



Internal Audit

FINAL

## Dacorum Borough Council


Assurance Review of Housing Rents

2023/24

July 2024

## Executive Summary

**OVERALL ASSESSMENT**



**ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE**

Failure to charge the correct level of rent and to avoid over charging tenants.

**SCOPE**

This audit will focus on Tenant arrears and ascertain if the Council’s rent processes are in alignment with its policies and procedures. It will examine the systems and processes the council has in place to ensure housing rents and arrears are in accordance with its KPIs. The review will also provide management with assurance that the systems of control in respect of Council House Rent is operating adequately and being consistently applied.

**KEY STRATEGIC FINDINGS**

- The KPI report to the Housing and Community Oversight Committee did not match the figures shown in the Performance Scorecard covering the same period in one example tested.
- Procedures provided were satisfactory but had limited version control not covering date of next review or who they were reviewed by.
- 'Rent Arrears and Write Off Policy' and the 'Rents and Other Charges Policy' don't state who approved them or date of next review. The 'Rents and Other Charges Policy' also had links to now out of date information.

**GOOD PRACTICE IDENTIFIED**

- A focus on early intervention and support for tenants rather than escalation to court has significantly reduced court costs relating to arrears.
- Four rent free weeks are provided to tenants throughout the year, this leaves tenants in better financial standing to pay rent/arrears whilst also improving tenant relations.

**ACTION POINTS**

Urgent	Important	Routine	Operational
0	0	1	2

## Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Delivery	The Performance Scorecard for Housing and Community Oversight Committee covering December notes that there had been two evictions due to arrears in that period, yet the KPI report provided for February 2024 that details the previous 12-month actuals notes that there has only been one eviction for rent arrears. As these numbers don't align it raises concerns over the accuracy of the information recorded within KPIs.	Review monitoring arrangements for evictions due to arrears, assess the correct numbers and update any performance reporting accordingly.	2	<i>The KPI reports run were updated, and end of year figures were sent through because of this. Dacorum are focused to improve KPI reports in the coming 12 months, ensuring robust data quality – which aligns with external benchmarking standards and internal reporting requirements. This will help highlight and eliminate any additional issues for future reference.</i>	<i>12 months ensuring robust data captured. Immediate start/continuation of reporting on correct figures.</i>	<i>Raj Patel – Rent &amp; Income Manager</i>

PRIORITY GRADINGS

**1** **URGENT** Fundamental control issue on which action should be taken immediately.

**2** **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3** **ROUTINE** Control issue on which action should be taken.

## Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	The provided procedures note which version they are and when they were last reviewed, all have been reviewed within the past three years, but they do not state who they were reviewed and approved by or the date of next review.	Expand the version control for the procedural documents to include a date for next review and who they have been reviewed and approved by.	<p><i>Our policies and procedures have the version numbers included as these go through a systematic approval chain for instance with the policies: Service Manager – Head of Service – Assistant Director – Strategic Director/SLT – Committee / council leaders. Following feedback, the opportunity will be taken to consider a review of this approach corporately.</i></p> <ul style="list-style-type: none"> <li><i>As reflected in the outcome of this year’s audit, the Housing Income team will continue to imbed any relevant recommendations and ensure services provided are to the highest standards and compliant with relevant legal frameworks.</i></li> </ul>
2	Directed	The 'Rent Arrears and Write Off Policy' and the Rents and Other Charges Policy don't have version control to state date of approval, who by, and the date of the next review. The 'Rents and Other Charges Policy also stated that it hadn't been reviewed in five years, some links within the policy are now outdated, such as the link to the Corporate Plan 2015-2020 and the outdated Tenants Handbook.	<p>Review the Rents and Other Charges Policy to ensure any outdated information is updated to match current practices.</p> <p>Amend the 'Rent Arrears and Write Off Policy' and 'Rents and Other Charges Policy' to include version control.</p>	<p><i>As above, our policies and procedures have the version numbers included as these go through a systematic approval chain for instance with the policies: Service Manager – Head of Service – Assistant Director – Strategic Director/SLT – Committee / council leaders. Following feedback, the opportunity will be taken to consider a review of this approach corporately.</i></p> <ul style="list-style-type: none"> <li><i>As reflected in the outcome of this year’s audit, the Housing Income team will continue to imbed any relevant recommendations and ensure services provided are to the highest standards and compliant with relevant legal frameworks.</i></li> </ul>

