

# RENTAL INCOME MAXIMISATION STRATEGY

*Rental income  
maximisation  
strategy 2016-2019*

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## **1.0 Introduction**

1.1 The Housing Executive is committed to achieving excellence by delivering high quality services to our tenants. Maximising income from rent charges and through prevention and recovery of rent arrears ensures the Housing Executive can continue to deliver its comprehensive housing services to the highest possible standards. It will also help us to achieve our aim of becoming the best performing social landlord in the United Kingdom.

1.2 The present Arrears Strategy received CXBC approval on 1<sup>st</sup> June 2010. In addition, a supplementary Arrears Action Plan was established following the “Arrears Summit” held in September 2012. It is now timely for the Housing Executive to produce a comprehensive Rental Income Maximisation Strategy & Action Plan. The Strategy pulls together all initiatives and activities currently in place or planned over the next three years and takes into account the potential impact of Welfare Reform and Build Yes. The Strategy and Action Plan will support, facilitate and enable achievement of the high level aims and objectives set out at 1.1.

1.3 A “Steering Group”, made up of representatives from the key stakeholder groups and chaired by the Assistant Director of Landlord Services, has been established to oversee implementation of the Strategy. Its primary role will be to continuously review, develop and drive the Strategy via ongoing monitoring, quality assurance and evaluation of activities and initiatives. It will provide regular updates to the PRG, PRC, CXBC, the Board, Audit Committee and other forums as required.

## **2.0 Drivers, Context & Challenges**

2.1 This Strategy is timely in that it will be driven by the service principles established via Journey to Excellence and Build Yes which will underpin everything we do for our customers. Our stated mission is “to provide our customers with good quality services & support when they need it, shaped around them”. This is supported by our values of “making a difference through Fairness, Passion and Expertise”. In addition, we will ensure our staff have the expertise to be confident, knowledgeable and fully equipped to carry out their role.

2.2 In line with our Corporate Plan we aim to focus on making our landlord housing services better by helping to maximise our rental income and assisting in the provision of the best possible services that meet the needs of our customers now and in the future. When our last Arrears Strategy was implemented in 2010 our performance in collecting rental income and recovering arrears had been consistently good during the preceding number of years. The introduction of our new Housing Management System (HMS) in July 2011 contributed to a worsening performance during the next two years. In response to this, an updated Arrears Action Plan was produced in 2012. A combination of implementing activities within the Action Plan and greater understanding of the HMS has resulted in greatly improved performance during the last 3 years. Accordingly, it is important that the updated Strategy uses the lessons learnt from the previous Strategy and Action Plan both to build on the successes and address known issues. To this end identification of activities to be carried over into the updated Action Plan will be a key work stream within the Strategy.

2.3 In addition, a number of key developments and potential challenges have occurred since the previous Strategy and Action Plan were implemented which need to be addressed, namely:

## Funding Arrangements

- From 2015/16 the Housing Executive's Landlord function is intended to be revenue self-financing, consequently, a combination of significant additional rental income and borrowing will be required for stock investment and to finance other activities within our comprehensive housing programme. It should be noted, however, that a rent freeze was implemented for 2016/17 as a measure to control housing benefit spending. At this point it is not clear if rent freezes will be repeated in subsequent years.

## Build Yes

- Income collection and arrears recovery services are currently subject to review using "Systems Thinking" methodology in a number of locations throughout Northern Ireland. It is anticipated that outcomes will be assessed and evaluated in 2016 to help us determine how these services will be delivered in the future.

## Welfare Reform

- A number of changes will come in to place during the life of the Strategy that will reduce benefit payments for some tenants resulting in increased financial hardship. Mitigation payments will be available for most of the affected tenants although at this point it is not clear how this will impact on our rental income. In addition, new processing and payment arrangements for Rates Benefit and Universal Credit could create significant technical arrears unless revised accounting arrangements are in place.

## 3.0 Scope

3.1 Rental income comes from various sources and can be adversely impacted by non-payment of charges and void losses. Our primary source of rental income is from domestic dwellings. We also receive rental income from unattached garages and our commercial property portfolio. Service charges income is received from leaseholders of sold flats. Rent payments are supplemented by arrears recovered from current tenants, former tenants and leaseholders. A loss in rental income occurs when lettable properties are not let immediately or revised charges are not implemented on time.

