



**FINAL INTERNAL AUDIT REPORT**  
**HOUSING, PLANNING AND REGENERATION DEPARTMENT**

**REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME**

**Issued to:** Sara Bowrey, Director of Housing, Planning and Regeneration  
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**Report No.:** ECHS/16/2019/AU

**REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME****INTRODUCTION**

1. This report sets out the results of our audit of the More Homes Bromley, LLP scheme. The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.

As at September 2019, 1,578 households were placed in Temporary Accommodation and over 900 households in Nightly Paid Accommodation. The number of approaches from households who are homeless or threatened with homelessness and subsequently go on to require assistance with temporary accommodation continues to increase.

On 26<sup>th</sup> March 2016, the Executive approved that a Special Purpose Vehicle (SPV) be set up between Company A and the Council to acquire stock for temporary accommodation and deliver budget savings by reducing reliance on more costly options.

A Joint Partnership between the Council and Company A, known as 'More Homes Bromley LLP' (LLP), was incorporated on 8<sup>th</sup> February 2016 and registered at Companies House as a Limited Liability Partnership. The accounts state the principal activity as 'the acquisition, provision and management of rented accommodation to local people in need of housing'. The procurement plan for the LLP is to acquire 400 properties comprising 60 one bedroomed, 280 two bedroomed and 60 three bedroomed units. Property Title (ownership) is registered in the name of More Homes Bromley LLP. Asset Management, being the provision of repairs, maintenance and tenancy management services, is undertaken by Company B, part of the Company A Group.

The Council, being an early adopter of this approach to temporary accommodation stock acquisition and having experienced changes in key personnel since the scheme's inception, has experienced a steep learning curve. It should also be noted that the scheme is being delivered without the benefit of a dedicated Project /Contract Monitoring Officer, having been absorbed into 'Business as Usual', by the Housing, Finance and Corporate Programmes functions.

It was reported to Care Services PDS on 4<sup>th</sup> July 2017 (ref CS 18028) that 'the properties were originally to be purchased over a four year period but that the financial model was revised to two years, to deliver budget savings earlier'. As at 13<sup>th</sup> December 2019, 356 property purchases had been completed, with a further 32 in the pipeline. The number of completions had increased to 360 as at the time of reporting. It should be noted that; not all of the pipeline properties will reach completion and, as a period of refurbishment is factored in post completion, not all of the purchased properties will be tenanted yet.

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The Council retains financial liability for any voids from the tenth working day following a unit becoming available and ready for occupation, until completion of a Tenancy Agreement.

Investment funding of £81m was provided by Company C in four tranches between June 2016 and December 2017. The term of the investment is 40 years with the final repayment date being June 2056. A First Legal Charge is registered against the properties in the name of Company D, being the Security Trustee on behalf of Company C.

Audited accounts (Company E) for the LLP's year ended 31<sup>st</sup> March 2019 reflect a fixed asset value (Freehold and Long Leasehold property at cost) of £56.3m.

All costs associated with the scheme are funded from the LLP. These include legal costs and stamp duty, refurbishment costs, expenses such as legal and arrangement fees, and debt servicing. Any inability to contain costs within the £81m financial envelope will have implications for scheme, primarily a reduction in the number of properties which can be purchased or an additional funding requirement.

Interest is paid biannually in June and December. The interest coupon increases from 3.6% in June 2026 to 4% and then to 5.085% in June 2046 for the remaining term.

Amortisation is factored into the Financial Model of January 2020, with principal repayments due to commence in June 2026. At the end of the 40 year term, there will be an outstanding balance to be repaid to Company C, the current Financial Model estimate being £30.6m. Cash balances are forecast to be £12.2m, leaving a residual debt of £18.4m. For comparative purposes, the original Financial Model (June 2016) projected a term cash balance of £16.1m and a residual debt of £14.5m. The repayment method, subject to determination by the Board, could include; refinancing with a new lender, sale of a proportion of the property portfolio or, the Council repaying the debt. Subject to the satisfaction of all indebtedness, the housing stock acquired by the LLP shall be distributed to the Council in its entirety, with the January 2020 Financial Model projecting an Asset Value at term of £183m, £15m less than the June 2016 Financial Model figure of £198m.

