

HOUSING AND PROPERTY SERVICES

# Income Policy

2020



**North Kesteven**  
DISTRICT COUNCIL

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# 1. Aim

- 1.1 This document sets out the Council's policy in relation to the setting, communication, collection and enforcement of rent and other housing-related charges. Monies owed to the Council are public funds, and the Housing Service therefore takes its responsibility to collect all monies due seriously. The Council will pursue non-payment through the relevant channels, whilst also offering appropriate support to those who have genuine difficulty in paying.

# 2. General Principles

- 2.1 All activity undertaken in support of this policy will adhere to the following principles:
- Fairness
  - Reasonableness
  - Accuracy
  - Consistency
  - Transparency

# 3. Scope

- 3.1 This policy applies to, but is not limited to, income due from tenants, leaseholders and other parties normally associated with the Housing Revenue Account, as follows:
- Tenants (current and Former):
    - Rent
    - Service charges
    - Communal facilities charges
    - Garage licence fees
    - Sheds
    - Car parking
    - Chargeable works
  - Leaseholders
    - Service charges
    - Repairs
    - Essential capital works
    - Ground rents
  - Other non-HRA tenants
    - Garage licence fees
    - Sewerage service charges
    - Rent advance and deposit guarantees

## 4. Payment Culture

- 4.1 The Council recognises that in order to maximise the collection of income due, it must promote a culture in which tenants and other customers understand and accept their obligation to meet their debts.
- 4.2 The Council aims to actively develop and facilitate a culture where customers understand and act upon their responsibility to meet their financial obligations. Key principles that underpin this culture are:
- Rent is a priority debt.
  - The prioritising of other debts will not be accepted as a reason for non-payment of rent.
  - Tenants have responsibility for payment of their rent, even if they are in receipt of Housing Benefit or Universal Credit.
  - Nurture an active engagement between tenants and Council officers
  - Tenants should take every possible opportunity to improve their financial situation. This includes applying for all relevant benefits and working with other partners.
  - The Council support tenants who are struggling through the work of Tenancy Sustainment Officers, the Money Advice Service and the Domestic Energy Service, or alternatively, signposting to external agencies.
- 4.3 The Council's approach is to enable an effective and continuous conversation with all customers (Appendix A). The Council will ensure this contact is appropriate to the individual and proportionate to the situation so as not to over burden or confuse the customer. It is hoped this approach will ensure customers have a clear understanding of their options, rights and responsibilities and that officers are available to work with them.

## 5. Determination of rent and other charges

### 5.1 Rent Standard

- 5.1.1 The Council, in accordance with Housing Act 1985, must charge reasonable rents and review those rents. The Regulator for Social Housing, when setting its rent standard for all registered providers of social housing, has due regard to the Government's Policy Statement for Rents in Social Housing.
- 5.1.2 To ensure that similar rents are charged for similar social rent properties, a formula based approach is used. That formula is set by government. It is calculated based on the relative value of the property, relative local income levels, and the size of the property. The basis for the calculation of formula rents is:
- 30% of a property's rent is based on relative property values
  - 70% of a property's rent is based on relative local earnings
  - a bedroom factor is applied so that, other things being equal, smaller properties have lower rents
- 5.1.3 Entering this information into the formula gives the rent for 2000/2001; this is then uplifted for each following year as set out by government, to determine for actual formula rent to be

applied. From 2020/21 onwards, these formula rents will increase by a maximum of CPI (as at September of the previous financial year) + 1 percentage point each year.

- 5.1.4 In addition to the above, the Government set a long term rent deal for both local authority landlords and housing associations, that allows annual rent increases on both social rent and affordable rent properties of up to CPI plus 1 percentage point from 2020, for a period of at least five years.
- 5.1.5 The Council determines a weekly rent based on 52 weeks per year. However, the Council currently operates with four non-collection weeks each financial year, usually at the end of March and over the Christmas/New Year period. This means most tenants are notified of their rent based on 48 weeks to allow for those four non-collection weeks.
- 5.1.6 An outline of how rent and other housing-related charges will be reviewed is given at Appendix B.

