

# RENT AND SERVICE CHARGE POLICY

Version: Final draft

Approved: TBC



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## **1. Introduction and Purpose**

The Policy seeks to set out the principles Milton Keynes Council (MKC) applies in calculating its rents and service charges for its housing stock and also seeks to provide guidance to its tenants. The Policy creates the procedural framework for rent setting; service charges; and income collection for council housing. The policy is intended to promote transparent, equitable and sustainable rent and service charge setting and collection.

The policy sets out:

- Confirmation of MKC's commitment to the Regulator of Social Housing's (RSH) Rent Standard (see Appendix 1), ensuring that rent and service charges comply with Ministry of Housing, Communities and Local Government (MHCLG) Policy Statement on Rents for Social Housing.
- How MKC will set rents for its social and affordable housing stock
- The approach that MKC will adopt when setting service charges
- How MKC will work to meet best practice on rents and service charges
- How MKC will ensure decisions and actions are compatible with corporate debt policy, by ensuring a policy on income collection is in place

## **2. Scope**

The policy relates to the setting, charging and collection of income related to residential accommodation within the Housing Revenue Account (HRA). Garage rents are also covered by this policy.

The following are not in scope of this policy –

- Ground rents, service charges and any other fees and charges levied on leaseholders of MKC housing
- Ground rents, service charges and other fees and charges levied on shared owners of MKC properties, other than weekly rent charges
- Pitch fees for Travellers sites
- Temporary accommodation provided to homeless households under Part VII of the 1996 Housing Act, other than where this is a MKC tenancy
- Residential accommodation owned by MKC but not managed within the Housing Revenue Account
- Commercial premises owned by MKC
- Service charges levied on residents of sheltered housing for the provision of community alarm and warden support – these are administered as part of MKC adult social care provision and governed by the policies for that service

Rents are charged over 50 weeks in the year, as set out in section 6 below. The majority of council properties are let at social (or target) rent with some let at affordable rent levels.<sup>1</sup> The average rent for a council property is included in the annual budget reports & schedules of fees and charges.

### **3. Roles, Responsibilities and Delegated Authority**

The policy is approved by MKC Cabinet. The relevant MKC Cabinet Member will approve any policy decisions arising from the implementation of the policy on the recommendation of the relevant Director.

Authority is delegated to relevant Director to implement the policy and delegate authority to officers accordingly. Authority is delegated to the Head of Housing Operations and their delegated officers to develop procedures for income management.

### **4. Rent Setting**

The policy relates to the setting, charging and collection of income related to residential accommodation within the Housing Revenue Account (HRA), including Secure, Introductory and Flexible tenancies. Garage rents are also covered by this policy. MKC is extending its Flexible Tenancy Policy to include flexible tenancy arrangements for a wider range of resident and purchase options. For flexible tenancies, rent will be set at levels equivalent to the Local Housing Allowance or up to 80% market rent value.

Rents are set annually, through MKC's budget-setting process. Increases (or decreases) are decided by decisions of Cabinet and Council, usually in February, and are effective from the first Monday in the following April. Average rents and the amounts of increases (or decreases) are set out in the Budget Report and the Fees & Charges annex. All tenants are given at least 28 days' notice of increases (or decreases) in their own rent through the annual rent notification letter.

MKC will adhere to the Rent Standard in setting its rents. The rent standard is set out at Appendix 1. The rental income from residential tenancies is the main source of income to the HRA. As it is MKC's objective to provide good quality housing which is well-managed, it is essential that the income from rents is maximised to enable investment in the housing stock and services. It is also recognised that some tenants have a low income and are vulnerable, so it is important that the rent setting policy does not unduly disadvantage them.

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<sup>1</sup> Affordable rent housing is housing let by a local authority or registered provider at a rent higher than social housing rent level, but no more than 80% of the rent that the property would be let for in the private rented market. The landlord is permitted by MHCLG or Homes England to let properties at this rent level as part of the agreement to develop or purchase the housing, as a means of increasing the supply of housing available in the social housing sector.

