



INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Housing, Health & Communities
C.C.: Chief Executive
Deputy Chief Executive
Head of Finance
Landlord Operations Manager
Business Support Manager
Portfolio Holder (Cllr Wightman)

SUBJECT: Housing Rent Collection
DATE: 30 January 2024

1 Introduction

- 1.1 In accordance with the Audit Plan for 2023/24, an examination of the above subject area has recently been completed by Emma Walker, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The term rent includes the weekly rent, service charge, support charge and any other weekly charges applicable to a tenancy. Rent, which is calculated based on property type and size, is managed through the Council's Active H system.
- 2.2 There are approximately 5300 properties across the Warwick district that are let and managed by the Council. Total rental income received during 2022/23 was £26,209,699.71. Thus far, rental income for 2023/24 has amounted to £15,721,445.83.

3 Objectives of the Audit and Coverage of Risks

- 3.1 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. It should be noted that the risks stated in the report do not represent audit findings in themselves, but rather express the potential for a particular risk to occur. The findings detailed in each section following the stated risk confirm whether the risk is being controlled appropriately or whether there have been issues identified that need to be addressed.
- 3.2 In terms of scope, the audit covered the following risks:
1. Significant non-payment of rent leading to high rent arrears.

2. Failure to collect rent due in a timely manner/failure to chase arrears.
3. Miscalculation of rent resulting in loss of income.
4. Failure to comply with rent collection procedures.
5. Non-compliance with relevant legislation – Housing and Planning Act 2016; Welfare Reform and Work Act 2016.
6. Dissatisfied tenants refusing to pay rent.
7. Failure to protect tenant data.
8. Changes to rent or the rent collection procedure not communicated to tenants.
9. Tenants struggling to meet rent demands are not supported.
10. Lack of segregation of duties resulting in staff accessing their own accounts.
11. Conflicts of interest not declared.
12. Income due to the Council lost or misappropriated into alternative rent accounts.
13. Loss of Active H system.

3.3 A 'risk-based audit' approach has been adopted, whereby key risks have been identified during discussions between the Internal Auditor and key departmental staff. The Housing Risk Register has also been reviewed.

3.4 At the time of the audit, these risks, if realised, would have been detrimental to the Council with regards to meeting the internal 'Money' element of the Fit for the Future Strategy, as the Council has a duty to maximise income earning opportunities.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the previous audit undertaken in November 2020 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
As agreed in the 2017-18 audit, the Write-Off information should be included in the quarterly reports.	To be included in quarterly reports going forward. Landlord Services Manager to liaise with Business Development and Change Manager to have report written and included.	This recommendation is now out of date; write-off information is no longer included in quarterly monitoring reports.

Recommendation	Management Response	Current Status
Management should review the KPI's in the Service Area Plan and consider including a relevant KPI for Write-Offs.	Agree this to be included in the performance monitoring, to be decided whether this is a core or an operational performance indicator.	Current KPIs include total current tenant rent arrears as a percentage of annual rent debit and the number of evictions both for rent arrears and non-rent arrears. The Landlord Operations Manager advised that Write-Offs are not currently discussed in performance monitoring; they are, instead, subject to Head of Service approval along with the Head of Finance.

4.2 Financial Risks

4.2.1 Potential Risk: Significant non-payment of rent leading to high rent arrears.

The Landlord Operations Manager (LOM) advised that rent accounts are regularly monitored through RentSense, a predictive analytics software that uses data to model tenant behaviour. RentSense uses information relating to the tenant, the property, and the details of any payment agreements to determine which tenants need to be contacted with regards to their arrears. RentSense also provides alerts for tenants using credit on their rent account who are likely to fall into arrears without intervention. The RentSense contract commenced on 10 September 2023 and is not due to expire until 9 September 2026. Due to a software issue, contract expenditure had not been coded against the contract module on Ci Anywhere. However, the payments were located through the system by the auditor, and it was found that these had been correctly recorded against the Tenancy Management General IT Software ledger for 2023/24. The payments amounted to £106,231.68 which were fully reflective of the purchase orders, including VAT. Previous spend for the 2021-2023 contract was £140,425.36. It should be noted that since the implementation of the RentSense contract, arrears have been reduced by approximately £500,000. Compared with other local authorities in the West Midlands, this puts WDC in the second quartile for both current and former cumulative tenant rent arrears in 2022/23, according to data obtained from Gov.uk.

There is no specific list of bad debtors maintained; however, this is not required as all rent accounts are monitored on a weekly basis. The LOM also conducts weekly spot audit checks on the work conducted by the Income Management Officers (IMO) to confirm that they are meeting set targets.

It is outlined in the Council's Tenancy Agreement that rent must be paid weekly unless agreed otherwise with Warwick District Council (WDC); any rent not paid when it is due is classed as arrears. The Introductory Tenancy Agreement also stipulates that rent is due in advance each Monday; it is debited from the rent account on a fortnightly basis to avoid arrears. The Tenancy Agreement encourages payment of rent by Direct Debit or Standing Order and advises tenants of the consequences of non-payment; the WDC website also states that failure to pay rent will result in the tenant losing their home. Where tenants are struggling to make rent payments, they are advised to contact their IMO.