2. We would like to thank all staff contacted during this review for their help and co-operation.

**AUDIT SCOPE**

3. The original scope of the audit was outlined in the Terms of Reference, the objective of which was to review the governance and controls in place over the operation of the scheme.

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4. The key risks reviewed within this audit were:-

- Financial risks to the Council are not managed
- Delivery of the project fails to achieve targets set
- Assets are not purchased in line with the assumptions in the Acquisition Agreement
- Assets are not managed in line with the Asset Management Agreement
- Failure to provide nominations and/or manage voids
- Performance issues with the Contractor/Limited Liability Partners

**AUDIT OPINION**

5. Our overall audit opinion, number and rating of recommendations are as follows.

<b>AUDIT OPINION</b>	
<b>Reasonable Assurance</b>	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	6	2

## REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME

### SUMMARY OF FINDINGS

As at 13<sup>th</sup> December 2019, this scheme had delivered 356 units of temporary accommodation reducing reliance on more costly options. This had increased to 360 as at the time of reporting.

Being an early adopter of this approach to temporary accommodation stock acquisition, the Council has experienced a steep learning curve. Lessons learnt have fed through to a formalising of processes in recent months; we would, however, wish to bring the following areas to management attention.

#### 6. Governance

Whilst there are clear lines of accountability within strategic and operational roles, these, together with the governance arrangements for the scheme, are not formally documented. The lack of a clear, documented pathway leaves the scheme at risk of ineffective strategic oversight.

Roles and responsibilities of individuals and the Terms of Reference for each of the groups (e.g. Board) should be defined and documented to ensure oversight and critical enquiry of all areas of the scheme including:-

- Spend and financial forecasts against the model
- Programme delivery issues
- Key Performance Indicators
- Risk and Strategic matters
- Day to day operational aspects

#### 7. Strategic assessment and documentation of risks

Whilst it was noted that Committee Reports, for example DRR15/038 dated 10<sup>th</sup> June 2015 contained a section on risks, the workstream does not have a Risk Register and therefore routine assessment of the risks associated with the delivery of the scheme could not be evidenced. In view of the nature and phasing of the scheme, with the majority of the activity and expenditure taking place in the first few years, Strategic and Operational short and long term risks should be identified, documented and kept under review by the Board.

## REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME

### 8. Business Plan, Financial Model and Management Accounts

The Partnership Agreement states that the Board shall be responsible for the production of a draft updated Financial Model for each financial year and updating the Business Plan. Whilst the Financial Model, which was last updated in January 2020, was tacitly accepted as undertaking the role of the ongoing Business Plan, it could not be confirmed that this was the intention of the Partnership Agreement or whether the original Business Plan should have been subject to annual refresh.

Whilst the Financial Model was current and had been reconciled as at October 2019, it could not be confirmed that this had been subject to a regular six monthly reconciliation, an annual formal review or, that the management accounts and a management report, which should be prepared quarterly, had been scrutinised at the stated intervals.

The January 2020 Financial Model contains a 'Summary Termsheet' comparing the current position of the scheme with that originally modelled in June 2016. Whilst the outstanding balance to be repaid to Company C is reflected in both as £30.6m, the cash balances at term are currently forecast to be £12.2m, leaving a residual debt of £18.4m, whereas the original Financial Model projected a term cash balance of £16.1m and a residual debt of £14.5m.

### 9. Strategic File Management

The Strategic file management system is housed within a 'Sharepoint' site and contains information such as Legal documents and advice, meeting minutes and Key Performance Indicators. Dates on the site indicate that it was not incepted until 2018 and was not, therefore, the primary repository until that stage. Historic documentation is ad hoc in nature and file structures such as the meeting minutes have been amended throughout the course of the scheme with, for example, the addition of a 'Board' file for documentation from August 2019, to coincide with the formalising of the Board meeting process. It could not be established that all relevant documentation (e.g. all meeting agendas, minutes and attachments together with all Key Performance Indicator data), had been uploaded to the system, or indeed that the meetings had consistently taken place at the required frequencies and undertaken the functions set out in the partnership documentation.

The scheme is recorded on the Contracts Database system which also holds some agreement and authorisation documents and management information. It is recommended that the contents of both repositories are reviewed and realigned where appropriate.

**REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME**10. Quality Assurance Arrangements/Key Performance Indicators

The Asset Management Agreement contains a suite of Key Performance Indicators (KPIs). The last operational meeting for which minutes could be located was held on 27<sup>th</sup> June 2019. Whilst these minutes record that 'no issues were raised with the KPIs during this meeting', there is no evidence of critical challenge or that an operational meeting has been held subsequently.

Lack of KPI data was identified at the Board meeting of 17<sup>th</sup> July 2019 and it is acknowledged that efforts have resulted in the receipt of a data suite covering January 2018 to October 2019, which was reviewed by the Board on 6<sup>th</sup> December 2019. A process should be put in place to ensure that, going forward; **all** data set out in the binding agreements is received in line with the timescales and is subject to challenge at the appropriate level.

11. Gross and Net Rent Shortfall/Interest earned on Cash

The Deed of Covenant and Guarantee states that on or around the 15<sup>th</sup> day of each calendar month, Company B will certify to the Council and the Issuer (More Homes Bromley, LLP) any shortfall against the original Financial Model of:-

a) Gross Rent,

b) Net Rent,

c) Interest earned on Cash against the Original Financial Model,

and that the Council guarantees that it will pay the relevant sums due in respect of a Shortfall.

Whilst it is evident from the Board meeting minutes of 17<sup>th</sup> July 2019 and 6<sup>th</sup> December 2019, that this clause has now been identified and highlighted at Board Level, there was no evidence to suggest that funds had been placed in interest bearing accounts or that the Council had received notification of rental or interest shortfalls. Should this clause be invoked, there will be financial implications for the Council, the level of which have yet to be established.

12. Filing of LLP accounts at Companies House prior to formal approval by the Board

The 2018/19 audited accounts were filed at Companies House on 23<sup>rd</sup> November 2019. This was prior to formal sign off at the Board meeting of 6<sup>th</sup> December 2019, although it was noted that the Board had received the draft accounts and they had been agreed in principle.

**REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME**13. Target mix

The Target mix within the procurement plan was 60 one bedroomed, 280 two bedroomed and 60 three bedroomed properties, with Committee report CS18028 to Care Services PDS on 4<sup>th</sup> July 2017 advising ‘the properties were originally to be purchased over a four year period but that the financial model was revised to two years, to deliver budget savings earlier’. The revised two year target had not been met as at 13<sup>th</sup> December 2019, with a shortfall of 30 two bedroom properties and 15 three bedroom properties and this reduced timescale was not reflected in the January 2020 Financial Model. The one bedroom target had been exceeded by 1 and whilst further purchase of one bedroom properties would support the overall target, it would distort the property profile, not be in line with the original procurement plan and result in the Council being able to consider only smaller households for the accommodation.

The Procurement Plan states that ‘Company A must use all reasonable endeavours to obtain Property within the Borough of Bromley subject to satisfaction of the cost considerations derived from the Business Plan’. The Business Plan defines the geographical and numerical split of the acquisition strategy, with 10% of the properties to be in the Borough of Bromley and the remainder being split between Bexley, Dartford, Gravesham and Maidstone Boroughs. The schedule of properties owned as at 13<sup>th</sup> December 2019 indicates that properties have been purchased outside of the stated areas e.g. Swale. Whilst this may result in a lower initial cost per property, there could be implications for ongoing rental income levels when applying the area based Local Housing Allowance (LHA) rates used to calculate Housing Benefit, as areas outside of those originally modelled may receive a lower LHA rate.

14. Property Completions (numbers and timescales)

Whilst not all assumptions within the Financial Model were tested, it was noted that the Model, whilst current, having been updated in January 2020, it is based on the assumption that the ‘number of Temporary Accommodations properties’ (i.e. the number of purchases which would have completed), by January 2020 would be 383, and the full 400 would complete by April 2020. The stated target for January 2020 was not achieved and based on pipeline data, the target of 400 completions by April 2020 would appear to have been ambitious.

15. Completion of works within the 12 week deadline

The Acquisition agreement states that refurbishment works, which are carried out or procured by Company A, are ‘to be completed not later than 12 weeks after the date of legal completion’. From a sample of 20 properties, seven were recorded as having taken longer than 84 days from completion of the purchase to completion of the works. Of these, timescales ranged from 121 days to 236 days.

