

Committee: Housing Board

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Title: Update on Rent Setting

**Report
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Summary

1. This report updates Housing Board on the conclusion of the Rent Setting issue, as self-referred to the Regulator of Social Housing on 19 December 2022.
2. The decision to self-refer was made following the commissioning of a specialist rent audit company, Altair, by UDC and subsequent identification by Altair that UDC was in breach of the regulatory Rent Standard, principally on the basis that the incorrect CPI metric was applied when setting the annual rent increase in both 2021 and 2022. (Subsequently other additional errors were identified, during the process of re-setting the rents to the correct amount and these errors occurred pre-2021, being due to the incorrect bedroom size being documented).
3. Following the council's self-referral to the Regulator of Social Housing the rents were adjusted to take into account the various errors which led to UDC being in breach of the Rent Standard.
4. The errors relate to overcharges across the entirety of the housing stock. The quantum of the errors is set out in more detail below; however the total value of the overcharges was £162,965.85
5. This report provides an update to Housing Board on the actions which have been taken since February 2023, and measures which have been put in place to reduce the likelihood of such errors occurring again. The key piece of work carried out to mitigate the risk going forward is the production of a Rent Setting Sign-off Procedure.

Recommendations

6. Housing Board is asked to note the updates provided.
7. Housing Board is asked to approve the adoption of the Rent Setting Sign-Off Procedure.
8. Housing Board is asked to note that UDC will be updating the Regulator of Social Housing once the Rent-Setting Sign-Off Procedure has been adopted. (please see further comments on this in the body of this report).

Financial Implications

- 9. The total value of the overcharges was £162, 965.85 Of this, £151, 468.27 was due to the incorrect CPI metric being applied as part of the annual rent setting process. The remaining £17,878.86 was due to incorrect bedroom sizes being recorded on the housing management system and this includes some dating back to before 2021.
- 10. The overcharges have now been credited to rent accounts or have been addressed via HB/UC.
- 11. There are no new financial implications to consider at this stage.

Background Papers

- 12. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report:
 - Letter of Self-Referral to the Regulator of Social Housing dated 19 December 2022
 - Report by Altair, Rent Setting Review, dated December 2022, received from Altair on 19 January 2023.
 - Report by Altair, Service Charge Review, 28 March 2023
 - Rent Setting Sign Off Procedure (draft) September 2023
 - Cabinet Report ‘Housing Issues’ 22 December 2022

Impact

13.

Communication/Consultation	There has been communication with tenants affected by this issue to inform them about the errors and subsequently to inform them of arrangements for return of funds to them/their rent accounts.
Community Safety	There are no impacts in relation to the wider community.
Equalities	There are no specific impacts.
Health and Safety	There are no specific impacts.
Human Rights/Legal Implications	The Rent Standard is a Regulatory Requirement, and the Council is required to set rents in line with statutory guidelines set out annually by Government.
Sustainability	There are no specific impacts.

Ward-specific impacts	All wards
Workforce/Workplace	There are no specific impacts.

Situation

14. Having commissioned an independent audit of rent setting in the autumn of 2022, the council was found to be in breach of the statutory Rent Standard, on the basis that the incorrect CPI formula had been used when calculating the annual rent increase for the years 2021-2 and 2022-3.
15. As is the requirement by the Regulator of Social Housing (RSH), UDC Self-Referred itself to RSH on 19th December 2022. In the Self-Referral letter, the Council set out the steps it would take to put the issue right. These steps included adjusting the rent charges to the correct amount, in line with the Rent Standard, communicating the issue to tenants, creating a new Rent Setting Policy and Rent Setting Sign-Off Procedure to put in place new controls to prevent the issue recurring, contacting former tenants who had been affected and liaising with the housing benefit teams and with DWP re Universal Credit.
16. Peter Holt presented a report to Cabinet on this, and other housing matters, on 22 December 2022.
17. Angela Knight, working with Adrian Webb and the Revenues Team have now completed all work on identifying the overcharges, adjusting rent accounts accordingly and ensuring that the correct rents are now set. During this process it was identified that in addition to the CPI issue during the annual rent increase process, eleven homes had incorrect information regarding the number of bedrooms and as such, they had also been overcharged.
18. Following the self-referral, UDC met with a representative of the Regulator on 3rd February 2022, who explained that RSH would be back in touch as they would be gathering more information on which to base their decision as to the next steps and whether UDC would be served a Regulatory Notice. RSH identified the information which would be requested. This included:
- Total quantum of the overcharge across all tenants (£162, 965.85)
 - The range of overcharge sums per tenant (16 pence to £2879.53 – note that if the pre-2021 bedroom size related overcharges are removed, the highest refund amount per tenant is £589.85)
 - The average refund per tenant (£53.73)
 - Whether any tenants were evicted as a result of rent arrears in relation to the overcharge (to which the answer is no)
19. Over past months colleagues across the Housing Management Team, Revenues Team and Finance Team have met to re-engineer internal processes for setting rents and applying the annual rent process. During a series of workshops, the potential areas for failures were identified during a

session entitled 'what can go wrong'. The following were identified as potential points of failure:

- Wrong CPI metric applied in the annual rent increase process
- Wrong rent type – social (formula)/affordable
- Incorrect information on properties e.g., bedroom size when homes are re-let
- Incorrect keying of values when inputting data on rents
- Wrong information relating to rents on property adverts when advertising on choice-based lettings scheme
- Wrong information on offer letters
- Wrong information on tenancy agreements
- Incorrect information flow re Housing Benefit
- Failing to meet statutory timescales for sending rent increase letters to tenants

20. To mitigate these risks, a series of business process flow charts were designed, with each incorporating a new 'Rent Setting Sign Off' process, whereby at key stages in each of the various rent setting processes, another colleague is responsible for checking and signing off calculations and documentation pertaining to the letting of new homes. This has all been encompassed in a new Rent Setting Sign Off Procedure, **Appendix A**. The Rent Setting Sign-off Procedure also includes new assurance systems, whereby Corporate Management Team (CMT) receive an annual report after the annual rent increase process. There is also provision for escalation to CMT where errors come to light outside of the sign-off process.
21. The matter of the Rent and Service Charge Policy is outstanding. Altair, as part of their assignment for the Council recommended that the Council's policy be updated and have provided a model Policy for the Council. This is under review by the Finance Director, in consultation with the Director, Housing, Health and Communities. It is recommended that the Council updates this and gains approval as required by the Council's Constitution at the earliest opportunity.
22. It is further recommended that the Council writes to the Regulator of Social Housing to update them, this will be completed by the end of December 2023. However, it is recommended that before doing this, both the Rent Setting Sign-off Procedure and Rent and Service Charge Setting Policy are ratified by CMT.
23. For further assurance, an internal audit of Rent-Setting will take commence in Q3 2023, to ensure that the newly adopted Rent Setting Sign-Off Procedure is embedded.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Further errors/breach of the Rent Standard occurs.	1	4	Rent Setting Sign off Procedure approved and implemented
Reputational risk – having had to communicate with residents the previous errors, any future errors will have a significant reputational impact	1	3	Rent Setting Sign off Procedure approved and implemented
Financial risk as a result of future errors	1	3	Rent Setting Sign off Procedure approved and implemented

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.