



How to...

*manage income collection  
effectively*



# How to... manage income collection effectively

## 1 Setting the scene

Social landlords are operating in an increasingly challenging financial environment and so maximising income collection is more important than ever before. Without a reliable income stream service delivery may be jeopardised, loan commitments won't be met, borrowing becomes more difficult and the organisation's reputation will suffer.

Factors which may place income at risk include:

- the potential for increased rent arrears due to welfare reforms such as the size criteria reduction and housing costs being paid directly to tenants through universal credit
- tenants who do not claim benefits are finding it increasingly difficult to make ends meet, which may impact on their ability to pay their rent
- reductions in Supporting People funding in many local authority areas will affect landlords providing housing-related support services – a key tool in preventing rent arrears and housing management problems.

This How to... guide focuses on the things to consider when making sure income collection is managed effectively.

## Firm foundations

A comprehensive, up-to-date income management strategy and action plan will guide you in developing a well-coordinated approach. While it will be unique to your operating context, things to consider include:

- does the strategy consider all potential income sources including:
  - rent – for homes, garages and leased premises
  - rent add-ons not covered by housing benefit, for example, gardening services and home contents insurance – do these reflect the true cost of services provided?
  - service charges – do these reflect current costs, for example, for communal lighting and heating?
  - leaseholder contributions to major works
  - rechargeable repairs
  - former tenant arrears
  - Supporting People income
- does it set a clear vision for service improvement, including improved value for money?
- does it identify the potential risks to your income stream and do you have plans in place to mitigate these?
- does it include or link to your strategy for ensuring customers receive the help and support they need to pay their rent, for example, benefits and money advice, and to promoting financial inclusion?

## Start as you mean to go on

Increasingly, landlords are recognising the importance of building in time at the offer and viewing stages to talk to potential tenants about the costs of running a home, their income and outgoings and any support needs they may have. This is then reinforced at the sign-up meeting. These early conversations are important in establishing a relationship between landlord and tenant and in being clear about your expectations in relation to rent payment. These should be used to:

- promote a rent payment culture – both for new and existing tenants. Tenants need to know that, when faced with competing demands, rent is the priority. For example, some landlords are moving towards a ‘no rent, no keys’ approach at sign-up, requiring full rent and a completed direct debit form, or else a token payment of £5 from those who are likely to be on full housing benefit
- encourage tenants to get in touch as soon as they can if they are finding it hard to pay their rent.

## Learning from others

**Orbit Heart of England** has developed an Excel-based sustainability/affordability checker. This is used at tenancy offer stage to assess potential tenants’ income and expenditure as well as their health and social vulnerabilities and tenancy management skills. The checker generates a ‘sustainability index’ with a score of 16 points or over indicating that further discussion is needed. A support referral is then automatically generated to ensure targeted help and support is provided. Although Orbit Heart of England has used the checker to refuse a small number of tenancies, the focus is very much on promoting support services and helping customers identify and recognise the likely costs of running their new home.

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## Easy does it

A key part of effective income management is that tenants know how much they need to pay, when and how they can pay it. To achieve this:

- check whether tenants have bank accounts, and if they are using them – if they do, do their accounts allow them to set-up standing orders or direct debits? If they don’t have a bank account, can they get one?
- try to offer a comprehensive range of ways for tenants to pay – this will increase the chances of them doing so. While direct debit may be the most cost effective option for you, bear in mind this may not be a good option for tenants on low or irregular incomes as they will incur high penalties if they are low on funds when direct debits are presented. Some landlords are considering making payment by direct debit a condition of tenancy, while it is unclear whether this is legally enforceable, as a minimum you need to be able to offer tenants direct debits on any day of the month if you decide to go down this route
- watch out for tenants paying their rent on credit cards as it may be a sign they are having financial problems – use this as an opportunity to discuss and refer them to money advice services
- work with your involved tenants to review rent statements, leaflets and standard letters – are they informative and easy to understand?
- use your customer profile information to identify opportunities to tailor information for individuals and groups of tenants
- ensure tenants are able to check their rent accounts easily. Can you offer online access to rent accounts? Is this something tenants would use?

