

FROM: Audit and Risk Manager

TO: Head of Housing and Property Services

C.C.: Chief Executive
Head of Finance
Housing Strategy and Development Manager
Private Sector Housing Manager
HAT Project Manager
Senior Housing Standards Officer

SUBJECT: Private Sector Housing Grants

DATE: 14 August 2015

1 **Introduction**

- 1.1. In accordance with the Audit Plan for 2015/16, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2. Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 **Scope and Objectives of Audit**

- 2.1. The purpose of the audit examination was to report a level of assurance on the adequacy of systems in place for administering grant aid to private sector households economically, efficiently and effectively in accordance with relevant legislation and Council policies as applicable.
- 2.2. The examination comprised an evidential risk-based evaluation of the structures and processes in place for administering private sector housing grants and loans. This included an overview of project and partnership governance in respect of the Housing Assessment Team (HAT) pilot.
- 2.3. The review considered evidential material covering:
- § policies and procedures
 - § roles and responsibilities
 - § monitoring and review
 - § information assurance.
- 2.4. The findings are based on consultations with staff involved in the processes examined and reference to relevant documentation and records. This included testing for compliance with established procedures on a sample basis and other control testing using data extracted from the grants computer system and the corporate financial management system.

- 2.5 The principal contacts for the audit were Mark Lingard (Private Sector Housing Manager), Debbie Cole (HAT Project Manager), and Ian Jackson (Senior Housing Standards Officer).

3 **Recommendations from Previous Report**

- 3.1 The current position in respect of the recommendations from the audit reported in January 2013 is shown below:

| Recommendation | Management Response | Current Status |
|--|--|---|
| A formal method should be established for the charging of fees for each grant, with documentation being subsequently included in grant files to show how the figure for each grant has been calculated. <i>(Low risk)</i> | A formal review of the charging policy on all grant and loan programmes is planned for January to May 2013. | A simplified fee policy has been adopted based on 15 per cent of the cost of works in each case. The fee is treated as income to the Private Sector Housing Team after external professional fees payable have been deducted. |
| Efforts should be made to ensure that all relevant documentation is placed on file. <i>(Low risk)</i> | The importance of file documentation and management will be emphasised in writing to all staff and monitored by random quality assurance checks. | A more comprehensive checklist has been devised underpinning procedures for the HAT in processing Disabled Facilities Grants. Brief testing has shown no issue with other relevant grants. |

4 **Findings**

4.1 Background

- 4.1.1 At the time of its enactment, the Housing Grants, Construction and Regeneration Act 1996 set out a range of grants that qualifying households are entitled to receive towards home repair and adaptations work. After subsequent amendments, only one of those grants now remains mandatory to local authorities under the Act – disabled facilities grant (DFG).
- 4.1.2 Under the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002, local authorities have discretionary powers to provide grants and other types of assistance towards improving living conditions for owner occupiers and private sector tenants (including the supplementing of mandatory DFG with discretionary grant in certain cases). These powers are conditional on each respective the local authority adopting and publicising a clear policy on such assistance.
- 4.1.3 In monetary terms based on 2014/15 outturn, DFG (mandatory and discretionary together) accounts for around 92 per cent of grant paid among the range of relevant grants offered by Warwick District Council and has therefore been the primary focus for this examination.

- 4.1.4 DFG is also distinguished from the other grant types by being administered under a multi-agency organisational structure implemented currently as a pilot project, which in turn is a product of a wider programme to develop a Home Improvement Agency for Warwickshire.
- 4.1.5 Basically, a Home Improvement Agency (HIA) is defined as a not-for-profit organisation that assists people in their own homes that are elderly, disabled or on a low income in repairing, maintaining or adapting their homes enabling them to continue to live as independently as possible. The form of these HIAs varies across the country, as does their geographical composition. In Warwickshire, a multi-agency collaborative approach using existing service providers has been adopted to cover the County area. An Executive resolution in 2009 approved in principle the engagement of Warwick District Council in the development of the Countywide HIA.
- 4.1.6 The latest manifestation of this process is the South Warwickshire Housing Assessment Team (the 'HAT' previously referred to) which began its operations in November 2013. The Team is based with Warwick District's Private Sector Housing function at Riverside House, but is made up of officers of employed variously by Warwickshire County Council and Stratford-upon-Avon District Council with Warwick District staff having primarily managerial and technical input.
- 4.1.7 At the time of this report the HAT still officially operates on a pilot basis with a remit limited for the time being to providing a joined up adaptation support service to disabled residents in the two District areas irrespective of their tenure. Administration of DFG forms part of that remit.
- 4.1.8 The HAT structure is a transitional one with its future stability dependant on decisions at Council Member and 'partnership' oversight levels yet to be made. The evaluation for assurance purposes is therefore based on a snapshot of the roles and responsibilities in evidence at the time of the examination.
- 4.2 Project Governance
- 4.2.1 The HAT pilot constitutes the third defined stage in a wider programme for developing the countywide HIA. The first stage was the continuation and further development of the North Warwickshire HAT already established for the Nuneaton and Bedworth Borough and North Warwickshire Borough areas. The second stage was to absorb Rugby Borough Council into the North team.
- 4.2.2 The countywide governance arrangements were codified in a Business Case document released in October 2012. A key element of this is ongoing oversight by a Project Board made up of the HIA project leadership and senior management representatives of housing and occupational therapy services at all Warwickshire authorities.
- 4.2.3 Project governance provisions specific to the South Warwickshire HAT are contained in a Memorandum of Understanding agreed in December 2013 between Stratford-upon-Avon District Council and Warwick District Council.

