



Title: **Income Management - Scotland Policy**

Business Function: **Social Housing Functions across Sanctuary Scotland**

Author: **Service Development Manager**

Authorised by: **Sanctuary Scotland Board of Management
Executive Committee**

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1. Policy statement

- 1.1 Sanctuary Scotland views Income Management as a vital part of its housing management function as there is a direct relationship between the effective collection of revenues and the ability to deliver high-quality services to customers.
- 1.2 This policy and its associated procedure establishes Sanctuary Scotland's requirement to operate an efficient and effective income collection service that complies with legislative requirements. The approach will ensure that priority is given to maximising income and minimising or preventing any risk of customers accumulating rent arrears and other tenancy related debt.

2. Roles and responsibilities

- 2.1 The Director of Sanctuary Scotland is responsible for ensuring adoption of, and adherence to, this policy and its associated procedure relevant to their operation.
- 2.2 The Housing Manager and Area Manager in each office is responsible for:
 - ensuring that this policy and its associated procedure is implemented by their staff;
 - ensuring that officers are designated to deal with income management;
 - monitoring the systems and practices at local levels in terms of dealing with income management, ensuring that there is a consistent, fair approach.

3. References and sources

- 3.1 The following legislation, references and sources are relevant to the development and delivery of this policy and associated procedure:
 - The [Data Protection Act 1998](#) and [European Union General Data Protection Regulations \(GDPR\) 2016](#) sets out obligations not to disclose personal information held on computer or certain types of non-computerised data.
 - The [Housing \(Scotland\) Act 2001](#) sets out an obligation to provide tenants with a written document stating the terms of the tenancy, including the obligation to pay rent lawfully due, and requires social landlords to consult tenants and take account of their views when making decisions about proposed rent increases.
 - The [Homelessness etc. \(Scotland\) Act 2003](#) sets out an obligation to provide local authorities with early notice of households at risk of homelessness due to eviction.
 - The [Bankruptcy and Diligence Etc. \(Scotland\) Act 2007](#) sets out requirements in relation to storage of property belonging to evicted tenants.
 - The [Housing \(Scotland\) Act 2010](#) introduced pre-action requirements that landlords must satisfy in all rent arrears cases before serving a notice on a tenant.

- The Scottish Government [Guidance for Social Landlords on Pre- Action Requirements and Seeking Repossession of Social Housing](#) gives guidance on complying with pre-action requirements.
- The [Tenancy Changes - Scotland Policy and Procedure](#) provides guidance on rent arrears when there is a tenancy change such as succession or assignment.
- The [SFHA Guide to Rent Setting and Affordability Tool](#) provides guidance on assessing if rents are affordable.
- The Scottish Housing Regulator thematic study [How social landlords consult tenants about rent increases](#) outlines good practice on how social landlords consult tenants about proposed rent increases.
- [Anti-Money Laundering - Group Policy and Procedure](#) sets out appropriate and proportionate anti-money laundering safeguards and reporting arrangements.
- [Cash Handling - Group Policy and Procedure](#) sets out the requirements to be followed by staff in regard to the security of cash, receipting, banking, and control of petty cash.

4. Impact on diversity

- 4.1 This policy and its associated procedure applies to the income management of social rented properties as outlined above.
- 4.2 Sanctuary Scotland demonstrates its commitment to diversity and promoting equality by ensuring that this policy is applied in a manner that is fair to all sections of the community, with due regard to the protected characteristics identified under the [Equality Act 2010](#) and in accordance with '[Inclusion for all - Equality, Diversity and Inclusion Strategy 2021-2024](#)'.
- 4.3 We will seek to ensure that this policy and its associated procedure is applied in a manner that is fair to all sections of the community regardless of age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion or belief, sex or sexual orientation.

5. Customer consultation

- 5.1 Customer consultation has not been undertaken as this policy and its associated procedure is designed to comply with the legal framework for revenue collection.

6. Monitoring and compliance

- 6.1 Period of review
- 6.1.1 Until a new policy is formally adopted this document will remain in force and operational.
- 6.1.2 This policy will be reviewed in accordance with the policy review programme agreed by Sanctuary Scotland Board of Management.