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

## Findings



### Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	<b>Governance Framework</b> There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	1 & 2
RM	<b>Risk Mitigation</b> The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	<b>Compliance</b> Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	-	-

### Other Findings



There is a 'Rent Arrears and Write Off Policy' currently in place. It was last reviewed in November 2022 and is available via the council's website. The policy outlines what happens in cases of arrears and the tenant's responsibilities in relation to the process. It applies to current and former tenant arrears, rechargeable works debts, service charge debts, and any other debts related to the Housing Service. The policy also lays out the legislative frameworks which guide the policy and procedures, along with links to other related documents such as the Tenancy Agreement and Rents and Other Charges Policy.

The 'Rents and Other Charges Policy' was last reviewed in 2019 and is also available via the council's website. It outlines the council's approach to setting and collecting rents for properties managed by the council in line with government policy and highlights a range of payment methods available to tenants. Like the arrears policy the relevant legislative frameworks are included along with links to related strategies and policies.

The implementation of these rent policies is aided by internal documents which provide flowcharts detailing procedures relevant to housing rents. All had been revised or introduced within the previous two years. These cover the rent arrears procedures for different types of tenants such as, introductory, former, deceased, and secure/flexible. Further procedures provided covered escalation to court, eviction, and review of introductory tenancies.



The Tenants Handbook for DBC has been revised and split into various 'factsheets' available via their website. The website states that the factsheets are downloadable as PDFs and have replaced all previous paper editions of the Tenants' handbook.

## Other Findings

The section covering rent mentions that tenant's failure to pay rent can lead to loss of their home and notes the importance of contacting the council should they experience difficulty paying rent, in order to provide support where possible.



There is a Housing Operations Risk Register including relevant risks related to rent which encompasses failure to charge the correct level of rent, and failure to collect rent both of which are vital operations within housing rents. These risks and their mitigations are monitored and reported to the Overview and Scrutiny Committee. The mitigations in place state that annual reviews via audit process focussed on rent procedures and formal approval of rent charges take place. The comments note that current collection processes are being managed effectively yet they continuously aim to improve with further review and action plans formed to close any potential gaps within income generation via rents. These actions are important for maintaining public trust, ensuring compliance, and strengthening financial performance.



A master spreadsheet for arrears monitoring is kept and updated by the council weekly displaying all arrears and arrears related costs. April 2023 to March 2024 data was provided. This data was reviewed to assess any key concerns or trends. It is worth noting that these costs have risen across the board, yet this is expected to an extent due to changes with the cost of living, growing population and cuts to benefits systems. This is further evidenced by the Housing and Community Overview and Scrutiny Committee, where they concluded that changes to the benefits system are leading to tenants who are under occupying their homes falling into arrears and potentially put their housing at risk as they are unable to meet rent which is not eligible for benefit assistance.

Detailed graphs can be seen on the Arrears Monitoring Overview Tab. Findings were as follows:

**Current Tenant Arrears** - The total began at £2.15 million in April, this steadily escalated until December where it fell from £2.97 at the beginning of the month to £2.24 million, after which it began to slowly increase again but at a slower pace than before. The Rent and Income Manager noted this was due to rent free weeks provided by the council, there are four throughout the year, two of which are the weeks leading up to Christmas.

**Former Tenant Arrears** - The amount of former tenant arrears saw minor fluctuations throughout the year, yet it began and ended the financial year at approximately £383,000. This stability suggests effective management of arrears post tenancy.

**Introductory Tenant Arrears** - These arrears began at £43,000 and saw some volatility throughout the year rising to £72,000 by December but dropping back down to £45,000 by the end of the month, once again highlighting the impact of the rent-free weeks in managing escalating arrears costs.

**Court costs** - Court related costs for both current and former tenants have steadily declined over this period, current falling from £43,000 to £36,000 and former from £21,000 to £17,000. Although this decrease in costs is minor comparative to the totals in arrears seen with current and former tenants it does suggest effective early intervention or support strategies that prevent escalations to legal proceedings. This was confirmed in discussions with the Housing Rents Team where they note a focus on avoiding court as it can harm public appearance and often leads to costs higher than that of what is owed to the council.