Tenants can pay rent in a variety of ways, including by telephone, by online payment, or by payment card. The Council website also outlines the various methods with which tenants can pay their rent. Direct Debits are updated every year and tenants are given at least seven working days' notice of any amounts to be debited from their account. Procedure notes on how to set up new Direct Debits have been compiled and distributed to the Business Administration Team (BAT). Online payments are completed through a secure 24-hour internet payment service. Telephone payments are also available 24 hours a day, seven days a week and the number is advertised to tenants on the Council website; this is an automated system which requires tenants to key in details over the phone. Tenants can pay rent in person at Paypoint outlets and Post Offices using the barcode printed on all rental correspondence. Payments are processed by Treasury and passed to the BAT, who then post the payments to the relevant rent accounts on Active H.

4.2.2 **Potential Risk: Failure to collect rent due in a timely manner/failure to chase arrears.**

Rent statements are issued to tenants once a year, although tenants have full access to their online accounts and can request for a statement to be sent at any time. The Business Support Manager (BSM) advised that there is a 'Friday process', in which charges are loaded on to the system, and a 'Monday process', where these charges are then reconciled. A walkthrough was conducted by the auditor of the financial postings on Active H which are sent to the relevant Accountants. There is currently a project underway to convert the previous codes used in TOTAL to Ci Anywhere, as the postings still refer to coding from the old Finance Management System. The financial batch in Active H displays all the rent charges for the previous weeks. The BSM advised that the BAT load the rental charges onto the accounts and deal with any tenants wishing to pay by Direct Debit. Weekly reconciliations of the rent accounts are performed between the BAT and the Accountants; the Income Management team solely deal with rent arrears.

A list of tenancies commencing in 2023 was collated through Active H. These were then investigated by the auditor to check that rent had been charged as soon as the tenancies commenced. In ten of the fifteen cases sampled, rent was charged on the same day that the tenancy began; in four cases, rent was charged one day after commencement of the tenancy. In all fifteen cases, a rent statement was issued to the tenant in advance of the charges. There was just one minor issue where a rent statement was issued twice to the tenant.

Debt collection agencies are only used for the recovery of arrears with former tenants, as the collection of current tenant arrears can be done through alternative methods such as Notices to Seek Possession (NSP). Reminder letters are automatically generated through Active H and there is a text message service to help encourage tenants to clear arrears. Bailiffs can only enforce action upon current tenants after an eviction warrant is granted by the Court. Authority from the LOM or above must be sought before applying for a warrant of eviction.

A list of introductory tenancies was collated through Active H and investigated by the auditor to check that recovery action had been followed, in line with the Rent Arrears Escalation Procedure. In all fifteen cases tested, a Section 128 notice had been distributed effectively to the tenant. In two cases, where eviction had taken place, a reason for the eviction had been provided. In five cases, a payment arrangement had been agreed with the tenant and, in four cases, court warnings had been actioned. Tenants were given an opportunity to review the decision to take recovery action in all fifteen cases sampled; however, only nine of these were documented through the Document Image Processing (DIP).

Advisory – Consideration should be given to reminding staff to upload copies of Section 128 notices to the DIP.

A list of both current and former arrears was also collated from Active H and checked to ensure that recovery action had been pursued in line with the Rent Arrears Escalation Procedure. In terms of current arrears, twelve of the fifteen cases sampled had reminder notices automatically generated on the same date that the arrears episode began. Three cases went straight to second warnings, as arrears from previous episodes had not been cleared; all three second warnings were distributed in the same week that the arrears episode commenced. In terms of rent correspondence, the LGA has compiled a report exploring how the application of behavioural insights and 'nudge'-style interventions could maximise income collection and reduce rent arrears. This makes interesting reading and promotes the importance of identifying the drivers of nonpayment behaviour in order to tailor intervention when recouping arrears.

It is stated as best practice in the Government Pre-Action Protocol advice that tenants in arrears should receive quarterly rent statements. Eight of the fifteen cases had received regular quarterly rent statements since the start of their arrears episode. It was noted in four cases that tenants did not receive a rent statement each quarter. All fifteen cases did, however, have diary notes detailing the action taken. The Business Development and Change Officer advised that it is possible to programme Active H to automatically generate and issue quarterly rent statements to tenants who are in arrears. The automation aspect of this can be handled by Windows Task Scheduler which can initiate Active H Workflows on a nominated cycle e.g., daily, weekly, monthly, quarterly etc.

Advisory – Consideration should be given to automating the distribution of quarterly rent statements through Active H.

Recommendation – Staff should be reminded to issue quarterly rent statements in arrears cases, if this cannot be done automatically through Active H.

With regards to former arrears, fourteen of the fifteen cases sampled, all had reminder letters automatically sent on the same day as the arrears episode, two of which went straight to a second warning and one to an immediate NSP. Where the tenant meets the criteria, WDC can apply for arrears to be paid by the Department for Work and Pensions (DWP). WDC did apply in one case for the DWP to pay arrears, but this was refused, as the tenant did not claim Universal Credit. In only two cases was bailiff action required to evict the tenant and all fifteen cases had been fully diary noted.

