



GROUP ARREARS MANAGEMENT POLICY

POLICY IMPLEMENTATION CHECKLIST	
Policy Guardian:	Operations Director
Author:	Operations Director
Version number:	3.0
Approved by Chief Executive on:	2 June 2015
Approved by Management Board on:	16 June 2015
Approved by Cordale Management Committee on:	9 June 2015
Approved by Bellsmyre Management Committee on:	8 August 2016
Effective from:	June 2015
Due for review on:	June 2019
Diversity compliant:	Yes
Equality Impact Assessment required:	
Data Protection compliant:	Yes
Health & Safety compliant:	Yes
Procedure implemented:	
QL system changes made:	
KPIs / reporting arrangements implemented:	
Training Completed:	
Posted on intranet:	Yes
Posted on website:	Yes
Publicity material issued:	
Audit Committee – Implementation Review:	

This document can also be provided in large print, braille, audio or other non-written format,
and in a variety of languages

CALEDONIA GROUP LTD

GROUP POLICY STATEMENT: ARREARS MANAGEMENT

1 INTRODUCTION

- 1.1 The Caledonia Group (Group) and its subsidiary companies provide a range of services for which charges are payable. Preventing and managing arrears for these charges are crucial to maximise the resources available to provide services and to improve and maintain the housing stock.
- 1.2 By effectively managing charges and their collection the Group will also seek to support tenants to assist them to avoid accruing arrears and the risks associated with excess debt and eviction
- 1.3 This policy sets out how members of the Group will apply common principles and take a clear and consistent approach to the management of arrears and the collection of income for all services. The term "arrears" applies to all charges, including rent, occupancy, service charges, heating charges and other recoverable charges (costs associated with repairs, legal fees, factoring fees and management fees). The principles apply to all occupiers of properties within the Group.

2 CONTEXT

- 2.1 The Group Arrears Management Policy is amongst the most critical working documents for the efficient and effective delivery of housing management services within the Group. It has been developed to take account of legislative, regulatory and good practice requirements in minimising arrears.

Legislation

- 2.2 The legislative requirements include the following:

Scottish Secure Tenancy – the tenancy agreement contains specific conditions in relation to the payment of rent and other tenancy related charges. Non-payment of these charges represents a breach of the tenancy conditions involved.

Housing (Scotland) Act 2001 - the policy adheres to the provisions of the Housing (Scotland) Act 2001, including the guidance in relation to the recovery of possession of a tenancy when a tenant has breached the conditions of their tenancy agreement by accruing rent arrears.

Homelessness (Scotland) Act 2003 - The Group will comply with the terms of Section 11 of the Homelessness (Scotland) Act 2003 by giving the local authorities in the areas in which it operates early notice of households at risk of homelessness due to eviction. In compliance with the legislation, notice will be given when raising proceedings for possession or the service of certain other notices as specified in the Act.

Housing (Scotland) Act 2010 – The policy has been drafted to take account of the arrears and eviction related provisions to be introduced through Section 14 of the 2010 Act. These include the provision of clear information to tenants on their tenancy and arrears situation; direct provision of advice and assistance; provision of information about other sources of information and advice; agreeing reasonable repayment plans; and revised arrangements for when a Notice of Proceedings can be served.

Social Housing Charter

- 2.3 The Scottish Government, through the Social Housing Charter, sets the outcomes it expects Housing Associations to achieve for its residents. In terms of how Associations should develop their approaches to the management of arrears, the Social Housing Charter states:

Getting good value from rents and service charges

13: Value for money

Social landlords manage all aspects of their businesses so that

- tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.

- 2.4 The standard covers the efficient and effective management of services. It includes minimising the time houses are empty; managing arrears and all resources effectively; controlling costs; getting value out of contracts; and giving better value by increasing the quality of services with minimum extra cost to tenants, owners and other customers.

SFHA Guidance

- 2.5 The Scottish Federation of Housing Associations (SFHA) has also developed guidelines for the management of arrears. This policy complies with the guidance that:

“RSL governing bodies should be concerned with ensuring that the corporate responsibility to prevent, manage and recover arrears is translated into effective policy and practice.”