## **New Tenancies**

### Affordable Rents

For new tenancies of newly built or acquired properties that have been funded with Right To Buy Retained Receipts<sup>2</sup> or Homes England grants<sup>3</sup>, rent will be set at levels equivalent to the [Local Housing Allowance \(LHA\)](#). These properties fall within the definition of affordable rent housing set out in the MHCLG policy statement. The LHA in Milton Keynes is significantly below 80% of market rent so this complies with the Rent Standard. Service charges for communal and additional services at the property are additional to the rent. Benefit regulations define those service charges that will be eligible when calculating benefits and further information is set out below (some charges such as for heating, power and water within the property are not eligible). When calculating the affordable rent, MKC will include and service charges in the total amount, provided these are eligible for Housing Benefit/Universal Credit.

### Social Rents

For new tenancies of newly built or acquired properties that have not been funded with Right To Buy Retained Receipts or Homes England grant and are social rented properties, rent will be set according to the formula set out in the Rent Standard, based on national average rent, local property values and local average earnings. MKC will use the data published annually by MHCLG for this purpose.

## **Existing Tenancies**

### Social Rents

Where existing tenancies are at social rents, MKC will increase rent on these properties within the maximum permitted by the Rent Standard. From April 2020 for a period of five years the maximum increase has been set as Consumer Prices Index (CPI) plus 1% per year.

### Affordable Rents

Where existing tenancies at rents at LHA levels, MKC will increase rent on these properties in line with increases in LHA, ensuring that any such increase is capped at the maximum permitted by the Rent Standard, currently CPI + 1%.

The Rent Standard allows landlords to apply a different approach to social housing tenants with an annual household income above £60,000. The rent increase does not have to be capped at CPI+1%. However it is MKC policy to apply the standard increase to all tenancies regardless of household income.

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<sup>2</sup> Right To Buy Retained Receipts are those receipts that the government allows local authorities to retain with the intention of providing one-for-one replacement of additional RTB sales at affordable rent ([more info](#)).

<sup>3</sup> Homes England is the body that provides government grant for new affordable housing ([more info](#)).

## **Re-lets, Succession and Mutual Exchanges**

When a social rent property is re-let after a void period, the rent will be the social housing target rent, even if this is different from the rent for the previous tenancy. When an affordable rent property is re-let after a void period, the rent will be re-based to the current LHA level, even if this is different from the rent for the previous tenancy.

If the void period covers the first week of April, the new rent will include the uplift for the new financial year, generally CPI+1% as set out above.

Where a succession takes place, the new tenant takes over the tenancy terms including the rent and service charges so the rent will not change. Similarly, when a mutual exchange is carried out the incoming tenant takes over all the existing tenancy terms including the rent and service charges.

## **Shared Ownership**

Shared ownership properties are not subject to the Rent Standard. Initial rents are set, as above for council tenancies. Rent increases determined in the lease for the property, normally as the average rent increase applied to council tenancies in the previous year.

## **Unauthorised Occupancy**

For properties that are occupied by someone who is not a legitimate tenant but has tolerated trespasser status, the use and occupation charge will be equivalent to the weekly charge that would apply if the property were tenanted.

## **Garages**

For garages, as for residential properties, it is MKC's objective to maximise the income in order to be able to invest in the properties and keep these to a high standard. It is also recognised that garage rents should be set at a level that is fair for tenants. MKC is developing a Garage Strategy that will set out in detail the plans for investing in the garage stock. Rent levels for garages will be determined annually, based on existing charge levels and applying a fair level of increase based on demand for garages and the investment required to maintain the garage stock in good condition.

## **Supported Housing**

The Rent Standard allows landlords apply a different approach to "specialised supported housing" which is accommodation that is specifically intended for, and offers a high level of support for, residents who would otherwise not be able to live independently. The sheltered housing schemes managed by MKC within the HRA are not considered to meet this definition. For tenancies in sheltered housing, MKC will apply the same approach to rent setting as for general needs social housing tenancies.

## 5. Service Charges

Service charges are made to residents to cover the costs of services provided to a property, block or estate. Service charges are based on our best estimate of the costs of providing the services. As at April 2020, there are 1,997 general needs properties and 923 sheltered properties that receive a service for which a service charge is payable.