- 6.1.3 If there are significant changes to legislation or regulation or there are found to be deficiencies or failures in this policy, as a result of complaints or findings from any independent organisation, the Director - Sanctuary Scotland will initiate an immediate review.
- 6.1.4 Where appropriate, key stakeholders, customers and interested parties will be consulted as part of any review of this policy.

7. Approval

- 7.1 This policy is approved by Sanctuary Scotland Board of Management.

8. Operational arrangements

- 8.1 This policy must be used in conjunction with the [Income Management - Scotland Procedure](#).

Section A - Administration of rents and service charges

1. Rent setting principles

1.1 The policy is based on the following principles.

1.1.1 Cost covering

Rents will be set at levels which ensure that all budgeted costs are covered. This will take account of expenditure on the following factors:

- Management of housing stock
- Maintenance of housing stock (reactive and cyclical)
- Voids and bad debts
- Loan charges and repayments
- Provision for future major repairs, component renewal, etc.
- Provision for any contingencies.

1.1.2 Affordability

Sanctuary will seek to ensure that rent levels are affordable to its client groups, whether they are in receipt of state benefits or in low paid employment, with reference to recognised good practice such as the affordability criteria established by the Scottish Federation of Housing Associations.

1.1.3 Accountability

The policy is designed to be easy to explain, understand, and justify. Tenants will be able to receive details of how the rents for their houses have been calculated. Rent setting will be carried out in a manner which satisfies the requirements of the Scottish Housing Regulator.

1.1.4 Flexibility

The policy is designed to be flexible, to take account of the various circumstances in which Sanctuary Scotland may develop or acquire properties, and the various locations within which Sanctuary Scotland owns properties. It also takes account of the various client groups for which Sanctuary Scotland provides housing.

1.1.5 Comparability

The method of rent setting will seek to ensure that rent levels are consistent across all new Sanctuary Scotland housing stock. Account will also be taken of the affordability of rent levels using appropriate guidance and good practice.

2. Rent setting system - Housing Association Grant funded properties

- 2.1 Rents for properties which are to be developed with Housing Association Grant (HAG funding), or its equivalent, will be based on a points framework. Points will be attributed to a range of property characteristics. These characteristics are those which are considered to be the most important to tenants in enjoying their homes, and any which may represent additional maintenance costs to Sanctuary Scotland.
- 2.2 A points total will be calculated for each property and the rent then calculated by applying a multiplier to the points total. The value of this multiplier will be set each year by the Board of Management as part of the rent review process.
- 2.3 The points framework against which rents are calculated is attached to this policy and associated procedure at **Appendix 1**.

3. Rent setting system - legacy and non-Housing Association Grant funded properties

- 3.1 A points-based method of rent calculation may not be appropriate for properties which are acquired or developed under a funding framework which does not involve HAG. This could apply to initiatives such as acquisitions, stock transfers and local authority-sponsored redevelopments.
- 3.2 In these circumstances, the rental structure of the disposing or sponsoring agency or landlord may require to be accepted as the basis for rent setting.
- 3.3 Basing rents on the rental structure of a disposing or sponsoring agency is acceptable provided that there are no concerns regarding the affordability of the rents generated under such a structure.

4. Rent setting system - supported accommodation

- 4.1 In recognition of the different revenue funding system for some supported accommodation projects, Sanctuary Scotland may set rent/occupancy charges for such projects outwith its points-based rent setting structure. In determining the appropriate level of rent Sanctuary Scotland will consider the costs of factors such as the following in addition to mainstream costs:
 - management, including any enhanced management, services provided by Sanctuary Scotland, or any agency contracted by it to provide such services;
 - maintaining or replacing any special equipment or features provided within the accommodation;
 - any specific costs association with registration of the property or compliance with the requirements of other external regulatory bodies
 - providing, maintaining, and renewing communal areas and facilities, staff accommodation, etc.;
 - anticipated void levels where responsibility for rent loss through voids rests with Sanctuary Scotland; and
 - providing, maintaining and renewing any furniture, appliances, fittings, etc. for which the Sanctuary Scotland is responsible.

- 4.2 Where support is provided to tenants living in properties for which a rent can be set under the points-based system, and no additional costs are anticipated to be incurred by Sanctuary Scotland in providing or managing the accommodation, then it is appropriate for a rent based on the points framework to be applied.