Procedural Guidance

- 2.6 Members of the Group are responsible for developing comprehensive arrears management procedures that detail the processes involved in the effective monitoring and recovery of arrears. These will adopt principles consistent with those stated in the policy. Each member of the Group will ensure that all staff and relevant governing body members receive appropriate training and support to meet the requirements of this policy and the related procedures.

3 AREAS OF RESPONSIBILITY

- 3.1 The policy will apply to all members of the Group. Each organisation is responsible for ensuring that the policy and principles are applied and comply with regulatory and legislative requirements.
- 3.2 The day to day responsibility for the operation and monitoring of the policy is delegated to the appropriate Directors and Managers of each Group member. This includes the service of Notices of Proceedings; the commencement, continuance and termination of legal actions; progressing wages and bank account arrestment; and approving proposed evictions (Chief Executive and Director only).
- 3.3 All relevant employees have a responsibility to ensure that the policy is applied as instructed. The roles and responsibilities of the individual team members involved in the arrears management process are detailed in relevant procedures.

4 POLICY AIMS

4.1 The Group Arrears Management Policy aims to meet all legislative and regulatory requirements as well as minimising the level of arrears in a sensitive but effective manner.

4.2 The specific objectives of the Arrears Management Policy are to achieve the following:

- The efficient collection of all rent, service and other charges and the effective management of arrears;
- To adopt a firm but sensitive approach to arrears recovery;
- To offer appropriate professional support and guidance to tenants to increase their ability to pay, to manage debt and to reduce arrears;
- To monitor levels of arrears and have early intervention mechanisms in place which prevent arrears from accruing or increasing;
- To aim for personal contact with every tenant as soon as arrears begin to accrue and intensively manage any on-going arrears problems;
- To take appropriate action in accordance with the level of arrears including the provision of opportunities to make realistic arrangements for the repayment of arrears;
- The prevention of homelessness through the provision of clear opportunities to resolve any arrears difficulties and by making use of all available resources to deal with these difficulties – in this context eviction will only be used as a last resort;
- To provide clear and accessible information and advice to tenants in order to prevent arrears and legal action occurring; and
- To keep arrears within target figures specified in the relevant Group member's performance management framework

4.3 To achieve the above objectives each respective Association will implement the following actions:

- Provide tenants with detailed and accurate information about how much rent, service and other charges they must pay and the options available to do so;
- Ensure that payment options are accessible and convenient;
- Respond promptly to enquiries about tenancy related payments;
- Prevent tenants from falling into arrears through early intervention;
- Progress a staged approach based on the extent of the arrears and the debt period;
- Negotiate agreements to reduce the arrears in realistic and affordable instalments if tenants cannot clear the arrears with one payment;
- Inform tenants of the consequences of not clearing arrears debts or keeping to agreements;
- Make use of all available options for arrears recovery ;
- Work with other agencies to support vulnerable tenants at each stage of the recovery process;
- Wherever possible, secure repayment without obtaining possession of the property and use eviction only as a last resort ;
- Record all actions taken and ensure arrears management processes are applied uniformly;
- Actively promote relevant benefits advice services to maximise tenants' incomes, and to ensure tenants who are in arrears are given adequate debt counselling and advice about welfare benefits;
- Establish and maintain effective communications systems with other agencies assisting with arrears management activities;

- Closely link arrears management and tenancy sustainment activities;
- Provide training to ensure that staff are equipped to carry out the roles expected of them; and
- Commence legal action to pursue arrears debt wherever tenants are not complying with arrangements to reduce their arrears.