## **5.2 Social Housing Rents**

- 5.2.1 Registered providers (Councils and housing associations), may set the initial rent on properties to be let at social rent at a level that is no higher than formula rent. Formula rents are exclusive of any service or communal facilities charges.
- 5.2.2 With reference to para 5.1.4, the annual CPI figure is announced in September each year and is used to establish the limit on annual rent increases. The Council will use this and any implications of the rent cap to consider the rent increase to be applied for the next financial year, which normally takes effect from the first Monday in April.
- 5.2.3 The Council will not convert social rent properties to affordable, market or intermediate rents, unless in the exceptional circumstances set out in the Regulator's Rent Standard

## **5.3 Affordable Rents**

- 5.3.1 The Council's new build strategy states that an affordable rent will be applied to properties built or newly acquired by the Council. The Council must seek approval to charge an affordable rent from the Government Office, Homes England, for each scheme. Properties let on affordable rent terms fall within the definition of social housing but are exempt from the social rent expectations.
- 5.3.2 Affordable rent allows local authorities to set rent levels typically higher than social rents, and up to 80% of gross market rent, inclusive of service charges where applicable. Once approval is granted, the Council will base its affordable rent on a market valuation provided by a RICS-qualified source independent to the vendor. That valuation will take into account locality, facilities, size and Local Housing Allowance.
- 5.3.3 Before the start of each new tenancy, an independent market valuation of the property will be obtained. The rent charged, including service charges, must not exceed 80% of the market valuation. Subsequent rent increases will be in line with the table at Appendix B, unless further new tenancies are granted. Therefore, there may be more than one change in affordable rent charged during a single financial year where more than one new tenancy has been granted and there was a change in valuation.

- 5.3.4 The full charge to be made to the tenant will separate rent and any applicable service charges for transparency to the tenant, but combined it will not exceed 80% of the market rent nor will it be lower than the formula rent used for calculating social housing rents. In circumstances where the formula rent is higher than 80% of the weekly market rent (inclusive of service charges), the formula rent will be charged.
- 5.3.5 The use of affordable rent makes it possible to build more homes for every pound of government investment, allowing more people in housing need to have access to a good quality home at a sub-market rent within North Kesteven.
- 5.3.6 The Council will not convert social rent properties to market or intermediate rents, unless in the exceptional circumstances set out in the Regulator's Rent Standard.

## **5.4 Property Acquisitions**

- 5.4.1 In addition to its new build programme, the Council will from time to time purchase accommodation from the general housing market. Such acquisitions may be a property that had been previously sold under the Right to Buy, for which the Council is offered an opportunity to purchase, or a property for which there is a demonstrated need on the Council's housing register.
- 5.4.2 In respect of these non-new build acquisitions to the Council's housing stock, it will be considered whether a social or affordable rent is most appropriate depending on the individual acquisition. This will take into account the location, facilities and attributes of the acquisition. Dependant on the decision the above principles detailed in 5.1 and 5.2 will be applied accordingly.

## **5.5 Communal Facilities Charges**

- 5.5.1 Properties located within communities of former sheltered schemes have access to additional communal facilities which can include: a communal lounge, kitchen, laundry, guest bedroom etc. There is an additional charge for these communal facilities to reflect access to these facilities and overall running costs.
- 5.5.2 This cost is always included in the tenancy for those applicable properties, so prospective tenants will have been informed that there is access to communal facilities and an additional cost for those facilities prior to entering into the tenancy agreement.
- 5.5.3 The communal facilities are specific to the locality, therefore any associated charges are also applicable to that locality and payable by the tenants with access to those facilities.
- 5.5.4 Other groups and representatives are able to book, via NKDC offices, for the use of these facilities and a set hourly rate is applicable. Tenants already paying the communal facilities charge do not pay the booking fee but are able to book for exclusive use on occasion. Any income from bookings, other than from the tenants, who already pay the communal facilities charge, will be deducted from the overall costs of the communal facilities in that locality.

5.5.5 Other sites that benefit from communal facilities include the Council's flatted complexes. Typically such sites have communal internal stairwells benefiting from door entry system, lighting and regular cleaning, shared outside spaces that may include external lighting, open grassed areas, drying areas and car parking. Such charges are based on the actual costs incurred by the Council in providing and maintain those facilities during the previous calendar year. This charge is then notified to the tenant for payment based on the usual 48 week payment period from the beginning of April each year.

## **5.6 Temporary accommodation charge**

5.6.1 The Council has a statutory duty to ensure a provision of temporary accommodation for those who are homeless. The Council utilises a number of properties from the Housing Revenue Account (HRA) housing stock for this purpose. As Homelessness is a General Fund activity, the HRA is credited with the full social housing rent and service charges due to each individual property used in this way. A void period is covered by the equivalent General Fund budget.

