

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 and 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
- WDC work 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 report relating to the previous audit of this topic, undertaken in August 2012, did not include any recommendations.

4.2 **Consultation & Guidance**

4.2.1 The Housing Strategy & Development Officer (HSDO) advised that he is formally consulted on individual planning applications received.

4.2.2 He receives weekly lists from Development Services of all planning applications received and all delegated decisions. Planning Officers subsequently send through consultation letters where triggers are hit (as identified in 2.2 above).

4.2.3 Upon receipt of the weekly lists, the HSDO scans through the lists for any that will have affordable housing requirements and records these on his 'site list' monitoring spreadsheet on the 'Applications' tab. He advised that, if he hasn't received a consultation letter within a couple of weeks of identifying an

application from the weekly list, he will follow it up with the relevant case officer, although he advised that this was not required very often.

- 4.2.4 As the HSDO maintains a list of the sites he has been consulted on, sample testing was limited to ensuring that responses had actually been received by Development Services and were held on the IDOX system and that the responses were appropriate. This test proved satisfactory.
- 4.2.5 The HSDO advised that he is also consulted on relevant corporate issues such as the draft Local Plan. He provided evidence of recent correspondence that had been drawn up to answer specific affordable housing related questions raised by the Local Plan inspector.
- 4.2.6 At the time of the previous audit, general guidance notes for developers were available on the council's website. However, the HSDO advised that this is no longer maintained.
- 4.2.7 He highlighted that the developers will get copies of the consultation responses which are site-specific and suggested that the developers will often ring him to discuss the sites, as the majority of developers operating locally are aware of the council's requirements.
- 4.2.8 Whilst the old (April 2010) guidance is not directly linked from the affordable housing pages on the council's website, it does appear on search results if using the search function to look for affordable housing.

Risk

Housing developers may use outdated guidance documents when preparing planning applications.

Recommendation

The April 2010 Guidance for Developers document should be removed from the council's website.

4.3 Monitoring

- 4.3.1 A Strategic Housing Market Assessment (SHMA) update was performed by consultants in September 2015. This covered the Coventry and Warwickshire sub-region in order to identify the supply, demand and need for housing across all tenures in the area. Supporting the SHMA are a number of local housing needs surveys for the rural parishes which are valid for five years.
- 4.3.2 The HSDO highlighted that these documents would form the basis of any consultation responses when planning applications are received, with the rural needs assessments taking precedence over the SHMA where applicable.
- 4.3.3 There may be slight tweaks depending on the individual scheme that is proposed (e.g. the requirement for 35% one-bedroom properties may not be relevant on some estates). Also, if a scheme is to be grant-funded, the Homes & Communities Agency may dictate the make-up of the schemes in terms of tenure etc.

- 4.3.4 It is ultimately up to Members on the Planning Committee to decide if the application is approved and the suggested affordable housing is included on the scheme and, where relevant, this would feed into the s106 agreements.
- 4.3.5 The HSDO advised that internal provision (i.e. dwellings to be provided directly by the council) is limited in terms of the available land. He advised that a survey of all of the council's garage sites had been performed to identify if any were suitable for housing provision. Other schemes tend to be either windfall (e.g. Chase Meadow where the council obtained properties that were already due to be built by the developer) or re-provision of specific types of properties (e.g. Sayer Court).
- 4.3.6 Once the planning applications are received, the HSDO monitors the progress of each application on his site list spreadsheet. This includes various different tabs for developments at different stages, from application through to completed schemes. Upon review, it was identified that there was evidence of recent updates on several tabs.
- 4.3.7 A spreadsheet is also maintained for each site, detailing the relevant plots within developments that are due to become affordable housing and these are updated when the HSDO becomes aware of completions. The list is also updated with address details from the Street Naming & Numbering lists that are provided on a fortnightly basis.
- 4.3.8 A further spreadsheet is in place for the monitoring of commuted sums that are agreed in lieu of on-site affordable housing. This spreadsheet includes separate tabs for available funds, agreed funds that have not been received, fully spent funds and details of the schemes that have been funded using the money.
- 4.3.9 The spreadsheet details a 'use by' date for each fund to help ensure that the monies are used before any claw-back dates. The HSDO advised that he confirms which funds are most suitable with the Principal Accountant (Capital) (PAC) before making a payment, although he suggested that, generally, the oldest fund would be used first unless a fund with a geographical restriction was more relevant.
- 4.3.10 Affordable rent figures are the responsibility of the registered social landlords (RSLs). The HSDO advised that the s106 agreements will generally have a requirement for the RSL to consult with the council to agree the rent to be charged and the providers generally consult with him prior to entering into a contract with the developer.
- 4.3.11 Evidence was provided of an email exchange regarding the proposed rents to be charged by a RSL at a development and the changes that were agreed following the HSDO's recommendations for slightly lower rents for certain dwelling types.

4.4 **Partnership Working**

- 4.4.1 A formal agreement is in place with Waterloo Housing (W2). This was originally a three year agreement for the provision of 300 affordable homes,

but was extended in 2014 for a further three years with Executive approval. The HSDO advised that this is due for a further review next year (2017).

4.4.2 Project board meetings are held every two months in relation to the W2 agreement. Feasibility group meetings are also held to look at the feasibility of bringing individual sites forward, although the HSDO suggested that, whilst these are scheduled to be held on a monthly basis, this would be subject to there being any sites to discuss.

4.4.3 Whilst the agreement with Waterloo is a formal arrangement, the HSDO highlighted that the 'preferred partner arrangements' with certain registered providers are no longer formal agreements. Meetings are still held with some of the RSLs with others being met at the quarterly Rural Housing Enablers meetings.

4.5 **S106 Agreements**

4.5.1 Development Services maintains a list of all current s106 agreements, including those with housing provisions. As previously highlighted, the HSDO will provide consultation responses indicating what affordable housing the council requires to be built on site, but the actual agreements may vary depending on issues such as the viability of the scheme.

4.5.2 A small sample of agreements was chosen from the s106 Agreement spreadsheet (from the council's website) and these were compared to the consultation responses submitted by the HSDO for each of the schemes. This highlighted that the 'requests' had generally been adopted although, in one case, an amendment had been agreed.

4.5.3 The commuted sums spreadsheet allows the HSDO to track the timely receipt of funds. The PAC advised that he will be advised of the funds either via the HSDO or the Site Delivery Officer.

4.5.4 Once received, all s106 commuted sums are initially paid in to a specific cost centre. Then, at the year end, they are transferred to a relevant balance sheet code (one for each relevant figure).

4.5.5 Any funds spent will be transferred through the accounts accordingly, although the PAC highlighted that this is a fairly convoluted process due to accounting requirements.

4.5.6 Details of the unreceived funds, as per the monitoring spreadsheet, were discussed with the HSDO and he provided adequate explanations in each case. The available funds were also checked to TOTAL and all were found to be accounted for.

4.5.7 The last grant payment made from a commuted sum was in January 2015. Subsequent uses of the funds have been made, but these have been used directly by the council.

4.5.8 When a grant is to be made, a report is written for Executive to get approval for the use of the money and the recipient will also enter into a grant

agreement. A copy of the grant agreement was found to be in place for the last grant made.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of the 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.

5.3 One minor issue was noted relating to the availability of outdated guidance for developers.

6 **Management Action**

6.1 The recommendation arising above is reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
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Action Plan

Internal Audit of Affordable Housing Development Programme – October 2016

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.8	The April 2010 Guidance for Developers document should be removed from the council's website.	Housing developers may use outdated guidance documents when preparing planning applications.	Low	Housing Strategy & Development Manager	This guidance has now been taken offline.	Completed

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.