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# INCOME MANAGEMENT POLICY

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## Summary

This Policy sets out the Group’s approach to recovering income due and ensuring the protection of our vital revenue sources to enable on-going provision of services to tenants and customers.

Key principles of how we will work include:

- a Rent First approach ensuring tenants understand rent arrears as a priority debt;
- acting in a “firm but fair” way communicating clearly expectations on paying rent whilst offering support where needed; and
- starter tenancies to provide a probationary period where it is essential payment expectations are met.

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# PART TWO

## Policy

### Intent

To set out the Group's approach to managing income.

To state the principles to which we will work and set the scene for our approach to income recovery.

### Principles

The collection of income due and the minimising of rent debt is vital to the future of Longhurst Group. When a customer fails in their obligation to pay us on time, our aim will be to collect all of the money owed to us by that customer in a timely and efficient manner ensuring that we have done everything that we can to support the customer in paying their rent and sustaining their tenancy.

By protecting our income stream we will protect the future of the Group and the services we provide to our customers.

The Group is a social business which provides quality homes and associated services to our tenants and customers. Effective collection of income due is the primary revenue source, and the greater part of this income is rent from tenanted homes. Main income streams include:

- current rent charges;
- garages;
- former tenant arrears;
- shared ownership and leasehold;
- sundry debts including rechargeable costs and court costs; and
- service charges.

The rents and other income we receive enable us to:

- fund repairs and improvements to our homes;
- Deliver our 2025 vision
- provide community development services;
- provide first class customer services;
- manage our homes and provide estate services; and
- build new homes for those in need.

We adopt a Rent First approach, being clear with customers that paying rent needs to be their first priority to ensure the sustainability of their tenancy.

Our policy will be implemented in a "firm but fair" way. We will be clear in our payment expectations with customers, on the benefits of prompt payment, on the consequences of not paying, and how we will escalate rent debt cases.

Recognising the need for fairness, our key aim is sustaining tenancies. We will offer our money advice service, and/or PayPlan, to help tenants manage their money and maximise income and offer reasonable opportunities to repay debt taking into account individual customer's means. We will also refer cases to our Tenancy Sustainment Service, where appropriate, who can provide 1-2-1 support in helping sustain the tenancy by working with internal stakeholders and external partners to provide the customer with the opportunity to sustain their tenancy.

In line with the Group's 2025 vision, we will aim to widen the support available to those in debt. We recognise that rent debt is often associated with wider debt issues, and it is therefore our aim to increase our customers' access to quality debt management services. We also recognise the strain on mental health prevalent in our communities, and particularly when combined with the stress of rent and other debt. We will always comply with the requirements and spirit of the pre-action protocol when considering court action.

Before we sign-up a new customer, we will be sure they will be able to afford to pay our rent. We will carry out a Sustainability Matrix (financial health check) on prospective new customers. Any risks that a new customer may not afford the rent and then fall into arrears, such as the risks of the Government's welfare reforms or other debt, may mean we cannot accept a new customer if the risks cannot be managed. We make every effort to overcome barriers of affordability to ensure access to our homes is available to people in housing need. This aspect of the policy should be read in conjunction with the allocations policies and pre-tenancy procedures in place across the Group.

Before any new tenancy starts, we will stress the rent payment arrangements and ensure customers are totally clear on their obligations. We will be clear on the need for the first rent payment ahead of tenancy commencement, in accordance with tenancy agreement requirements that the rent account should never fall into debt.

## Scope

This policy applies to all parts of the Longhurst Group. Lead responsibility lies with the Income Recovery Team, but all parts of the organisation have a responsibility to ensure the Group's income is protected.

## Policy Details

### Dealing with arrears

The ultimate aim of the Income Management Policy is to sustain tenancies, whilst balancing the importance of the rent income stream to the Group. Both the Rent First expectation, and the implementation of a firm but fair approach, aim to sustain tenancies by encouraging customers to meet the tenancy obligations they have entered into.

We will contact any customer who misses a rent payment as early as possible, offer support and be clear on the expectation that any rent debt must be cleared. Only if necessary will we agree a repayment plan. Whilst recognising repayment plans are an essential aspect of a firm but fair policy, it is noted that an automatic assumption of repayment plans "legitimises" the debt and can dilute the Rent First message with customers.

We will set clear expectations with customers on how they should clear the debt.

Extended repayment plans will only be entered into following a thorough discussion on reasons for the missed payment, and an assessment of the intent and ability to work with us to manage the debt. Repayment plans will always be accompanied by clear communication of the consequences should the plan fail. This is an important aspect of reinforcement of Rent First and enables understanding of how the case will escalate. The starting point for a repayment plan will be to clear all arrears debt in full immediately, only where this is impossible will extended plans be negotiated.

Where a repayment plan fails the customer will usually be given a short period (typically a maximum of four weeks) to bring the plan into line. Exceptions to this will be where it is adjudged the circumstances warrant a quicker escalation. Not recovering the plan will mean escalation to the next key stage of the arrears process.