**Recharges** - Recharges for both current and former tenants have remained somewhat steady but have seen slight increases, as expected due to the impacts of cost of living and population increasing. Current tenant recharges rose from £54,000 to £66,000 and former from £124,00 to £134,000.


**Support-related Costs** - Like court costs, compared to arrears these costs become insignificant, however they did remain between £9,000 and £14,000 throughout the year varying from week to week, dependant on the support required and provided.





A sample of ten accounts of current tenants with arrears was selected for a more detailed review. Benefits had been applied correctly to rents where applicable. Income Officers had contacted tenants regarding arrears, and followed up with further notifications or escalations when contact couldn't be made. Payment arrangements were offered where appropriate and adhered to. None reviewed had escalated to court, although one did receive a court letter, which followed procedure. Communication and management with tenants in arrears were found to be satisfactory across the board.

## Other Findings


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To assess the management of former tenants with arrears a sample of five were selected to review practices in collection from former tenants. All five had been referred to Jacobs, the council's debt agency as per procedure. Three of which had been written off due to the debt being deemed uncollectable, when this occurs the reasoning is reviewed by a Rent and Income Lead Officer. Debts being uncollectable occur for a variety of reasons such as the former tenant declaring bankruptcy, has no assets or income, or the cost of collection exceeds the value owed. The other two former tenants had had repayment arrangements made via Jacobs, one of which has fully paid off their arrears and the other had significantly reduced them and is up to date on payments.
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The council implements a debt respite scheme known as 'Breathing Space' which allows for a 61-day suspension of accounts to avoid enforcement actions being taken on accounts identified as unable to meet debt obligations. The procedure states that a tag must be put on the account within their system titled 'BRSPCE UDC' and the suspension is to last 61 days no longer. Review of five tenants that had been given Breathing Space identified that all had had the relevant tag put on their accounts and the suspensions were all set for 61-days.
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When tenants are referred to Jacobs due to arrears the procedure requires that the tenants are contacted prior to this with an FT1 letter as per procedures provided. Review of five tenants who had been referred to Jacobs revealed these letters had been sent and in cases even further contact attempted to aid in a resolution prior to referral to Jacobs. Consistent preliminary contact suggests a structured approach to debt recovery that respects the tenant's circumstances and provides opportunities for resolution.
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Every working day reports are collated by the Housing Team from the Orchard Housing System and is sent to the Finance Team via email. The Finance team then reconciles individual reports (cash, rent refund, debtor, and rebate) to the 'Unit 4' finance system's and to the cash receipting system which comes directly from the council's bank statement, for Cash reconciliation to ensure figures reconcile.

The Unit 4 reconciliations monitoring spreadsheet was provided to evidence the monitoring and consistency of reconciliations, 6-months of data was provided covering cash, rent and debt reconciliation. To further evidence accuracy of reconciliations, three random dates were selected to view whether the daily reconciliation had been completed correctly, all three dates revealed satisfactory practices.
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The council maintains a strong protocol for managing write-offs, involving approval by multiple levels of management including the Housing Income Manager, Assistant Director to the Head of Housing Operations, Head of Housing Operations, and the Chief Finance Officer. To evidence this review and approval had taken place the write offs for Q3 and Q4 were examined, and the signatures associated were provided. There were 76 write offs in Q3 totalling £96,194 and 86 in Q4 totalling £140,890. These final amounts had been reviewed and approved by all roles listed (see Write Offs tab).
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The previous audit provided two recommendations to the council. The first was due to sampling of rent arrears account where one account was found to have not followed procedure, the response from management was that they now sample cases to confirm they are in line with procedures. None of the arrears testing highlighted issues within current or former tenant arrears.

