



Income Management Strategy

2021-2024

Tenant Services

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Agenda Item 8
Appendix A

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Introduction

With over 5,000 properties in our ownership, split across 52 parishes, Stroud District Council is by far the largest social homes provider in the district.

As a responsible landlord, it is important that we have a fair and robust approach to managing our income to ensure we can continue to deliver a great housing service, which is both efficient and modern, and offers the best value for money.

We recognise that income collection is integral to everything we do both as a business and for our customers so must be able to demonstrate: -

- A strong corporate commitment, leadership, and accountability to deliver an effective approach to managing our income streams
- Our approach to governance and risk management enables us to understand and plan for potential challenges to our income streams
- We have robust governance in place to challenge and drive performance
- We are flexible and quick to respond to any economic, legislative, and regulatory changes that could impact on the way we manage our income
- We are agile, effectively managed and will continuously improve during what is a time of changing demands on our customers' financial capabilities as Universal Credit continues to be rolled out

Considering Housing Revenue Account (HRA) income sources, which include but are not limited to: rent collection, service charges, leaseholder charges, recharges and temporary accommodation fees, this strategy will focus on outcomes, not processes, setting out our immediate priorities covering the period 2021-2024 and the actions we will take to ensure we protect income sources in the current climate

1. Our Vision

- to support and maximise income solutions for our customers to prevent arrears and sustain tenancies
- to develop a culture where we work with our customers to tackle barriers that stop them from managing their money and paying their rent on time, so we can provide the housing services they need
- to promote financial inclusion so we can support our customers to live in safe, clean and enjoyable environments that build strong and vibrant communities
- to use our income to continue to provide good quality homes, particularly to those in greatest need
- to deliver excellent housing services and ensure the economic growth and prosperity of our district at the same time
- to enhance the overall financial viability of Tenant Services

2. Corporate Delivery Plan and Key Priorities

Collecting the money Tenant Services is owed as efficiently as possible enables us to meet our strategic objectives supporting Stroud District Council's corporate vision ***to lead a community that is making Stroud district a better place to live, work and visit for everyone, working positively and proactively with our communities and partners across all sectors to achieve this.***

Tenant Services mission statement also empowers our ***professional officers*** who are ***dedicated to delivering the highest quality of customer service with pride, loyalty, honesty, and integrity.***

This shows that we are committed to improving our properties and supporting customers when they need it, but that we also recognise our services must enable customers and avoid the unintended consequence of heightening their dependence on us.

3. Challenges Faced

Welfare Reform

The majority of the Government's welfare reforms have now been implemented. However, one of the key welfare reform changes, and one that has the greatest potential to negatively affect rental income, is the continued rollout of Universal Credit.

Designed to replicate the experience of receiving a monthly salary, customers are responsible for using their housing costs element to pay their rent themselves, posing a significant challenge for those who have never had to pay rent directly before. If we fail to continue responding appropriately to these changes then this could pose a real and significant threat to our income streams and income levels.

Covid-19 Pandemic and Economic Climate

The Covid-19 pandemic has posed unprecedented challenges to social housing landlords, costing more than £100million nationally in rent arrears, built up since the pandemic caused the first major lockdown in the UK in March 2020. As at December 2020, rent arrears year-to-date for Stroud had increased by 35%.

Nationally, lettings also plummeted 77% month-on-month as government guidance at the time said all "non-essential" allocations should be paused. It is estimated that the fall has led to 45,000 extra social homes sitting empty, with void losses as a percentage of rental income expected to more than double from the previous sector average of 0.94% to 2.17% at the end of 2020.

Economic damage caused by the Covid-19 crisis also led to a 2.6 million increase in people claiming Universal Credit, whilst 9.6 million workers were furloughed. From March 2020 to December 2020, the number of Tenant Services customers in receipt of Universal Credit increased by 27% (1095 customers).

On 26 March 2020, the Coronavirus Act 2020 came into force requiring landlords not to commence or continue possession proceedings without a very good reason to do so. Since 29 August 2020, landlords are required to give six months' notice of any

possession proceedings; however, shorter notice periods can be applied to certain cases where a landlord wants to evict a customer because of rent arrears of six months or more.

During the crisis, the government advised all social housing tenants to continue to pay their rent and abide by all other terms of their tenancy agreement to the best of their ability. A strong package of financial support was made available to tenants by the government and tenants unable to pay their rent were advised to speak to their landlords as soon as possible.