We will always give every customer in arrears the opportunity to repay in realistic instalments where this is essential, but we will always insist they see rent as the priority debt.

We will always comply with the court pre-action protocol which requires us to demonstrate we have been fair with anyone we are taking to court.

Repayment of rent debt, and tenancy sustainability through supporting our customers via our range of internal services, are the primary aims of this policy. Eviction therefore will always be a last resort after a customer has failed to work with us or reduce their arrears.

We recognise that having a firm approach needs to be balanced with fairness. We will always aim to involve internal or external support for customers. This could include CAB or Community Law Services, PayPlan, or housing advice agencies. Internally we can offer Money Advice, Tenancy or Employment Support, or our Customer Wellbeing Hub. By offering support as widely as we can, we will increase the chances of repayment of debt, and therefore sustaining the tenancy.

Having quality conversations where payments have been missed is seen as the best way to ensure repayment. Structured call collection techniques will be used to ensure understanding is reached as to how the debt will be paid. Where payment plans are arranged, we need to ensure these are valued by both parties. Where necessary we will escalate cases via formal letter.

### Starter tenancies

This part of the policy should be read in conjunction with the Starter Tenancy Policy and Process.

Starter tenancies provide a probationary period during which customers can demonstrate their ability to sustain a tenancy and comply with its conditions. It is hoped the probationary period of the tenancy sets the tone for a long-term relationship with a customer. To this end, our approach to income management with starter tenants needs to be especially clear.

In line with allocations policies and pre-tenancy procedures, starter tenants will be expected to make all rent payments on time as required by tenancy agreements. Whatever payment cycle the customer chooses must ensure the account never falls into arrears.

The importance of Rent First and the responsibility to adhere to tenancy conditions will be made clear to starter tenants along with our range of support services, such as Money Advice, Tenancy or Employment Support, PayPlan or external services, to support the customer in sustaining their tenancy.

To reinforce the expectation that tenancy conditions must be adhered to, there will be a zero-tolerance approach to arrears during the probationary period.

If starter tenants fall into arrears, they will not usually be allowed to enter into an extended repayment plan. Instead, taking into account how arrears have arisen, the customer's willingness to engage constructively with us, and their ability to pay, there will be the following risk-based approach.

- The starter tenant will be expected to clear arrears immediately. This will reinforce the zero tolerance to arrears and the need to keep to tenancy conditions.
- If a tenant's individual circumstances make a short repayment plan impossible, then we will agree an extended plan. The aim is to clear arrears in the shortest possible time, but in any case, before the scheduled end date of the starter tenancy.

A starter tenancy will be reviewed around the 9<sup>th</sup> month. Where there are rent debts, or other aspects of the tenancy conduct are unsatisfactory, consideration will be given to ending the tenancy.

An alternative is to extend the tenancy to a maximum 18 month term. Such extensions should not be seen as an automatic progression to the initial 12 months. Rather, extensions should be for cases where the risk is deemed manageable, and the extra 6 months will be used to demonstrate intent and ability to adhere to tenancy conditions. This option can be taken where it is judged that, despite tenancy breaches, there is a realistic chance of breaches being remedied and the starter tenancy being successful.

In considering whether a starter tenancy should convert to a full assured tenancy, the absence of rent debt at the point of conversion is not the sole factor. The conduct of the tenancy over the whole period should be considered. In particular, the customer's intent and willingness to engage constructively to reduce rent debt, are important factors.

If any arrears exist at the end of the 12-month starter tenancy period (or 18 months where the starter tenancy has been extended) the tenancy will not convert into a full assured tenancy. Exceptionally, where there has been rigid adherence to an agreement to pay over the extended period, yet manageable arrears remain, the Head of Income Services could authorise conversion to a full tenancy.

Ending a starter tenancy, where a tenant has not kept to tenancy conditions, would normally involve serving a notice under Section 21 of the Housing Act 1988 which entitles the landlord to automatic possession. Before seeking possession, the same considerations and approvals will be sought as for any eviction of a full Assured tenant.

### Use of Ground Eight

Ground Eight of Schedule Two of the Housing Act 1988 relates to rent arrears accrued by assured tenants and provides for a mandatory right to recover possession rather than relying on the discretion of the court. Where a landlord satisfies the conditions under Ground Eight an order for possession will be granted.

Not all tenancy agreements across the Group allow for the use of the mandatory Ground Eight.

Where tenancy agreements allow for the use of Ground Eight, we will reserve the right to make use of this mandatory ground. Given that, as a social landlord, we would always wish to demonstrate the highest standards of probity, transparency and fairness in our dealings with tenants, the use of Ground Eight will be managed in the following way.

