

# Appendix 4



## HOUSING REVENUE MANAGEMENT POLICY

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## **1. INTRODUCTION**

- 1.1 Changes to the Housing Subsidy system in April 2012 introduced the self-financed Housing Revenue Account (HRA) for Local Authorities, placing greater emphasis on collecting income to generate the funding to maintain council owned homes and services within the borough.
- 1.2 In addition to this, there have been several welfare benefit reforms that have severely impacted upon households' income, in many cases creating severe financial hardship, difficulty and vulnerability for our tenants.
- 1.3 Self-financing, welfare reform and four-year social housing rent reductions since 2015 have further driven increasing budgetary pressures for housing in both the General Fund (GF) and Housing Revenue Account (HRA).
- 1.4 As a result of these pressures, it is crucial for Redditch Borough Council (The Council) to focus on achieving and maintaining financial stability and viability by instilling a firm payment culture and practicing a robust, consistent, timely, effective and efficient approach to the collection of rental, service charge and sundry income. However, the commercial needs of the business need to be balanced with a clear sense of social responsibility and with careful consideration of the impact of practice on our most vulnerable customers, creating a fair and equitable approach to income management that supports future viability while meaningfully supporting tenants experiencing financial hardships to maximise their income and manage their money so that that tenancies are sustained wherever it is practicable to do so.

## **2. AIMS AND OBJECTIVES**

- 2.1 Maximise income for the Council by minimising indebtedness and developing a consistent, effective, efficient, and measurable approach to income collection and debt recovery that puts paying rent first at the heart of service delivery.
- 2.2 Promote least cost methods of collection, making Direct Debit the default payment method.
- 2.3 Establish good, long term, trusting and supportive relationships with tenants and residents through regular and appropriate contact methods, instilling a payment culture.
- 2.4 Provide fair and equitable access to services for all, including support to prevent and tackle financial hardship, maximise income and prevent arrears and debt.

- 2.5 Take a firm and consistent but fair approach to debt recovery, considering and balancing all enforcement action with the social, economic, and financial impacts upon the customer and the Council, making legal action a last resort and in accordance with clear protocols.

### **3.0 RESPONSIBILITIES**

#### **RENTS and OTHER CHARGES**

#### **3.1 Rent setting**

- 3.1.1 Local Authorities have the power to determine their own rent levels, however the rents charged to tenants housed in its own housing stock must be reasonable.
- 3.1.2 In determining what is a “reasonable” rent the Council must take account of Government guidance and the Rent Standard set by the Regulator of Social Housing when setting its rents for most Introductory and Secure Tenancies.
- 3.1.3 The Council will reference to a formula set out in the Government guidance to ensure that similar rents are paid for similar properties in the Borough and will take account of the condition and location of a property, the number of bedrooms in the property and local earnings levels.
- 3.1.4 There is an exception to the requirement to determine a “reasonable rent”, this being if the tenancy is subject to Affordable Rent terms. In these cases, the Council will determine what the market rent is in the area for a similar type, size, location, and condition of the property and set a rent at 80% of that market rent.
- 3.1.5 The Councils decision on rent levels can only be challenged by Judicial Review
- 3.1.6 The Council will review its rents and charges annually and, although the Council does not have to consult with tenants on variation, all variations will be formally notified to the tenant/s at least four weeks in advance of any variation which will be effective from 1<sup>st</sup> April each year.

#### **3.2 Service charges**

- 3.2.1 Service charges are structured to support local community strategies, service objectives and priorities and the councils’ overall objectives and priorities and, if applicable to the dwelling, will be set out and provided for in the tenancy, license or lease agreement and reviewed each year.
- 3.2.2 For social rent tenancies, the total sum of service charges will be set out in the tenancy agreement in addition to net rent and itemised separately to net rent in both description and with corresponding value. For properties let on affordable rent terms, the charges for services will be set out inclusive of net rent as a gross rent figure and while descriptions of services received will be

itemised, the respective value of individual charges that make up the gross charge will not.