5.6.2 The Council calculates an additional charge that is representative of the additional costs associated with such use; this covers items such as furnishings, some utilities, support provision and additional housing management. This charge is reviewed on an annual basis to ensure it is reflective of the actual charges incurred.

## **5.7 Chargeable Repair Items**

5.7.1 North Kesteven is committed to providing a cost-effective and efficient repairs service as well as high quality homes for all tenants. However, from time to time tenants and/or their visitors, for whom they are responsible, may neglect or cause wilful damage to Council property. This neglect and/or damage may also only become apparent when the property becomes void. In accordance with their tenancy agreements tenants are responsible for such remedial works, and the Council will therefore pursue those tenants or former tenants for the applicable costs of that remedial work. This will be pursued in accordance with the Council's Recharge Policy.

## **5.8 Other Service charges**

5.8.1 These include service charges to tenants and leaseholders and are summarised at Appendix B.

## **5.9 New income streams**

5.9.1 The Council will, where the opportunity arises, consider new sources of income in relation to the Housing Service. These will be subject to the relevant approvals being sought and will adhere to the principles stated in Section 2.1.



## 6 Enforcement and Recovery Action

### 6.1 Rent Arrears - Current Council Tenants

6.1.1 Early communication with tenants is key to effective arrears management. The Council will attempt contact by telephone, emails, letters and home visits. The approach will be tailored to reflect the knowledge of tenants' circumstances. In seeking to help tenants to reduce their arrears, if immediate payment in full is not achievable, the Council will initially consider realistic and affordable instalments over a reasonable period of time.

6.1.2 Arrears of rent are proactively managed on a weekly basis. An escalation policy is followed via the housing management system (Northgate) if the arrears are not reducing or if the tenant does not engage with the Council to find a solution to the problem. Officers are however able to exercise discretion in using the system where circumstances merit such flexibility and typically the principal actions listed in para 6.1.3 are supplemented by additional attempted conversations and meetings with the tenant.

6.1.3 The escalation policy consists of the following principal actions if no progress is made by the tenant in addressing their arrears (these are an absolute minimum; in practice officers will attempt to maintain contact with the tenant at intermediate points in the process):

- At least three attempts to contact the tenant, either by telephone, email, text or home visit
- Three formal warning letters
- Service of Notice of Seeking Possession
- Final warning letter before court
- Application to court for possession order or suspended possession order
- Application to court for Warrant of Possession
- Eviction

6.1.4 Support to manage rent arrears and other financial commitments can be offered at any stage of the arrears management process, as appropriate to the tenant's circumstances. This can include Tenancy Sustainment Officers, the Money Advice Service or the Domestic Energy Service, or alternatively via signposting to external agencies.

6.1.5 In cases where all other options have been exhausted and the Council are unable to agree actions with a tenant to resolve their arrears, the recovery of the debt will be pursued via the County Court in accordance with the Pre-Action Protocol for Possession Claims by Social Landlords. In order to maintain clear division of responsibility in the recovery process, actions will normally be authorised as follows:

Notice of Seeking Possession:	Assistant Housing Services Manager (Neighbourhoods)
Claim for Possession at Court:	Income Management Team Leader
Warrant for Possession:	Housing Services Manager

## **6.2 Rent Arrears - Former Tenants**

- 6.2.1 In seeking to minimise former tenant rent arrears, the Housing Service strives to ensure that all rent is paid prior to tenancies ending. On receiving notice from a tenant to end their tenancy, the tenant, or their representative will be informed of the payment required to settle their rent account. This will also be discussed at the pre-termination visit carried out by the Neighbourhood Officer.
- 6.2.2 If rent, or any other housing related debts, remain outstanding when the tenancy ends, the former tenant, or representative will be contacted to seek immediate payment, or, if this is not achievable, payment by agreed instalments.
- 6.2.3 If the former tenant's whereabouts are unknown, methods used to seek to locate them will be used, such as other information available within the Council (Council Tax records) or by employing a third-party tracing service such as Experian, in accordance with data protection and governance responsibilities.
- 6.2.4 If a payment plan cannot be agreed, or if the former tenant cannot be contacted, the Council may make a claim at the County Court for the amount owed. As a last resort, the Council will consider cases for write off in accordance with the Council's corporate Sundry Debt Recovery Policy.
- 6.2.5 For those debts not listed on Northgate or those debts 'written back on', they will be captured, monitored and pursued via the corporate debtors system.