Leaseholders have a variable service charge based on the process of issuing estimates and actual invoices, defined in the Landlord and Tenant Act 1985. In relation to costs the Act states that they can only be levied as long as they are reasonable, and that works are carried out to a reasonable standard. Variable service charges are based on the actual cost of providing the services. Where the costs are different from what was estimated at the start of the year, an adjustment will be made to the account

Tenants of blocks or estates where service charges are levied have a fixed service charge, which is payable alongside the basic rent charge. Tenants will not be liable to pay any additional costs for the actual provision of services, nor are they eligible for a rebate should the actual cost of service provision fall below the income from charges. Service charges will be set annually in advance and notified to tenants with the annual notification of rent increase. We aim to ensure when setting service charges that:

- Charges are simple and transparent, so it is clear what is being paid for
- We make accurate predictions of the actual cost of service provision in order to set service charges
- We levy charges that are fair, equitable and represent good value for money
- We maximise our income so we can provide the best possible services to residents
- Fixed charges levied on tenants, though not identical to the variable service charges levied on leaseholders, are reasonable and fair by comparison.

### Current Charges

Service charges are levied on 1,997 general needs tenancies and 923 sheltered tenancies (as at April 2020). The services that we make a charge for currently include the following –

- Cleaning
- Caretaking
- Electricity
- Gas
- Water

Tenants of sheltered housing schemes are also charged for community alarm and housing support services that enable residents to live safely and independently in their own home. This policy does not cover the setting of these charges, but the charges are collected with the rent and other charges for the property.

Where the actual cost of services provided exceeds the overall income from service charges, because of historical undercharging, it is our policy to move toward full cost recovery so that

the income from charges fully covers the cost of service provision. To manage the impact for individual tenants paying charges, any increases will usually be phased in over a number of years.

We publish a schedule of service charges that are levied. These will be agreed annually by the council as part of the budget setting process. Service charges will be detailed in the tenancy agreement at the time the tenancy is signed. Payment of the service charges is a condition of tenancy and possession action will be taken for non-payment of charges, in the same way as for rent payment.

Charges will change no more than once a year, at the same time that rents are increased or decreased. Tenants will receive notification of changes to service charges along with the rent increase/decrease, no less than 28 days before the change is applied.

We will seek to pool charges at the highest reasonable level so that –

- Wherever possible we charge the same amount for a given service to all Milton Keynes tenants who receive that service
- Where that is not appropriate, we will levy the same charge to all tenants on an estate who receive that service. This may apply, for example, where there is a significantly different level of service provided to tenants on a given estate

It will be our policy, generally, to de-pool service charges from rents so that tenants have more information about the specific charges being made for elements of the service they receive. This approach would apply to any service that we provide to tenants, that is not a core housing management or maintenance function, and therefore is eligible to be charged for separately via a service charge.

### **Changes to Service Charges**

From time to time we may wish to provide new services to an estate or block, or discontinue an existing service, or change the type of service provided. We will consult with residents about any proposed changes to services and charges and consider their responses before any decision is made. We will do this as part of our pledge to develop local offers in partnership with tenants.

We may introduce service charges to pay for the costs of existing services that are currently funded from general income to the service, by separating out costs within the existing rents charged. If we propose to do this, we will consult fully with residents who are affected by the proposal.

Service charge increases are not governed by the same factors as rent, since they are based on service costs. However, in accordance with the MHCLG policy statement MKC will endeavour to keep increases for service charges within the limit on rent changes, of CPI + 1 percentage point, to help keep charges affordable.

## Service Commitment

We will ensure that, as far as possible, service charges represent good value for money for our residents

- Where services are provided under contract by another organisation, we will work within the MKC procurement framework to achieve the best possible value
- Where services are provided direct by MKC, we will ensure they are as efficient as possible
- We will ensure that the service charge is levied on all residents who benefit from the service in question.
- Moving forward MKC will carry out regular STAR satisfaction surveys which will include a question concerning the value for money of service charges. We will monitor the satisfaction level and may decide to set targets to improve this.

We will not treat tenants differently in respect of service provision and service charges as a result of their Housing Benefit (HB)/Universal Credit (UC) claimant status.

- Generally, we only levy mandatory service charges, in our role as a landlord, for services that would be part of “eligible rent” under the Housing Benefit Regulations or “eligible service charges” under Universal Credit; other than heating, electricity or water charges.
- The list of [eligible service charges under UC](#) and [HB Regulations on service charges](#) are published by DWP
- Where we provide additional services that are not eligible for HB or UC, such as heating, we will levy a service charge that fully recovers the cost of providing the service
- We may introduce charges for other services that are not mandatory and are not part of the tenancy agreement, for example for car parking. We will always consult with residents before we introduce additional charges

## 6. Income Collection

MKC charges rent over a 50-week period every year. The rent year runs from the first Monday of April to the first Sunday of the following April. The two rent free weeks are the weeks in which Christmas and New Year’s Day fall. The basic weekly rent is annualised and then divided by 50 to arrive at the actual charge for the 50 weeks. On years which have 53 Mondays, the weekly charge is arrived at by dividing the annualised amount by 51. All rents are payable each Monday in advance.