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A further property, for which the LLPs internal records stated a purchase completion date of 13<sup>th</sup> December 2018, had, prior to purchase, been heavily adapted for use by a person with disabilities. Subsequent to purchase, significant modification/replacement of items had commenced to ensure that the property met current requirements. It is understood that this property is now in the sign off phase.

One property was, as at the time of testing, still within the 12 week timescale, and no data was available for a further property.

Whilst it is acknowledged that the issue of delays in completing works was identified and challenged in November 2019, these will result in commensurate delays in commencing rental income collection.

### 16. Length of Lease

The Acquisition agreement states that Leasehold properties must have a Lease of at least 70 years unexpired at completion of the purchase. Whilst all Leasehold properties within the sample met the criteria, as at 2020, six of the properties within the sample have less than 100 years unexpired. Should the LLP wish to sell the properties at the end of the 40 year term, these properties are unlikely, at that stage, to meet the requirements of the majority of the Council of Mortgage Lenders' members in terms of length of lease remaining. This will reduce their marketability and therefore provision may be required in terms of both finance and time, to allow for negotiations with the Freeholder to extend the Lease prior to sale.

### 17. Granting of lease to Company B

In line with the published Business Plan for Company B, the properties, owned by More Homes Bromley LLP, are leased to Company B for a term of 20 years. Whilst the individual lease agreements contain an 'option to renew', as the scheme is for 40 years, Board members should assure themselves that any implications at the end of the initial term are understood and documented.

### 18. Insurance

Whilst 'an offer of insurance from a reputable insurer' is the responsibility of Company A as part of the acquisition process and would form part of the purchasing solicitor's requirements from exchange of contracts, it is recommended that the Council's Board representatives satisfy themselves that a policy/policies are in place with an acceptable range and level of cover and that premiums are paid to date.

**REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME****19. Property Purchase Approval and Property Allocation.**

Company A, when proposing properties for purchase in line with the Acquisition agreement, is required to submit an 'Offer Notice' supported by evidence including an independent valuation of the property and an estimate as to the cost of remedial works. The Council has delegated authority to accept or reject the offer contained in the Offer Notice. From a sample of 20 properties purchased, for five, formal authorisation, signed on behalf of the Council authorising Company A to purchase properties on behalf of the LLP, could not be located, although in all cases, correspondence was seen evidencing that discussions were ongoing. It was also noted that one property submission had been received on the template for another London Borough.

During the course of the audit, three of the 'Acceptance of Schedule 3 Offer notices' notices were re signed to formalise the process.

The Allocation element of the process (matching eligible households to properties), comprises five key stages commencing with the Notice of Availability (Nomination Request) and ending with the New Tenancy Notification. From a sample of 20 properties purchased, 17 had been notified as available for occupation. Of those, for only two properties could the documentation for all five stages be located.

**20. Future schemes**

Whilst it is acknowledged that this scheme is managed via a Limited Liability Partnership arrangement and not a more standard contractual arrangement, it is recommended that any future LLP schemes consider the benefit of a dedicated Project/Contract Monitoring Officer.

**DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

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<b>1. Governance</b>	
<p><b><u>Finding</u></b>                  Whilst there are clear lines of accountability within strategic and operational roles, these, together with the governance arrangements for the scheme, are not formally documented.</p> <p><b><u>Risk</u></b>                  The lack of a clear, documented pathway leaves the scheme at risk of ineffective strategic oversight.</p>	
<p><b><u>Recommendation</u></b></p> <p>i) Roles and responsibilities of individuals and the Terms of Reference for each of the groups (e.g. Board) should be defined and documented to ensure oversight and critical enquiry of all areas of the scheme including:-</p> <ul style="list-style-type: none"> <li>• Spend and financial forecasts against the model</li> <li>• Programme delivery issues</li> <li>• Key Performance Indicators</li> <li>• Risk and Strategic matters</li> <li>• Day to day operational aspects</li> </ul> <p>ii) Whilst it is acknowledged that this scheme is managed via a Limited Liability Partnership arrangement and not a more standard contractual arrangement, consideration should be given to the benefit of a dedicated Project/Contract Monitoring Officer for any future schemes</p>	<p><b><u>Rating</u></b></p> <div style="border: 1px solid black; background-color: #ffcc00; padding: 5px; display: inline-block;">Priority 2</div>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>i) Agreed – will be actioned.                  Director of Housing, Planning and Regeneration and Head of Finance, Adults Health &amp; Housing</p> <p>ii) Agreed – will be kept under consideration for future proposals.                  Director of Housing, Planning and Regeneration and Head of Finance, Adults Health &amp; Housing</p>	<p><b><u>Agreed timescale</u></b></p> <p>i) July 2020</p> <p>ii) Subject to future proposals</p>