## **6.3 Non-Rent Related Debts**

- 6.3.1 Non-rent debts include, but are not limited to, leaseholder service charges, ground rent, recharges for repairs and other works to tenants' properties and payments made under the Rent Deposit and Guarantee Scheme.
- 6.3.2 Recovery of non-rent debts will be undertaken using the same principle as for former tenant arrears (see Section 8).

## **6.4 COVID-19**

- 6.4.1 At the time of developing this Policy, the Council is operating in unprecedented times. Government has given clear direction in respect of their expectations of Council's in the recovery of rent and support to tenants affected. The Council will operate at all times in accordance with the current guidance which may vary from the above "usual" approach to income recovery.

# **7 Bad Debt Provision**

- 7.1 Bad debts represent uncollectable income. Whilst the Council has robust policies and procedures for the collection of rent, service charges and other income, there are inevitably occasions when the income due cannot be collected and therefore has to be written off. It is important that the Council has an appropriate approach to the provisioning and writing-off of bad debts

- 7.2 While the debt collection process is being pursued, an assessment is made of the likelihood of the income being collectable. A provision is therefore made against the outstanding income to reflect that which may not become collectable. The Council makes a prudent provision for bad debts on the basis of the stage in pursuing the debt and the age of the debt. Debt will only be written off where all recovery processes have been exhausted.
- 7.3 All write-offs are determined in accordance with the Council's constitution, at time of writing this is:
- Debts of £0.01 - £499 are for consideration of Head of Service
  - Debts of £500 - £4999.99 are for consideration of the Chief Executive
  - Debts of £5000 and over are for consideration of Executive Board

## 8 Minimising and managing void losses

- 8.1 Whilst a property is void (not tenanted) there is obviously no income due. The Council defines properties as being void for the following reasons
- Standard Void – a vacant property that is going through the reletting process
  - Management void – a vacant properties that a deliberately not being relet e.g.: identified for future development, used for temporary decant purposes, subject to major refurbishment programmes
- 8.2 It is important that the Council maximises its income opportunities. It is therefore a priority to minimise the period for which a property is void. The Council has a clear process to enable the swift reletting of a property and an accountable process for determining those properties that will be management voids.
- 8.3 To ensure the best use of Council resources, income lost as a result of being void is scrutinised in the Council's Performance management (see Section 9).

## 9 Performance

### 9.1 Performance Indicators

- 9.1.1 The key principles of effective performance management are to: provide Members and Officers with the robust information they need to manage the organisation; improve the quality of life of North Kesteven's residents; and achieve value for money. To deliver the Council's Corporate Priorities, it is essential that the Council keeps track of its progress to provide value for money for residents and businesses and ensures that services are improving and becoming more efficient. Measuring performance helps the Council to identify its strengths and weaknesses. Once these have been identified it can then pinpoint where to make changes or improvements and take appropriate action
- 9.1.2 Performance indicators concentrate on cost efficiency, focus on service delivery outcomes, measure service quality and monitor fair access to services. The key measure of performance for housing-related income activities are reported each year and include:
- Total amount of current arrears (excluding Direct Debit payers)
  - Rent collected as % of rent due

- 9.1.3 Other measures that are used as internal monitoring tools are:
- Total current rent arrears
  - Number of tenants in arrears (excluding Direct Debit payers)
  - Percentage of tenants in arrears (excluding Direct Debit payers) who are subject to a current Notice of Seeking Possession
  - Total former rent arrears, Total amount of former tenancy arrears collected in the last 12 months, and percentage of
  - Rent income loss due to voids
  - Total chargeable repairs generated and the amount of chargeable repair payments collected in the last 12 months and as a percentage.

## 9.2 Targets

- 9.2.1 Performance targets against all areas of monitoring are set on an annual basis, for the next three years. Consideration is given to previous performance and ambitions of improvement as well as the internal and external factors that may influence the activity to ensure they are realistic taking account of costs and resources.
- 9.2.2 Targets set are analysed by the Corporate Information Team, Senior Officers and Members to identify the level of improvement possible and to ensure the priorities within the Corporate Plan and Service Delivery Plans are able to be achieved.

## 9.3 Monitoring

- 9.3.1 Performance management also allows the Council to prioritise resources. Residents and partners can also use performance indicators to hold the Council to account. Performance indicators help councillors, partners, employees and members of the public to understand how well services are being delivered, how the Council is performing and whether it is achieving its intended outcomes.
- 9.3.2 These performances measures are reported as follows:
- Housing and Property Services Performance Board
  - Local Communities and Economy Overview and Scrutiny Panel
  - Tenants Annual report – residents accountability
  - Housemark – for comparative analysis against our peers

# 10 Review

- 10.1 This document will be reviewed on a three yearly basis. It is to be noted that any subsequent legislation or statutory guidance would supersede this policy and the Council would always act in accordance with that. Future review will involve consultation with tenants, and/or their representatives to ensure clarity.