WDC are bound by the Pre-Action Protocol for Possession Claims by Social Landlords. This encourages pre-action contact and the exchange of information between landlords and tenants to avoid litigation, where possible. Where a tenant falls into arrears, WDC will make contact as soon as possible and seek to make a sustainable repayment agreement with the tenant. Where the tenant complies with this agreement, WDC can postpone court proceedings. If, however, no such agreement is made or maintained, the Council are at liberty to serve a notice warning of their intention to start legal proceedings; no application to Court can be made without a notice having been served. The Council is expected to provide the tenant with up-to-date rent statements no later than ten days before a court hearing and should remind the tenant of the date and time of the hearing.

If tenants are evicted from their Council tenancy, there is no automatic right to rehousing. The Council will seek possession of a property only by order of the County Court under any of the grounds set out in the 1985 and 1996 Housing Acts. This includes the death of a sole tenant, where the tenant has abandoned the property, where the tenant has left the premises without permission or if the tenant has sub-let the property without prior permission. Eviction is always viewed as a last resort as it has high social and economic costs for both the tenant and WDC; it also frequently results in the debt being unpaid and once evicted, former tenants may be disqualified from future social housing. There are certain instances where tenants will be allowed to have another tenancy; the disqualification from future social housing is not permanent but is, rather, until causation is broken.

Each week, a workflow will run on Active H to produce a weekly report of rent arrears, categorised into different Monitoring Levels and codes. In turn, this will feed into RentSense which then identifies all the tenants that officers need to contact. The exception of this is first, second and third warning letters which remain automated within Active H. Initial attempts to contact tenants in arrears involve rent arrears letters being sent to the resident's home, followed by phone calls, home visits, emails, and texts. The procedure for Managing Rent Arrears outlines the steps to be taken through an Income Recovery Flowchart. The procedure was last updated 5 July 2022 by the LOM.

Advisory – Consideration should be given to reviewing and updating the 'Managing Rent Arrears' procedure, where appropriate.

A guide to understanding the Pre-Action Protocol is available on the Gov.uk website and signposts the steps to be taken during a court hearing. Once landlords serve NSPs, tenants are advised to contact their IMO to see what can be done to stop the process. Tenants can file claims to contest the process if WDC have not followed the correct procedures and eviction is, therefore, invalid. Tenants are notified by the Court of the hearing date before which WDC and the tenant should try to reach a settlement. If no settlement is agreed, a possession hearing then goes ahead. If granted, and the tenant does not vacate the property within this time limit, WDC can apply for a Warrant of Possession. A Warrant of Possession is a document issued by the County Court which allows a County Court Bailiff to enter the property, evict the tenant and return the property to the Council. A Warrant of Possession can also be applied for if a Suspended Possession Order was granted at the hearing, and the tenant has not upheld their payment agreement.

There are different types of Possession Orders:

- An Outright Possession Order requires the tenant to leave the property by a date specified in the Order at midnight, 14-28 days after the court hearing.
- A Suspended Possession Order specifies a date for possession, but the tenant must also abide by certain conditions e.g., paying a stated amount towards their arrears each month.
- A Postponed Possession Order has no specific date. If the tenant breaches it, the landlord can make an application to the court for a fixed eviction date.

A judge can add a money judgement to any of the Possession Orders, meaning that the tenant will owe a specific amount of money under the Order; this usually comprises the rent arrears, court fees and legal costs.

A list of evictions was collated through Active H. These were then investigated by the auditor to check that recovery action had been followed in line with the Rent Arrears Escalation Procedure. In six cases, second arrears action had been taken within one week of the first arrears action. A home visit had been completed by week three of the arrears action in two cases. The remaining visits were not conducted within this timeframe due to there being either no answer from the tenant, or because communication was conducted through other means. Pre-notice action was taken within one week after the second arrears action was taken, in six cases. A pre-notice checklist had only been saved to the DIP in two cases; however, all seven evictions had appropriate diary notes to evidence the action taken. An NSP was issued in all seven cases, outlining the reasons why possession was being sought. A minimum of four weeks' notice of intention to seek possession was given in six cases, as per the procedure. Rent statements were issued in a timely manner, either prior to the NSP or on the same day that the NSP or pre-Court contact was made. Details of the court hearing were saved to the DIP in six cases. Documents intended for court were located on the DIP, although these were not always filed together. In five of the seven cases, several documents had not been uploaded to the DIP. Possession Orders were granted in all seven cases; however, the tenant arranged to pay back the arrears in three cases, hence there being a gap in time between the Possession Order and court action. Eviction Warrants were all granted within

eight weeks of the Possession Order, although one of these was not uploaded to the DIP. Tenants were referred for eviction within four weeks and evicted after 14 days' notice was given to the tenant, as per the procedure.

Advisory – Consideration should be given to reminding staff to upload pre-action checklists, Eviction Warrants, and details of court hearings to the DIP. Documents that form the Witness Statement including claim forms, Tenancy Agreements, Pre-action Protocols and rent statements should be uploaded to the DIP and filed together, where possible.

There is no formal Write-Off policy in place. There is, however, a Write-Off procedure in place, although this was last updated in April 2018. This procedure contains step-by-step instructions on how to perform Write-Offs.

Advisory – Consideration should be given to reviewing and updating the Write-Off procedure.