- 3.2.3 Service charges will be payable in accordance with the policy on rent payments and any arrears pursued accordingly.
- 3.2.4 Service charges are variable, changing each year based on services provided to residents and the actual costs incurred. The charges levied recover the actual costs the Council incurs in providing services to a dwelling, or group of dwellings such as lifts, lighting, security, cleaning and maintenance of common areas and management. Any review of charges will not be restricted to current services for which a charge is made but may also consider the opportunity of potential new income, particularly in response to and support of new community strategies.
- 3.2.5 The annual cost of providing services, plus any applicable administration fee, will be calculated and divided between all tenants and residents on the defined development and charged / balanced over the course of the following 12 months. Any surplus accrued or deficit owing at the end of the financial year will be credited or debited accordingly.
- 3.2.6 Identified service chargeable items will be managed and maintained under contract and service level agreement separate for each development, consulted upon with affected residents and will adhere to legal and regulatory requirements.
- 3.2.7 The annual review of service charge costs will be carried out by a working group made up of relevant council officers and will endeavour to secure a resident representative on the working group.
- 3.2.8 Once Service Charges are confirmed, residents will be given no less than four weeks' notice of new charges that will take effect from 1<sup>st</sup> April each year. Notification will consist of:
- Annual account summary, including a clear explanation of relevant payments and costs for the preceding financial year, along with predicted costs for the forthcoming year for all residents.
  - For leaseholders only, a form and contract of summary of rights and obligations as detailed in the Commonhold and Leasehold Reform Act 2002.
  - Clear explanatory notes on methods of appealing any changes to the charges deemed to be unreasonable and how to complain.
- 3.2.9 If the need arises, service charges can be reviewed and changed at any time during the financial year, however the tenant or leaseholder must be given four clear weeks' notice of any changes to charges payable and the reason for the change.

- 3.2.10 Resident engagement will be encouraged, and any complaints related to service performance investigated in accordance with relevant policy and procedure.
- 3.2.11 Satisfaction with the services received and compliance with service standards will be assessed not only through the complaints process but also through periodic residents' satisfaction survey, regular checks by Council officers through the course of duties and where shortcomings are identified that fail to be corrected, then an alternative provider may be sought.

### **3.3 Leaseholder charges**

- 3.3.1 In addition to service charges, leaseholders may also be liable to contribute proportionately towards a reserve or sinking fund provision for future capital expenditure on the freehold, based on projected life of the relevant component and the likely capital cost of replacement.
- 3.3.2 For leaseholders where individual contracts or services amount to £250 or more per dwelling or will run for at least twelve months and cost more than £100 per leaseholder, Section 20 notices under the Landlord and Tenant Act 1985 will be served on all affected leaseholders and appropriate action and consultation as required by statute adhered to.

### **3.4 Recharges**

- 3.4.1 Recharges are governed by and operated in accordance with the Recharges Policy and procedure.
- 3.4.2 Wherever a recharge has not been paid in full before the work is completed, the balance of rechargeable debt will be held on a sub account to the main account and classed as a sundry debt.
- 3.4.3 The payment of rent, service charges, repayment of rent arrears, court orders and money judgements shall remain the order of priority for payment for Housing Services; however, every opportunity to recover recharges will be made by way of negotiating or including in repayment arrangements.
- 3.4.4 If recharges remain or are created because of the ending of a tenancy, they will be classed as former tenant arrears and pursued in accordance with that policy.
- 3.4.5 If for strictly discretionary reasons, recharges remain at point of internal transfer, then they will be classed as former tenant arrears and added to total indebtedness and be recorded in the sub account of the new rent account and in tenancy agreement along with an agreed repayment rate.

### **3.5 Garages**

- 3.5.1 There are no provisions under housing law regarding the way a separate garage tenancy is managed, although the Council is bound by the law of contract and is expected to act reasonably.
- 3.5.2 Garage rents will also be set and varied annually and where the tenant is not a tenant of a dwelling owned by the Council, the rent/s will be subject to standard rate Value Added Tax (VAT)
- 3.5.3 Garage rent accounts and any arrears will be managed separately from the dwelling rent account, except where the garage or parking plot is integral to the dwelling, in which case the garage / carport rent may be incorporated into the rent of the dwelling.