3.2 The scope of the Strategy and Action Plan will focus on rental income receivable from domestic dwellings. Opportunities may arise to transfer good ideas, best practice and lessons learnt to colleagues in the Commercial Property and Leaseholder Units. Separate arrangements are in place to address lost rental income from lettable voids.

## 4.0 Aims & Objectives

4.1 The overall aim of the Strategy is to ensure we have suitable and robust arrangements in place to maximise rental income and minimise arrears taking into account the known and anticipated challenges that lie ahead over the next 3 years.

4.2 The specific objectives currently identified are to ensure:

- Appropriate targets, objectives, measures and monitoring arrangements are in place to manage performance.

- The Housing Executive continues to improve its performance, both in recovering arrears and collecting rental income, maintaining its position in the top quartile of UK Social Housing Landlords.
- Policy and the associated business processes and services are developed based on analysis of the most up to date information on arrears factors / reasons and customer profiles.
- The agreed policies for debt management and other related landlord functions are kept under continuous review and applied consistently across all locations.
- Our Financial Inclusion Strategy continues to address the needs of our vulnerable, complex and most financially challenged customers.
- Best use is made of I.T. software and systems both to detect, process and manage arrears and to provide simple & effective communication channels for our customers.
- Appropriate staffing arrangements are in place to deliver quality services and excellent performance consistently to all of our customers.
- Our Rent Assessment Scheme is contemporary, properly takes into account the condition of our properties and other appropriate characteristics, to generate our rental income in accordance with the value of our housing assets.

## **5.0 Themes & Work Streams**

### **5.1 Activities Brought Forward from the Previous Arrears Action Plan**

5.1.1 The Steering Group has reviewed the previous Arrears Action Plan and agreed the activities to be brought forward.

### **5.2 Research & Analysis**

5.2.1 It is vitally important that rental income maximisation policies and the associated business processes and services continue to be developed based on ongoing analysis of the most up to date information on arrears factors / reasons, customer profiles and other relevant information.

5.2.2 Specific activities that will be undertaken during the life of the Strategy include:

- Customer & debtor profiling to establish characteristics and circumstances of tenants who pay and those who get into arrears.
- Formal and informal research into why tenants get into arrears, i.e. triggers, conditions and seasonal factors.
- Formal and informal research into what gets tenants out of arrears, i.e. advice & assistance and recovery action.
- Making use of “behavioural insights” methodology via “Innovation Labs” and Nudge” projects.

### 5.3 Welfare Reform

5.3.1 The Rental Income Maximisation Strategy has been developed at a time when many of our tenants are already or will be facing significant financial pressures due to the impact of Welfare Reform measures.

5.3.2 The term 'Welfare Reform' is used to refer to a wide range of changes being made to the social security benefits system. Some of these changes have already come into effect in other parts of the UK. The Northern Ireland Assembly, under the 'A Fresh Start' agreement, has allocated additional funding for the period 2016-2020 to try to minimise the financial impact on benefits claimants.

5.3.3 In England, the 'social sector size criteria', also known as the 'bedroom tax', has been in place for more than 2 years. At the time of developing this Strategy, the indication from the Northern Ireland Assembly is that the impact of 'bedroom tax' will not affect Housing Executive tenants. However, the full details are still to be confirmed. We will keep tenants informed of any changes that might affect them.

5.3.4 Arrangements are further advanced to implement the Benefit Cap and associated mitigation payments. With effect from 30<sup>th</sup> May 2016 benefits will be capped at £26,000, impacting on an estimated 90 Housing Executive tenants. The benefit cap is likely to reduce £20,000 before the end of 2016/17, impacting on an estimated 625 Housing Executive tenants. All Housing Executive tenants will all receive full mitigation via Benefit Cap "Welfare Supplementary Payments". Payments will be made to the Housing Executive 4 weekly in arrears.

5.3.5 There are other changes that are likely to impact on household income or reduce housing benefit and therefore increase the risk of rent arrears. While mitigating measures have been established to remove or lessen the impact, it is inevitable that some customers will be adversely affected by these changes making them more vulnerable to suffering financial problems.

5.3.6 In addition, the changes that will be implemented, particularly in relation to the replacement of Disability Living Allowance (DLA) with Personal Independence Payments (PIPs), and Tax Credits, will be complex and may be difficult for some claimants to understand. In recognition of this, the Assembly has committed additional funds for independent advice services to help those who require support to manage their money and navigate the benefits system.