Write-Offs do not take place on current tenancies; only former tenant debt can be written off where it is uneconomical to pursue the debt, or the Council has failed to recover it. Furthermore, debt cannot be carried over to new accounts; instead, old debt has to be transferred to a sub-account. Write-Offs are signed off by the Head of Housing, Health & Communities if the total amounts to a sum between £70 and £1000. Write-Offs over £1000 must be signed off by the Head of Finance. A list of Write-Offs was collated through Active H. These were then investigated by the auditor to check that the Write-Offs had been appropriately authorised. In all fifteen cases sampled, a reason had been supplied as to why the Write-Off had been granted. All Write-Offs had been authorised by the Head of Housing Health & Communities as there were no Write-Offs amounting to more than £1000. There was a clear segregation of duties in place between officers who loaded the Write-Offs onto the account and those that authorised the amount. There were, however, no written documents supporting the Write-Off or documents that provided written permission from the Head of Housing Health & Communities to authorise the transactions. The BSM provided the auditor with an email confirmation from the Head of Housing, Health & Communities, giving permission to write off relevant amounts on former accounts. It was agreed with the Business Administration Team Leader that a copy of this should be stored in the Housing I:Drive for referral in the event that a Write-Off is queried.

Advisory – Consideration should be given to completing periodic reconciliations of Write-Offs to ensure that they agree with officially approved debt.

A list of current arrears was examined by the auditor to check that arrears records were up-to-date and historical debts had been cleared. In eight of the fifteen cases tested, the tenant had been contacted within a week regarding their arrears. Four tenants were contacted within four weeks and one within twelve weeks. One tenant had not been contacted since the arrears episode had commenced. Despite this, the dates where action took place were included on the diary notes in all cases sampled, and correspondence was uploaded to the DIP in eleven cases. A payment agreement had been made in all fifteen cases, however, eight of these had been broken. Payments had, however, been

received in a timely manner, nine of which were deducted from Universal Credit or Housing Benefit. Old rent arrears had been cleared in all fifteen cases, although there were three accounts that still owed historical court costs. There was just one rent statement that had not been uploaded to the DIP; quarterly rent statements had been issued in nine cases. Although WDC applied to the DWP to clear arrears in three cases, these were all rejected, as the tenant either was not in receipt of Universal Credit, or their earnings exceeded their work allowance. All fifteen cases were appropriately diary noted.

Advisory – Consideration should be given to reminding staff to contact tenants promptly when arrears hit.

Advisory – Consideration should be given to clearing historical court cost debt, where relevant.

Tenants can claim refunds of credit balances. Refunds are, however, declined where it would send the tenant into arrears. Occasionally, a tenant will pay rent twice by mistake, in which case overpayments are refunded. Any refunds are processed through Ci Anywhere, where the tenant must first be set up as a creditor. Requests for refunds are sent to senior members of the team to be approved. Refund procedure notes have been compiled and distributed to the BAT; these were last updated 28 November 2023 and include instructions on how to process the refund both through Active H and through Ci Anywhere.

A list of refunds was inspected by the auditor to check that these had been appropriately authorised and only given where the tenant was not in arrears. In all fifteen cases, a reason for the refund had been provided. Only nine cases sampled had a refund request form saved to Active H; however, request forms do not need uploading to Active H as these are held on Ci Anywhere. This also mitigates the potential risk of unauthorised persons gaining access to tenant bank details. In fourteen of the fifteen cases, tenants were not in arrears; one tenant had set up a payment arrangement in order to payback previous arrears. In all fifteen cases, the refund was made no later than four days after the authorisation date. None of the refunds were authorised by the same officers who had requested them. Authorisation was granted either by the Business Administration Team Leader, Business Administration Officer, or Business Administration Assistant. All fifteen tenants were set up as creditors on Ci Anywhere before being refunded.

4.2.3 Potential Risk: Miscalculation of rent resulting in loss of income.

Rent changes only take effect on void properties once a new tenant has moved in. Rents are calculated in accordance with criteria formulated by Central Government. Amendments to rental charges are made by the BAT. Annual rent is set at February Cabinet to allow time to distribute rent change letters to tenants before the start of the financial year. Spot checks are undertaken during the rent setting process on the various types of properties. Rent checks are also undertaken immediately after year end by the Business Development & Change Officer. A reconciliation is undertaken to ensure that rents charged are correct. The Principal Accountant (Housing) estimates rent income for the year on the basis of the gross rents adjusted for anticipated voids and Right to Buy sales, which forms the basis of the budget monitoring.

From April 2020, a new national rent policy came into effect, which included the ability for Councils to increase rents annually up to Consumer Price Inflation (CPI) + 1% per annum. After a short consultation, in the Autumn Statement on 17 November 2022, the Chancellor of the Exchequer announced that a one year 7% Rent Cap would be applied in place of the National Rent Policy, in order to support people in social and affordable housing in England. WDCs Cabinet approved the proposed increase to the 2023/24 rents on 21 February 2023 for all social and affordable tenanted dwellings, in line with the Chancellor of the Exchequer's one year 7% Rent Cap. Cabinet also approved that Shared Ownership tenanted dwelling rent increases would be voluntarily capped at 7% for one year, in line with advice from the National Housing Federation.