5. Review of rent and service charge levels

- 5.1 All rent levels and other charges will be reviewed annually, with any increases effected in line with the relevant tenancy agreement (normally on the first Monday in July for weekly debit tenancies, and the first day in July for monthly debit tenancies). The decision as to the level of any increase in rents or other charges must be made by the Board of Management. In considering the level of any increase to be applied, the Board of Management will take full cognisance of any commitments as to future rent increases given to tenants as part of any stock transfer consultation process, and in line with the principles set out in Section 1 above.
- 5.2 Where services (grounds maintenance, caretaking, etc.) are provided, the charge for these services will be based on the estimated cost of providing these services. The cost of providing services will be recovered only from those tenants who enjoy the benefits of these services.
- 5.3 Increases in service charges will not be linked to increases in rent levels but will reflect increases in the costs of providing the services concerned and the cost of reasonable provision for the maintenance/renewal of capital items.
- 5.4 Prior to agreeing any increase in rent levels, the Board of Management will have regard to any representations received from tenants as a result of a consultation exercise on proposed rent increases conducted under the terms of section 25(a) of the Housing (Scotland) Act 2001.
- 5.5 At least four weeks' written notice of any rent/service charge increase will be given to tenants.
- 5.6 Any tenant who feels that a rent/service charge increase for their property has been improperly calculated or applied may request a reassessment of the rent level and, if still dissatisfied, may submit an appeal to the Head of Housing.

Section B - Current tenant rent arrears process

1. Current tenant rent arrears process principles

- 1.1 In cases where rent arrears do accrue, we will take early action so that these are kept to a minimum and are reduced through a fair, responsive and, when necessary, firm approach.
- 1.2 We aim to help to people avoid getting into financial difficulties in the first place and help them sustain their tenancy with us wherever possible. We aim to achieve a balance between supporting tenants in difficulty and taking firm but fair action against individuals that are in arrears.
- 1.3 We will provide a range of payment options to tenants and work with them to access these options.
- 1.4 If tenants are not in a position to clear their arrears balance in one payment, we will work with them to reach fair and effective repayment arrangements which balance our requirement to maximise income with the tenants' ability to pay. Any arrangements to pay will be monitored regularly and appropriate action taken to address broken arrangements quickly.
- 1.5 We recognise that some tenants will require extra help and assistance to meet their rental obligations. We will provide or procure comprehensive welfare advice, debt counselling and other financial advice in order to be in a position to meet these needs.
- 1.6 We will reinforce our commitment to homeless prevention by ensuring proper support and guidance is given to tenants in arrears on their rights and options, ensuring that eviction is used as a last resort; only when all other options have been exhausted.
- 1.7 Where appropriate, we will work closely and co-operate with other agencies, whose functions and remits include dealing with any aspects of arrears up to and including homelessness.
- 1.8 The confidentiality of all parties involved in cases of arrears will be respected. It is also recognised that it can be uncomfortable or distressing for tenants to discuss their financial situation with staff. We will treat tenants with consideration and respect and ensure that a variety of options are available for tenants to communicate with us, including home visits, and accompaniment by specialist agencies.

2. Arrears prevention

- 2.1 We will provide new tenants with comprehensive information on paying their rent at the pre-tenancy visit and sign up, to ensure they have all the information they need to support them in making payments and are aware of any relevant methods of assistance to pay their rent (for example Housing Benefit or Universal Credit). We will also carry out a financial assessment and make appropriate referrals or provide advice on affordability as appropriate.

- 2.2 We will promote responsibility for payment of rent, for example by insisting that rent is paid in advance. Tenants in receipt of housing benefit or Universal Credit will be asked to pay at least £5 towards the rent at the sign up, and to pay at least £5 per week until their claim is processed.
- 2.3 Early identification of arrears linked to a quick response is essential to minimising arrears levels. We will regularly monitor the progress of all rent accounts where tenants are in arrears and will normally begin escalation action when arrears over £10 are accrued.
- 2.4 Regular face-to-face contact and home visits form an integral part of our action to recover arrears and emphasis is placed on personal contact from an early stage to identify solutions to tenants' non-payment issues.
- 2.5 Our approach to arrears prevention and recovery will be publicised to tenants in a variety of ways, including information leaflets, tenant handbooks, the Sanctuary Scotland website and newsletters and as part of consultation exercises on matters such as the annual rent increase.