MKC will not change the rent charging regime unless it is considered to be in the interests of the council and its tenants. Tenants will be fully consulted before any change takes place.

The full rent and all relevant service charges are charged for all properties that are currently tenanted. Tenants cannot opt out of any part of the rent or service charge for the property. An unauthorised occupant who has “tolerated trespasser” status will also be charged the full rent and service charge for the property.

The Income Collection Policy and Procedures apply to all dwelling and garage tenancies and will also apply to the collection of other sundry debts such as recharges and legal costs.

The annual rent roll is around £54m as at 2020/21. This policy sets out our approach to recovering income due and ensuring the protection of our vital revenue source to enable on going provision of services to tenants and customers. Our approach is based on the principles of Prevent, Resolve and Recover, communicating clearly expectations on paying rent whilst offering support where needed.

We will:

- **Prevent** arrears from arising through communication, setting clear expectations and early intervention – where this is not sufficient;
- **Resolve** arrears as quickly as possible through personal contact; support to tenants; and a clear course of action detailing consequences, but where this is not successful;
- **Recover** arrears through swift and effective enforcement action

At all stages of income management, we will:

- Provide full information to tenants in a timely manner to help them keep track of their account and pay what is required
- Offer a range of payment methods to make it easy and convenient to pay
- Keep payment handling costs to a minimum to ensure we achieve value for money
- Ensure staff are available to discuss rent issues and support residents to maintain payments.
- Proactively engage with tenants at an early stage when arrears start to arise
- Work in a structured way to take enforcement action, where necessary, in the most timely and effective way to recover debts

Our overriding aim is to help and support tenants to maintain their tenancy and take possession action only as a last resort. We will always give every tenant in arrears the opportunity to repay the arrears in realistic instalments where this is essential, but we will always insist they see rent as the priority debt.

Our Approach to Income Collection is set out at Appendix 2.

## **7. Compliance and Performance**

An annual HRA budget report is made to Cabinet. This will set out the projected income for the HRA and demonstrate that the proposed rent levels comply with this policy.

- The service's performance on income collection is reflected in KPIs reported quarterly to CLT and the Cabinet Member. The service will also set internal performance indicators and targets that reflect the aims of this policy and will show how well it is performing against those expectations. The service will also seek to make use of benchmarking data and external challenge to assess performance. The service is subject to internal audit from time to time which identified areas of risk and makes recommendations for change.
- MKC makes an annual report to tenants, which includes information about service performance, including performance on income collection

## **8. Complaints**

Complaints about the application of this policy can be made under the MKC complaints procedure. Full information on how to do this can be found at <https://www.milton-keynes.gov.uk/your-council-and-elections/comments-compliments-and-complaints>

## **9. Equality and Diversity**

An Equality Impact Assessment has been completed for the policy.

Only one adverse effect for a protected characteristic has been identified – that older people are more likely to be paying a service charge with their rent than the general population. However, there are mitigations in that –

- For the majority who receive Housing Benefit, their benefit will increase to meet the eligible service charges
- The change is programmed to occur over three years so the impact will be gradual

Council housing tenants are more likely to be vulnerable and disadvantaged than the general population. At any one time 3,500-4,000 tenants are in arrears and these are the customers who are most affected by the policy on income collection. The focus on supporting tenants to manage finances and maximise their income will generally be of benefit to this group of tenants.

## **10. How will the Policy be implemented?**

This policy crosses all service areas of the Council. All senior managers in the housing service are aware of the importance of implementing appropriate procedures to support the application of this policy.

## 11. Review

This policy will be reviewed upon change in legislation and in any event every 5 years.