Early conversations with tenants needing support and struggling to pay their rent helped, with temporary sustainable payment plans being agreed, and referrals made for debt management advice. This preserves the landlord and customer relationship and also gives the customer some time to resolve any financial issues they may have whilst ensuring that their rent arrears are repaid.

Housing possession claims in the Court system were stayed very early in the pandemic and could not be progressed before 21 September 2020. This meant that once action re-commenced, it was only for a very small number of tenants, who had pre-Covid 19 arrears, and where all previous attempts to engage had been unsuccessful.

Nationally, the housing market is stable with low interest rates but constraints now in place on access to mortgages have edged out some with a weaker credit history, or uncertain incomes due to being furloughed, so they have to remain in the private or social renters market, which impacts on housing availability.

We are operating in an increasingly challenging financial environment and so maximising our income collection is more important than ever before. The collection of money owed is important because it funds the continued delivery of core housing services and enables the continued investment in the properties we own and manage.

We are also increasingly required to provide more for less and come up with innovative cost effective ways of doing things to deliver value for money services.

4. Delivering a Great Service

Customer Care

It is the aim of the Income Management team to continue to deliver a consistent customer care approach as per the Council's Customer Care Guidelines¹

Equality and Diversity

Tenant Services is committed to equality of opportunity for all people regardless of race, disability, sex, age, sexual orientation, religious belief (including non-religious beliefs), gender (including gender reassignment), marital status, and pregnancy and maternity. We recognise and value the diversity of the local community and believe that equality is central to the provision of modern quality services. We are committed to being inclusive with our approach and determined to make sure that our approach to managing our income and allocating resources supports this.

Value for Money

We must be able to demonstrate that value for money is understood and embedded in our work. It should be part of our performance management framework, determining how we allocate resources whilst being widely communicated to staff and our customers, who should be encouraged to identify opportunities to improve value for money, seeking to ensure that we have the resources to deliver excellent services at reasonable cost.

We understand that keeping income collection costs low will maximise the amount of income available to invest in service delivery and understand how our cost and performance compares with other similar or local landlords, and use that information to improve our service.

¹ https://hub.stroud.gov.uk/media/86484/customer_care_guidelines.docx

Working in Partnership

Strong relationships with our partners and many other public sector and voluntary organisations enables us to deliver an excellent level of service whilst maximising resources and avoiding duplication of effort.

Identifying and dealing with our customers' issues at an early stage, can help to avoid problems with tenancy problems including debt management issues.

Partnership working is essential to assist our more vulnerable tenants to sustain their tenancies, access services and make the most of living in the Stroud district.

Performance

We have an effective management framework in place to report, monitor, and review performance. Our income recovery targets are challenging, subject to regular review and contribute to ongoing improvement.

Our customers are provided with annual information in an agreed format on our costs, performance, and satisfaction, to enable them to make evidence-based, value for money judgments. We will work with councillor performance scrutiny members to inform and drive service development.

We encourage feedback about our income management service including comments, compliments, and complaints and use this feedback intelligently to continuously review and improve our service.

Good practice is sought and adopted from within and outside the sector.

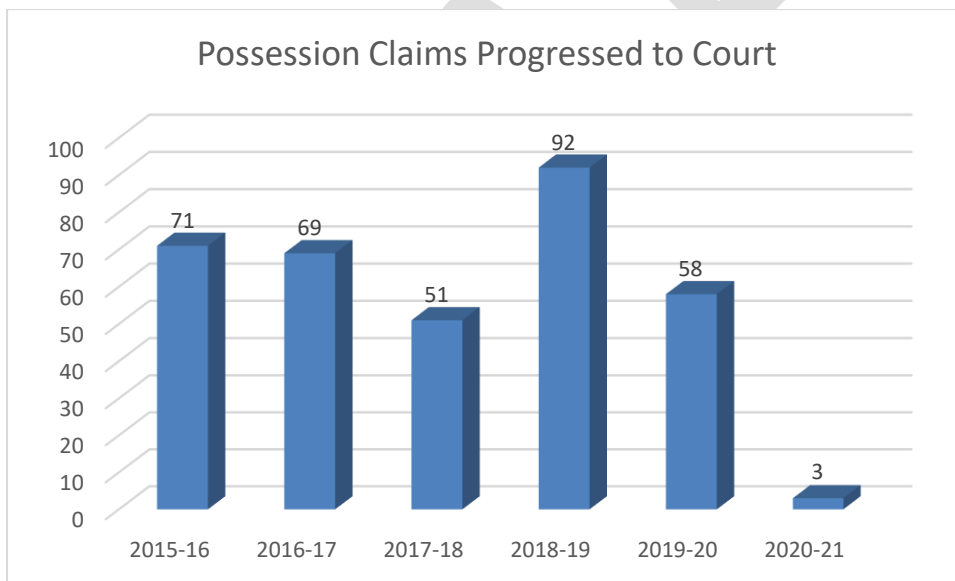
5. Why is Income Management Important?

