

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

TO: Head of Housing Services

C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Head of Assets
Compliance Manager
Housing Strategy & Development
Manager
Portfolio Holder (Cllr Matecki)

SUBJECT: Housing Stock Asset
Management

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 Ian Davy, Principal Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Due to the current COVID 19 pandemic, the completion of the audit was slightly delayed and it was not possible to fully complete all tests as originally envisaged when the audit was scoped. However, sufficient information has been obtained to allow for the audit to be completed and a conclusion to be reached in terms of the assurance level given. There will also be some findings included that may have been already actioned due to the passage of time but the report shows the position at the time of testing and management responses to the associated recommendations will reflect any subsequent action that may have been taken to address the situation as appropriate.
- 1.3 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, especially in the current working environment.

2 Background

- 2.1 Housing is, for the majority of people, one of the most important aspects of life alongside employment and family. It is something that is heavily reported on as demand for affordable properties is always high. The shortage of supply and measures to deal with the problem impacts on local authorities as one of the main providers of relatively low rent properties.

2.2 As such, there is a need for strategic management of the Council's housing stock to ensure that best use is made of the current properties and that there are plans for the acquisition of more properties, with those properties built or acquired being suitable. Additionally, there is a need to take account of the effects of legislation and other emerging issues (e.g. cladding following the tragic fire at Grenfell Tower).

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:

- Asset management strategy
- Stock condition and capital programme
- New dwelling standards
- Record maintenance.

3.3 The control objectives examined were:

- The Council has a clear direction for the use of its built (housing) assets
- Financial information system
- The Council makes best use of available funds in terms of the maintenance of housing stock
- New housing stock is fit for purpose
- Asset management plans are driven by up-to-date information.

3.4 As suggested above, some specific tests were not performed as it was not possible to complete them due to the COVID 19 pandemic (e.g. staff having other priorities).

4 **Findings**

4.1 **Recommendations from Previous Report**

4.1.1 The previous audit, undertaken in March 2016, was the first audit of this subject and set out a 'position statement' as opposed to covering specific tests. As such, no recommendations were made.

4.2 **Asset Management Strategy**

4.2.1 An Asset Management Strategy (AMS) is in place, covering all Council-owned land and buildings (i.e. not just housing properties). This was presented to, and approved by, Executive on 13 November 2019, with the covering report highlighting approval by senior management staff.

4.2.2 In terms of reviewing and updating the strategy, The Head of Assets (HOA) highlighted that the strategy covers a four-year period but the action plan is reviewed annually and would pick up any changes to regulations. If these were compliance-related they would be followed up by the Compliance and Delivery Group, which is a sub group of the Asset Steering Group.

- 4.2.3 The AMS is only designed to be a high-level strategy. However, individual asset plans, like the Housing Business Plan and commercial strategy would deal in more detail based on AMS principles, although the climate change agenda was specifically allowed for in the strategy as the Council had declared the climate emergency by the time that the AMS was put in place.
- 4.2.4 The AMS makes specific reference to the Council's business strategy, commercial strategy, Medium Term Financial Strategy and 'others as appropriate'. It also includes a table showing how it impacts on the different strands of the Fit for the Future strategy.
- 4.2.5 It also makes reference to the Housing Business Plan in terms of resourcing and the evaluation of assets (categorisation). Queries were raised with the Housing Strategy & Development Manager along with a request for the latest version of the HRA (Housing Revenue Account) business plan but, due to the COVID 19 pandemic, a full response was not obtained as she was awaiting responses from another member of staff whose priorities were, understandably, elsewhere.
- 4.2.6 However, issues had been raised by the Principal Accountant – Housing & Property Services (PA) over the plan who flagged that a report to update the plan (which was due to be reported to Executive) had been withdrawn a couple of times. Whilst the current pandemic will have delayed recent submissions, the 'issues' predates this and, as such, a recommendation is included below (see 4.3.8 & 9).
- 4.2.7 As suggested above, there is an action plan in place for the AMS, although there is only one action relevant to the HRA (housing) stock, regarding the need for the stock condition data to remain up to date. This is shown as an ongoing process.
- 4.2.8 An Asset Steering Group is in place which is chaired by the Deputy Chief Executive (BH) and includes SMT and relevant staff from Assets and Housing Services. The HOA advised that minutes are taken, with all documentation currently being held in network folders. However, the Compliance Manager (CM) is developing an intranet page for the group to include a repository for all relevant documentation.
- 4.2.9 Attempts to locate the documentation during the course of the audit were hampered by the COVID 19 pandemic, although the HOA managed to pull some documentation together, including a draft Terms of Reference and copies of minutes and agendas although he was unsure whether this was a complete record. As work is already planned to bring all relevant documentation together (albeit delayed), no recommendation is thought to be warranted.