## 12. Legislation, Related Policies and Other References

Key documents referenced within the policy are:

- [Landlord and Tenant Act 1985](#)
- [Housing Act 1985](#)
- [Housing Act 1996](#)
- [Service Charges \(Consultation Requirements\) \(England\) Regulations 2003](#)
- [Policy Statement on Rents for Social Housing, MHCLG February 2019](#)
- [Pre-Action Protocol for Possession Claims by Social Landlords](#)
- [Homelessness Reduction Act 2017](#)
- MKC Garage Strategy – under development
- [MKC Complaints Policy and Procedure](#)
- Draft Recharge Policy

## **Appendix 1 – The Rent Standard**

### **1. Required outcome**

- 1.1 Registered providers must set rents from 1 April 2020 in accordance with the Government’s Policy Statement on Rents for Social Housing 2018 (hereafter Rent Policy Statement) which can be found on the Ministry of Housing, Communities and Local Government (MHCLG) website<sup>3</sup>.
- 2.1 This Rent Standard applies, subject to the exceptions in 2.2-2.5 below, to ‘low cost rental’ accommodation, as defined by section 69 of the Housing and Regeneration Act 2008. All other terms used in this Rent Standard are defined within the ‘Policy Statement on rents for social housing’

### **2. Exclusions from this Rent Standard**

- 2.2 This Rent Standard does not apply to the following categories of property, as defined in Chapter 5 of the Rent Policy Statement:
- Shared ownership low cost rental accommodation
  - Intermediate rent accommodation
  - Specialised supported housing
  - Relevant local authority accommodation
  - Student accommodation
  - PFI social housing
  - Temporary social housing
  - Care homes.
- 2.3 This Rent Standard does not apply to property let to a high-income social tenant, for the period of time where that property is let to that tenant. Where a tenancy of a high-income social tenant ends, or where the tenant no longer fits the definition of “high income social tenant” as set out in the Rent Policy Statement, this Rent Standard then applies to that tenancy, and/or to future lettings of that property.
- 2.4 Where the application of this Rent Standard would jeopardise the financial viability of a private registered provider, the Regulator may agree, on request from that provider, an exemption to specific requirements of the Rent Standard for a period of time.
- 2.5 In a situation (such as an insolvency) where there is a mortgagee in possession, or receiver, in place, or where the registered provider’s stock is sold to a non-registered landlord following intervention by the Regulator, neither the mortgagee in possession, nor the receiver, nor the landlord to whom the stock is sold will be bound by this Rent Standard.

### 3. Specific expectations

#### 2020 limit

- 3.1 Registered providers must comply in full with all the requirements and expectations set out in this Rent Standard. They must additionally comply with all the requirements and expectations of the Rent Policy Statement on the setting, increase and decrease of rents and service charges.
- 3.2 In the year following the end of the social rent reduction period the maximum weekly rent for an existing tenant is the 2020 limit. “2020 limit” means the amount that is found by:
- a) determining the average weekly rent for the tenant’s accommodation in the fourth relevant year specified in section 23(6) of the Welfare Reform and Work Act 2016, and
  - b) increasing that amount by CPI + 1%<sup>5</sup>
  - c) in this paragraph “average weekly rent” means:
    - i. in a case where the weekly rent changes because the accommodation is re-let after the start of the fourth year, the weekly rent payable by that tenant for that accommodation in respect of the most recent period for which rent was payable at that changed rate provided that that change complies with the requirements of the of the social housing provisions<sup>6</sup> of the Welfare Reform and Work Act 2016 Act and any Regulations made under those provisions; or
    - ii. in any other case, the average weekly rent payable by the tenant of that accommodation in respect of the fourth year.
- 3.3 This formula for calculating the 2020 limit applies to both Social Rent and affordable rent housing.

#### Social rent

- 3.4 Where accommodation is not affordable rent housing (see 3.8-3.9 below) the maximum weekly rent for a tenant who is granted a tenancy of the accommodation for the first time is formula rent. Formula rents are exclusive of any service charges.
- 3.5 The formula rent of accommodation is found in accordance with the method set out in paragraphs 2.4 to 2.6 of the Rent Policy Statement. The rent set may include an upwards tolerance – “Rent Flexibility” – of
- if the accommodation is supported housing, 10% of formula rent; or
  - if the accommodation is not supported housing, 5% of formula rent.
- 3.6 As set out in paragraph 2.8 and 2.9 of the Rent Policy Statement, formula rent is subject to the rent cap. The rent cap is determined in accordance with paragraphs 11 and 12 of Appendix A to the Rent Policy Statement.
- 3.7 Subject to the 2020 limit (see above), the weekly rent of any existing tenant may not be increased by more than:
- CPI +1% in any year; or
  - if the tenant’s rent exceeds the rent flexibility level, CPI in any year.