Impact of non-payment on Tenant Services

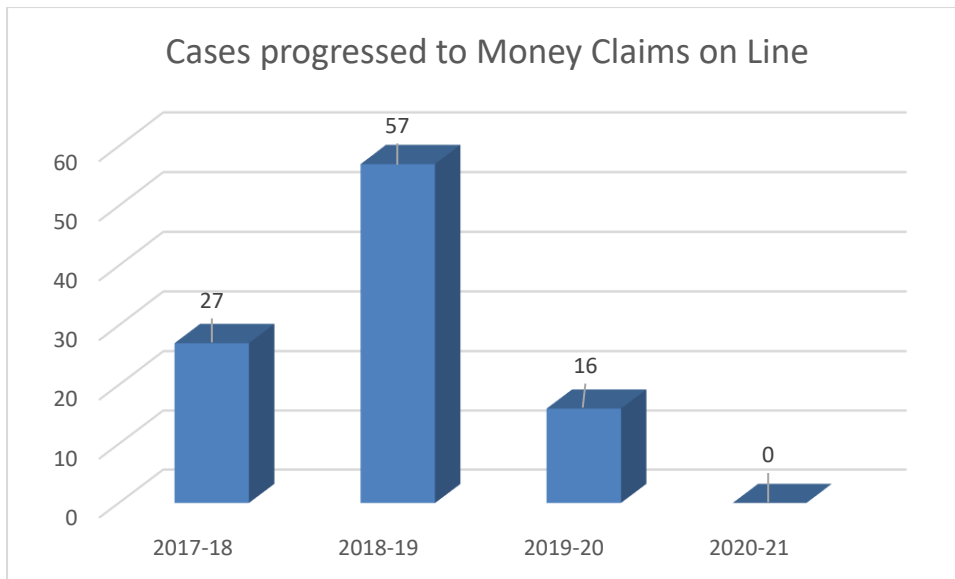
If our customers do not pay as required and on time it has a negative impact on our ability to deliver excellent services as it increases costs, both monetary and in terms of staff time, as the collection of rent arrears or debt must then be pursued.

Dealing with rent arrears and other debt takes resources away from services and prevents staff from carrying out other tasks. This affects the level of service that our customers receive. If we do not collect money owed in a timely manner, we could see a financial cost to the organisation, which customers ultimately pay for through higher charges or reduced services.

The number of accounts progressing to County Court for possession action due to rent arrears has remained steady over the past few years with earlier action being taken by the Income Management team, where tenants refuse to engage. However, due to the Coronavirus Act 2020, legal action has greatly reduced for 2020/21 as shown in the graph below. During this time, the Income Management team continue to communicate with customers offering support and advice, encouraging them to pay what they can afford in the short term without causing financial hardship.



Since May 2018, action has also been taken via Money Claims Online (MCOL) to recover former tenant rent arrears or rechargeable repair debt (graph overleaf). However, recovery action was paused for 12 months due to the current economic climate to allow former and current customers who were struggling financially; however, MCOL action will recommence in March 2021 for those who have not engaged with us.



