

# Policy

Title: **Corporate Debt Policy**

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**A policy should be a short statement which describes in general terms or objectives what a service area's principles and key objectives are on a particular subject and should be no longer than a 2 pages in length. The aim of the policy is to give practical effect of the strategy it supports.**

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<b>INTRODUCTION</b>	<b>2</b>
<b>AIMS / OBJECTIVES</b>	<b>2</b>
<b>PERFORMANCE MEASURES / MONITORING</b>	<b>2</b>
<b>SCOPE</b>	<b>3</b>
<b>RESPONSIBILITY</b>	<b>3</b>
<b>SERVICE STANDARDS</b>	<b>3</b>
<b>POLICY STATEMENT</b>	<b>3</b>
<b>CONSULTATION ARRANGEMENTS</b>	<b>7</b>
<b>BENCHMARK ANALYSIS</b>	<b>7</b>
<b>REGULATORY OR LEGAL COMPLIANCE</b>	<b>7</b>
<b>KLOE'S AFFECTED</b>	<b>7</b>
<b>LINKS TO STRATEGIES, PROCEDURES AND ASSOCIATED DOCUMENTS</b>	<b>7</b>
<b>EQUALITY AND DIVERSITY CONSIDERATIONS</b>	<b>8</b>
<b>BUSINESS IMPACT</b>	<b>8</b>
<b>SELF ASSESSMENT COMPLIANCE STATEMENT (SACS) CONSIDERATIONS</b>	<b>8</b>

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## **Introduction**

The Trust is aware that it is no different to any other business, in that the lifeblood of its survival and ability to develop is very much dependent upon receipt of income. Failure to maintain adequate income flow puts pressure on loan repayments, impacts on the level of service received by customers (through fewer repairs and improvements) and potentially results in staff being made redundant. The overall viability of the business becomes threatened which is more than a passing interest to funders and regulators.

However unlike many businesses, the Trust is limited in its ability to raise or generate additional income. Equally, the Trust's business plans are very much subject to economic factors which fall outside its direct control; for example, increases in interest rates, reductions in inflation, changes to the housing benefit system and changes in government policies like rent restructuring. It is therefore vitally important that the Trust should seek to maximise income.

This policy sets the framework for a consistent and sensitive approach to collecting debt whilst at the same time ensuring that the Trust continues to maximise collection performance.

## **Aims / Objectives**

One of the main aims of Corporate Debt Policy is for it to be seen as an essential part of the Trust's Financial Strategy as the organisation strives to achieve excellent service delivery in this key area.

The objectives of the policy are:

- to prevent arrears occurring to ensure that arrears action is not required;
- to minimise the amount of arrears owed by customers;
- to ensure customers have the information and support they need to maximise their income;
- the maximising income from non-customer income sources.

## **Performance Measures / Monitoring**

Strategic Indicators will monitor performance of certain elements covered by this policy.

These include:

- SI 14 Percentage of rent collected
- SI 68 Percentage of rent role
- SI 15 Number of arrears cases at incorrect arrears action level
- SI 60 Current customer arrears
- SI 69 Former customer arrears
- SI 38 Percentage satisfied with the arrears process

## Scope

This policy is the cornerstone of our approach and commitment to income recovery and arrears prevention. As such it covers areas of work carried out by members of staff in both the Finance and Housing Management teams.

It should be read in conjunction with the relevant service standards which outline what customers can expect.

## Responsibility

The Director of Resources will be responsible for producing a detailed set of procedures to ensure the effective implementation of this Policy.

The Director of Resources, in conjunction with the Director of Customer Services, will be responsible for ensuring that all employees involved in this process are fully trained in the procedures to ensure consistency of implementation.

In reviewing the Policy the Trust will ensure that it takes account of good practice elsewhere. In particular the Director of Resources will compare the Trust's performance in this area with other housing associations in its peer group.

## Service Standards

As this is an overarching type policy, there are no service standards attached to it. However, certain other policies - such as the Write Off and Arrears Recovery policies- will contain their own service standards as they apply to that particular part of the process.