- 4.2.4 This establishes a Project Board specifically for the HAT pilot and other provisions including performance measurement and benefits realisation. The HAT Project Manager is a reporting member of the Board.
- 4.2.5 From the internal Council perspective, however, the South HAT project comes across as having developed in the shadows from 2009 until late in 2013. This is illustrated in particular by the following observations:
- § In the remodelling of the corporate Risk Registers in recent years, risk entries relating to housing grants were not carried over from the old Operation Risk Register for Housing and Property Services;
 - § The HAT project has had no mention in Service Delivery Plans for Housing and Property Services to date, despite being of direct relevance to at least one of the service purposes and two of the customer measures contained.
 - § The Executive was not expressly consulted on the decision to adopt the delivery model proposed in the Business Case at the time of its release in October 2012.
- 4.2.6 In particular, the failure to consult the Executive on the wake of the Business Case has to be seen as a lapse of proper governance considering that:
- § the 2009 resolution was an agreement in principle only to allow investigation of options for report back on a final decision;
 - § Rugby and Stratford sought had approval on the Business Case from their Cabinets in January 2013 and February 2013 respectively.
- 4.2.7 It is a matter of record that the former Head of Housing and Property Services had committed to seeking Executive approval for the proposed delivery model in October 2012. However, this had clearly not been taken forward as intended.
- 4.2.8 The project only seemed to emerge from the shadows when it was subsumed into the new Housing Strategy submission officially adopted by Council in December 2013 and featured prominently on the Portfolio Holder's Statement to Council at that same meeting. By this time the pilot implementation of the delivery model had already begun, thus Members were being effectively presented with a 'fait accompli'.
- 4.2.9 As the Housing Strategy adoption effectively settled the question of proper authority for the project to proceed, the above issue is now one of historic importance only. The omissions from the Risk Register and Service Delivery Plans, however, are seen as warranting a revisit by management.
- 4.2.10 In the absence of any evidence emerging that the omissions stemmed from conscious decisions, it is assumed that they are similarly the result of oversight. Management are asked to re-evaluate housing grants generally (and the HAT project specifically) for incorporation at the next Risk Register review and service planning round.

Risks

- § ***Management of risks in respect of housing grant administration is impaired.***
- § ***Transparency and accountability in respect of achievements of the HAT project against its objectives are impaired.***

Recommendations

- (1) Risks in respect of private sector housing grants evaluated and considered for incorporation in the Housing and Property Services Risk Register.**
- (2) The Housing Assessment Team project should be incorporated as a key project in the Service Delivery Plan for Housing and Property Services at the next drafting.**

4.3 Policies and Procedures

- 4.3.1 The policy side has been traditionally governed to a large extent by legislation, principally the Housing Grants, Construction and Regeneration Act 1996. With subsequent amendments, the Act lays down conditions and criteria for entitlement to DFG and a ceiling on how much can be awarded while giving local authorities discretionary powers on other types of assistance.
- 4.3.2 At the time of this review, a policy document dating from 2006 remains officially in force pending a review planned under the Housing Strategy 2014/17 Delivery Plan. The 2006 document is not too far removed from policy provisions currently in effect, although a more up to date manifestation of current policy can be easily found on the Council's website.
- 4.3.3 The basic process covering all relevant grants paid directly by the Council is essentially unchanged – assessment of needs, verification of entitlement and commissioning of works.
- 4.3.4 In the finer detail the procedures have diverged between DFG and other grants, influenced to a degree by the lean systems approach for the new delivery model. This includes adoption of methodologies and desktop IT models designed previously by Nuneaton Council for the North HAT (noticeable examples of these are Excel models for client needs assessment by occupational therapists, standard schedules of work for commonly occurring elements such as level access showers and contractor selection for grant-aided works).
- 4.3.5 Procedures for DFG have been documented as part of the HAT pilot and an enhanced procedural checklist is used as standard on all cases. A call-off list has been formulated for selecting contractors from whom to request quotations (at the time of the audit the list was subject to review and re-vetting of contractors undertaken by Stratford District).