3. Legal action

- 3.1 When a tenant fails to co-operate in reducing the arrears or continuously breaks a repayment arrangement, we will consider taking legal action. Such action is not taken lightly and only when other options have been exhausted. The different forms of action that will be considered include:
 - Notice of Proceedings for Recovery of Possession;
 - recovery proceedings including for recovery of the property only, recovery of the debt only or conjoined action;
 - earnings arrestment;
 - bank account arrestment; and
 - eviction.
- 3.2 Any decision to commence legal action, and subsequent decisions on the course of action taken, will be taken by staff of at least Area Manager level. Any decision to approve an eviction or enforce a decree will be signed off by the Director of Sanctuary Scotland, who has delegated authority to approve these requests on behalf of the governing body.
- 3.3 When approval is given to enforce a decree for eviction, the tenant will normally be given a final opportunity to pay the debt (including rechargeable repairs, legal fees, and expenses (where awarded) and any other associated costs) in full to avoid the eviction being carried out. This will normally be accepted as a single full payment. Housing Managers may, at their discretion and where it is considered reasonable to do so, accept a payment amounting to three-quarters of the total sum of arrears, with an arrangement in place to pay the remaining debt over a maximum of 10 weeks. This could be applied where it is clear that the tenant cannot pay the full sum as a single payment.

- 3.4 In circumstances where more than one decree for eviction has been awarded against a tenant during their tenancy history with us, we may decide to utilise the decree even if the tenant can and does repay the outstanding monies in full. For example, if a decree has already been awarded three times, followed by a sufficient payment, the third decree may be used to evict the tenant(s). Staff should clearly explain this approach to the tenant after the second decree has been awarded and a payment made; their right to stay in the property is not guaranteed if a third decree is awarded followed by a payment to clear the arrears. Staff should continue to encourage the tenant to clear their arrears on the basis that it could have an impact on their access to housing in the future as they will have no outstanding debt.
- 3.5 To comply with section 11 of the Homelessness etc. (Scotland) Act 2003, we will notify the relevant local authority when we raise proceedings for possession.
- 3.6 Evictions and storage of goods
- 3.6.1 Any goods left in the property will be removed immediately after an eviction is carried out. Unless instructed by the sheriff, or unless the former tenant makes contact to collect the goods immediately after the eviction, the goods will be disposed of immediately. If any goods are in a condition likely to be detrimental to the property or other stored goods (for example soft furnishings with sharps or infested items), these will be disposed of immediately.
- 3.6.2 If the former tenant makes contact on or immediately before the date of eviction about the collection and removal of their goods, staff may leave the goods in the house until 14.00 on the day of the eviction to allow for the belongings to be uplifted by the former tenant. If it is not possible in that timescale, then the belongings can be removed and stored securely before uplift if required. The goods in this scenario should be stored for a maximum of one month then disposed of. Sanctuary may recharge tenants for the storage of goods from the time they are removed from the property to the date of disposal.
- 3.6.3 An inventory should be completed to record the former tenant's belongings which are to be removed and put into storage. This should include photos of each room as a precautionary measure before items are removed.

4. Pre-action requirements

- 4.1 The principles set out above are in line with Scottish Government's *Guidance for Social Landlords on Pre-Action Requirements and Seeking Repossession of Social Housing*. This guidance will underpin our approach to the recovery of rent arrears. Before sending a Notice of Proceedings for Possession (from here on referred to as 'a notice'), the following steps are followed, we will:
- provide the tenant with clear information about the terms of the tenancy agreement together with any outstanding rent and any other financial obligation of the tenancy;
 - make reasonable efforts to provide the tenant with advice and assistance on the tenant's eligibility to receive housing benefit and other types of financial assistance;

- provide the tenant with information about sources of advice and assistance in relation to management of debt;
- make reasonable efforts to agree with the tenant a reasonable plan for future payments with us. Any such plan will include proposals in respect of future payments of rent, outstanding rent, and any other financial obligations of the tenancy;
- not serve a notice if an application for housing benefit, Universal Credit or Alternative Payment Arrangement for the tenant has been made (but not yet determined) and is, in our opinion, likely to result in benefit being paid at a level which would allow the tenant to pay, or reduce by an acceptable level, the outstanding rent and any other financial obligations of the tenancy;
- not serve a notice if the tenant is taking other steps which, in our opinion, are likely to result in payment within a reasonable timescale of the outstanding rent and any other outstanding financial obligation of the tenancy;
- not serve a notice if the tenant is complying with a repayment plan agreed with the landlord; and
- encourage the tenant to contact their local authority to seek advice on homelessness.