## Policy Statement

The aims and objectives of the policy will be achieved by:

- encouraging the customer to make contact earlier;
- firm but fair recovery procedures;
- giving customers a wide choice of payment methods;
- maximising customers' income;
- having highly trained staff with adequate tools to pursue any debt or arrear effectively;
- developing a culture of payment at both pre-tenancy and post-tenancy;
- pursuing all debt - whether current or former customers arrears, or sundry debts etc - in a rigorous but sympathetic manner.

The Trust will look to achieve the above in a number of different service areas and approaches.

### Income Maximisation & Arrears Prevention

Income maximisation is a crucial part of the Corporate Debt Policy. In order to promote income maximisation the Trust will: -

- provide dedicated resources to support income maximisation;
- continue to make use of linkages with the Citizen's Advice Bureau;
- train front line staff in benefit assessments and the Verification Framework;
- provide advice and assistance at sign up stage to ensure that customers are aware of their responsibilities in respect of rental payments;
- undertake targeted campaigns to promote benefit take up;
- raise awareness of the implications of non-payment.

The Trust recognises that not all debts are collectable, and therefore it will be appropriate in certain circumstances to classify debts as irrecoverable where pre determined criteria are met. The Trust has a separate write off policy and procedures in place, which detail the action to be taken prior to an account being written off. In addition, it is recognised that accounts below a certain value will be uneconomic to collect.

### Payment Methods

The following payment methods are available:

- Bank standing order
- Paypoint
- Direct debits
- Telephone payment
- By post
- Housing Benefit
- Halton Direct Link
- Deduction from salary or wages

The Trust will keep these payment methods under review and will give consideration in future to additional and/or alternative means of payment having regard to customer service needs, effectiveness and cost, including electronic means of payment providing incentives for customers with clear accounts.

For those in receipt of Housing Benefit, direct payment from Halton Borough Council will be encouraged.

Customers will be encouraged to pay for recharges at the time of ordering or receiving a repair/service.

Where ever practical payments will be requested in advance so as to maximise cash flow and to minimise the necessity to issue accounts requiring collection, which in turn will minimise the opportunities for debt to arise.

### Other Agencies & Arrears Prevention

The Trust is committed to working with, and building good relationships with, all external agencies that complement the work of the rents team. In particular we will: -

- train staff so that we can continue to be verification approved to accept claims for Housing Benefit;

- work within established protocols to promote the exchange of information and prioritise cases where legal action is due or has commenced;
- meet regularly with senior Housing Benefit staff to discuss strategic and operational issues;
- advertise welfare benefit surgeries provided by the Citizens Advice Bureau;
- use the established referral system to ensure customers can access specialist debt advice through the Citizens Advice Bureau;
- inform Social Services on an individual basis where an eviction warrant has been applied.

The Trust will aim to assist customers with wider advice to ensure that debt is minimised. For example, we will: -

- provide affordability information to customers at sign up;
- provide debt awareness to customers at sign up and monitor closely in the early weeks of a new tenancy;
- provide support and advice for vulnerable customers especially money/debt counseling advice from sources such as CAB, floating support agencies and welfare rights/money advice worker;
- negotiate affordable repayments;
- provide income maximisation advice including use of benefits advice calculator;
- assist customers resolve benefit problems.

### Arrears Procedure

In applying its arrears procedures the Trust will ensure that: -

- customers are treated consistently and equitably;
- reasonable judgement is used in the application of the procedures to account for individual customer's circumstances;
- the application of the procedures is monitored to ensure that discretion is used appropriately.

In terms of efficiency and effectiveness, experience shows that as general rule collection is maximised by pursuing debts on an individual basis in a timely manner. In addition, the existence of different recovery legislation in relation to rents, service charges, customer recharges tends to support this approach.

The Trust will also ensure that its rent collection and recovery escalation policy and procedures reflect good practice in line with the Civil Justice Commission Protocol introduced in October 2006, and encourage more pre-action contact with its customers to resolve difficulties in the collection of rent income due wherever possible without court proceedings being applied.