# 11 References

## **Legislation and Statutory Guidance:**

- [Housing Act 1985](#)
- [MHCLG - Policy Statement on rent for social Housing dated February 2019](#)
- [Regulator of Social Housing – Limit on Annual rent increases](#)
- [Regulator of Social Housing - Rent Standard April 2020](#)
- [Pre-Action Protocol for Possession Claims by Social Landlords](#)

## **Corporate Policies and Procedures:**

- [Performance Policy – available at NK offices](#)
- [Data Quality Strategy – available at NK offices](#)
- [NK Plan Performance Framework, Service Performance Indicators](#)
- [NKDC Recharge Policy](#)
- [Former Tenant Arrears Procedure](#)
- [Sundry Debt Recovery Policy](#)

## Payment Culture

### Vision

“Developing and facilitating a culture where our customers understand and act upon their responsibility to meet their financial obligations”.

### Critical contact points with tenants

These are identified as the key points in the relationship between the Council and its tenants that present the Council with the opportunity to reinforce its expectations regarding tenants’ payment behaviour:

- Acceptance onto Lincs Homefinder
- Property advertisements on Lincs Homefinder
- Offers of tenancy
- Making sign-up appointments
- Sign-ups
- New tenant visits
- Quarterly rent statements
- Annual rent change letters
- At Home magazine
- Surveys
- Notice to terminate tenancy
- Receipt of keys on termination of tenancy

### Other contact opportunities

These are many miscellaneous occasions, such as requests for service, which allow for payment issues with tenants to be discussed.

- Mutual exchange applications
- Successions
- Change of name/adding new tenant
- Property inspections, including end of tenancy & pre-transfer
- Change of tenancy type
- Permission for improvements

The table below outlines how rent and other housing-related charges will be reviewed, the effective date of the change and the notice period required before the change takes effect:

HRA Rent and Licence Fees	Basis for change	Date of change and notice period required
Tenancies - Secure, Flexi Secure, Introductory and Non-secure	Annual review in accordance with Government's Policy Statement on Rent Standard for social housing	<ul style="list-style-type: none"> <li>• First Monday in April each year</li> <li>• 28 days' notice in writing</li> </ul>
Assured shorthold tenancy – Affordable rent (see note below)	The greater of: a) the existing rent b) the existing rent increased by reference to the Retail Prices Index in the September of the previous financial year, plus 0.5%.	<ul style="list-style-type: none"> <li>• First Monday in April each year</li> <li>• 1 calendar month notice in writing</li> </ul>
Shared Homeless Accommodation	Annual review based on actual costs of additional service provision associated with the designated accommodation	<ul style="list-style-type: none"> <li>• Any Monday, but normally reviewed once a year</li> <li>• 28 days' notice in writing</li> </ul>
Shed rent	Annual review takes into account general application of percentage increase and overall cost in provision of service	<ul style="list-style-type: none"> <li>• First Monday in April each year</li> <li>• 28 days' notice in writing</li> </ul>
Garage licence fees	Annual review takes in to account general application of percentage increase and overall cost in provision of service. Where appropriate also includes current rate of VAT.	<ul style="list-style-type: none"> <li>• First Monday in April each year</li> <li>• 28 days' notice in writing</li> </ul>
Service and other charges	Basis for change	Date of change and notice period required
Tenant communal facilities and service charges	Share of actual costs for the previous calendar year (Jan-Dec)	<ul style="list-style-type: none"> <li>• First Monday in April each year</li> <li>• 28 days' notice in writing</li> </ul>
Leaseholder service charges	Share of actual costs for the previous calendar year (Jan-Dec)	<ul style="list-style-type: none"> <li>• First day of April</li> <li>• Notice of estimated charges in March</li> <li>• Notice of actual charges in July</li> </ul>
Temporary Accommodation Charge	Annual review based on costs during the previous calendar year (Jan-Dec)	<ul style="list-style-type: none"> <li>• First Monday in April each year</li> <li>• 28 days' notice in writing</li> </ul>
Leaseholder ground rent	Fixed for the term of the lease.	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>



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