The second recommendation was to send former tenants arrears reports to Jacobs at defined intervals as previously there was no set timescales. The Rental Income Officer now reviews and updates the former tenant's spreadsheet on a weekly basis which is then sent to Jacobs on a bi-weekly basis, this is detailed in the Former Tenant Arrears Procedure.
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Year to date arrears monitoring overview was provided this covers all types of tenant's arrears, supporting costs, court costs and recharges. The information within the Year-to-Date monitoring overview was compared with the weekly arrears statistics reports created, as a check for accuracy of data recorded in the primary log for arrears monitoring. Three weeks worth of statistics reports were compared with the correlating weeks in the arrears monitoring, all amounts aligned.



**Delivery Risk:**

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	<b>Performance Monitoring</b> There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Partially in place	1	
S	<b>Sustainability</b> The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	<b>Resilience</b> Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	Out of scope	-	-

**Other Findings**



KPIs are reported to the SLT and Housing and Community on a monthly or quarterly basis dependant of the indicator. Relevant KPIs from April 2023 through March 2024 were reviewed. Current rent arrears as a percentage of annual debit have a target of 4% anything below is suitable, the end of year KPI report revealed the average for the year to be 3.78%. The report also detailed rent collected as a percentage of rent owed has a target of 99%, the average for the year was 99.65%. Additionally, the number of evictions due to arrears in period (Quarterly) which has no target was noted as two in the December KPIs, and none over January or February.



Reports on rent arrears are reported monthly to the SLT and H&C OSC (Housing and Community Overview and Scrutiny Committee). However, they are reviewed and monitored quarterly by the Housing & Communities Overview and Scrutiny Committee; Finance and Resources Overview and Scrutiny Committee; and the Strategic Planning & Environment Overview and Scrutiny Committee.



## Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

## Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

## Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

<b>In place</b>	The control arrangements in place mitigate the risk from arising.
<b>Partially in place</b>	The control arrangements in place only partially mitigate the risk from arising.
<b>Not in place</b>	The control arrangements in place do not effectively mitigate the risk from arising.

## Assurance Assessment

4. The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
<b>Limited Assurance</b>	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
<b>No Assurance</b>	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

## Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

## Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
<b>Audit Planning Memorandum:</b>	7 <sup>th</sup> March 2024	11 <sup>th</sup> March 2024
<b>Draft Report:</b>	16 <sup>th</sup> June 2024	26 <sup>th</sup> June 2024
<b>Final Report:</b>	5 <sup>th</sup> July 2024	

# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Dacorum Borough Council		
<b>Review:</b>	Housing rents		
<b>Type of Review:</b>	Assurance	<b>Audit Lead:</b>	JT - Auditor

<b>Outline scope (per Annual Plan):</b>	<p>This audit will focus on Tenant arrears and ascertain if the Council’s rent processes are in alignment with its policies and procedures. It will examine the systems and processes the council has in place to ensure housing rents and arrears are in accordance with its KPIs. The review will also provide management with assurance that the systems of control in respect of Council House Rent is operating adequately and being consistently applied.</p> <p>This review will cover the following key areas:</p> <ul style="list-style-type: none"> <li>• Governance of the Housing rent and arrears (i.e. related policies and procedures) and its compliance.</li> <li>• Rates of tenant’s arrears against the Council’s KPIs.</li> <li>• Sample check 10 tenant arrears to ensure arrears are adequately and effectively managed.</li> <li>• Aged debtors and write offs processes are adequate.</li> <li>• Reconciliation of payments received from tenants.</li> <li>• Rents due are being collected and promptly allocated to the correct rent accounts.</li> <li>• Benefits awarded are being properly allocated to the correct rent accounts; and</li> <li>• Case records provide a management trail and complete case history.</li> </ul>		
<b>Detailed scope will consider:</b>	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Sustainability: The impact on the organisation's sustainability agenda has been considered.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
<b>Requested additions to scope:</b>	(if required then please provide brief detail)		
<b>Exclusions from scope:</b>	N/A		

<b>Planned Start Date:</b>	07/03/2024	<b>Exit Meeting Date:</b>	09/05/2024	<b>Exit Meeting to be held with:</b>	Raj Patel (Rent and Income Manager) and Oliver Jackson (Head of Housing Operations)
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### SELF ASSESSMENT RESPONSE

<b>Matters over the previous 12 months relating to activity to be reviewed</b>	<b>Y/N (if Y then please provide brief details separately)</b>
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N