INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Housing
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Housing Needs Manager
Housing Advice and Allocations Manager
Portfolio Holder (Cllr Mateki)

SUBJECT: Lettings and Void Control
DATE: 31 March 2020

1 Introduction

1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions 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 Council has approximately 5,500 properties in the district that are available for letting to tenants, with roughly 760 properties being let in the current financial year (including those let on behalf of the housing associations). The gross rent collectible for 2019/20 is approximately £25m.

2.2 Homechoice is used as an online housing bidding system, where applicants are allocated a bidding band based on their housing need. They can then bid on the available properties that they would like to be considered for.

2.3 The Homechoice scheme was amended with effect from May 2016, with new applicants being placed into four bands and existing Council and housing association tenants being placed into a transfer band. Properties that become available to let are also banded, with the properties advertised being split across the transfer band and bands one to three.

2.4 The Housing Allocation team have experienced a high turnover of staff over the last few years whilst managing an increased workload compared to previous years. Comparing 2018/19 to 2019/20 there have been 38% more properties advertised and rural properties advertised are up by 168%. 20% more offers have been made and lettings are up by 24%.

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:
- Policies and Procedures
- Allocations
- Exchanges
- Termination and Voids
- Performance Monitoring

3.3   The audit programme identified the expected controls. The control objectives examined were:
- Staff and customers are aware of the policies that determine how properties will be let.
- Staff deal with applications in a consistent manner.
- Home Choice applicants are allocated to the correct band.
- People on the Home Choice register are aware of the properties that are available to let.
- Properties are let to the most appropriate bidder.
- Tenancy agreements are signed up to, giving both the Council and tenants appropriate protection.
- Tenants are able to exchange properties with other tenants so that they can move into properties that are more suitable to their needs.
- Tenants are aware of the process for terminating their tenancy.
- Rent loss is minimised as vacated properties are available to re-let as soon as possible.
- Management are aware of any issues (e.g. delays) in the letting process.

4   **Findings**

4.1   **Recommendations from Previous Report**

4.1.1   The current position in respect of the recommendations from the previous audit, undertaken in March 2017, was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 Procedure notes should be drawn up for the housing allocation process.	Procedure notes for the allocations process will be drafted.	Procedure notes are in place and available for staff to follow.
2 Staff should be reminded of the need to ensure that all documents are scanned to the correct network files.	Email sent 30/3/2017.	All documents were attached to the applicant's file for the samples viewed.

Recommendation	Management Response	Current Status
3 Consideration should be given to limiting the number of offers that Homechoice applicants can refuse following successful bids for properties.	This will be considered as part of the Homechoice 2016 Review.	A report, approved at Executive Committee 4 January 2018, added a refusals section to the policy meaning applicants would be suspended from bidding for three months should they bid and refuse suitable properties three times over a six-month period.

4.2 Policies and Procedures

4.2.1 There is a policy in place for housing allocations, approved in 2016 and updated in 2018. It details timescales and application procedures as well as the allocation process. The policy takes into account a large amount of relevant legislation and guidance.

4.2.2 The policy is readily available on the Council's webpage, within the housing pages, for both staff and members of the public.

4.2.3 Documented procedures are in place for Housing staff to follow when inputting the application onto the system, when offering a property and when signing the tenancy. Various checks are carried out at all of the stages to ensure the applicant is who they say they are and, where possible, that the information they have provided is true. These checks are also documented within the procedure notes.

4.3 Allocations

4.3.1 A sample of applicants currently registered on Homechoice was reviewed. Application forms were attached to each file and the various checks that had been carried out had been documented. One of the samples reviewed included a previous member of staff. In this case, the Senior Housing Advice Officer had also checked the details provided and approved the application.

4.3.2 When processing an application, no documents to evidence the application are required. The documents are reviewed and copies retained at the allocation stages. At the application stage, various accounts are checked to confirm details such as child benefit, council tax and rent accounts (for existing tenants), with the checks being documented in a note pad function on the system.

4.3.3 All of the samples reviewed were processed in a timely manner with the start date back-dated to when the application was originally received. Once the staff member inputting the application has checked that the correct band has

been allocated, applicants are sent a letter to confirm the band they have been placed into.

4.3.4   There is an appeals process in place which members of the public can easily access, as it is published in various places, such as in the policy, on the Council's webpage, in the application form, and on the letter they receive when they are allocated their band.

4.3.5   Properties can remain empty for a range of time from one week to over six months. Over the last couple of years, there has been a significant decrease in the number of bids received on, less popular, two and three bed flats and maisonettes. This is thought to be because of the increase in the number of new builds within the district becoming available on Homechoice, and applicants waiting so they can bid on them rather than bidding on existing properties.

4.3.6   The properties are listed on Homechoice where they are allocated to a preference band using a computer-generated system. The allocation of properties to each band is set with the transfer band receiving 50% of properties, Band 1 25%, Band 2 15% and Band 3 10%. Other applicants can still bid for all properties they are eligible for but they are not considered before applicants in the allocated Band. Some properties are listed with age restrictions or as rural lettings where conditions apply.

4.3.7   The introduction of the Homeless Reduction Act 2017 has affected the way applicants are assessed for Homechoice banding which has resulted in applicants rarely being allocated to band one. Applicants are being housed with Band 2 priority without having to increase their priority. Homeless applicants can receive Band 1 priority once the "Prevention" or "Relief" duties have expired. There were no band one applicants (at the time of writing this report).

4.3.8   Applicants in other bands are able bid for a property not in their banding but there is a concern amongst Housing staff that not all applicants will be aware of this. The Housing Advice and Allocations Manager confirmed that changes are due to be implemented on the Homechoice system which will make it clearer for applicants to see which properties they may bid on, including those not in their band.