- It will be used only in very exceptional circumstances as a measure of last resort. This might be if a tenant is wilfully not engaging with us and it seems clear there is no intention to comply with tenancy conditions, and we wish to limit the escalation of the debt.
- Where there is reason to believe following the usual discretionary grounds will lead to greater delay or escalation of arrears.
- Ground Eight will not be used where there is any suggestion a tenant may be entitled to benefits that could help clear the debt and has provided relevant authorities with all the evidence to process a claim and/or has paid other sums not covered by benefits.
- The use of Ground Eight must be authorised by the Head of Income Services or Director of Housing Services before proceedings are commenced. The tenant will be advised of the opportunity of a review should they disagree with the use of Ground Eight.

### Debt Relief Orders

Occasionally, current tenants with arrears may seek to have the arrears included within a Debt Relief Order or other form of bankruptcy proceedings. This could mean that such

arrears become uncollectable. Clearly from an income management perspective the Group would wish to discourage such action from tenants in arrears and protect our ability to collect amounts owed. It is the Groups view that tenants would be badly advised to include current arrears within a Debt Relief Order. Although pursuit of the outstanding arrears is no longer possible, it means the breach of tenancy conditions is irrefutable, and a possession claim would have very strong chances of success.

In order to protect our position robustly, income teams will:

- Strongly advise any tenant considering including arrears within a DRO against such action; and
- Make clear to the tenant that we would take possession action for breach of tenancy should arrears be included in the DRO. We will advise of the precariousness of the tenant position given current case law.

At the discretion of the Official Receiver, a debtor subject to a DRO may pay off rent arrears up to the “spare cash” limit, currently £75 per month. This means a total of £900 could be paid off rent arrears during the 12-month moratorium period of the DRO. Therefore, a customer wishing to enter a DRO with £900 or less arrears could still payoff the debt before it becomes uncollectable at the end of the 12 months period. If such an arrangement is proposed by a customer the Group will reserve the right to enter such an agreement on the strict understanding that if any payment is missed, and arrears will still exist at the end of the moratorium period, then possession action will be taken.

We will ensure our internal money advisors offer our service to the tenant and/or their advisors if required and inform them of the Group’s policy.

### Pre-Eviction Protocols & Data Sharing

Pre- eviction protocols are a collaboration mechanism aimed at sustaining tenancies by involving other agencies who may be able to help a tenant address rent debt. Such an example would be the Jigsaw referral process. Where Local Authority partners wish to establish a pre- eviction protocol, we will be active participants wherever possible and appropriate. Typically, there will be data sharing implications, and GDPR considerations will need to be taken into account. The Income Recovery Team will normally consider tenants at threat of eviction as having sufficient vulnerability as to make data sharing the responsible way forward to include local authority partners.

### Economic Abuse

As part of the Group’s response and strategy on Domestic Abuse more generally, the Income Recovery Team (including Money Advisors) will be mindful that rent debt can sometimes be an indicator of economic or financial abuse. Where appropriate, referral would be made to our Safeguarding Team.

### Former tenant arrears

It is important to ensure we recover former tenant arrears as effectively as possible. We place an emphasis on minimising and preventing current arrears with the aim of minimising former arrears where tenancies end. We will use clear collection procedures including the use of tracing agencies and the full range of legal remedies where it is considered economical to pursue former tenant arrears.

### Recharges and sundry debts

Across the range of tenures customers may sometimes accrue debts to the Group other than rent arrears. Such debts could include a rechargeable repair, court costs, water/heating costs etc. The Group will always pursue such debts following appropriate procedures and maintain a firm-but-fair approach to income recovery.

## Leaseholders and Shared Owners

The principles related to the collection, prevention and recovery of arrears from Leaseholders and Shared Owners are the same as those for customers in rented accommodation. We will always have a firm but fair approach to collecting arrears from all of our customers although procedures will differ depending on the tenure type and range of remedies available.

## Exceptions within this Policy

This policy and associated procedures set a framework for how we will approach income recovery. However, we recognise that as a social landlord we deal with a wide range of people in often very difficult circumstances, and the ultimate sanction of evicting someone from their home can have very serious long-lasting effects. We do not wish our Policy and Processes to be inflexible, and we wish to ensure there is scope for discretion in exceptional circumstances. Our key principles and approach will always remain, but in such circumstances, we may adapt Processes to suit the specific circumstances presented by a particular case. Such instances will be rare and must be agreed in advance by the appropriate Income Recovery Manager or Head of Income Services.

## Roles and responsibilities

Legal responsibility for the Income Management Policy is held jointly by:

- Longhurst Group Chief Executive; and
- Executive Director of Housing Services

Operational responsibility for the Income Management Policy is held by the Director of Housing.

Procedural responsibility for the Income Management Policy is held by the Head of Income Services and Income Recovery Managers.

Day-to-day responsibility for the Income Management Policy is held by Income Recovery Officers and Income Recovery Advisors.

## Monitoring, evaluation and review

This Policy will be reviewed every three years. In addition, it will be reviewed:

- following information suggesting that the policy is not effective;
- to reflect any service enhancements; and/or
- following the introduction of relevant new legislation, regulations or guidance.



# PART THREE

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## Appendices

- A. Policy Approval Control
- B. Policy Development Plan