5.3.7 It should also be noted, based on current planning assumptions, the process of implementing Universal Credit (UC) will commence during the life of the Strategy. In Northern Ireland this means that the housing (rent) costs element of UC will be paid directly to the Housing Executive monthly in arrears. In addition, Rates Benefit will be paid separately to the Housing Executive.

5.3.8 The Housing Executive's response to this has been to establish the "Welfare Reform Implementation Project" to help ensure that appropriate debt prevention and recovery arrangements are in place in the organisation. In addition, separate project teams have been established to oversee the introduction of the Benefit Cap, Bedroom Tax and Universal Credit. The Rental Income Maximisation Strategy Steering Group will liaise closely with the various Welfare

Reform Project Teams on an ongoing basis to ensure the Strategy and Action Plan take account of all developments and impacts.

## 5.4 Financial Inclusion

5.4.1 Financial inclusion is the ability to access the right financial help, support and services when needed so people can manage their money better. There are a number of barriers to being financially included:



5.4.2 Financial exclusion creates financial problems in a variety of ways:

- Exclusion from affordable credit leaves people who need to borrow money with no option but to use high-interest forms of credit (e.g. payday loans and doorstep lenders).
- A lack of insurance and savings makes households vulnerable to financial crises due to unexpected events such as pregnancy, illness, bereavement, flooding and burglary. A lack of savings can also contribute to poverty in old age.
- Not having a bank account, or only having a basic account (e.g. Post Office account) with no direct debit facility excludes most people from this method of paying bills. Most utility suppliers charge more for using other methods of payment such as pre-payment meters, PayPoint or cash.
- Many employers will only pay wages directly into a bank account which might deter or exclude people from certain jobs due to inability to access a suitable bank account.

5.4.3 Being financially included helps people to:

- Feel confident and make the right decisions about money matters.
- Open suitable bank accounts.
- Borrow at a reasonable cost when necessary.
- Buy affordable insurance to protect family and home.
- Build up savings for emergencies.
- Access money and benefits advice from free and reputable services.
- Stay in their home and out of debt.
- Make more informed life choices.

5.4.4 In addition, the benefits to financial inclusion are wider reaching than just money-related. It can also help to improve:

- Health and wellbeing.
- Relationships.
- Personal development.
- Independence.
- Job opportunities.

5.4.5 The Housing Executive has a separate Financial Inclusion Strategy and Action Plan which is in place to address the issues and impacts of being financially excluded. The actions and activities within the Financial Inclusion Strategy will be incorporated into the Rental Income Maximisation Strategy's Action Plan and delivery will be overseen by the Steering Group. Some of the key activities include:

- Participation in the Rental Exchange.
- Partnership working with DSD on their "Maximising Benefits Uptake Strategy".
- Maximising Housing Benefit Uptake.
- Partnership working with the CAB on their "Money & Debt Advice Service.
- Development and implementation of "Financial Capability Services" for our tenants and housing applicants.
- Further development of our "Floating Support Services".
- Participation in the "Digital Inclusion" project.

## 5.5 Build Yes

5.5.1 Income collection and arrears recovery services are currently subject to review using "Systems Thinking" methodology in a number of locations throughout Northern Ireland. It is anticipated that outcomes will be assessed and evaluated in 2016 to help us determine how these services will be delivered in the future.

5.5.2 The current planning assumption is that Patch Managers will be responsible for providing advice and assistance to new tenants about payment methods, housing benefit applications, responsibility for paying their rent on time and the implications of non-payment. In addition, Patch Managers will also carry out arrears interventions up to and including the final warning letter. Patch Managers will also be responsible for minimising former tenant arrears by ensuring termination of tenancy processes are implemented without delay.



5.5.3 Staff based in Accounts Offices will continue to be responsible for current arrears cases from Notice Seeking Possession through to County Court action and eviction. Accounts Office staff will also continue to have responsibility for recovering former tenant arrears.

5.5.4 Partnership working between Area Offices and Accounts Offices is essential to delivering excellent services to our customers and a prerequisite for maximising rental income. Informal arrangements are already in place for offices to jointly review individual cases and deal with service issues. Establishment of a formal service review forum will be considered by the Steering Group after Phase 1 of Build Yes "Roll In".