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**2. Strategic Assessment and Documentation of Risks****Finding**

The workstream does not have a Risk Register and therefore routine assessment of the risks associated with the delivery of the scheme could not be evidenced.

During the course of the audit, the following areas were identified, which could impact the workstream's ability to achieve its priorities and objectives and should therefore be considered for inclusion in the Risk Register.

- a) 'Gap' between the term position projected in the January 2020 Financial Model and that stated in the original Financial Model of June 2016
- b) Failure to acquire 400 properties within the financial envelope and timescales defined in the Financial Model
- c) Variance of the numerical and geographical target mix from that defined in the Business Plan
- d) Financial implications of cash balances not placed in interest bearing accounts since commencement of the scheme
- e) Financial implications of the Council's obligation to fund gross or net rent shortfalls incurred
- f) Refurbishment works exceeding the 12 week timescale and consequent delays in properties being available for letting and receipt of rental income
- g) Leasehold properties having less than 70 years unexpired lease in 40 years' time, being the modelled end date for the scheme, and the impact on marketability
- h) Leases granted in favour of Company B being for 20 years and therefore half the term of the scheme, although it is noted that there is an option to extend

**Risk**

Lack of identification, analysis and overall control of those risks which may impact on the workstream's ability to deliver its priorities and objectives.

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<p><b><u>Recommendation</u></b></p> <p>The short and long term strategic and operational risks associated with the workstream should be identified, prioritised and recorded. Likelihood and Impact should be assessed and the controls and actions to reduce the risk exposure documented.</p> <p>The resultant Risk Register should be kept 'live' and under review by the Board.</p>	<p><b><u>Rating</u></b></p> <p style="text-align: center;"><b>Priority 2</b></p>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>Agreed – the risk register will be updated and subject to ongoing monitoring by the Board. Raised at the Board meeting in March 2020 - to be considered and agreed at the next Board meeting.</p> <p>Director of Housing, Planning and Regeneration and Head of Finance, Adults Health &amp; Housing</p>	<p><b><u>Agreed timescale</u></b></p> <p>July 2020</p>

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<b>3. <u>Quality Assurance Arrangements/Key Performance Indicators</u></b>	
<p><b><u>Finding</u></b></p> <p>The Asset Management Agreement contains a suite of Key Performance Indicators. The last operational meeting for which minutes could be located was held on 27<sup>th</sup> June 2019. Whilst these minutes record that ‘no issues were raised with the KPIs during this meeting’, there is no evidence of critical challenge or that an operational meeting has been held subsequently.</p> <p>Lack of KPI data was identified at the Board meeting of 17<sup>th</sup> July 2019 and a data suite covering January 2018 to October 2019 was produced and reviewed by the Board on 6<sup>th</sup> December 2019.</p> <p><b><u>Risk</u></b></p> <p>Where there is no evidence of regular receipt of Key Performance Indicators as per the agreements and subsequent critical challenge, there is a risk that the More Homes Bromley LLP scheme is not delivering the service expected or achieving value for money.</p>	
<p><b><u>Recommendation</u></b></p> <p>A process is put in place to ensure that, going forward; <b>all</b> data set out in the binding agreements is received in line with the stated timescales and is subject to challenge at the appropriate level.</p>	<p><b><u>Rating</u></b></p> <div style="border: 1px solid black; background-color: #ffc107; padding: 5px; display: inline-block;">Priority 2</div>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>Agreed - With immediate effect the KPI’s were requested to be presented ahead of every meeting. If they are not, they are chased and discussed at every operational meeting, any issues are flagged to the Management Board which enables them to be escalated and discussed at the Board meetings.</p> <p>In addition, a folder is being set up on the More Homes Team site to enable all the operational documents to be stored so that they can be accessed at any time.</p> <p>Director of Housing, Planning and Regeneration and Head of Finance, Adults Health &amp; Housing</p>	<p><b><u>Agreed timescale</u></b></p> <p>July 2020</p>

