

TITLE Update on internal audit of Housing Rents

FOR CONSIDERATION BY Audit Committee on 6 February 2019

WARD None Specific

DIRECTOR Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

To provide assurance on the internal controls associated with rent collection.

RECOMMENDATION

That the Audit Committee note the update.

SUMMARY OF REPORT

The internal audit of Housing Rents concluded with a level 3 assurance which means there were weaknesses identified in the systems of internal control.

The Audit Committee has received a number of updates as part of the quarterly internal audit update report but, in this case, has asked for specific details on the latest position.

The report shows the progress made to date with a generally positive direction of travel.

Background

The Housing Rents team have been providing monthly reports to the Tenant and Landlord Improvement Panel (TLIP). These reports include details of current and former rent arrears and progress against the target to reduce arrears as a percentage of annual debt to 2% by the end of 2019/20.

The December 2018 report to TLIP shows that current tenant arrears have fallen from £736,186.88 (as at January 2018) to £690,190.59 (as at November 2018). Current tenant arrears as a % of total debt have reduced from 4.53% (as at April 2018) to 4.16% (as at Nov 2018).

At Sunday 6 January 2019, current tenant arrears were £728,564.58 (arrears as a % of total debt were 4.38%). The slight increase compared to November 2018 reflects that:

a) social housing landlords see an increase in December that is traditionally a month that puts financial pressure on many residents, and

b) £28,381.29 of Alternative Payment Arrangements (being Housing Costs paid direct to Wokingham Borough Council from the Department for Works and Pensions) for Universal Credit paid in arrears, were received on Thursday 3 January 2019, but were credited to rent accounts the following week so were not included when calculating the Sunday 6 January 2019 current tenant arrears.

The former tenant arrears amount has increased from £181,208.63 (as at March 2018) to £234,238.44 (as at Nov 2018). The Interim Rental Income Manager has explained the reason for this and that £110,706.76 of this debt has been referred to tracing/collection agencies:

'The former tenant arrears debt has increased that is reflective of when rent accounts end, some will have debt. So far in 2018/19, we have averaged 16 accounts ending each month that has included some accounts ending following eviction for non-payment that have high debts.

During 2018/19, we have provided two separate amounts of former tenant debt to a tracing/collection agency being total debts of £71,816.92 (70 different accounts) and £38,889.84 (14 different accounts). Any debt that is not collected and is not considered economic to continue to pursue, will be considered for write-off. Therefore, while the former tenant debt has increased, we are being pro-active in seeking to reduce the debt.'

The Interim Rental Income Manager has also confirmed that the process for sending out bulk reminder letters (that was one of the three remaining audit recommendations) is now fully automated.

Audit Conclusion: The figures show a fairly consistent trend of reduction in current tenant arrears. Although former tenant arrears have increased, the debt is being actively managed and all necessary steps are being taken before the debt is considered for write off.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Nil	Yes	Revenue
Next Financial Year (Year 2)	Nil	Yes	Revenue
Following Financial Year (Year 3)	Nil	Yes	Revenue

Other financial information relevant to the Recommendation/Decision
None

Cross-Council Implications
None

List of Background Papers
None

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