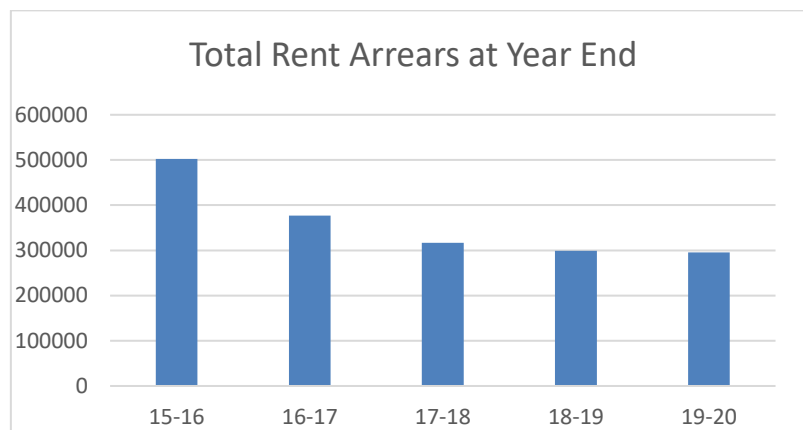
The collection of income across Tenant Services

Money owed is raised as the weekly rent debit, court costs, bi-annual leaseholder service charges, or sundry debt, and then collected by the Income Management team.

The table below demonstrates who is responsible for paying each income stream and how income is collected across Tenant and Property Services.

Income Stream	Responsible for Payment	Responsible for recovery
Current and Former Rents (residential)	<ul style="list-style-type: none"> Tenants (current and former) Housing Benefit Universal Credit (managed payments) Direct Deductions 	Income Management team Split as follows: 6 IMO's collecting current rent and arrears 1 IMO collecting former rent arrears, sundry debt and leaseholder service charges
Service charges (included in rent)		
Court costs		
Water and Heating (Sheltered)		
Rents (non residential – garages)		
Rechargeable Repairs		
Service charges (inc ground rent) - leaseholders	Leaseholders	
Major works invoices		
Rents (non- residential commercial) and Leases (residential)	<ul style="list-style-type: none"> Local businesses Housing Associations 	Property Services

Strong collection performance had led to current rent arrears reducing year on year over the last five years as shown below. Arrears levels reduced by 41% from £502,479.58 in 2015/16 to £295,433.89 at the end of 2019/20, despite the huge impact of Covid-19 in March 2020, as well as the significant welfare reforms referred to earlier, affecting customers over this period.



Alongside lower overall rent arrears, the actual number of tenants in arrears reduced by 34% from 1,233 in 2015/16 to 810 in 2019/20.

However, the impact of Covid-19 on rent arrears in 2020/21 is now showing with a 26% increase - £372,735.00 (as at 10 January 2021). This is due in part to a 27% increase YTD in the number of customers in receipt of Universal Credit.

6. Looking back – what have we achieved so far?

- Introduced a specialised income recovery service to enable us to provide a more dedicated and focused service to our customers.
- Provided all income collection staff with negotiation training to improve the way in which they interact with customers about rent, leaseholder service charges, and sundry debt payments.
- Introduced a pre-tenancy assessment (Income Management and Vulnerability Assessment) to ensure all new customers can afford their rent and other housing costs before committing to a tenancy.

- Communicated regularly with under-occupying customers, advising them of the options available, whether this is remaining in their home or downsizing, and the grants and support available to assist.
- Promoted a rent payment culture for new and existing customers by encouraging them to make a payment in advance to build one month's rent on their rent account, to protect them against any changes in circumstances. This also sends out a clear message about the importance of future payments being made on time and is a significant cultural change for some customers who have traditionally paid their rent "in arrears".
- Carried out Universal Credit Information days, targeting tenants in receipt of Housing Benefit, in order to prepare them for a potential migration across to full service, advising them what they need to do to prepare and leaving them with a UC Information pack.
- Updated all system generated letters requesting tenants contact us if they are in receipt of UC or have any vulnerabilities/disabilities that affect their ability to pay their rent

7. Looking forward – where do we want to be and how are we going to achieve this?

We aim to ensure the financial viability of Tenant Services by delivering on the following priorities.

Priority One: Promoting a positive payment culture

Promoting a positive payment culture will make it as easy as possible for all customers to pay their rent and/or other charges owed to Tenant Services in a timely manner and where possible in advance of their rent due date, ensuring that all of our customers clearly understand their obligations but also the link between income collected and our on-going ability to deliver a high quality service to them.

Where a large proportion of our customers have been in receipt of full housing benefit, directly paid to their landlord, and consequently alienated from a rent payment culture for a number of years, some of them do not even consider that they pay rent. General awareness of benefit changes has gathered pace amongst our customers but it is becoming clear that some need extra advice and assistance to enable them to cope with this cultural shift.