### **PAYING RENTS and OTHER CHARGES**

#### **3.6 Rent and service charge payments**

- 3.6.1 It is the responsibility of the tenant/s to ensure that their full rent and other charges are paid in full and on time, even if in receipt of housing related benefits. Joint tenants are jointly and severally responsible for paying rent, charges, arrears, and other tenancy related debt, irrespective of who is in occupation and / or benefit is only payable to one party to the tenancy. (Jointly and severally means that this Council can pursue joint tenants for the entire amount if deemed necessary by the Council).
- 3.6.2 In the event that housing related benefit is overpaid to the tenant and recoverable from the landlord, it is the tenants' responsibility to repay the landlord any overpayment of benefits that covered all or part of their housing costs.
- 3.6.3 Rent and service charges for dwellings and garages including those with VAT charges are calculated over the financial year which is generally 52 weeks of the year and collected over 48 weeks, leaving four "non collection" weeks set by the Council each year. Due to when the new financial year falls, every 7 years charges are made over 53 weeks and will be collected over 49 weeks.
- 3.6.4 Rental payments are due weekly in advance and payable on a Monday each week from the date the tenancy commences. Rent payments can be made fortnightly, four weekly or monthly but must be periodically in advance from the date the tenancy starts.
- 3.6.5 Garage charges and VAT payments are due monthly in advance by Direct Debit, from the date the license commenced.
- 3.6.6 Wherever possible, an initial payment will be required from the new tenants prior to issue of the license agreement, to prevent the accrual of arrears in

the interim of Direct Debits being set up or benefit claims being assessed for example.

- 3.6.7 Leaseholders subject to charges should clear their account by the end of the financial year, in line with the terms of the lease.

### **3.7 Payment methods**

- 3.7.1 Although various payment methods are available and will be promoted to all customers to meet their various liabilities, Direct Debit and online will be encouraged as the preferred method of payment.
- 3.7.2 The council may review and consult upon its methods of rent payment, with a view to keeping abreast of market and sector developments, particularly in new technologies that add value and / or reduce costs of collection.

### **3.8 Rent arrears, debt recovery and legal proceedings**

- 3.8.1 The recovery of rent arrears and other debts will be managed on a consistent and staged escalation basis, in accordance with legislation, protocols, policies and procedures. However, the overarching aim of the Council is to develop and maintain long term contractual relationships by identifying emerging issues at the very earliest opportunity to secure the earliest engagement of those in need of interventions and therefore achieve proportionate, appropriate, and cost-effective outcomes for both the council and the individual.
- 3.8.2 A tenant or leaseholder will be deemed to be “in arrears” upon missing the first payment as set out in their terms or agreements.
- 3.8.3 When arrears become present, council officers will always attempt to negotiate a repayment agreement at each stage preceding any legal milestone, considering personal circumstances, history, and ability to repay, always offering, and referring for available support and advice. Broken agreements will be managed in accordance with the rent arrears procedure.
- 3.8.4 Where a dwelling tenant is claiming Housing related Benefits and falls into arrears and / or is not maintaining repayment arrangements, the council will always maximise opportunities to secure any available discretionary or alternative payment arrangements and / or deductions from ongoing benefits.
- 3.8.5 In order to protect the councils’ financial interests, all secure tenants who accrue four weeks gross rent arrears or more will be served with a Notice of Seeking Possession (NOSP) under Section 83 of the Housing Act 1985, irrespective of outstanding benefit claims or intention by the landlord to ultimately act upon the notice.

- 3.8.6 Introductory tenants who are in more than eight weeks gross rent arrears may also be served with a Housing Act 1996 Section 128 Notice of Possession Proceedings (NOPP) before the Council applies to court for possession.
- 3.8.7 In all cases in accordance with pre-action protocols the rent arrears procedure will be followed where there is a debt due to an outstanding or delayed benefit claim or sanction. If the tenant/s can provide evidence that they were not responsible for the delay and that there is an entitlement to benefit to cover full rent or they are paying any shortfall not covered by entitlement to benefit, then possession proceedings will not commence.
- 3.8.8 In all cases, following service of the legal notice, If the tenant complies with an agreement to pay the current rent and a reasonable amount towards arrears, the Council will agree to postpone issuing court proceedings if the tenant keeps to such agreement. If the tenant ceases to comply with such an agreement, we will advise our intention to bring proceedings and give the tenant clear time limits within which to comply again and avoid proceedings.
- 3.8.9 In the event that the Council needs to commence possession proceedings, it will seek to do so in full compliance with legislation, protocol best practice and in the most efficient and cost-effective way. Therefore, where any legal action becomes necessary, prior to service of any legal notice, the Council will exercise due diligence in respect of any other breaches of tenancy that could be combined into one single action and / or if there is an existing Suspended Possession Order for any other breach of tenancy, that might warrant an application to vary the terms of that order or make an application for an eviction warrant.
- 3.8.10 Making applications for warrants to evict or forfeiture will, under no circumstances, be made without the scrutiny and approval of a Tier 4 Manager or higher. Under the Housing Act 1985, the Council must apply for a warrant to evict where there is any breach of a Suspended Possession Order and may also decide to apply to vary an existing Suspended Possession Order where further breaches unrelated to Section 83, Ground 1 have occurred, including mandatory grounds for Anti-Social Behaviour (ASB), which results in mandatory possession and eviction.
- 3.8.11 Wherever possible, the Council will always seek to obtain a judgement order for the entire recoverable debt including court costs, which if awarded by the court will be added onto the tenant or leaseholders account and recovered following repayment of any rent arrears.
- 3.8.12 Garage licenses will not be offered to tenants of the Council who are in any housing related debt. Garage licenses will be terminated by the Council upon the first missed payment, in accordance with their terms of the license agreement. If the licensee is also a tenant of a dwelling owned by the Council and that account is in arrears, then any credit balances on the rent or other sub, account will be transferred to clear other tenancy related debts upon termination.