## Fair rent

- 3.8 In the case of tenancies subject to fair rent protection, the maximum weekly rent is the **lower of the fair rent set by the Rent Officer, and formula rent (subject to both the rent caps and the rent flexibility level)**.
- 3.9 Registered providers may not increase the rent of a tenant with fair rent protection by more than CPI +1% in any year (even if the tenant's rent is below the formula rent level and the maximum fair rent is increased by more than that amount).

## Affordable rent housing

- 3.10 Affordable rent may only be charged where the property in question is provided by a:
- registered provider pursuant to a housing supply delivery agreement between that provider and the Homes and Communities Agency (now known as Homes England) or the Greater London Authority and the accommodation is permitted by that agreement to be let at an affordable rent; or
  - registered provider pursuant to an agreement between a local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an affordable rent; or
  - local authority, and the Secretary of State, Homes England or the Greater London Authority has agreed that it is appropriate for the accommodation to be let at an affordable rent.
- 3.11 In addition to the above, Affordable Rent may be charged where the property has been acquired by a registered provider and was affordable rent housing when it was acquired.
- 3.12 Where Affordable Rent is being charged, the maximum rent inclusive of service charge for a new tenant under a new tenancy is 80% of the market rent<sup>7</sup> for the tenant's accommodation, subject to 3.13 and 3.14 below.
- 3.13 If the formula rent is higher than 80% of the weekly market rent (inclusive of service charges) for the tenant's accommodation, the maximum weekly rent is formula rent which is to be set as in paragraphs 3.3-3.6 above and would be exclusive of service charges.
- 3.14 The rent of an existing affordable rent tenant (including where they have a new tenancy) may not be increased by more than CPI +1% in any year, subject to 3.2 above. 'Existing tenant' in this context means an existing tenant of the specific property concerned. For the avoidance of doubt, the revised rent on re-letting to an existing tenant may only be re-based to 80% of current market value where the resulting rent would be no more than the rent arrived at by a CPI+1% increase.

## Moving between types of rent

- 3.15 Where a tenancy subject to fair rent protection ends and the property is re-let, that new letting should be at social rent (or Affordable Rent where applicable and permitted. See 3.17a below).
- 3.16 On re-letting of a property previously occupied by a high-income social tenant, the new letting should be at social rent (or Affordable Rent where applicable and permitted. See 3.18a below).
- 3.17 Social rent properties may not be converted to:
- Affordable Rent (other than in the circumstances set out in chapter 2 of the Rent Policy Statement);

- b. market rent (other than in the circumstances set out in chapter 4 of the Rent Policy Statement); or
- c. intermediate rent.

3.18 Affordable Rent housing must not be converted (including on re-let) to:

- a. market rent (other than in the circumstances set out in chapter 4 of the Rent Policy Statement); or
- b. intermediate rent.

### **Local authority information requirements**

3.19 Local authority registered providers shall communicate with the Regulator in an accurate and timely manner. This includes all data and information required by the Regulator in respect of compliance with this Standard. Where material issues that relate to non-compliance or potential non-compliance with the Rent Standard are identified by local authorities, they are expected to communicate these to the Regulator promptly.

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## **Appendix 2 – Approach to Income Collection**

We work to the principles of Prevent, Resolve and Recover.

### **PREVENT**

We will begin work with prospective tenants at the earliest possible stage to support and advise them to meet their obligation to pay rent. We will discuss rent payments with prospective tenants prior to the offer of a tenancy to ensure they are fully aware of their obligations and the support that we can offer.

At the tenancy sign up:

- We will have a full discussion about payments, including advice about welfare benefits and assistance to apply for Universal Credit/Housing Benefit.
- If the tenant has a Universal Credit claim pending, we will advise on how much they need to pay to prevent their account being arrears once UC is in payment.
- We will ensure the tenant is aware of the different methods of payment.
- We will encourage all new tenants to make payment in full at the sign up to take them to their next payment date, where this is not possible we will work with the tenant to set a sustainable payment plan to bring the account up to date in a reasonable time

Before a prospective tenant is given the keys for the property, they must:

- Fully understand the terms of their tenancy agreement and comply with its conditions of paying the rent on time and the potential consequences of not doing so
- Demonstrate they have the means to pay the rent, either through waged employment or benefits
- Be advised of the amount they will have to pay, which will be either:
  - Payment in full to cover all the rent due before the next payment period; or
  - Payment equivalent to an estimate of likely rent due after payment of Housing Benefit/Universal Credit housing element; and
- Confirm their preferred payment method and
  - If paying by Direct Debit complete a signed Direct Debit mandate
  - if entitled to Housing Benefit, complete and sign a Housing Benefit claim