Garage rent increases are not governed by national guidance. In 2020/21, as part of the HRA Rent Setting Report, Cabinet approved garage rents to be increased by 10% per year over a five-year period with the following years being inflated by CPI. The Council, therefore, has discretion over the setting of garage rents. The average monthly rent for a Council garage is currently £46.71. It is possible to set garage rents higher than those proposed in order to maximise income; however, significantly higher rents would likely make garages harder to let and, therefore, would reduce income. The garage rents have increased by 10% per year from April 2021. For 2023/24, a tenant's weekly charge increased on average by £1.08 per week from £11.96 to £13.04. Non-tenants also pay VAT on the charge, so VAT inclusive rates increased by £1.42 per week, from £14.23 to £15.65. There are a number of garages of non-conventional size which are charged varying rates - these rents were also increased by 10%.

A list of rent accounts, garage rentals, Right to Buys and Affordable Properties were collated through Active H. These were then investigated by the auditor to check that amendments had been capped in line with the thresholds agreed at Cabinet. Fourteen of the fifteen rent account properties had the charges capped at 7%. The remaining property was over the 7% cap by eleven pence. All rental increases were communicated to the tenants on the 28 February 2023, five weeks before the start of the new financial year. The ten garage properties sampled, were all appropriately capped at 10% - as agreed by Cabinet - and increases to the rent were communicated to the tenants on 27 February 2023. Right to Buy and Affordable Properties were capped at 7%, although one of these was charged under the 7% cap by twenty-eight pence; this is, however, negligible. Both the Right to Buy and Affordable Property rental increases were communicated to tenants on 28 February 2023.

The Council's social rents are 41% lower than the local average weekly market rent. This means that the Council's Housing service reduces the cost of living for tenants, allowing more money to be spent in the wider economy. Rent levels are reviewed each year by Members and following Cabinet approval, Active H is then updated with the new rents for the financial year by the BAT.

There are weekly charges in place for the heating, lighting, and water in Sheltered Accommodation. This covers Acorn Court, Tannery Court, Yeomanry Close, James Court, Chandos Court, and Radcliffe Gardens. Tenants are notified of these charges at the same time that they are notified of the annual rent increase. The total cost to the Council in 2023/24 has been calculated at

£323,181 for electricity, heating, lighting, and laundry and £37,352 for water. This will be recovered by being recharged to the tenants of applicable Sheltered Housing Schemes with the service charges.

The BSM checks that rent calculations are accurate as this forms part of the reconciliation process. If the expected income does not appear to be correct, then the Accountants inform the BAT that financial integration is inaccurate. 'Before' and 'after' listings are produced at each annual increase and checked by the Principal Accountant (Housing). IMOs also run their own debt reports to cross check against the automatically generated list, to ensure that no arrears are missed. If a tenant is waiting to hear back about a claim for Universal Credit, the account may be allowed to go into arrears of up to five weeks.

4.3 **Legal and Regulatory Risks**

4.3.1 **Potential Risk: Failure to comply with rent collection procedures.**

As the Council does not physically collect rent, there is no collection procedure in place. There is, however, a Monday and Friday process for the posting of charges and importing of payment files against the Active H rent accounts. The procedure notes contain step by step instructions on how to complete these tasks each week.

Recommendation – The Friday and Monday Process procedure notes should be updated to reflect job posts as opposed to officer names, as these refer to officers who no longer work for the organisation or who have transferred roles.

The LOM performs reviews to ensure that the correct procedures are being followed when calculating and collecting rent. Whilst there is no formal rent collection policy, there is a Rent Arrears Escalation Procedure in place which details the steps to be taken when collecting income.

4.3.2 **Potential Risk: Non-compliance with relevant legislation – Housing and Planning Act 2016; Welfare Reform and Work Act 2016.**

When procedures are updated, these are communicated to the Income Management team in briefings which take place every Monday. Template documents are also updated by the LOM to reflect procedural changes. It should be noted that legislation changes often and there is currently no Income Manager in post to monitor this.

Advisory – Consideration should be given to recruiting an Income Manager.

The Privacy Notice on the WDC website makes specific reference to the legal obligations under the Data Protection Act 2018, Homelessness Reduction Act 2017, Housing Act 1985, Local Authority Social Services Act 1970, Freedom of Information Act 2000 and GDPR. The Tenancy and Introductory Tenancy Agreements also refer to data protection and the Housing Act 1985. The Rent Arrears Escalation procedure refers explicitly to legislation, including the Homelessness Reduction Act. The Housing Data Retention Policy also refers to GDPR and the Data Protection Act 2018.

4.4 **Reputational Risks**

4.4.1 **Potential Risk: Dissatisfied tenants refusing to pay rent.**

Tenants can submit complaints through the Council website. Before making a complaint, tenants are encouraged to try to resolve the matter informally by talking to the staff they are dealing with on the query. Any complaints with rent arrears would be dealt with through the courts. The Council aims to investigate and report on complaints within twenty working days. However, there are certain complaints that will be prioritised, investigated, and reported on within five working days. These are:

- Homelessness, either currently or imminently.
- Children and young people up to 21 years of age (or 25 if disabled).
- Where the particular circumstances identify vulnerability and/or a need for urgency.

