

FROM: Audit and Risk Manager **SUBJECT:** Affordable Housing
Development Programme

TO: Head of Housing Services **DATE:** 16 July 2019

C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Housing Strategy and
Development Manager
Portfolio Holder (Cllr Jan Meteki)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The Affordable Housing Development Programme is the 'pipeline' for the delivery of affordable housing. It relates to the building of new affordable housing as opposed to the maintenance of the affordable housing stock that is already in place.
- 2.2 Currently, any housing developments of eleven or more properties are required to provide a minimum of 40% affordable housing.
- 2.3 Affordable housing comes in three different forms, and a certain percentage of each type of tenure must be present within the total made available:
- 'social' rent (60%)
 - affordable rent, which can be up to a maximum of 80% of market rent (although the Council requires these to be set at the mid-point between social rent and the 80% ceiling where possible) (25%)
 - shared ownership (15%)
- 2.4 The Housing Strategy and Development Officer post had been vacant for a number of months. A suitable candidate has recently been appointed on a six-month contract starting in July. The Housing Strategy and Development Manager has been monitoring the role and managing the workload in the meantime.

3 **Scope and Objectives of the Audit**

3.1 The audit was undertaken to test the management and financial controls in place.

3.2 In terms of scope, the audit covered the following areas:

- Consultation & Guidance
- Monitoring
- Partnership working
- S106 agreements

3.3 The audit programme identified the expected controls. The control objectives examined were:

- Relevant provision for affordable housing is made within individual developments and future plans for the District as a whole.
- Housing developers are aware of the affordable housing requirements in place.
- Housing needs within the District are understood.
- Housing Strategy staff are aware of progress on developments so that affordable units nearing completion can be advertised appropriately.
- Commuted sums paid by developers, for the provision of affordable housing, are used appropriately.
- Affordable housing developments stick to the guidelines with regards to the different types / tenures.
- The Council works effectively with partners to ensure affordable housing is provided.
- Affordable housing is appropriately included in new developments.
- Commuted sums are used appropriately for the provision of affordable housing.

4 **Findings**

4.1 **Recommendations from Previous Report**

4.1.1 The current position in respect of the recommendation from the previous audit, undertaken in October 2016, was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
The April 2010 Guidance for Developers document should be removed from the Council's website.	This guidance has now been taken offline.	There is limited guidance available online. Developers are advised to contact either the Housing Strategy and Development Officer or Planning Officers for up to date advice.

4.2 **Consultation & Guidance**

4.2.1 The Housing Strategy and Development Manager (HSDM) advised that he receives a list from Development Services of all planning applications. From

this, he takes note of any developments of more than ten residential units. At this stage he is often already aware of the application as the developers have usually been in touch beforehand looking for advice regarding the affordable housing requirements.

- 4.2.2 The HSDM maintains a site list monitoring spreadsheet which allows him to keep track of the developments at each stage until the affordable housing can be advertised on the Council's website on the affordable housing bidding page (HomeChoice).
- 4.2.3 Planning Officers send the HSDM a consultation letter when an application for a development with more than ten residential units is received. This allows the HSDM to provide feedback and ensure the developers understand the requirements of affordable housing allocations in the District. If he is expecting to hear about a development but the relevant case officer hasn't got in touch he follows it up with them enquiring about the status of the application.
- 4.2.4 The site list spreadsheet is kept up to date at all stages so the HSDM can keep track of all of the applications and ensure that he responds to consultations in a timely manner. It also allows him to keep a record of any communication he has had regarding the development.
- 4.2.5 The HSDM works with other departments when reviewing and writing key strategies and documents. The Affordable Housing Supplementary Planning Document (SPD) is currently under review, the HSDM is working with staff in Development Services to complete it.
- 4.2.6 Basic guidance is available for developers on the Council's website. The old Affordable Housing SPD is still available online but this includes a note to say that it is out of date and a new one is being worked on. The guidance also advises the developers to contact either the Housing Strategy and Development Officer or Planning Officers for up to date information and advice.

4.3 **Monitoring**

- 4.3.1 Housing needs within the area are assessed and monitored frequently. A Strategic Housing Market Assessment is regularly undertaken, giving an idea of the current and predicted housing needs within Coventry and Warwickshire. Rural areas are assessed separately using Rural Housing Needs Surveys.
- 4.3.2 The information gathered in the surveys allow the HSDM to provide developers with details of the types of properties required within each area. The affordable housing requirements are shared with the developers at the consultation stage.
- 4.3.3 The HSDM monitors each development to ensure that the agreed housing is met and matches the plans provided. All of the information is updated on the site spreadsheet, showing the housing types and number of properties within the development.

4.3.4 The market rents are checked using Hometrack, which gives a guide for rent charging for the affordable properties. (Hometrack is an online pay-to-use resource that provides guidance on property values and rental prices within the area.) The HSDM requests that rents are to be around 70% of the average market rents.

4.3.5 Properties advertised on the Council's HomeChoice page within the last 4 weeks were checked against rental prices for similar properties within the area. The testing confirmed that all rent charges advertised were at least 30% less than the similar properties.

4.4 **Partnership Working**

4.4.1 The Council has had a contract in place with Waterloo Housing since 2011, and this was last reviewed in April 2019. This is the only formal agreement in place although there are some preferred partner arrangements in place with a number of registered providers.

4.4.2 Group meetings, with all formal partnership housing providers, have not been held since around 2011. Before this they were held on a regular basis to discuss planned developments. However, now that there is only one contract in place, this no longer happens. Meetings are held separately with Waterloo Housing or individual preferred partners when required.

4.5 **S106 Agreements**

4.5.1 A spreadsheet of the S106 agreements, maintained by Development Services, is available to view within the planning pages on the Council's website. A sample of the agreements was checked against the planning documents, also available on the website, and the testing confirmed that there were consultation responses from the HSDM regarding the provision of required affordable housing in all sampled cases.

4.5.2 In some cases, where the affordable housing requirements cannot be met, the developers can pay a 'commuted sum' instead. The commuted sum is a financial contribution that is broadly of equivalent value to the cost to the developer of providing the affordable homes on-site. These commuted sums allow the Council to buy properties in the areas where there is a housing need and to increase the general affordable housing stock.

4.5.3 The HSDM uses a spreadsheet to monitor commuted sums and to log information about the funds and this spreadsheet is also used to keep track of money that has been earmarked for future uses. It is not unusual for there to be stipulations in place such as geographical spending and timeframes.

4.5.3 However, it is rare for developers to opt to pay commuted sums with the most recent amount received in 2016. In previous years, the commuted sums were used to provide grants to housing providers but they are now being used by the Council to purchase housing stock. The Principal Accountant also monitors the commuted sums and ensures that the funds are transferred and showing on the correct ledger codes.

5 **Summary & Conclusion**

5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls that are currently in place in respect of Affordable Housing Development Programme are appropriate and are working effectively.

5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

6 **Management Action**

6.1 There are no recommendations arising from this report.

Richard Barr
Audit and Risk Manager