldham MBC and will provide money advice to help claimants cope with managing their money on a monthly basis and paying their bills on time.

Former Tenants – Customers who left FCHO with outstanding arrears will not be considered for rehousing until all arrears has been cleared. FCHO may consider exceptions to this approach.

## **1.5 Roles and Responsibilities**

Head of Income Management – Responsible for the Income Collection Team and to ensure all the related processes are being adhered to.

Income Collection Team – To adhere to all the related processes, create a payment culture enabling customers to sustain their tenancy and reduce the risk of eviction.

One Point Team – To ensure that a personalised risk assessment is carried out at pre-tenancy stage following the risk assessment there will be a tailored support package in place. To promote and register applicants for Home Swapper, which will assist customers to mutually exchange their properties in line with their needs.

Customer Support Team – Provide and document the correct level of customer support at the start of the tenancy, to ensure that the Section 21 / Ground 8 can be progressed.

ICT Solutions Team - Providing weekly management Information in order for FCHO to monitor the effectiveness of the related teams.

Neighbourhood Teams – Supporting customers via face to face visits to create a payment culture enabling tenants to sustain their tenancy and reduce the risk of eviction.

Business Improvement Team – Supporting the one team approach to ensure that all policies and procedures are being adhered to and ensuring quality assurance, challenging where processes are not being adhered to and being a critical friend to further improve our business.

## **2. Policy Details**

### **2.1 FCHO's Rent First approach Banking Offer**

- 2.1.1 Ensure customers understand FCHO's Rent First approach and that rent and service charge arrears are a contractual breach of the tenancy agreement.
- 2.1.2 As part of the Allocations process all new customers a SRA and FCHO offers new customers that are defined as high risk with pre-tenancy training prior to the tenancy commencing. Neighbourhood Officers (NO) can work closely with the Income Collection Team to monitor customers in the first 6 months of their tenancy period, based on their individual risk assessment. There are a number of automated triggers within the rent arrears process which will instruct NO's to visit the customer and advise them of their obligations to pay their rent in accordance to their signed tenancy agreement, and the repercussions of not doing so.
- 2.1.3 FCHO requires all new customers to pay their rent by Direct Debit Transfer or another form of regular electronic transfer. This is a non-negotiable contractual condition of the Tenancy Agreement.
- 2.1.4 The Head of Income Management has a range of incentives available to use at their discretion to improve rent collection; these incentives can be reviewed to see how effective they are in achieving the corporate income collection target.
- 2.1.5 Prior to tenancy sign up, all customers are required to make an advance rental payment of two weeks rent and service charges. FCHO reserves the right to refuse the tenancy if an advance payment is not received prior to commencement of the tenancy.
- 2.1.6 If customers are suffering hardship then DWP may assist with providing the customer with a loan to pay their rent, for those customers who receive Universal Credit.

- 2.1.7 Discretionary Housing Payments are a payment administered by the Local Authority for those customers who have a shortfall of the housing element paid by the OMBC Housing Benefits department or via the DWP through their Universal Credit claim. If the customers are suffering hardship and do not have enough income to cover the shortfall then a Discretionary Housing Payment can be applied for. This is only a short term solution to assist the customer whilst they find ways of reducing their expenditure, the FCHO Income Collection officer, Neighbourhood Officer or the Customer Support Officer will assist the customer with their claim, but acknowledge that the payment will be given for a fixed time period and only a partial payment will be made against the shortfall.
- 2.1.8 FCHO recognise that a number of its customers do not have access to a bank account however as part of the Universal Credit (UC) roll out DWP will be crediting UC payments electronically. FCHO is committed to support customers with the provision of a bank account and can provide assistance to customers with setting up a bank account with either a high street bank or an account with Oldham Credit Union.