The stages of investigation are:

- Stage 1 – internally by an officer from the department the complaint is about.
- Stage 2 – if unhappy with the outcome of the stage 1 investigation, the complainant can ask the Chief Executive for an investigation by an officer from outside the department.

If unhappy with the conclusion of the stage 2 investigation, the complainant can progress the complaint to the Local Government & Social Care Ombudsman, Housing Ombudsman, or Information Commissioner. The majority of complaints will be because of dissatisfaction with a service, policy, or officer of the Council. This process is also used to investigate any allegations of discrimination by the Council, along with breaches of the Data Protection or Freedom of Information Acts.

A list of maintenance requests from November to December 2023 was collated through Active H. These were then investigated by the auditor to check that requests had been responded to in a timely manner, in order to prevent dissatisfied tenants from refusing to pay rent. In all fifteen cases tested, the maintenance works were started and completed on the same day.

The Tenancy Agreement clearly outlines the obligations and rights of the tenant. Security of Tenure means that tenants have the right to live in the property without interference as long as they do not break any of the conditions of the Tenancy Agreement. The Agreement also outlines the Council's responsibilities such as ensuring that the property is watertight and fit for occupation.

The Council may vary the rent and other charges without formal notice, although the tenant will be advised at least twenty-eight days before any increase is due. The tenant may terminate the tenancy at any time up to the date that the increase takes effect. If the tenant remains in the property after that date, they are bound by the new charges and all other conditions remain the same.

A list of new tenancies was examined by the auditor to check that tenants had been duly notified of forthcoming visits to the property. Tenants were notified of forthcoming visits in ten of the fifteen properties sampled. Twenty-four hours' notice should be given before a visit is made; this was the case on nine accounts sampled.

Advisory – Consideration should be given to reminding staff to notify tenants that a visit will be made to the property at least twenty-four hours in advance, where possible.

There are no formal methods through which tenants can provide feedback on their rent account. However, regular tenancy update visits are conducted quarterly in which tenants are given a platform to provide feedback. Tenants in arrears are also contacted every week by their IMO.

4.4.2 **Potential Risk: Failure to protect tenant data.**

Tenant data should be kept for a maximum of six years from the date of the end of the tenancy. A Housing Review of the Retention Policy was last performed on 12 September 2023 by the Project Officer. This policy is updated annually and describes the records that are kept by Housing Services, how long they should be kept for, and whether they are to be deleted or archived at the end of their retention period. The policy deals with all the records held by Housing Services but is principally concerned with those records that contain personal data.

As Head of Service, the Head of Housing Health & Communities is the Information Risk Owner and therefore responsible for ensuring that the records within their control are retained and destroyed in accordance with this policy. At the end of any retention period, it is important that records are destroyed securely. The policy contains specific data retention schedules for Housing Strategy and Development, Landlord Services, Housing Needs and Business Development and Change. Any rental documents, including tenancy files and rent payment records are to be kept in line with the Limitations Act 1980, for up to six years post tenancy. NSPs and arrears documentation is kept as long as the tenancy lasts. Legal court orders can be destroyed after six years if the debt has been cleared.

Former tenancies were examined by the auditor through a list of void properties collated on Active H. This test was performed to check that tenant data had been kept in line with the Data Retention Policy. As the Data Retention Policy states that tenant data should be destroyed after six years, tenancies that ceased prior to 2017 were investigated. It was found that in eighteen cases, the rental charges still showed on Active H and personal data, including tenant phone numbers, had been kept on fifteen accounts. Encouragingly, there were no tenant documents held on the DIP. There were, however, tenant-related diary notes kept on the accounts in fourteen cases. There were also tenant related documents still held on the old Document Management System in six cases.

Recommendation - Staff should be reminded to dispose of tenant data in line with the specified timeframes.

A Privacy Notice exists on the Council website, outlining the tenant's data rights. Information that the Council requires from tenants includes proof of identity, date of birth, contact details, details of household residents, employment details and proof of housing eligibility. Tenants are informed that information may be shared with other departments within WDC for purposes connected to the tenancy. Tenants are also offered the right to object to WDC using their personal information and are kept informed of how and why their data will be processed and stored.

4.4.3 Potential Risk: Changes to rent or the rent collection procedure not communicated to tenant.

There is a rent review process in place which aims to ensure that the correct rents are charged; this is done by the BSM. Changes to rental charges are distributed to tenants via letters. Where special arrangements are created, these are often agreed over the phone with the Income Management team. The BAT send letters to tenants where SPARs have been set up on Direct Debit.

The Principal Accountant confirms the rent increase annually. It is a two-stage process starting with the uprating of the rent on the property (a Rent Review) followed by updating the individual rent accounts (Account Review). This is done immediately after Cabinet agrees the change in order for the regulatory amount of notice to be given to tenants. WDC may increase (or decrease) the rent at any time, although this will only normally happen once a year; this is signposted to tenants in the Tenancy Agreement.