- 3.8.13 All communications and arrangements in relation to the case will be recorded in the housing management system.
- 3.8.14 A tenant or leaseholder cannot remain or be elected to any committee if they are involved in any legal proceedings that raise a conflict of interest with the council. If a committee member is due to receive a Possession Notice, they will be written to by the Chief Executive explaining that if legal proceedings commence then, they will be required to resign from their position.

### **3.9 Mesne profits**

- 3.9.1 Where an outright Possession Order has been granted, a Suspended Possession Order has been breached or any person who is not legally entitled remains in occupation in the property, then any payments negotiated or received by RBC will not be classed or referred to in any communication or documentation as “rent”, but as Mesne Profits, so as not to imply that a new tenancy has been created.

### **3.10 Bankruptcy, Insolvency Voluntary Arrangements (IVA), Debt Relief Orders (DRO) & Breathing Space Moratoriums.**

- 3.10.1 Where tenants are the subject of bankruptcy and/or insolvency arrangements they remain liable to pay current rent as usual as a priority debt and any other housing related debt accrued outside of that order. Written confirmation of arrangements or orders will be required and will be recorded on the housing management system.
- 3.10.2. Tenants with DRO's remain liable to pay full rent and rent arrears accrued after a DRO has been made and will be managed in accordance with procedure. Arrears accrued prior to and as part of the DRO cannot be pursued for a period of 12 months and if contained in the order should be written off, unless the subject of the order circumstances change substantially enough to warrant an application to vary or strike it out before it comes to an end.
- 3.10.3 Tenants with a Breathing Space agreement cannot be pursued for the debt owed during the moratorium period. However, they remain liable for contractual rent charge.

### **3.11 Mobility, transfers, and mutual exchange**

- 3.11.1 The Council will not normally consider any form of mobility for tenants in rent arrears or who hold any other form of debt to the Council, including transfers to other landlords.
- 3.11.2 In the event that there are very exceptional circumstances that create an urgent need to be rehoused, such as situations that create a real danger to persons, or threat to life if they were to remain, then a manager of Tier 4 seniority or higher may exercise discretion to move the affected party in accordance with the Allocations Policy. All other circumstances that create a need to move when there is debt will follow the Allocations Policy.

3.11.3 In the event that a Council tenant has been authorised for urgent rehousing, as described in section 3.11.2, then any housing debts will be assigned to any new RBC Tenancy Agreement. If the tenant/s with debts move out of The Councils housing stock, then a repayment plan must be set up and maintained until the debt is paid in full, and will be subject to the Redditch Borough Council Allocations Policy upon re-approach to the Housing Service

### **3.12 Former Tenant Debt**

3.12.1 Relevant Council officers will work proactively to keep current debt to a minimum throughout the entire life of the tenancy, to minimise the occurrence of debts becoming former tenant debt.

3.12.2 However, where a tenant or leaseholder has given notice to end the tenancy or lease and there is debt, or it is likely there will be new debt created as a result of the termination, then during the notice period Council officers will work to ensure that the account is settled, if not by the last day of the tenancy, then within 28 days of the tenancy end date.

3.12.3 If the account cannot or will not be settled in full by the tenancy end date or within 28 days, then the council will attempt to negotiate a repayment arrangement.

3.12.4 Where no forwarding address or contact details are provided, the council may make reasonable attempts to trace the former tenant or leaseholder through specified agencies with a view to recovering the debt.

3.12.5 If there is an outstanding debt relating to a deceased tenant or leaseholder, administrator or executor of the estate will be notified that there will be a claim against the estate. If notification is received confirming, there is no estate to claim against the debt will be written off in accordance with the Write off Policy.

3.12.6 If there is no successful trace, contact or repayment default then the account will be referred to a debt management company and / or proceedings might be issued through the County Court to recover the debt or apply to lodge a charge against any other property owned.