5. Welfare reforms

- 5.1 The Welfare Reform Act 2012 and Community Care and Health (Scotland) Act 2012 introduced many fundamental and wide-ranging changes to the welfare system in the UK. Legislative changes reducing Housing Benefit (because of Local Housing Allowances, age related restrictions on entitlement to housing costs and under-occupation rules) and harsher tests for disability benefits have already increased pressure on the financial wellbeing of those currently out of work or on low incomes. Further provisions of the Welfare Reform Act such as Universal Credit, changes to Independent Living Allowance and other reductions in benefit payments mean that the future impact on Sanctuary Scotland's tenants will be even more severe.
- 5.2 The Community Care and Health (Scotland) Act introduced free personal care for older people, regardless of income or whether they live at home or in residential care, and the creation of rights for informal or unpaid carers, with the intention of providing adequate support services to ensure the continuation of caregiving in the community.
- 5.3 We have a wide range of initiatives to help our tenants deal with impact of the Welfare Reforms and will continue to offer advice and support to tenants who are affected. This includes specific advice and support for vulnerable tenants. These initiatives are set out in the [Income Management Procedure - Scotland](#).
- 5.4 In principle all rent arrears arising from welfare reforms will be pursued in the same manner as other arrears, with the same degree of support and consideration of individual circumstances being applied.

6. Governing body members who have rent arrears

- 6.1 Governing body members cannot remain or be re-elected if they are party to any legal proceedings in any Court of Law involving their landlord.
- 6.2 Where a case of rent arrears involving a governing body, member is referred to a governing body for consideration for any reason, the individual concerned will be required to declare an interest in the item and leave any meeting when the case is being discussed.

Section C - Other tenancy related debt

1. Other tenancy related debt process principles

- 1.1 We will ensure that all other tenancy related debts (former tenant arrears and sundry debts such as rechargeable repairs and court costs) are identified and accounted for. We will normally seek to recover former tenant arrears, unless the cost of recovery is likely to exceed the amount involved.
- 1.2 We will adhere to Data Protection requirements but will use information from the former tenants' tenancy record, such as next of kin addresses, to help trace former tenants.
- 1.3 We will employ a third-party debt collection agency in cases where the level of debt is over £50 and:
 - a forwarding address is unavailable and cannot be located by staff; or
 - all internal efforts to recover a debt have been exhausted.
- 1.4 Where tenancy related debt is considered to be irrecoverable or where the cost of recovery is likely to exceed the amount involved, approval for them to be written off will be sought from the appropriate governing body.
- 1.5 If a period of five years has elapsed since the last payment or last contact with the tenant, then we will normally request that the arrears are written off, as the debt is likely to have been prescribed. In some circumstances we may lodge an action in court before the five years has elapsed, in order to prevent the debt from being prescribed, and allow us to take further action.
- 1.6 Where there is contact with a customer with tenancy related debt, support and advice will be given to help them manage their debt, including signposting/referral to other specialised organisations.
- 1.7 When it is not possible to engage a customer with tenancy related debt in a voluntary arrangement to repay the debt, we will use all available legal remedies up to and including wage arrestment and sequestration (bankruptcy).
- 1.8 Our approach to former tenant arrears for deceased tenants is set out in the [Tenancy Changes - Scotland Policy and Procedure](#).

1.9 Where abandonment or eviction proceedings have been concluded and there is an outstanding former tenant arrear with no forwarding address, this will be immediately referred to a debt collection organisation.

1.10 Only third-party agencies which comply with all statutory and regulatory requirements, codes of conduct, etc. in relation to debt management and recovery will be appointed to carry out tracing and recovery activities.

2. Write off

2.1 Any decision to write off tenancy related debt will be approved by a Housing Manager or other officer of at least equivalent seniority, and approval will then be sought from the appropriate governing body.

3. Legal action

3.1 Any decision to commence legal action, and subsequent decisions on the course of action taken, will be taken by a Housing Manager or other officer of at least equivalent seniority.

3.2 Any decision to enforce a decree will be signed off by the Director of Sanctuary Scotland who has delegated authority to approve this on behalf of the governing body.