4.4.4 Potential Risk: Tenants struggling to meet rent demands not supported.

Rental changes are communicated to other teams across the Council including Housing and Benefits. The BAT informs the Benefits team of any predicted rent changes and then confirms the actual rent changes in April; benefit files have to be sent early so that the BAT can set up Direct Debit payments. The Housing department are also told when rents are updated; the Allocations team in particular have to be aware of rent increases, so that these can be communicated effectively to any incoming tenants.

A list of tenants in receipt of Universal Credit and/or Housing Benefit was provided by the BSM. These were then investigated by the auditor to check that amendments had been appropriately communicated to both the Benefits team and to the tenant. All fifteen cases had the benefit sum change on the 3 April 2023; this was communicated to the Benefits team on 7 February 2023 and all tenants sampled were informed of the change five weeks in advance of the increase. A list of tenants paying by Direct Debit was also collated through Active H and examined by the auditor to check that amendments had been appropriately communicated to the tenant. Any changes to Direct Debit should be communicated to the tenant ten days before the change takes place. This was the case for all ten accounts sampled.

There is a dedicated page on the Council website aimed at helping WDC tenants who are experiencing difficulties in paying their rent. There are Financial Inclusion Officers who can help maximise income and offer budgeting solutions; tenants are also signposted to Citizen's Advice. If income is reduced, tenants

can apply for Housing Benefit, and check their entitlement through the benefits calculator; some tenants may also be eligible for the Household Support Fund. There are several Council Income Recovery Officers whose details are signposted on the website. The Tenancy Agreement highlights that if tenants experience difficulties in paying their rent to contact the Debt Recovery Officer for their area.

Special arrangements can be made for tenants in particular circumstances. At any stage of the process, a payment arrangement can be made with the tenant to clear their arrears. Where tenants are unable to commit to payment arrangements due to financial pressures, an income and expenditure form should be completed. In these circumstances a temporary payment arrangement can be set up for three months.

A list of current arrears was inspected by the auditor to check that any special arrangements had been upheld by the tenant. Eight of the fifteen payment agreements made had been broken. No broken agreement letters were saved to Active H, although two cases did have a Breach of Possession Order issued to the tenant. In eleven cases, the tenant was warned of court action, with three of these being issued in the same week that the arrears episodes commenced. Four tenants were warned of court action within one month, three within two months and one within three months, although steps had been taken in between these timeframes to issue warning letters. Where tenants had failed to uphold the payment agreement, an income and expenditure form had only been completed in one of the eight broken agreements, although money advice support referrals had been made in three cases. All actions had been diary noted and where payment agreements had been upheld, five tenants had made timely repayments. All payment agreements had been confirmed with the tenant and diary noted, although only four of these had formal letters uploaded either to Active H or to the DIP.

Recommendation - Staff should be advised to issue broken agreement letters, where relevant.

Recommendation - Staff should complete income and expenditure forms where tenants have failed to uphold payment agreements due to financial difficulties.

Recommendation - Payment agreements should be confirmed in writing to tenants via text or email from the communications module on RentSense.

4.5 **Fraud Risks**

4.5.1 **Potential Risk: Lack of segregation of duties resulting in staff accessing their own accounts.**

Staff with rent collection duties are not responsible for housing benefit or debt recovery duties and they cannot alter rent amounts or issue credit. In terms of arrears management, there are dedicated 'managers patches'. Any officers who rent from the Council, or who have relatives renting from the Council, are placed into a 'manager's patch' to prevent them from dealing with their own accounts.

Housing employees are not permitted access to their own accounts on Active H but do have an online rent account which is accessible through the website.

4.5.2 **Potential Risk: Conflict of interest not declared.**

The LOM advised that, although declarations of interest are completed by staff upon commencement of their role, they are not required to annually sign these. It was previously the case that the Housing service specifically requested annual declarations of interest; however, it was decided that the Code of Conduct Form would be completed by new starters, in line with the Corporate policy.

4.5.3 **Potential Risk: Income due to the Council lost or misappropriated into alternative rent accounts.**

The general ledger is reconciled against the rent amounts charged to ensure that the money banked reflects the money due. Housing Benefit reports are similarly reconciled against housing rent reports to ensure that the expected figures match. The Expected Benefits Processor gives the total Housing Benefit figure from the text file provided by the Benefits team. Once run, the person undertaking the process opens the batch to check that the amounts match.

The BAT deal with any unallocated postings. These generally come from the suspense account where an incorrect rent account number has been provided by the tenant. Charges of this nature are checked on a daily basis by the BAT to ensure that they are posted to the correct rent account. Reconciliations are undertaken at the end of each rent collection period to ensure that all monies have been properly accounted for.

Prior to the audit, there was an issue highlighted by the Benefits team in which some Council tenants had a large amount of credit sat on their rent accounts. This opened up the possibility of fraud risk, as the credit is, in effect, hidden from those interested in the tenant's capital, such as the Benefits team and/or the DWP. A tenant with over £6000 in capital cannot claim Universal Credit or Council Tax Reduction. It was felt by the Benefits team that tenants should not be treating their rent accounts as savings accounts; there is currently no set limit of credit that can sit on the rent account. The BSM advised that the BAT do try to monitor this and refund tenants where possible to avoid credit build up. A list of accounts in credit was collated through Active H. These were then investigated by the auditor to check that the accounts had not reached a four-figure credit threshold. A total of forty-three accounts had four-figure credits sat on the rent accounts; twenty-six of these accounts were in receipt of Benefit. In nineteen cases, the tenant had been offered a refund and in four cases, the tenant was advised of the large credit, but no refund was offered.