- 4.3.6 The processes for all relevant grants continue to be underpinned by the well-proven PARSOL¹ business application system (APP Civica, previously known as Flare). Two key embedded features routinely utilised to support the procedures are:
- § standard pre-populated end-to-end action templates and trails identifying actions taken and the actioning officer in each case;
 - § standard document templates for routine correspondence, notices, statements and certificates.
- 4.3.7 Testing on procedures has concentrated mainly on DFG using a stratified random sample of all cases wholly or substantially processed by the HAT. This was supplemented by a walkthrough of two home repairs assistance grants (this type accounts for the highest expenditure level after DFG).
- 4.3.8 From the evaluation and testing, the grant process overall is seen served by robust procedures that serve their purpose well. The only issues to surface are inconsistencies noticed in the presence of documentation listed in the DFG checklist and the Project Manager and Senior Housing Standards Officer have been notified of these.
- 4.3.9 The only documentation inconsistency seen as having significant control and risk implications relates to completion certificates generated for notifying Land Charges. Around half of the closed cases in the sample subject to potential grant reclaim under legislation were found without certificates on file and further investigation revealed that they had not been registered on the Local Land Charges system.
- 4.3.10 Circumstances triggering the Council's right to reclaim grant occur somewhat rarely and the issue from the test finding is thus deemed as low risk in this context. It does, however, represent a wider issue of cases being closed on the system when there are formalities left to complete, although in mitigation it is recognised that the cases in question initially date from prior to the introduction of a new version of the DFG checklist strengthened to include the completion certificates.
- 4.3.11 It has been advised that the Senior Housing Standards Officer has checked all other cases with reclaim potential since the HAT pilot implementation, revealing a small number of further omissions which have been corrected along those arising from the audit test. It was further advised that these checks would continue for the remaining duration of the pilot project.
- 4.3.12 The importance attached to ensuring that all prescribed formalities are completed before flagging cases in the APP system as closed is seen as warranting a recommendation in this report.

Risks

(1) The accuracy of reporting on case performance and open case review is impaired.

¹ Planning and Regulatory Services On-Line

(2) Failure to complete prescribed formalities may prejudice the interests of the Council in case of circumstances requiring justification of actions or decisions.

Recommendation

Staff should be instructed to carefully verify that all requisite formalities on each housing grant case are completed before closing the cases in the system.

4.4 Roles, Responsibilities and Training

- 4.4.1 In relation to the HAT pilot, the aforementioned Memorandum of Understanding sets out the agreed provisions on the respective roles of and expectations of each of the authorities.
- 4.4.2 The Memorandum does not establish the HAT as a formal entity, but does formalise key elements of the project framework including scope, reporting lines, human resource protocols, division of funding and operational process flows. However, one of the Memorandum's provisions, the production by each 'Partnering Authority' of a Project Protocol (to include among other things an statement of roles and responsibilities of each officer on the Board) appears to have been neglected, at least from the Warwick District side.
- 4.4.3 While this is raised for management attention, an audit recommendation is precluded at this juncture given current uncertainties over the future duration of the HAT project as provided for under the Memorandum.
- 4.4.3 At operational level, the HAT Project Manager, employed by Warwick District Council, has day-to-day managerial responsibility for the Team which is substantially made up of Occupational Therapists (employed by Warwickshire County Council) with support provided by two (FTE) Housing Assessment Officers (employed by Stratford-upon-Avon District Council). The Memorandum recognises the dual lines of responsibility this entails for each officer involved and leaves human resource management matters to the respective employing authorities (including relevant policies including those on information security).
- 4.4.4 From the point of view of officer roles, the following observations are seen as relevant here:
- § The powers of the Head of Housing and Property Services to approve or refuse awards of the relevant grants under the Constitution are delegated by written mandate to the Private Sector Housing Manager, HAT Project Manager and Senior Housing Standards Officer.
 - § In practice, the role of reviewing and signing off DFG case files has been assumed mainly by the HAT Project Manager.
 - § The lead officer end-to-end for each DFG case is invariably the assigned Occupational Therapist.