We will use all possible means to promote a good payment culture and the prevention of debt. This includes:

- Working with other agencies including advice agencies and health and social care services to provide a co-ordinated service to tenants that helps them to meet their financial obligations
- Information and communication campaigns to MKC tenants
- Awareness and training for MKC staff across services to raise understanding of rent payment issues
- Making it as easy as possible to make payment through a range of methods that fit with tenants' needs and lifestyles; we will encourage automated and online payments wherever possible

## **RESOLVE**

Our aim is to engage with tenants and resolve arrears problems as soon as they arise. We will seek to discuss, understand the root cause and support residents to be able to repay the debt. We will always attempt to make direct contact with tenants as early as possible when arrears occur on an account. Officers will aim to engage the tenant in identifying why the arrears have arisen and what is the best solution. Repeated use of the same intervention is unlikely to result in success so we will use a range of methods, both automated processes and personal contact.

We will make the best possible use of technology to facilitate debt recovery. We currently use methods including predictive algorithm to enable targeting and prioritisation of recovery action; SMS; automated letters; and online payment. We will consider the use of other existing and emerging technology that can assist in engaging with tenants. Our priority is always to achieve personal contact with the tenant, whether face to face or by phone.

For low level arrears, typically 1-3 weeks rent, we will send automated letters and arrange a one to one discussion with the tenant. This can be held virtually if appropriate. At this meeting we will discuss the issue and agree a repayment plan, which may include a weekly arrangement to reduce the arrears; claiming welfare benefits; or other actions that will help to resolve the tenant's financial position. We will seek to recover the arrears in the shortest possible time that would not cause the tenant to be in serious financial difficulty as a result.

Where a repayment plan fails the tenant will be given a short period to bring the plan into line. Not doing so will mean escalation to the next key stage of the arrears process. Negotiation of repayment plans will consider: how the debt has arisen; the level of engagement demonstrated by the tenant; the tenants means and ability to repay.

For more serious arrears, typically 4-7 weeks rent, we will aim to meet with tenant to discuss in more detail and serve a Notice of Seeking Possession (or Notice to Extend for introductory tenancy or Notice to Quit for non-secure tenancy). Where possible, we will always avoid posting legal notices but this may be unavoidable in some circumstances. This will always be by recorded delivery if required. This enables us to take legal action for possession should it be necessary. Our priority at this stage remains to engage with the

tenant, understand the problem, and agree a repayment plan. However, we will also seek to ensure they understand the consequences of non-compliance with the repayment plan, which may lead to recovery action.

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

## **RECOVER**

If our efforts to resolve the debt issue are unsuccessful we will proceed with legal action to recover the debt in the swiftest and most effective way possible. Generally this will be by applying for a Possession Order to end the tenancy, but on occasion we may consider other means such as seeking an order for recovery from the assets or income of the tenant, if that is appropriate.

We will always follow the requirements of the [Pre-Action Protocol for Possession Claims by Social Landlords](#) which requires us to demonstrate we have been fair and proportionate with any tenant we are taking to court, this policy is consistent with the protocol. In particular we will;

- Ensure the tenant is fully informed about the rent debt issue, our intention to apply to court, and the possible consequences of possession action
- Ensure the tenant has all the information they need to know, how much they should be paying to avoid court action and where to obtain independent legal advice
- Consider whether the tenant has the mental capacity to defend possession proceedings
- Consider whether there is any issue of discrimination that would breach the Equalities Act 2010
- Determine whether the tenant requires a care assessment under the Care Act 2014

We will progress legal action as speedily as possible. We will continue to seek to engage the tenant and will consider any option to suspend the legal action at any stage, if there is an alternative means to recover the debt.

Following the granting of a Possession Order or Suspended Possession Order we will expect the tenant to comply with the terms of the order and will consider eviction if they do not do so. It is our aim to avoid eviction if at all possible and so we will take all reasonable steps to engage with the tenant and seek agreement to recover the debt.

If the Possession Order is breached and there is no alternative to seeking an eviction warrant, we will first take all action necessary to comply with our duties under the [Homelessness Reduction Act 2017](#), including carrying out a pre eviction interview. We will advise the customer on independent legal and other advice to assist them.