5.5.5 A monthly Build Yes checkpoint meeting currently takes place. The primary purpose of this Group is to ensure the necessary policies, processes, systems and management controls are in place to enable "roll in" of the new way of working. The Rental Income Maximisation Strategy Steering Group will liaise closely with Build Yes colleagues on an ongoing basis to ensure the Strategy and Action Plan take account of all developments and impacts.

## **5.6 Income Maximisation & Arrears Policy**

5.6.1 The Housing Executive's Arrears Manual sets out the policy and procedures currently in place to recover arrears. The Arrears Manual will be reviewed and updated to ensure the new way of working established under "Build Yes" is reflected in the policy, procedures and management controls.

5.6.2 The Arrears Manual will also be reviewed and updated to ensure all agreed maximising income initiatives and activities are included.

5.6.3 A programme will be established to review and evaluate all arrears policies and recovery methods. The Policy Review Programme will also include associated policy areas and business processes that have a direct impact on rental income collection. The Policy Review Programme will take into account issues, lessons learnt and good practice ideas obtained from internal analysis and external benchmarking.

## **5.7 Payment Methods**

5.7.1 The Housing Executive makes full use of the available services and technology to offer a wide range of rent payment options for customers. Customers can choose the method which best meets their individual requirements. The range of options available means there is no reason for a customer not to pay.

5.7.2 A separate Rent Payments Working Group was established in 2015 with specific responsibility for ensuring:

- All suitable rent payment methods are available to Housing Executive customers.
- Customers are continuously made aware of the available payment options via ongoing publicity, advice and assistance.
- Direct Debits are promoted as the preferred payment option to new and existing customers and an Action Plan is put in place to maximise uptake.

5.7.3 The actions and activities that presently come under the remit of the Rent Payments Working Group will be incorporated into the Rental Income Maximisation Strategy's Action Plan and delivery will be overseen by the Steering Group.

## **5.8 Rent Policy & Assessment**

5.8.1 Rent charges for domestic dwellings are determined in accordance with the criteria set out in our Rent Assessment Scheme. The current Scheme was introduced in 1984 to ensure a more equitable distribution of rent burden amongst tenants, based on objective measurable criteria, which provides tenants with a relatively simple formula for understanding how rents are calculated. The Scheme was subsequently amended on 7 April 1986, after taking into account comments from tenants, tenants' groups and public representatives.

5.8.2 The scheme is based on a points weighting system where points are awarded for house type, age, number / size of room and heating. Rent charges are determined by multiplying the number of points a property has by the current value of point (updated each year in accordance with the % rent increase).

5.8.3 In February 2016 the Housing Executive's Board approved that a Project Team be established to review the current Rent Assessment Scheme in accordance with the following rent policy objectives;

- That our rents remain affordable and continue to be distributed fairly and proportionately amongst our tenants.
- That our rents generate the income required to invest in our stock and fund our other work programmes and initiatives that will help us to achieve our aim of becoming the best performing social landlord in the United Kingdom.
- That our Rent Scheme is contemporary and properly takes into account the condition of our properties and other appropriate characteristics.

5.8.4 The main issues identified with the current Rent Assessment Scheme are:

- The points based methodology is a reasonable basis for determining rent, however the current weightings have not been reviewed since 1986.
- "Property age" and "absence of amenities" are the only characteristics used to reflect property condition. Some of these characteristics are out of date.
- Points are awarded for the number and size of individual rooms but not for the overall size of the property, including the external curtilage.
- Points are not allocated for facilities or services provided in shared or common areas which attract additional management costs, e.g. concierge services in multi storeys.
- Points are not allocated for property location or other factors linked to popularity such as demand and market value.

5.8.5 A separate team has been set up to carry out the review of the Rent Scheme. The Rental Income Maximisation Strategy Steering Group will liaise closely with the Rent Scheme Review Team on an ongoing basis to ensure the Strategy and Action Plan take account of all developments and impacts.

5.8.6 Rental income is lost when rent assessment data is incorrect or revised rent charges are not implemented on time following improvement works. The associated processes will be reviewed and any issues will be addressed.