### Vulnerable Persons

Whilst the Trust will ensure that arrears are pursued in a timely manner, it does recognise that certain individuals will require more sympathetic and sensitive treatment e.g. in the case of recent bereavement or major illness, or where the debtor requires special assistance in handling their financial affairs.

The Trust acknowledges that it has a wide range of powers at its disposal to assist in the debt collection process, including powers which could impact on a person's liberty e.g. the right to seize goods, to evict a customer, to request imprisonment etc.

The Trust will ensure that these more 'severe' powers will only be used when all other reasonable methods have failed and where all statutory processes have been properly followed.

### Customer Involvement

The Trust is committed to involving customers in all aspects of its business. Customers' knowledge of the rents service and their ways to shape and influence it will be promoted in various forums such as:-

- Customer Newsletter - Quarterly
- Tenants and Residents Group Meetings - Monthly
- Annual Consultation Events - Annually

Feedback on the rent and arrears service may be sought from the customer focus groups, the Customer Panel and from the use of satisfaction surveys.

Rent statements will be sent out quarterly. In addition, rent account statements indicating all transactions will be sent to tenants on request.

### Publicity

The Trust will promote its rent service in as many ways as is practical and effective. These will include a number of different methods such as: -

Leaflets  
Customer Handbook  
Customer Newsletter  
Posters  
Information on the reverse of rent letters/statements  
Local Press  
Targeted campaigns

### Continuous Improvement & Efficiency

The Trust will try to achieve continuous improvement and efficiency in this area by: -

- carrying out an annual Activity Based Costing exercise on the cost of the service;
- using plain English techniques in written letters and documents;
- benchmarking our cost and performance against other organisations;
- researching best practice and considering new ideas;
- visiting best practice sites to learn first hand from their experiences;
- joining best practice organisations such as the Rent Income Excellence Network and Housing Quality Network;
- empowering our staff to think creatively;
- reviewing this policy in response to changing environment or new legislation;
- providing support to people under our equality and diversity framework;
- providing out of hours customer contact services for income collection.

## **Consultation arrangements**

As this policy is seen as dealing with an internal financial process within the organisation, the Trust has not consulted with customers in the preparation of this policy. However, if anything arises from the implementation of this policy which directly affects customers or the services they receive; then proper consultation arrangements will be made.

## **Benchmark Analysis**

The Trust will look to benchmark its performance in this area with comparable housing associations.

## **Regulatory or Legal Compliance**

The Housing Corporation's Regulatory Code, Section 3.2 states:

“Housing Associations must have management arrangements, resources, skills and systems which are appropriate to their circumstances, scale and scope of operation, and ensure that their activities:

3.2.1 are adequately monitored;

3.2.2 are undertaken efficiently and effectively;

3.2.3 are backed by proper systems of assurance for internal control.”

The Corporate Debt policy can be seen to contribute towards meeting this part of the code.

## **KLOE's affected**

There is a link between this policy and the Audit Commission's Housing Income Management KLOE.

One of the questions posed by this KLOE – regarding current and former tenant arrears recovery – is :“Does the organisation minimise loss of income by taking prompt and appropriate action to recover both current and former service user arrears and other debts?”

## **Links to Strategies, Procedures and Associated Documents**

The following documents are linked to this policy:

- Financial Strategy
- Value for Money Strategy
- Rent Arrears Recovery policy
- Write Off of Bad Debts and Credits policy

## **Equality and Diversity Considerations**

This policy will be applied equitably and fairly to all of the Trust's customers.

## **Business Impact**

If corporate debt is managed effectively, it will help the Trust in its aim of maximising its income. This in turn will have positive benefits on its business activities, as it will contribute to an adequate income flow being achieved and less of a threat to the overall viability of the organisation.

## **Self Assessment Compliance Statement (SACS) Considerations**

It is not envisaged that this policy will have any impact on the SACs document. No changes/amendments will be required.