4.3.9   Applicants can bid on up to five properties per week, with bids being placed in order of the priority the applicant would like the property. Properties are offered to the bidder from the required band, or next band in line, if there are no bids from the required band. If two bids are received from the same band, the amount of time that the applicants have been registered on Homechoice is taken into account. If an applicant would be top bidder for more than one property, the property they had bid on first would be offered.

4.3.10 As suggested above, some properties may have specific criteria attached. In some cases, the applicant will need to evidence that they meet these criteria. For rural letting properties the criteria is clear about the local connection to the parish. However, Section 4.1a of the allocations policy and 5.1.4 in appendix 2 of the allocations policy advise that applicants can bid on

rural lettings if they are required to move to the area for support, either for family members or themselves. This can be difficult to assess; it is down to the judgement of one of the four Allocations Officers to decide whether applicants' reasons meet the criteria.

Advisory

At the next review of the Allocations Policy there could be a look at the Rural Lettings criteria to ensure it is still valid and can be easily evidenced so the Allocations Officer can make a decision based on the evidence provided rather than a subjective opinion.

4.3.11 Where a successful bidder has been refused a property or has declined a property, it is offered to the bidder next in line. Once all bids have been exhausted the property is relisted on Homechoice. Historically, it has not been uncommon for applicants to refuse properties even when they have bid on them. This issue instigated a change to the policy when it was most recently updated (2018), with the revised policy now highlighting that applicants are prohibited from bidding on properties for three months if they decline three properties over a six-month period.

4.3.12 Offer letters are sent in a timely manner to the successful bidder, with this usually being undertaken on the day after bidding has closed. A copy of the offer letter is saved to the applicant's file.

4.3.13 Once the offer has been made, the applicant has to provide identification and other documentation to support their application. These are scanned and saved to the applicant's file along with a copy of the signed tenancy. A copy of the tenancy agreement is provided in advance to allow the applicant time to read it through to ensure they understand it before signing it.

4.3.14 The tenancy agreements are usually signed around a week after the property has been offered, although this was a little longer over Christmas due to the break.

4.4 **Exchanges**

4.4.1 There is a website called Homeswapper where tenants can register their interest to exchange and find a property they would like to exchange with. Homeswapper is an independently operated website which the Council pays a subscription for.

4.4.2 Before exchanging in to or out of a Council property, applicants must complete a Council application form. Exchanges can be completed when all tenants agree to swap, rent accounts have been checked to ensure they are not in arrears and, where a tenant is moving from a housing association property, references have been received.

4.4.3 Letters are sent to the tenants to confirm an exchange can be completed. A pre-transfer inspection is completed at any Council properties involved in the swap and a licence to exchange and an agreement is completed. Disclaimers are completed for any 'non-standard' items being left in the property.

4.4.4   Copies of all relevant documents and letters are saved on the tenant's file for future reference, including details of all tenants involved in the exchange.

4.5   **Termination and Voids**

4.5.1   The notice period stated in the policy is two weeks in the case of a deceased tenant and four weeks for everyone else. This is also set out within the tenancy agreement.

4.5.2   There is a process in place when a tenant has provided notice to terminate their tenancy and keys are not returned as agreed. The Allocations Officer extends the tenancy an additional week and charges the rent for that week. If the keys are still not returned, the tenant will receive a letter informing them of the consequences and potential charges and advises the next steps to take.

4.5.3   The signed tenancy agreement sets out the terms and conditions of the tenancy. If the tenant breaches any of the conditions set out in the agreement the Council may give notice to terminate it. At the void inspection stage, any properties that are found not to be up to standard are addressed and the former tenant is re-charged the costs.

4.5.4   Tenants must provide notice in written form, although the notice can initially be taken over the phone. When a tenant provides notice on a property, an email is circulated to inform relevant staff members and contractors enabling them to plan void inspections. British Gas is also informed of the change because the Council take on responsibility for the gas usage whilst the property is void.

4.5.5   A review of a sample of properties showed that void inspections are carried out in a timely manner after receiving confirmation that the tenant has vacated the property.

4.6   **Performance Monitoring**

4.6.1   There are various targets and measures identified within the Housing Service Area Plan (SAP). These include a reduction on void times, re-let times and time taken to process applications The number of applicants registered on Homechoice, the number of void properties and households in temporary accommodation are also monitored. The SAP is monitored and updated on a quarterly basis.

4.6.2   There have been issues meeting some of the targets set in the SAP. Specifically, properties are remaining vacant for longer periods. As suggested above, applicants are waiting for new build properties to be listed which is affecting the achievement of this target (see 4.3.5 above).

4.6.3   Actions have been taken to improve relet times. Adverts have recently been circulated on the Council's website, Facebook and Twitter to try to encourage applicants to bid on properties that have been advertised twice on HomeChoice but with no bidders. HomeChoice adverts also indicate these

properties are immediately available and to telephone if an applicant is interested. Processes have been reveiewed and properties are being advertised earlier, sign-ups are being completed more quickly and reports are generated to allow managers to identify any delays.

4.6.4   Updates to Homechoice are due to be implemented that may also help to market these properties, this will allow free text on each advert allowing us to add useful information to market the properties more successfully. Changes are also going to made to the void management process which would allow properties to be inspected before the tenant vacates it, it could then be advertised and allocated sooner, reducing the void time.

4.6.5   Performance is monitored on an ongoing basis through weekly reports and weekly and monthly meetings. Performance and updates to the SAP are reported quarterly to SMT and Executive.

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 Lettings and Void Control 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.

5.3   Although there are no formal recommendations, two (related) issues were identified where advisory notes have been reported. In these instances, although there is no risk if the action is not taken, making the suggested changes will enhance the existing control framework.

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Audit and Risk Manager