4.3 **Stock Condition & Capital Programme**

- 4.3.1 The last (full) stock condition survey was undertaken in September 2016. The CM advised that this was undertaken using a 'one time use' piece of software.
- 4.3.2 He highlighted that the aim is that assets are to be surveyed on a five-year rolling basis. These could be undertaken as part of 'standard' visits to

properties by Surveyors once new software is available. This is expected to be obtained as part of the next procurement of Active H, with relevant modules being in place so that Surveyors can update the details whilst on site. Reports would then be run to identify properties that have not had any such visits and are due their cyclical survey.

- 4.3.3 The Data Coordinator (DC) confirmed that the planned works on the Housing Improvement Plans (HIP) are driven by the stock condition data. Reports are generated from the Active H system that show those properties for which the relevant attribute (e.g. kitchen / bathroom) is classed as poor or very poor.
- 4.3.4 The CM advised that the reports will be shared with the Surveyors and then the contractor to validate (e.g. to ensure that there are no properties that are no longer relevant due to unrecorded works etc.). The CM had also put together briefing notes for relevant staff (to enable them to answer questions from tenants) which set out how the system is used and can be interrogated to identify whether properties were included in plans or whether data needed to be further checked.
- 4.3.5 The CM highlighted that the agreement of works with Housing Services is generally at the 'criteria' stage (i.e. what type of properties are included in the planned work) as opposed to information on which specific properties are going to be covered, with their main interest being on the volume of properties being covered and the approximate cost.
- 4.3.6 He advised that this had been discussed at a meeting with the Head of Housing Services, the Service Manager (Landlord Services) and the PA. A HIP finance sheet was put together that summarised the indicative costs for the intended works, with these figures going forward to the HIP report presented as part of the budget setting reports to Executive and Council.
- 4.3.7 The PA gave an overview of the agreement of the different funding streams (i.e. both revenue and capital) that are in place for the maintenance of housing stock and the acquisition of further properties.
- 4.3.8 She expressed concern over the funds available in light of a number of different factors, namely the new housing developments, fire safety and climate emergency works and the potential impact of reduced rental income due to the current COVID 19 pandemic. Specific concern was over the split of funding between the HRA and general fund budgets and the ability (or otherwise) of the Council to pay back the self-financing debt in line with the original business plan.
- 4.3.9 The changes being undertaken have led to the HRA business plan update reports to Executive being delayed.

Risk

The demands placed on housing expenditure may not be affordable within the current financial framework set out within the HRA Business plan.

Recommendation

The HRA Business Plan should be reviewed as soon as practical with a report subsequently being presented to Executive.

Regular updates should subsequently be reported to cover any changes to the plan. This should be at least annually, but more frequently depending on circumstances (e.g. changes to numbers of housing stock where this impacts the plan).

4.4 New Dwelling Standards

- 4.4.1 The CM advised that, at present, there is no formal process in place for identifying new stock acquisitions but, due to the limited number, Assets are generally aware through regular communication channels, which include a 'housing stock management meeting'. As numbers are likely to rise, it is suggested that this communication might need to be formalised.

Advisory

A standard agenda item could be considered (for the housing stock management meetings) to formally advise Assets of when new properties are acquired.

- 4.4.2 A new 'Development Design, Space Standards & Specification' document has been drawn up by the Housing Development Officer, with comments from a Site Delivery Officer in Development Services and the Technical Manager (TM).
- 4.4.3 The CM suggested that this would be used for new builds that were being specified by the Council, but is not appropriate for those being obtained through other means (e.g. affordable housing being built by developers and offered to the Council for purchase). However, in these instances, contingency funds are included in the amounts being agreed to allow the properties to be brought up to relevant specifications.
- 4.4.4 The TM outlined the handover process and the documentation that would be expected in relation to new dwellings, highlighting that he is 'working from experience' at present as opposed to working to a template of what is required for each dwelling. However, during the course of the audit, he sourced an existing 'template' that another member of staff had in place, although this was not thought to include details of all relevant attributes that needed to be checked.

Risk

The Active H system may not be updated to reflect all relevant attributes.

Recommendation

The 'handover checklist template' obtained should be reviewed to ensure that it captures all relevant information, with amendments being made accordingly.