We will avoid carrying out eviction at any stage, even up to the date of the eviction, if the tenant will make an acceptable arrangement to repay the debt. All evictions will be approved by an appropriate senior manager.

Repayment of arrears and tenancy sustainability are the primary aims of this policy. Eviction therefore will always be a last resort after a tenant has failed to reduce their arrears. Where eviction is inevitable, we will proceed quickly so as to minimise the debt the tenant will be left with and the financial loss to MKC

### **Vulnerability**

A high proportion of our tenants are vulnerable and this may affect their ability to manage finances effectively, maximise their income and pay rent and other bills. MKC will be sympathetic to the specific needs of these tenants. Our aim is always to sustain tenancies and help our vulnerable residents to be able to live independently. As a local authority MKC has a number of statutory obligations to vulnerable residents and a broader role to promote the well-being of the whole community. In the process of collecting income we will work together across different services of the council to address these obligations. This includes co-ordinating action on individual cases to address the whole needs of the household rather than just the rent collection issues.

All officers will be trained and aware of safeguarding issues. Where we identify signs of financial exploitation of a tenant, we will make a safeguarding referral and co-ordinate action with other relevant agencies.

At every stage officers have discretion to vary their approach according to the needs and circumstances of the tenant, provided that their actions are consistent and in the best interests of the tenant. Officers will take into account any vulnerability and where appropriate, seek to refer the tenant to other agencies and services that can support them.

### **Financial Inclusion and Capability**

We will support our residents to develop the best possible ability to manage finances effectively and pay their rent and other bills. We will continue to have a dedicated resource of officers who work with residents to maximise their income; understand and manage income and expenditure; and be able to take control of their finances.

When we make agreements to repay debt we will always make sure that the level of repayment is sustainable and does not put the tenant's health and well-being at risk.

## **Universal Credit**

MKC has an increasing number of tenants who are claiming Universal Credit (UC). It is expected that this trend will continue as DWP moves toward full service. UC presents a challenge both for MKC and its tenants, because:

- Payment is made monthly rather than weekly
- Payment is in arrears
- There is an initial five weeks from start of claim during which no payment is received
- The default is to pay the housing element of UC to the tenant rather than direct to the landlord, unlike Housing Benefit

MKC will provide all possible assistance to tenants claiming UC to be able to make appropriate payment to their account and avoid arrears if possible. We will give as accurate as possible advice to tenants at the start of the tenancy or start of the UC claim about how much they should be paying in rent pending receipt of UC. We will provide support to tenants as far as possible, and refer them to other agencies, where that is appropriate. When it is appropriate, we will apply for Alternative Payment Arrangements (APA) to enable the housing element of UC to be paid direct to MKC, more frequent payments other than just monthly or split payment of an award between partners.

## **Credit Balances**

We strongly encourage tenants to maintain the terms of their tenancy by ensuring their account does not fall into arrears in between payments but we recognise this is not possible for many of our tenants. It is our policy not to hold excessive levels of credit on rent accounts.

We will make refunds to tenants, provided that:

- The credit has not arisen as a result of payments from Housing Benefit or Universal Credit APA
- The tenant does not have any other debts to MKC

We would not normally refund a credit if it would mean the account would fall into arrears before their next payment, typically this would be four weeks/one-month gross rent.

We will contact every tenant who has more than 8 weeks gross rent credit on their account, at least annually, to offer a refund. However, we recognise that some tenants prefer to keep a large credit on their account and this is a choice they are free to make.

## **Former Tenant Arrears**

It is always our aim to ensure that rent accounts are clear at the point a tenancy ends. However when arrears arise on former tenant's accounts, it is our policy to pursue recovery of these as far as practically possible and for as long as it is in the financial interests of MKC to do so.

We will use a range of methods to trace former tenants and seek to recover arrears. This will include use of credit referencing databases and may include referral to

We will consider writing off former tenant's debt if we have pursued all reasonable means to recover and it would not be cost-effective to take further action.

Debt that is written off can be re-activated, and we will do so if it is in the interests of MKC to do so, for example if a former tenant debtor is subsequently rehoused by MKC.

### **Procedures**

Detailed operational procedures will be put in place for the collection of rent and arrears, based on this policy. All relevant staff will be fully trained to work to the policy and procedures; this includes staff for whom income collection is not their primary role.