5 ARREARS PREVENTION

- 5.1 At a pre-tenancy meeting or at tenancy commencement / sign up members of the Group will ensure that the importance of maintaining payments, the available payment options and the approach to arrears recovery will be discussed with all new tenants. All new tenants will also receive information about the benefits advice services available to ensure that all possible sources of financial assistance are accessed and to assist tenants in their payment of rent. This will primarily involve assistance in submitting claims for relevant benefits but will also include more general income maximisation activities.
- 5.2 Members of the Group will also establish and maintain effective communications systems with other agencies assisting with arrears management activities, including local authority Housing Benefit Teams and other external welfare benefit advice services. Members of the Group will actively promote the availability of these services.
- 5.3 New tenant home visits will be carried out within the early stages of the tenancy. This will provide an opportunity to ensure that payments have commenced, to resolve any queries that the tenant may have or to obtain any required information to assist in the processing of claims for relevant benefits.

6 ARREARS RECOVERY

- 6.1 Arrears recovery will be based on a staged process of escalation of actions, up to and including repossession for non-payment of rent. The separate stages will be based on timescales that are achievable. Emphasis will be placed on intensive management and personal contact whilst arrears are at a relatively low level, in order to prevent the escalation of arrears. However, procedures will also include clearly defined stages and circumstances at which legal action will be pursued, with a view to minimising the overall timescale required to successfully complete recovery action, if this is necessary.
- 6.2 Arrears balances will be monitored frequently to identify cases where arrangements have been broken, allowing for prompt follow-up action. Staff will endeavour to make realistic and affordable arrangements with tenants for repayment of arrears over specified periods of time, but will consider more serious forms of action where these arrangements are persistently broken. Wherever possible benefits advice services will be accessed to actively assist tenants in resolving rent arrears difficulties, including any relevant benefit issue. This assistance will be provided in situations both before and after any legal action has been taken.
- 6.3 Members of the Group will maintain detailed IT based records of all arrears actions and legal action taken in relation to individual tenants.

7 LEGAL ACTION

- 7.1 Legal action is the last stage in the rent arrears process and will be instructed where tenants are not complying with arrangements to reduce their arrears and all reasonable arrears recovery efforts have been exhausted. Full consideration will be given to the background to each individual case before instructing the legal action.

- 7.2 The first stage of the legal process will be the issue of a Notice of Proceedings (NOP) for tenants in rented properties and a Notice of Default (NOD) for sharing owners. Before the issuing of a NOP or NOD, staff will make reasonable inquiries to establish, in so far as is reasonably practical, whether there are any qualifying occupiers in the house. Any qualifying occupiers will also receive a copy of the NOP. A Section 11 notice of possession proceedings will be issued to the Homelessness Service of the relevant local authority where legal action is taken.
- 7.3 Each member of the Group will take all steps possible to ensure good lines of communication with tenants are maintained, particularly where an Eviction Decree is likely to be obtained and enforced, to ensure tenants are fully aware of the situation. They will also aim to ensure that they continue to explore means of avoiding eviction if this is at all possible, and if this appears impossible, that tenants are prepared for the eviction and can explore any re-housing opportunities which may be available. Members of the Group will also take all steps possible to actively involve other agencies that may be able to assist in this process including local authority Homelessness Services.
- 7.4 In cases where an Eviction Decree is granted the Group will implement the arrears related provisions of the Housing (Scotland) Act 2010, effective 2012. The tenancy will therefore continue and will only be terminated on execution of the warrant for eviction on the date set by the Sheriff Officers.
- 7.5 In order to protect members of the Group from unnecessary rent loss, authority to approve evictions will be delegated to Directors and the Chief Executive. Information on approved evictions will be reported to the relevant governing body.