For all of our customers, including those not in receipt of housing benefit, we are committed to providing appropriate support where needed; however, we also need to ensure that our approach to income management balances prevention, support, and recovery. We will remain clear and firm with our customers from the outset regarding their obligations and the consequences that can result from non-payment. Of course, to ensure a payment culture we will also need to continue to make it as easy as possible for people to pay and we will do this by providing a wide range of payment method options.

It is vital that not only our customers, but also everyone who works for us, understands that we all have a role to play in helping to maximise our income in order to ensure that we can continue to deliver valuable services and that income collection is everybody's business.

All front line staff (including those who deal with telephone contact only), regardless of job function, clearly understand the role of the Income Management team and can confidently promote and advise on all the payment methods we offer to ensure that customers are fully aware of all the different options available to them. Any interactions with our customers, irrespective of the original reason, should be viewed as an opportunity to prompt payment where one is due.

Communicating and promoting this enormous shift in payment culture will require an ongoing campaign approach using a variety of appropriate methods tailored to the individual needs of customers.

Priority Two: Continuing to Manage Universal Credit migration

A managed migration process for existing "legacy" benefits claimants to be moved onto Universal Credit (UC) by the Department for Work & Pensions started across the district in 2018 with full "roll-out" expected to have been achieved by the end of

2023. However, due to the impact of the Covid-19 pandemic (March 2020)², this has been suspended and no announcements have been made about next steps. It is unclear what impact this will have on the overall migration timetable.

In the meantime, we will continue to support customers currently in receipt of Housing Benefit and likely to migrate over to Universal Credit, to ensure that payments are made when due by introducing daily Direct Debits.

Priority Three: Maximising rental income and minimising arrears

Remaining committed to managing income collection in a socially responsible way, through a proactive and preventative approach to prevent the accumulation of arrears and ultimately eviction.

Ensuring that we maximise revenue by continuing to promote Direct Debit (DD) as an effective collection method, which guarantees customers will pay, and pay on time, therefore, minimising the risk of arrears. It is also the most cost effective method of payment for Tenant Services in terms of resource spent processing payments.

Over the past few years, we have campaigned to encourage tenants to pay by DD; as at 1 September 2020, 1,740 tenants (35%) paid this way. However, we need to keep working to ensure both staff and tenants clearly understand the benefits of DDs and recognise that we need to take action to continue to increase the number using this payment method. The move to daily DDs is currently being implemented and should be available by 2021/22. This is expected to increase revenue by 20%.

In order to be able to charge tenants for services we provide, we must ensure those services are always available. This means that in relation to the letting of properties, we must continue to work hard to minimise the number of void properties through decreasing re-let times. The faster we are able to re-let empty properties, the less potential income we lose.

Everyone involved in income management should be equipped with the right skills, capacity, and resources to help maximise income collection. By investing in training and development, we will ensure that staff at all levels have the appropriate

² <https://revenuebenefits.org.uk/universal-credit/guidance/existing-tax-credit-claimants/managed-migration>

knowledge, skills, and flexibility to manage income recovery efficiently and effectively.

Priority Four – Maximising financial inclusion

Financial inclusion is about our customers being able to access appropriate and affordable financial products and services, and having the knowledge, skills and confidence to use them. There is a strong link between being a social housing tenant and experiencing financial exclusion, benefit dependence, and personal debt.

In the current climate, there are many compelling business reasons why we should continue to support our customers to develop financial capability and capacity.

The monthly UC payment into a bank account has been designed to mimic the paid work experience. It assumes claimants will have a suitable bank account by the time they make a claim and further assumes that claimants will be able to budget their finances accordingly. We will continue to work in partnership to help support our customers to access banking products and take early intervention at the pre-tenancy stage to help ensure that potential customers have a bank account.

Some customers struggling with debt management and financial worries use coping strategies such as cutting back on food, heat, and electricity, falling into debt, depleting savings, and selling belongings. Many also borrow money from family and friends, loan sharks, legal doorstep, or online moneylenders.

Stroud Foodbank, Citizens Advice, and P3, all play a role helping people in crisis across the district and we will also continue with a range of initiatives to support our customers in order to avoid financial distress, including encouraging the use of local credit unions as an affordable way to borrow and save money.

Fuel poverty is also a potential issue, with some customers, particularly older residents, struggling to adequately heat and light their homes. Tenants Services has already implemented a number of environmental improvements to housing stock to improve energy efficiency and reduce household bills. Alongside this we will continue to offer advice and practical support to ensure customers who are affected, have access to the full range of benefits and initiatives that are available.