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**4. Business Plan, Financial Model and Management Accounts****Finding**

- i) The Partnership Agreement states that the Board shall be responsible for the production of a draft updated Financial Model for each financial year and updating the Business Plan. Whilst the Financial Model, last updated January 2020, was tacitly accepted as undertaking the role of the ongoing Business Plan, it could not be confirmed that this was the intention of the Partnership Agreement or whether the original Business Plan had been subject to annual refresh.
- ii) Whilst the Financial Model was current and had been reconciled as at October 2019, it could not be confirmed that this had been subject to a regular six monthly reconciliation, an annual formal review or, that the management accounts and a management report, which should be prepared quarterly, had been scrutinised at the stated intervals.

**Risk**

Where there is no documented evidence that the Business Plan, Financial Model and Management Accounts are updated in line with the requirements of the Partnership documentation, and subjected to subsequent critical challenge by the Board, there is a risk that the More Homes Bromley LLP scheme is not delivering the service expected or achieving value for money.

Gaps and emerging risks between the projected term position stated in the original (June 2016) Financial Model and the current (January 2020) Financial Model may not be identified, and appropriate action may not be taken.

**Recommendation**

- i) The Board review the function of the original Business Plan, agree and document whether this has now been superseded by the Financial Model. Should the decision be that the Business Plan remains live, that it be updated in line with the requirements of the Partnership Agreement.
- ii) A process be put in place to ensure that:-
- a) the Financial Model is subject to a minimum of a six monthly reconciliation and an annual formal review by the Board
  - b) the management accounts and management report are prepared quarterly and reviewed by the Board, and that all reviews are minuted. Actions arising should be clearly documented and followed up.

**Rating**

Priority 2

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<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
i) Agreed - raised at the Board meeting in March 2020 - to be considered and agreed at the next Board meeting. Director of Housing, Planning and Regeneration and Head of Finance, Adults Health & Housing	July 2020
ii) a) Agreed – this has been implemented. Head of Finance, Adults Health & Housing	April 2020
b) Agreed – this has been implemented. Head of Finance, Adults Health & Housing	April 2020

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<b>5. <u>Strategic File Management</u></b>	
<p><b><u>Finding</u></b></p> <p>The Strategic file management system is housed within a 'Sharepoint' site and contains information such as Legal documents and advice, meeting minutes and Key Performance Indicators. Dates on the site indicate that it was not incepted until 2018 and was not, therefore, the primary repository until that stage. Historic documentation is ad hoc in nature and file structures such as the meeting minutes have been amended throughout the course of the scheme with, for example, the addition of a 'Board' file for documentation from August 2019, to coincide with the formalising of the Board meeting process. It could not be established that all relevant documentation (e.g. all meeting agendas, minutes and attachments together with all Key Performance Indicator data), had been uploaded to the system, or indeed that the meetings had consistently taken place at the required frequencies and undertaken the functions set out in the partnership documentation.</p> <p>The scheme is recorded on the Contracts Database system which also holds some agreement and authorisation documents and management information.</p> <p><b><u>Risk</u></b></p> <p>A full audit trail may not be available.</p>	
<p><b><u>Recommendation</u></b></p> <p>The contents of both repositories (the Sharepoint site and the Contracts Database system) are reviewed and realigned where appropriate. The Contracts Database should contain a complete set of the master documents making up the agreement as this will enable continuity of accessibility should personnel on the workstream change.</p>	<p><b><u>Rating</u></b></p> <p style="text-align: center;"><b>Priority 2</b></p>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>Agreed – a review will be undertaken on both systems and the structures reviewed and realigned where appropriate ensuring all the contractual documents are on the Contracts Database and the Sharepoint site easier to navigate.</p> <p>Director of Housing, Planning and Regeneration and Head of Finance, Adults Health &amp; Housing</p>	<p><b><u>Agreed timescale</u></b></p> <p>October 2020</p>