## **5.9 I.T. Systems & Software**

5.9.1 The Housing Management System (HMS) is the main I.T. system the Housing Executive uses to manage rent arrears. The HMS was implemented in 2011 and took a number of months to bed in while staff and management became accustomed to the new way of processing and managing arrears cases. It is essentially a workflow system which has been configured to identify cases requiring attention based on agreed policy and processing requirements. Caseload information is continually updated to enable managers prioritise workload and other related activities. It is acknowledged the system has a number of limitations, most notably the level of unnecessary arrears recommendations. Work has already commenced to identify system changes that will improve services.

5.9.2 The new Accounts Dashboard is due to be implemented during 2016 which will complement and enhance the services provided via the HMS, particularly for performance monitoring, reporting and quality management.

5.9.3 In the last number of years there have been significant developments in I.T. systems and software used to manage rent arrears and associated business processes, including customer contact. The Housing Executive receives extensive literature about new products and also obtains information from other Social Landlords and product suppliers at arrears seminars and conferences. The most recent developments are included in the Action Plan. During the life of this Strategy it is our intention to identify and implement IT products that will support and enhance our income collection services.

5.9.4 A monthly meeting takes place between Landlord Services and I.T. to review and address service issues. This Group also identifies and assesses new systems and other products that may assist with improving services. The Rental Income Maximisation Strategy Steering Group will liaise closely with this Group on an ongoing basis to ensure the Strategy and Action Plan take account of all developments and impacts.

## **5.10 Performance Management**

5.10.1 The Housing Executive's objective is to consistently deliver high quality income collection and arrears recovery services to all of its customers across all locations in Northern Ireland. Accordingly, appropriate and robust performance management arrangements are required to ensure we can achieve this objective.

5.10.2 Essentially, performance management involves having in place appropriate monitoring arrangements that will identify the factors creating good or bad performance and implementing appropriate follow up action.

5.10.3 Monitoring arrangements for income collection and arrears recovery is undertaken both strategically and operationally. At the strategic level this involves monitoring performance against the agreed KPI's, targets and measures across all locations to identify any variations which need to be investigated and addressed. Operationally, this involves reviewing arrears cases on an ongoing

basis to ensure the required and expected level of productivity and quality is in place and implementing the necessary corrective action.

5.10.4 The Housing Executive obtains and provides assurance that appropriate performance management arrangements are in place via its governance regime which includes:

- Monthly reports to the PRG and PRC.
- 6 monthly reports to the Board.
- Application of the Arrears Control Framework which sets out the primary (compulsory) and secondary controls
- A programme of internal and external audit & assurance inspections.

5.10.5 The Steering Group will ensure appropriate issues and actions arising out of performance management activities are included in the Action Plan.

## **5.11 Staffing & Resources**

5.11.1 Income collection and arrears recovery services are currently the responsibility of 7 dedicated Accounts Offices located in within our 3 Regions. The Housing Executive in the process of implementing its Build Yes programme which will restructure some of its services including debt recovery. Accordingly, the future operating model will be a combination of front line generic staff, based at our Area Office locations, dealing with arrears at the early stage with the Accounts Offices retaining responsibility for the more serious debts. Policy and system support services will continue to be provided by Landlord Services Central Unit.

5.11.2 The Rental Income Maximisation Strategy will create new activities during the next 3 years in addition to the “routine” income collection and arrears recovery services already in place. Most of the development work will be undertaken by Landlord Services Central Unit.

5.11.3 It is vitally important that all staff dealing with income collection and arrears recovery are expert in delivering the related services in accordance with the agreed policy and procedures. There is an ongoing formal staff training programme for both new and existing staff which ensures knowledge and skills are continually updated. In addition, local arrangements are in place for staff to exchange ideas and best practice at team meetings and other events. There will be close liaison with colleagues responsible for learning and development to ensure the Strategy and Action Plan take account of all developments and impacts.

5.11.4 All new activities identified within the Action Plan will be assessed to determine the impact on existing resources and budgets. We will only proceed with new activities that are likely to provide clear business benefits and value for money. Accordingly, the Steering Group will keep all activities in the Action Plan under review to ensure resource issues are identified and addressed.

## **6.0 Review and Evaluation**

6.1 The different activities within the Action Plan, particularly new initiatives, will be subject to ongoing review and periodical evaluation by the Steering Group. In addition, the Action Plan will be updated on an ongoing basis to reflect agreed changes and new activities.