## **2.2 Arrears Recovery**

- 2.2.1 FCHO will adopt the following principles in the recovery of current rent arrears, and all stated debts owing to FCHO:-
- All action for the recovery of rent arrears will be prompt. Customers who fall into arrears will be identified quickly and in accordance with agreed procedures and guidelines.
  - Customers who receive Universal Credit will be asked to set up a direct debit for the fully amount of arrears owed pending them receiving their claim from DWP.
  - Arrears linked to under-occupiers can be claimed even if arrears were accrued prior to April 2013.
  - Where a rent guarantor is in place, the Income Team will contact for full payment of the arrears, this will prevent further action being taken. If payments are not received the rent arrears process will continue.
  - Legal action will be taken for the recovery of unpaid debts, if the customer refuses to set up, or breaches, any arrangement to pay or does not engage with FCHO in reducing arrears.
  - Customers will normally be advised prior to any and each action that is taken, so that they are fully informed of the process and any implications of action taken.
  - The removal of customer's personal property will not be used in rent recovery.
  - Only in exceptional circumstances as defined in the Eligibility Policy will customers with former arrears be given a property. Where a customer has former customer arrears in addition to current customer arrears priority will be given to clearing current customer arrears. FCHO will adhere to the pre-court protocol issued by the Ministry of Justice in respect of the pursuance of rent and arrears prior to taking court action.
  - Eviction will be pursued as a last resort where a customer fails to comply with any grounds of possession which FCHO pursue and fails to respond to attempts to provide support.
  - Costs incurred in the pursuance of legal proceedings will be recharged to the customer.
  - Where appropriate, realistic and affordable payment agreements will normally be put in place to repay the arrears, which will normally be confirmed in writing and monitored by the Income Collection Team.

## **2.3 Ground 8**

- 2.3.1 This legal ground can only be used when the customer is at least 8 weeks in arrears, the landlord has served notice that they want possession and the customer is still 8 weeks in arrears at the date of the possession hearing. If this is the case, this ground is mandatory and the court must grant possession if this ground is proved.
- 2.3.2 This Ground would only be used for fixed term tenancies and where the customer despite offering referrals to internal and/or external organisations is unwilling to engage with FCHO and pay their rent and arrears.

## **2.4 Section 21**

- 2.4.1 This is in effect a legal ground and it can be used when the customer is at least 8 weeks in arrears and has a probationary tenancy, but cannot be served until the tenancy has passed its 4 month anniversary. This ground is mandatory and the court must grant possession if it proven that the relevant notice has been served.
- 2.4.2 This ground would be used in rent cases for those tenancies where the customer is unwilling to engage with FCHO and is making little or no attempt to make the rent and arrears payments.
- 2.4.3 Where customers have had arrears during the period of their Probationary tenancy, FCHO can consider extending the tenancy for a further six months. One of the conditions of the extension will be to set up a Direct Debit; a further review of the tenancy will normally take place at the end of the extension period.

## **2.5 Housing Benefit and technical arrears**

- 2.5.1 FCHO recognise that the single largest method by which our customers pay their rent is through Housing Benefit and FCHO will maintain regular communication and good working relationships with the Revenues and Benefits Unit within OMBC in order to minimise the accumulation of rent arrears during the processing of Housing Benefit (HB) claims. OMBC and FCHO meet on a regular basis.
- 2.5.2 Arrears arising as a result of an on-going claim for HB or the timing of HB payments will be regarded as “technical arrears” but normal arrears recovery action will be continued until any outstanding claim has been processed and shortfalls paid.
- 2.5.3 Normal arrears action will be taken in the following non-exclusive circumstances:-
- The HB assessment has identified an amount payable by the customer which is not being received.
  - The customer fails to provide the necessary documentation to substantiate an HB claim despite requests to do so.
  - The customer fails to declare a change in circumstances which will affect their entitlement.
  - The HB claim has been cancelled due to failure to submit information as requested.
- 2.5.4 When FCHO receive notification that a claim is due to end or suspended, the customer will normally be notified in writing of their obligation to begin making payment.

## **2.6 Universal Credit (UC)**

- 2.6.1 FCHO was selected by the Government to become a pathfinder area to trial Universal Credit. As anticipated the initial take up was slow and following introduction the number of live cases remained low.
- 2.6.2 In April 2017 the Oldham Borough was selected to be amongst the first in the country to go fully live on UC. This new online service via a DWP portal requires all customers affected to claim their benefits online and replaces Housing Benefit applications. The number of customers affected is higher than the previous changes and all claimants are expected to be fully migrated by 2019.
- 2.6.3 Customers affected receive their out of work benefit along with the housing element directly to them on a calendar monthly basis, as a lump sum payment.
- 2.6.4 Customers who do not meet their rent commitments will be subject to the normal arrears recovery process. When customers are eight weeks in arrears or FCHO identify vulnerability, the Income Officer will make a prompt application for housing costs and arrears to be paid directly to FCHO.