## Hard times

Rent arrears can happen for a range of reasons including:

- housing benefit problems – delays in payments or tenants not providing the information needed to assess a claim
- changed personal circumstances - such as relationship breakdown
- loss of income – redundancy, loss of overtime, or reduced income due to sickness or pregnancy
- low income to begin with
- multiple debts and competing priorities
- tenants having difficulty managing their finances.

The current economic situation and impending changes to the benefit system make all of these more possible - so it's important your systems and procedures help you to intervene early to avoid unmanageable debts building up.

Things to consider when reviewing your approach include:

- does it strike the right balance between supporting people to pay while collecting the income needed to keep the business running?
- at what point is intervention triggered? Is this early enough? What impact is it having on rent arrears overall?
- is it easy to identify if a tenant with arrears is vulnerable – and is the approach tailored appropriately if they are?
- are there any unnecessary stages or delays which you could remove?
- does your IT system help or hinder arrears management?
- is there a focus on personal contact? Is this having more or less impact than relying on letters (see the Solihull Community Housing example below)?
- is there scope to send text messages or email reminders if tenants have indicated they would like this?
- if you can, display the rent account balance on the main customer record screen so front line staff can see it when handling customers' enquiries and initiate a discussion about arrears while taking a repair or other request for a service
- rent arrears don't just happen between 9am and 5pm – is there scope to make evening and weekend contact with tenants?
- consider the profile of tenants with arrears – does this highlight any trends or issues which will help you to target support or intervention?
- does your procedure trigger referrals for money advice and are these at the right stages?
- is it easy to access money advice in your area?
  - can services cope with increased demand as a result of welfare reform?
  - what can you and your partners do to increase provision?

## Learning from others

Recognising that welfare reform, especially size criteria reductions and direct payments, would increase the chance of rent arrears, **Solihull Community Housing** (SCH) carried out a review of its arrears recovery process early in 2012.

The review identified a heavy emphasis on telephone contact with 74,000 calls made over a 12 month period. It also identified a significant proportion of staff time was spent chasing low-level debts such as water rates and garage rent arrears. This level of activity was considered excessive in the context of 10,000 homes in management, and rent arrears were increasing.

Changes as a result of the review include:

- greater focus on letters to communicate with tenants in arrears – these are clearer, more direct and use red ink to convey the seriousness of the situation

- shifting focus away from the value of the debt to the number of weeks in arrears and issuing notices seeking possession for lower values
- closely monitoring cases at each stage of the process
- pre-tenancy work has improved with staff doing accompanied viewings trained to talk about rent matters, income and expenditure and welfare reform
- housing benefit and direct debit forms are issued at viewing stage and collected at sign-up
- savings from making possession claims online are funding a part-time post to work with new tenants identified as at risk of rent arrears, such as those leaving hostels or with former tenant arrears
- contact centre staff initiate conversations about rent arrears and set up payment arrangements when tenants call on other matters.

In December 2012 arrears were £46,000 lower compared to the same point in 2011 when, without the changes following the review, they would have been around £80,000 higher.

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## The last resort

Most responsible landlords recognise that evicting a tenant is costly and represents failure. However, there may be situations where eviction is the only option. If a case reaches this stage it's worth asking someone who has had no involvement in the case to review it and consider:

- have you done all you possibly can to avoid eviction?
- has the relevant policy and procedure been followed?
- has the tenant been given good quality advice and support to change the situation?
- is the tenant vulnerable in any way – has this been a factor in their non-payment?
- have appropriate referrals been made to advice providers and social care?
  - have staff chased these up?
  - has the tenant engaged with them?
- is eviction a reasonable, proportionate action?

## Thinking of using Ground 8?

Ground 8 is a mandatory ground for possession of an assured tenancy contained in the Housing Act 1988. An outright order must be granted if a landlord can prove that two months' or eight weeks' arrears exist. The court has no discretion as to whether or not to grant the order. Anticipating increased non-payment of rent as a result of welfare reform changes, some landlords are now considering using Ground 8.