4.5 Record Maintenance

- 4.5.1 As highlighted above, the last (full) stock condition survey was undertaken in September 2016. The survey was undertaken on TOTAL Mobile with a bulk upload then being performed to get the information onto the Active H system. As it was four years ago, specific testing on this project was not consider relevant.
- 4.5.2 However, the DC advised that a number of properties were not included on the initial survey. When jobs are raised against these properties, the system (Active H) will flag that there is no stock condition survey in place.
- 4.5.3 Some recent surveys have been performed on Excel spreadsheets (as there were issues with using TOTAL Mobile for one-off surveys), although these have been on temporary accommodation units.
- 4.5.4 As highlighted above, the DC advised that the system shows the current status of the attributes which will be used to plan works to be performed. As a 'back-up', programmed works will be reviewed by Surveyors and contractors to ensure that works that have been undertaken haven't been missed from the updates.
- 4.5.5 Any works completed by the contractors will be updated via a portal, with error reports being generated and emailed to the DC if any information cannot be uploaded to Active H (e.g. an unknown asset number / attribute doesn't exist etc.). Handover documents (and associated certificates) are provided to evidence the works completed and these are stored on a network drive, with a different folder for each programme each year.
- 4.5.6 A sample of handover documents in respect of works completed was selected and these were checked to ensure that the relevant attribute has been updated on Active H. Whilst some updates had been undertaken as expected, some specific issues were noted:
- One update in relation to a door replacement had only been partially completed on the system (rear door missed off the update). This had been a manual update as the contractor had not used the portal / appropriate naming convention for this to be automatically updated.
 - Manual roofing works updates had not been processed.
 - There was a level of confusion over the date of external decorating works performed at a property which had not been updated appropriately on the system.

Risk

Programmed works may not be needed due to incorrect data on the Active H system.

Recommendations

Contractors should be reminded of the need to use the portal wherever possible and to follow the naming conventions on the documents being uploaded.

Relevant staff should be reminded of the need to perform manual updates in relation to performed works on a timely basis.

- 4.5.7 The DC advised that, when a new asset is acquired, he will create the asset on Active H and will populate relevant details such as the address and grid coordinates as per GIS. Other attributes will be added once confirmed (compliance certificates, details of kitchen, bathroom etc.). As highlighted above, there is a need for a handover 'template' to be adopted to ensure that all relevant attribute details are being obtained.
- 4.5.8 During other audits and regular review of committee papers, two recent housing developments where the Council had acquired new housing stock were identified (Yew Tree Way and Bremridge Close in Barford). Upon review, it was confirmed that new assets had been created on Active H as appropriate although, due to the identified issue over the lack of handover templates, it was not possible to ensure that all relevant attribute details were being obtained and updated on the system.

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 Housing Stock Asset Management 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 However, issues were identified in relation to:
- The need for the HRA Business plan to be reviewed and reported to Executive.
 - Attributes in relation to new housing stock not being captured / covered at handover.
 - The Active H system not being updated appropriately in relation to works performed.

- 5.4 A further 'issue' was also identified where an advisory note has been reported. In these instances, no formal recommendations are thought to be warranted as there is no risk if the actions are not taken. If the changes are made, however, the existing control framework will be enhanced:
- A standard agenda item could be considered (for the housing stock management meetings) to formally advise Assets of when new properties are acquired.

6 **Management Action**

- 6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Housing Stock Asset Management – March 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.9	The HRA Business Plan should be reviewed as soon as practical with a report subsequently being presented to Executive. Regular updates should subsequently be reported to cover any changes to the plan. This should be at least annually, but more frequently depending on circumstances (e.g. changes to numbers of housing stock where this impacts the plan).	The demands placed on housing expenditure may not be affordable within the current financial framework set out within the HRA Business plan.	Medium	Head of Housing Services	Accepted. The plan will be reviewed as soon as practicable taking account of the current Covid-19 demands placed on the Council.	March 2021
4.4.4	The 'handover checklist template' obtained should be reviewed to ensure that it captures all relevant information, with amendments being made accordingly.	The Active H system may not be updated to reflect all relevant attributes.	Low	Head of Assets	The checklist will be reviewed by Assets / Housing to ensure that it captures all necessary detail.	July 2020
4.5.6	Contractors should be reminded of the need to use the portal wherever possible and to follow the naming conventions on the documents being uploaded.	Programmed works may not be needed due to incorrect data on the Active H system.	Low	Head of Assets	Reminder to be issued to all Contractors using the Portal when works recommence post Covid-19.	August 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.5.6	Relevant staff should be reminded of the need to perform manual updates in relation to performed works on a timely basis.	Programmed works may not be needed due to incorrect data on the Active H system.	Low	Head of Assets	Reminder to be issued to all relevant staff for when works recommence post Covid-19.	June 2020

* 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.