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<b>6. <u>Insurance</u></b>	
<p><b><u>Finding</u></b>                  Whilst ‘an offer of insurance from a reputable insurer’, is the responsibility of Company A as part of the acquisition process, policy details are not known to the Council’s More Homes Bromley Board members.</p> <p><b><u>Risk</u></b>                  In the event of a claim, lack of recourse to an insurer would increase the scheme’s financial exposure.</p>	
<p><b><u>Recommendation</u></b>                  The Council’s More Homes Bromley Board members satisfy themselves that a policy/policies are in place with an acceptable range and level of cover and that premiums are paid to date.</p>	<p><b><u>Rating</u></b>  </p>
<p><b><u>Management Response and Accountable Manager</u></b>                  Agreed - raised at the Board meeting in March 2020 - to be reviewed at the next Board meeting.                  Director of Housing, Planning and Regeneration and Head of Finance, Adults Health &amp; Housing</p>	<p><b><u>Agreed timescale</u></b>                  July 2020</p>

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<b>7. <u>Property Purchase Approval and Property Allocation</u></b>	
<p><b><u>Finding</u></b>                      As at the time of the audit, from a sample of 20 properties:-</p> <p>i) Five ‘Acceptance of Schedule 3 Offer notices’, signed on behalf of the Council authorising Company A to purchase properties on behalf of the LLP, could not be located, although in all cases, correspondence was seen evidencing that discussions were ongoing.</p> <p>During the course of the audit, three of the Acceptance notices were re signed to formalise the process.</p> <p>ii) Seventeen had been notified as available for occupation. Of these, for only two properties could the documentation for all five stages in the process be located.</p> <p><b><u>Risk</u></b></p> <p>i) Properties may be purchased which have not been formally authorised by the Council.</p> <p>ii) A full audit trail may not be available</p>	
<p><b><u>Recommendation</u></b></p> <p>i) That each property purchase be formally authorised in writing prior to commencement of the process.</p> <p>ii) That each stage of the Allocation process be correctly documented.</p>	<p><b><u>Rating</u></b></p> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; display: inline-block;">Priority 3</div>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>Agreed – Officers now have a process in place which sees the process mapped out using a spreadsheet to ensure that all the paper work and required authorisations and at each stage the relevant documents are provided. This will be uploaded into the shared area on the Sharepoint site going forward.</p> <p>Director of Housing, Planning and Regeneration and Head of Finance, Adults Health &amp; Housing</p>	<p><b><u>Agreed timescale</u></b></p> <p>April 2020</p>

## REVIEW OF MORE HOMES BROMLEY, LLP SCHEME

## DETAILED FINDINGS AND ACTION PLAN

## APPENDIX A

<b>8. <u>Filing of Accounts at Companies House</u></b>	
<p><b><u>Finding</u></b> The 2018/19 audited accounts had been filed at Companies House on 23<sup>rd</sup> November 2019 (the deadline for filing being 31<sup>st</sup> December 2019). This was prior to formal sign off by the Board at their meeting of 6<sup>th</sup> December 2019, although it was noted that the Board had received the draft accounts and they had been approved in principle.</p> <p><b><u>Risk</u></b> Filed accounts may not be as approved by the Board.</p>	
<p><b><u>Recommendation</u></b> Formal approval of the Board must be received prior to filing accounts at Companies House.</p>	<p><b><u>Rating</u></b> <b>Priority 3</b></p>
<p><b><u>Management Response and Accountable Manager</u></b> Agreed - raised at the Board meeting in March 2020. Company A Group's Finance Director assured the Board that this will not happen again. Director of Housing, Planning and Regeneration and Head of Finance, Adults Health &amp; Housing</p>	<p><b><u>Agreed timescale</u></b> April 2020</p>

## OPINION DEFINITIONS

## Assurance Level

Assurance Level	Definition
<b>Substantial Assurance</b>	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
<b>Reasonable Assurance</b>	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
<b>Limited Assurance</b>	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
<b>No Assurance</b>	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

## Recommendation ratings

Risk rating	Definition
<b>Priority 1</b>	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
<b>Priority 2</b>	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
<b>Priority 3</b>	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.