Changes to the benefit system, coupled with rising living costs means that more customers are experiencing money problems so helping them prepare for benefit changes by promoting budgeting as well as money advice and financial capability training continues to be an essential part of our income management strategy.

Measures to help our customers access affordable financial products and services is also a fundamental part of tenancy sustainment so customers will continue to be referred or signposted for floating support or debt management advice depending on their individual needs.

Working in collaboration with a wide range of organisations, a Tenancy Sustainability budget is used to deliver services and solutions to help and support new and vulnerable customers for the common good - sustaining tenancies; which can only be positive for the communities we serve.

Priority Five – Digital Transformation and Take-up

The devastating impact of Covid-19, and the resulting lockdowns, has undoubtedly acted as a catalyst, speeding up digital adoption and introducing new trends at a rate few could have predicted. It has also provided the perfect opportunity to convert our customers to digital take-up (channel shifting), leading to enduring change.

As Tenant Services, and the Council as a whole, looks to define our “new normal”, understanding the immediate and long-term impact of Covid-19 on digital behaviours is paramount. As an example, during lockdown, between 14 March and 14 April 2020, six million people started banking online for the first time. Of these, 60% say they are likely to continue doing so at the same frequency once life returns to “normal”.

We should expect our customers to continue wanting more convenient and timely access to our services, embracing digital tools as a way to deliver some of them and interact with customers.

The basic concept of digital take-up is to take communication from one medium and move it to another. For example, moving towards services online from other channels such as paper or telephone.

As the table below shows, the current cost per transaction for an Income Management Officer's time is incredibly high, whereas channel shifting to self-service reduces the resources needed, resulting in a lower cost per digital transaction

COMMUNICATION CHANNEL	OFFICER INVOLVEMENT	COST PER TRANSACTION
Home visit	✓	£13.51
Walk-in	✓	£7.29
Live Phone Call	✓	£4.29
Email	✓	£2.43
Phone Self-Service (ATP)	✗	£1.49
Web Self-Serve (online)	✗	£0.52p

Accepting and using advances in technology, allows our customers the freedom to move away from more traditional communication methods (for example, email and telephone), incentivising them to use a digital channel to self-serve via a Smartphone, notebook or other such device; therefore, not only empowering them to support themselves but also giving them a feeling of greater control by shifting their behaviour.

Smartphones have been adopted by all age groups and are the most frequently used devices in the UK; 87% of 18 to 75 year olds own a Smartphone³ with 95% using their device on a daily basis⁴; no other device gets close to this frequency of usage. Since 2013, use by 45-54 year olds has leapt from 60 to 90% and among 55-75 year olds doubled to 80%.

However, it's not just about cutting costs, it will also free up officer time to spend on higher value, more complex tasks, simply put, we will be assigning the right resource for the right job, allowing us to free up valuable resources.

Likewise, increasing digital take-up also doesn't mean we are expecting all our customers to use online services independently. There are many reasons why some

³ <https://www.deloitte.co.uk/mobileuk/#uk-device-penetration-2>

⁴ <https://www.deloitte.co.uk/mobileuk/#uk-frequency-by-usage-of-device>

of our customers may be unwilling or unable to use a digital service, for example, due to mental health issues or learning difficulties; physical or cognitive disabilities; they lack language or literacy skills; or they can't access or afford the technology to go online.

Therefore, offline services, such as access to support, will still be available to those who prefer to complete tasks using non-digital methods. However, we will continue to explore why some customers are choosing these routes and take informed action to change how they access our services.

8. Monitoring the strategy

All Council employees and Councillors can view Income Management and Recovery monthly strategic indicators by accessing Excelsis, the Council's performance management framework, which is the system used to help monitor progress against action plans, performance indicators, and risks.

The Head of Housing Services will also provide regular updates to the Chair and Vice-Chair of the Housing Committee.

This strategy will be monitored in conjunction with the HRA Delivery Plan, Housing Strategy 2019-2024, Members Information Briefings, Keynotes, and social media.

9. Conclusion

To conclude; we acknowledge that to be successful we have to be adaptable, remaining committed to continuously improving what services we have and taking an informed approach to investment and income generation so we can continue to meet housing need in the future.