3.12.7 Should the tenant present to the Council in future and has former tenant debts outstanding with the Council, then if the outstanding debt cannot be paid in full before an offer of council owned accommodation can be made then the debt will be assigned to the new tenancy by adding the debt to a sub account, or the decision may be taken to discharge the Councils duties under homelessness legislation elsewhere

### **3.13 Write offs.**

3.13.1 Debts deemed by a Head of Service or Director as uneconomical to pursue after reasonable and proportionate action has been taken to recover them, will be written off for accounting purposes, but remain recorded against the former tenant account and can be resurrected.

### **3.14 Publicity, information & advice**

- 3.14.1 Effective and clear communication and advice is considered essential at all stages in ensuring tenants and leaseholders are aware of their responsibilities to pay rent and other charges, how to pay, understand the support available to those finding it difficult to meet their responsibilities and what action will be taken to recover monies owed.
- 3.14.2 Information will be provided at least quarterly about rent accounts status in a variety of ways including digitally, through the Customer Portal, electronically by email or by post, or at any time upon request.
- 3.14.3 Information and advice will be available and accessible to all who want or need it, through methods of contact, engagement and assessment that is appropriate for the individual at the right time and level of intensity, with the overarching aim of preventing escalation of debt, minimising risk of tenancy failure.
- 3.14.4 For tenants claiming Housing Benefit or Housing Cost Element of Universal Credit, the council will provide advice, support, and all relevant paperwork to the tenant/s in support of making claims at least by the point that tenancy commences.
- 3.14.5 The Housing Service will work in partnership with internal teams, partners, agencies, and voluntary organisations to facilitate the provision of independent advice to tenants about housing rights, money management, debts, welfare rights and income maximisation.
- 3.14.6 Methods of publicity and communication will pay due regard and consideration to equality and clarity and consideration given to appropriate publicity at key times of year known to cause financial hardship and difficulty in meeting the obligations to pay rent and other tenancy related charges.

### **3.15 Credit accounts**

- 3.15.1 Tenants and residents will be advised that their accounts are in credit through their rent statements.
- 3.15.2 Officers will also run regular reports to identify accounts in credit and investigate the reason for the accumulation of the credit alongside other housing related debts and frequency of payments before making refunds, ensuring that a credit equal to the payment frequency in advance remains on the account.

## **4. COMPLAINTS**

- 4.1 Where an applicant or legal occupier is not satisfied with any matter such as standard of service, actions, or lack of actions by or conduct Council officers or its partners or contractors, then a complaint can be made. This section should be read in accordance with the Housing Services Complaints and Enquiries Standard.

4.2 Complaints can be made in writing to:

**Housing Services Review and Improvement  
Redditch Borough Council  
Town Hall  
Walter Stranz Square  
Redditch  
B98 8AH**

Or emailing: [housingreviewsandcomplaints@bromsgroveandredditch.gov.uk](mailto:housingreviewsandcomplaints@bromsgroveandredditch.gov.uk)

## **5. PERFORMANCE & REPORTING**

5.1 Stretching targets for key areas of this policy will be set annually to monitor performance against target. Performance will be reported in line with legislation or as directed corporately.

## **6. EQUALITY**

6.1 The Council promotes equal opportunities in the services it provides. Our aim is to implement and maintain services which ensure that no resident is treated less favourably on the grounds of gender, being or becoming a transsexual person, being married or in a civil partnership, religion, belief or lack of religion or belief, race, nationality, ethnic or national origin, colour, disability, age, being pregnant or having children or sexual orientation nor is disadvantaged by the application of a rule, condition, or requirement, which has a discriminatory effect which cannot be justified by law.

## **7. LEGISLATION AND GUIDANCE**

- Housing Act 1985
- Housing Act 1996
- HCA Rent Standard 2015
- HCA Regulatory Framework Requirements
- MHCLG Guidance Rents for Social Housing
- Welfare Reform & Work Act 2016
- Introductory Tenants (Review) Regulations 1997 SI 1997/72.
- Law of Property Act 1925
- Protection from Eviction Act 1977
- Anti-social Behaviour Crime and Policing Act 2014.
- Data Protection Act 2018
- Equality Act 2010

**8. RELATED POLICIES AND PROCEDURES**

- Leaseholder Policy
- Rechargeable Repairs Policy
- Garage Management Policy
- Introductory Tenancy Management Policy
- Allocations Policy
- Write Off Policy