Advisory – Consideration should be given to imposing a maximum amount of credit on tenant accounts.

Advisory – Consideration should be given to reminding staff to encourage tenants to have large credit amounts refunded to them where possible.

4.6 **Other Risks**

4.6.1 **Potential Risk: Loss of Active H system.**

RentSense have a Business Continuity and Disaster recovery programme that provides for the continued delivery of the RentSense software. The Application Support Analyst advised that Active H is also backed up using the standard IT backup strategy. Out-of-hours backups occur on a daily basis and all of the Council's central IT systems are backed up by the IT department.

Monthly backups are retained for a period of six months. However, the IT team is unable to recover data that is created between backup cycles. Therefore, any new data that is created during the working day is vulnerable to data loss, if a system failure occurs prior to the nightly backup routine. In such circumstances, Service Areas are reminded that it is their responsibility to have procedures in place to recreate any lost data.

The BSM advised that rental charges and Housing Benefit could still be communicated to the tenant in the event that Active H went down, as the annual rental fees import could be referred to. Backups are tested on a rolling monthly basis, and Active H is restored and tested throughout the year in the test VMware environment. The Housing Service has access to reports that can extract the balances of rent accounts; balances for most accounts are extracted and uploaded into RentSense on a daily basis. RentSense could also be used to find the balance of accounts if Active H was offline.

A list of rental accounts was collated through Active H. These were then investigated by the auditor to check that the system had been regularly updated and displayed all relevant account information. In all twenty cases, the payments received by the tenant for the rental charges were showing on the account. Payment arrangements were in place for eight of the accounts. Of the twenty cases sampled, fifteen accounts had arrears history, all of which were displayed. Repair bills, court costs and any costs for service provisions such as Lifeline, were displayed on nine of the relevant accounts.

5 **Summary and Conclusions**

5.1 Section 3.2 sets out the risks that were reviewed as part of this audit. The review highlighted weaknesses against the following risks:

- Risk 2 – Quarterly rent statements are not issued to tenants in arrears.
- Risk 4 – The Friday and Monday procedure notes are out of date.
- Risk 7 - Tenant data is not disposed of in line with specified timescales.
- Risk 9 – Broken Agreement letters are not issued; income and expenditure forms are not completed; payment agreements are not confirmed in writing or uploaded to Active H/DIP.

5.2 Further 'issues' were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted, as there is no significant risk attached to the actions not being taken.

5.3 In overall terms, therefore, we are required to give a degree of MODERATE assurance that the systems and controls in place in respect of Housing Rent

Collection are appropriate and are working effectively to help mitigate and control the identified risks.

5.4 The assurance bands are shown below:

Level of Assurance	Definition
Substantial	There is a sound system of control in place and compliance with the key controls.
Moderate	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited	The system of control is generally weak and there is non-compliance with controls that do exist.

6 **Management Action**

6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Housing Rent Collection – January 2024

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.2	Financial Risk: Failure to collect rent due in a timely manner/failure to chase arrears.	Staff should be reminded to issue quarterly rent statements in arrears cases, if this cannot be done automatically through Active H.	Low	Landlord Operations Manager	To be included on next team meeting agenda.	End of Feb 2024
4.3.1	Legal & Regulatory Risk: Failure to comply with rent collection procedures.	The Friday and Monday Process procedure notes should be updated to reflect job posts as opposed to officer names, as these refer to officers who no longer work for the organisation or who have transferred roles.	Low	Business Support Manager	Procedure to be reviewed and updated.	Completed.

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.2	Reputational Risk: Failure to protect tenant data.	Staff should be reminded to dispose of tenant data in line with specified timeframes.	Low	Business Development & Change Officer	This is an area of ongoing development. A retention period for the DMS has been agreed with the various Housing teams. The Business Development and Change Officer is working with IT to build a framework which can be applied to these retention rules and run automatically. Currently, there is no practice to delete, redact or anonymise data in Active H. There are, however, possibilities to introduce data disposal methods which could run automatically on a nominated schedule. This is something that the BD&C Team would be looking to progress in 2024/25.	August 2024
4.4.4	Reputational Risk: Tenants struggling to meet rent demands not supported.	Staff should be advised to issue broken agreement letters, where relevant.	Medium	Landlord Operations Manager	To be included on next team meeting agenda.	End of Feb 2024
		Staff should complete income and expenditure forms where tenants have failed to uphold payment agreements due to financial difficulties.	Medium	Landlord Operations Manager	To be included on next team meeting agenda.	End of Feb 2024

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
		Payment agreements should be confirmed in writing to tenants via text or email from the communications module on RentSense.	Medium	Landlord Operations Manager	To be included on next team meeting agenda.	End of Feb 2024

* The ratings refer to how the recommendation affects the overall risk and are defined as follows:

- High: Issue of significant importance requiring urgent attention.
- Medium: Issue of moderate importance requiring prompt attention.
- Low: Issue of minor importance requiring attention.