- § The Senior Housing Standards Officer is the principal provider of technical input to the DFG process and shows as the lead officer for home repairs assistance grants.
- § Tests on home repairs assistance grants showed authorisations for payment signed by the Private Sector Housing Manager or Senior Environmental Health Officer in each case, thus maintaining appropriate separation of duties.
- 4.4.5 The Memorandum referred to a training programme for relevant staff that would be led by Warwickshire County Council but with input from Warwick and Stratford Districts. The HAT Project Manager has provided information which confirms due attention to training needs specific to the HAT. It was also advised that consultations are being made on a co-ordinated approach to training between the two HATs.
- 4.5 Monitoring and Review
- 4.5.1 This area has been examined in overview only. Mechanisms are in place for quarterly performance reporting to the Countywide HIA Board based on outturn data from both HATs' application systems downloaded into an elaborate Excel model (another example of adoption of an adopted methodology originating from Nuneaton and Bedworth Borough Council). In parallel with this, it was advised that a customer survey on all completed grant-aided works is undertaken independently by the Housing Service Improvement Team.
- 4.5.2 Reports from the APP system support individual and Team performance review processes on both completed and outstanding cases. The Service Delivery Plan cites two customer measures relevant to HAT (one for adaptations in Council properties and the other for DFG), although absence of any reference to the HAT Project to date has meant that no comments on outturn for these against measures these have featured in any known recent reports. Even the reference to the HAT pilot in the Portfolio Holder's Statements do not link contextually with any comments on performance against these measures.
- 4.5.3 Implementation of the foregoing recommendation (Paragraph 4.2.10, Recommendation 2) should help to address this.
- 4.5.4 In contrast to the reporting activity to the Project Board, there has been no parallel reporting to the Council's own Members on the performance or realisation of benefits in respect of the HAT pilot up to the time of the audit. This is expected to be addressed in the report planned to go to Executive later this year. Interestingly, the aforementioned Memorandum of Understanding provision of a 'Project Protocol' was also intended to include a protocol on report-back from the Project Board to the 'Partnering Authorities'.

- 4.5.5 Connected with the forthcoming Executive review, it was noted that a national good practice guidance document on adaptations was published in 2013 by the Home Adaptations Consortium. While it is not clear to what extent, the document has directly influenced the detail of the HAT delivery model, brief study has showed the model in its essentials as consistent with the guidance.
- 4.5.6 More significantly, a good practice checklist is annexed to the document. It is not known whether any elements of either of the County's HATs have been self-assessed against the checklist (the Project Manager was unaware of any such exercise for the South HAT).
- 4.5.7 It is suggested to management (as an advisory rather than a recommendation) that incorporation of such a self-assessment would add significant value to the forthcoming Executive report.
- 4.6 Information Assurance
- 4.6.1 The APP Civica system was last subject to application control review in 2010 and since that time some additional functional modules have been rolled out. For this examination, a review of current users with access to the Private Sector Housing module has been undertaken. This identified two non-Warwick District members of the HAT who were found to have left recently (this was reported and the APP System Administrator advised accordingly).
- 4.6.2 The Project Manager advised that the departure of the officers in question was reported, although this was to ICT Services and not the APP System Administrator (who is based in Health and Community Protection). The Auditor in turn advised that the latter should also be contacted directly where APP users are concerned.
- 4.6.3 Because of the restricted availability of work stations with the requisite client software installed, the risk of successful access to APP by the persons concerned would have been minimal even while they remained on the system as live users.
- 4.6.4 Overall, the findings serve to re-confirm that the essential controls to preserve confidentiality, integrity and availability of the information assets operate effectively.
- 4.6.3 A data matching exercise to verify that all payments in respect of DFGs awarded from 1st April 2012 to date are represented in the APP system showed a minimal incidence of anomalies of relatively low amount that have since been corrected.
- 4.6.4 It has been confirmed from enquiry and observation that key secondary electronic information resources are appropriately protected and restricted.
- 4.6.3 A considerable volume of paper records continues to be maintained, mostly held in filing cabinets (there is still a requirement for script signatures on much of the key documentation). The open plan nature of the area where the files are held inhibits unauthorised access during office hours.

5 **Conclusions**

5.1 Due to the transitional state of the management framework, the assurance level ascribed from the audit findings is based on three main assumptions:

- § That the relevant provisions of the delivery plan for the Housing Strategy 2014-17 will be progressed within their target dates (subject to reasonable tolerances).
- § That the Executive review of the HAT project advised planned later this year will take place in due course.
- § That the delivery model for disabled adaptations inherent in the HAT pilot will continue to operate for the foreseeable future.

5.2 In operational terms the HAT delivery model has shown itself to be implemented with structures and processes that work well with robust controls. A brief review of other grants of significant application has found similarly sound controls in place and, in overall terms, the only issues to emerge on day-to-day operation have been relatively minor.

5.3 Historic governance issues over the implementation of the HAT pilot are observed, although these have since been corrected by virtue of adoption of the Housing Strategy. There is still a perceived need for the HAT pilot to come out of the shadows by being given due representation in the service planning and Risk Register review processes.

5.4 Notwithstanding the above, the findings demonstrate a well-managed service and give SUBSTANTIAL assurance that the control environment is suitably robust to deliver the applicable functions economically, efficiently and effectively and to manage the risks arising.

6 **Management Action**

6.1 The recommendations made are reproduced in the Action Plan with management response.

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