

1. Audit Summary – Housing Rents

Background and Context

- 1.1 The Council owns approximately 28,000 domestic properties and collects rents due from tenants of approximately £116m (before benefits) through Housing and Landlord Services (HLS). HLS have experienced changes, both historically and more recently, in its senior management and Covid 19 made service delivery challenging over the last year. In relation to this audit, it has particularly impacted arrears recovery as the Council adapted approaches to support communities during the pandemic.

Scope and Objectives

- 1.2 The objective of this audit was to review whether sufficient procedures and controls are in place to effectively manage and monitor housing rents collection. Additionally, to assess the extent to which matters raised in a previous Internal Audit Report (2019) have been addressed. Specifically, the scope of the review included:
- Assessment of the internal controls within the Civica Housing Management System and the extent to which Civica is being used
 - Review of income collected, methods of collection and reconciliation to rent accounts and the accounting system
 - Review of policy and guidance to staff
- 1.3 The review excluded detailed work on collection of current and former tenants' arrears as arrears recovery approaches have been relaxed due to the Coronavirus pandemic.

Audit Opinion

- 1.4 Internal Audit has provided a '**Limited Assurance**' opinion on the adequacy and effectiveness of processes and systems for raising and collecting Housing Rents.

Key Messages and Findings:

- 1.5 Internal Audit noted the progress to date in developing Tenancy Services; most notably formal approval of a Rent Setting Policy and Rental Income and Arrears Management Policy by HSLT on 23 April 2021 is a significant advance. The rent setting process includes a reconciliation of rentals due year on year to give assurance that correct rents are charged. However, detailed procedure notes had yet to become available and staff were not sufficiently aware of their responsibilities and duties.
- 1.6 Arrears had increased to around £14.5m (from £12.4m in July 2019). Internal Audit recognise that legal restrictions placed on landlords to not have legal recourse to pursue arrears under COVID-19 will have contributed to the increased arrears.
- 1.7 There are significant and increasing credit balance on the accounts of current and former tenants which distort collection figures and were not being actively managed. At the time of the audit current tenant accounts were showing credit balance of £3.2m. Former tenant credit balances of circa £382K were also recorded.
- 1.8 Staff access to the Civica CX system was examined. The set-up of roles and functions to restrict access is very complex and audit staff were not fully able to confirm that access is logically restricted and correctly applied.
- 1.9 Processes for service charges and heat re-charges require review to ensure they are compliant with regulations.

Management Response

1.10 In concluding the audit report, management have agreed the following improvement actions including:

- A review will be completed to ensure future compliance with service charging and heat recharging regulations
- Staff awareness of the rent related policies will be raised and the rent setting process will be finalised and implemented to include clear roles and responsibilities and a procedure for dealing with discrepancies. Management have committed to raise awareness through a series of team meetings, webinars, 1:1 meetings and team news feeds. This will cover income collection procedures.
- The rent review model will be provided to the Housing Systems team to ensure they use the most up to date model. New builds will also be dealt with in a timely way.
- A managed and prioritise approach to tackling the issue of credit balances will be developed.
- A review of Civica system logical access will be completed to simplify were appropriate and ensure access levels are understood and appropriate.