8 FORMER TENANT ARREARS

- 8.1 All tenants, when terminating their tenancy, are encouraged to pay any outstanding arrears of rent and will be advised of the implications involved if arrears are not paid in full. The Group will take all practical steps it can in preventing these arrears. This will include pursuing tenants for outstanding arrears during their period of termination of tenancy; endeavouring to secure information on forwarding addresses in order to facilitate communication with former tenants; and concentrating resources on pursuance particularly in the weeks following a tenancy termination, when the arrear is still relatively 'fresh'.
- 8.2 Where a former tenant arrear has accrued this will be managed through a process of regular monitoring and appropriate action being taken. The former tenants involved will be encouraged to agree a repayment plan that is affordable and sustainable. Members of the Group will employ the services of an external debt recovery agency where their own pursuance activities have proved unsuccessful.
- 8.3 Legal action to recover the arrears will be taken in cases where an assessment of the former tenant's financial circumstances indicates that such action would be appropriate. Where the arrears are in respect of a deceased tenant, action will be limited to contacting the next of kin or executor to claim against the estate.
- 8.4 Where a debt is uneconomic to pursue, or attempts to recover arrears by letter or debt recovery agency have failed, or the former tenant's whereabouts are unknown, or there is no prospect of recovery, the debt will be written off in accordance with the Group's financial regulations on irrecoverable debt.
- 8.5 Any written off debt may be re-activated and recovery action recommenced if the former tenant's whereabouts become known or information is provided which indicates a significant change in their circumstances.

9 CREDIT BALANCES

- 9.1 Credit balances can occur on the rent accounts of both existing and former tenants in particular circumstances. These balances will be managed through a process of regular monitoring with refunds being made to current tenants where requested and to former tenants where possible. However, where there are outstanding recoverable charges (such as charges for repairs, legal fees, etc.), any credit balance will be offset against this before a refund is made. Where there is no prospect of returning the credit balances these will be dealt with as a credit balance write off in accordance with the Group's financial regulations on irrecoverable debt.

10 PERFORMANCE MONITORING

- 10.1 Each member of the Group will monitor their performance on arrears and the recovery of charges using both regulatory and local performance indicators as follows:

Social Housing Charter Indicators

- Rent collected as a % of the rent due
- Gross rent arrears as % of the rent due
- % of initiated court actions resulting in eviction

Local Indicators

- The total amount of current tenant arrears and as a % of rent due
 - The total amount of former tenant arrears and as a % of rent due
 - Number of current tenancies owing greater than 8 weeks rent
 - Number of notices for arrears served
 - Number of Court actions for arrears initiated
 - Number of tenants evicted due to rent arrears
- 10.2 Directors will have delegated authority to annually agree targets for current and former tenant arrears as a percentage of the net rent due in the financial year.
- 10.3 The statutory performance indicators will be reported monthly to the relevant executive management team and quarterly to the relevant governing body.

11 EQUAL OPPORTUNITIES IMPLICATIONS

- 11.1 The Group Arrears Management Policy will act to assist tenants who are in arrears in a manner that encourages equal opportunities and complies with all relevant equal opportunities requirements. The Group Equalities and Diversity Policy Statement provides further information on these and the Group's approach to equalities issues.

12 SUSTAINABILITY IMPLICATIONS

- 12.1 The approach outlined in this policy, working in tandem with other relevant housing management and maintenance policies, will ensure that the Group makes positive contributions toward the sustainability of the communities it serves.
- 12.2 The Group acknowledges the negative impact that excessive debt and the potential for empty homes caused by eviction can have on communities and aims to ensure that these are kept to a minimum. The Group Arrears Management Policy and associated procedures emphasise prevention and early intervention, a customer centred approach and early involvement of appropriate external agencies. The overall aim being to maintain the long term sustainability of tenancies and the successful occupancy of homes.

13 RISK MANAGEMENT

13.1 The governing bodies of members of the Group will consider the Risk Management factors of arrears and recovery of charges including:

- Financial risk through potential failure to ensure that enough income is collected to cover operating costs
- Non compliance with the Social Housing Charter outcomes
- The setting of charges that are not affordable resulting in increased arrears
- Increased legal costs resulting from a high number of serious arrears cases

13.2 Given the importance of these risks it is recognised that these have to be effectively managed. This will be achieved through the cyclical review of the housing management policies and procedures, including arrears management, to ensure compliance with all legislative requirements and regulatory and best practice guidance.

14 COMPLAINTS PROCEDURE

14.1 Any tenant may submit a complaint, using the Group's complaints procedure if it is felt that there has been a failure to correctly apply the Group Arrears Management Policy.

15 POLICY REVIEW

15.1 The Group Arrears Management Policy will be reviewed in 2019, or as required following a substantive legislative or regulatory change.