CIH recommends that this should not be used as a means of recovering rent arrears but, if landlords do rely on Ground 8, they should have a clear policy on its use which should be kept under constant review.

## Debt - a corporate approach

The replacement of council tax benefit with local support arrangements from April 2013 will see working age people in many areas required to pay a proportion of their council tax. In some cases this may be as much as 20 per cent. This means council tenants may accrue council tax arrears as well as rent arrears, which requires a clear corporate debt policy for situations where people are pursued for two types of debt with conflicting repayment arrangements and a threat of either eviction or imprisonment.

## Keeping an eye on costs

Regularly review how much it costs your organisation to collect the level of income it does – after all, keeping costs low will maximise the amount of income available to invest in service delivery and development. Consider:

- what are the transactional costs of the rent payment options you offer?
  - how can you encourage tenants to use the most cost-effective methods?
  - are you offering the right range of methods for your customer profile and operating context?
  - if you withdraw the more expensive methods, will this discourage tenants from paying?
  - does it matter, as long as people pay?
  - how will these increase when tenants start making size criteria reduction payments and making rent payments for the first time once universal credit is introduced?
- how much does it cost to pursue rent arrears cases as they progress through each stage of your process?
  - would text messages and emails be a more cost-effective and productive way to contact tenants who have indicated they prefer these methods?
  - of all the things you do to recover rent arrears, which seem to have the most impact?

## Preparing for welfare reform

It seems likely many landlords will see rent arrears increase as a result of the various changes introduced by welfare reform. So it's important to make sure policies and procedures can cope with a context in which, in the case of those affected by the size criteria reduction, increasing numbers of tenants are accruing relatively small amounts of arrears on a regular basis.

Things to consider include:

- the need for regular, clear but easily absorbed communication with tenants affected by welfare reform – bear in mind some will be affected by more than one of the measures and others may not be affected until October 2017, if they are in the final group of people moving across to universal credit
- many tenants may not realise they will be responsible for paying an element of or all of their rent – it's important to make this clear and regularly reinforce it
- try to educate tenants about the total value of the benefits they already receive – including housing benefit. Otherwise, when they receive their first payment of universal credit including housing costs support, they may think they have more money than they do
- universal credit will be paid monthly, in arrears and on the day of the month of the original application:
  - consider encouraging tenants to prepare by paying a small amount each week to build up a 'buffer'
  - you may need to reconsider your approach to rent free weeks/rent holidays as, under universal credit, tenants will receive housing cost support based on the annual rent due, divided by 12
  - tracking performance and 'true' arrears, performance reporting and benchmarking may be trickier
  - some landlords are considering moving from a weekly to a monthly debit to help to address these issues
- do you need to revisit the structure of the income service?
  - do patches need to be 'resized' to take account of the need to work more intensively with tenants affected by welfare reform?
  - if rent arrears are handled by generic housing officers, do they have the time and space needed to cope with an increased workload? Is there a clear focus on performance with close management to ensure timely action is taken?





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[www.cih.org/publication-free/display/vpathDCR/templatedata/cih/publication-free/data/How\\_to.\\_make\\_the\\_most\\_of\\_discretionary\\_housing\\_payments](http://www.cih.org/publication-free/display/vpathDCR/templatedata/cih/publication-free/data/How_to._make_the_most_of_discretionary_housing_payments)

CIH (September 2012) How to... help tenants manage their money

[www.cih.org/publication-free/display/vpathDCR/templatedata/cih/publication-free/data/How\\_to\\_help\\_tenants\\_manage\\_their\\_money](http://www.cih.org/publication-free/display/vpathDCR/templatedata/cih/publication-free/data/How_to_help_tenants_manage_their_money)

CIH (June 2012) Making it Fit – a guide to preparing for the social sector size criteria

[www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Making%20it%20fit.pdf](http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Making%20it%20fit.pdf)

CIH Practice online: rent arrears and other debt (CIH Chartered members have free access to this resource)

[www.cih.org/practiceonline](http://www.cih.org/practiceonline)



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