## **2.7 Under-occupiers**

- 2.7.1 FCHO Officers will continue to work with these customers, offering support in the most appropriate area for example signposting for entry into work, money management advice, re-housing and fuel poverty.

## **2.8 Customer Support**

- 2.8.1 FCHO recognises that the effective management of personal finances by its customers contribute directly to the ability to collect rent payments and is committed to promoting financial inclusions for all its customers.
- 2.8.2 FCHO also recognises that some of customers may be experiencing financial hardship, excluded from mainstream products or be vulnerable or disadvantaged. Financial Inclusion initiatives will normally focus on:-
- Identifying customers who could benefit from debt advice
  - Identifying customers who could benefit from personal budgeting support
  - Offer advice on the opening of a bank account
  - Promoting the credit union
  - Promoting energy comparison site to always offer customer the best prices on gas and electricity
  - Promoting our home insurance scheme
- 2.8.3 FCHO provides support to assist customers in maximising their income and managing their finances more effectively. This service is provided at no cost to the customer and can include:-
- Providing free and confidential advice on debt and money management.
  - Arranging to visit the customer at their home or FCHO's head office.
  - Speaking to organisations on behalf of the customer to negotiate more affordable payment plans.
  - Helping the customer maximise their income by ensuring all qualifying benefits are applied for.
  - Helping to organise money and prioritise debts.
  - Advising on how to avoid getting further into debt.
  - Providing advice on ways in which the tenant can save money.

## 2.9 Refunds

- 2.9.1 FCHO will only issue a refund at the customer's request; all customers receive regular rent statements and can access their rent balance via the website.
- 2.9.2 Where the credit is over £2,000 we will contact the customers to assess if they require a refund.
- 2.9.3 Where a credit looks suspicious, i.e. where Housing Benefit is in payment yet the customer is also paying, the Income Collection Team will refer this case to Finance to commence an investigation into money laundering or tenancy fraud. However, this will not stop the refund from progressing except where vulnerabilities have been identified.
- 2.9.4 The Income Collection and Neighbourhood Team will encourage customers who have a credit balance, to leave a buffer on their rent account; this is due to the Universal Credit roll out whereby customers wait 6 – 7 weeks to receive their initial payment.

## 2.10 Monitoring of the Policy and Procedure

- 2.10.1 Targets will be set and monitored in line with the FCHO's strategic objectives and performance management framework and will be reported monthly to the Leadership to Board on a quarterly basis.
- 2.10.2 Operationally, weekly and monthly monitoring will be undertaken and reports produced showing cash collection and arrears recovery activity and progress towards targets, at Team level and Officer level.
- 2.10.3 FCHO will also benchmark performance against other organisations, using sources of information that are most appropriate for this purpose and this will be reported at the Leadership level.

## 3. Legislative or other Guidelines

- 3.1 FCHO's policy on rent collection and arrears recovery has been written to reflect sector best practice and the latest legislation.
- 3.2 Should changes in government policy, legislation, accounting guidance, FCHO's business plan or other relevant factors arise, these will be reported to the relevant Board along with an assessment of their impact and appropriate recommendations as to how to proceed

## 4. Links to FCHO Strategic Plan

- 4.1 FCHO is committed to providing excellent Landlord services and the successful collection of rent is a key enabler to the viability of the business. By operating a fair consistent policy to all of its customers and communities this policy is designed to align the other pillars of the business which are creating independent and resilient communities and building desirable homes.

<b>MONITORING, APPROVAL AND REVIEW</b>	
<b>Lead Officer / Author</b>	Sarah Aldred, Head of Income Collection
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<b>Electronic File Location</b>	S:/Drive/Hsg General/Policy, strategy and assurance FCHO Website and Hub.
<b>Copy available from</b>	Joanne Goodall, Governance and Corporate Support Manager