

REDACTED



INTERNAL AUDIT FINAL

PLACE DEPARTMENT

HOUSING SCHEMES (GOVERNANCE OF PARTNERSHIPS)

Issued to: Director of Housing, Planning and Regeneration
Assistant Director, Housing
Head of Finance, Adult Social Care, Health and Housing
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Reviewed by: Head of Audit and Assurance

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HOUSING SCHEMES (GOVERNANCE OF PARTNERSHIPS)

INTRODUCTION

1. This report sets out the results of our audit of Housing Schemes (Governance of Partnerships). The audit was carried out as part of the work specified in the six-monthly Internal Audit Plan for 2022-23, agreed by the Audit and Risk Management 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.
2. The objective of the Housing Acquisition Partnership Schemes is to purchase good quality properties which can be let as affordable homes to people nominated by Bromley and to help reduce the use of nightly paid temporary accommodation.
3. This function supports the Making Bromley Even Better ambition for 'people to make their homes in Bromley' and to 'enable Bromley residents to thrive in the borough by having access to high quality and affordable homes', as described in the Council's Housing Strategy.
4. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

5. The original scope of the audit was outlined in the Terms of Reference issued on 9th January 2023. During our fieldwork, we reviewed and tested the following key risks:-
 - If Governance arrangements for the scheme do not take account of recommendations made, 'lessons learnt' or challenges identified from previous Housing Acquisition Partnership Schemes, effective oversight may not be maintained. This may result in the Scheme not progressing as agreed and failing to secure, and move households into, settled accommodation as projected.
 - Property acquisitions are not completed in the expected timeframe and purchase prices exceed those in the financial envelope. Projected savings on the cost of nightly paid temporary accommodation may not be achieved.

HOUSING SCHEMES (GOVERNANCE OF PARTNERSHIPS)

- The Council may be exposed to reputational risk if properties are not brought up to, or maintained to, Decent Homes standards. Tenants’ issues may not be fully resolved which may also lead to complaints, and potentially failed tenancies.
6. At the time of the fieldwork, Phase 1 of Scheme A was moving from the Acquisition to Operational phase. Commencement of Acquisitions under Phase 2 was imminent. Our testing focused on the Governance arrangements in place for Phase 2, taking into accounts lessons learnt from Phase 1.

AUDIT OPINION

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

AUDIT OPINION	
Reasonable Assurance	(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	1	1

HOUSING SCHEMES (GOVERNANCE OF PARTNERSHIPS)

SUMMARY OF FINDINGS

8. Our fieldwork highlighted a number of key strengths. We found that the Governance structure is set out in the Limited Liability Partnership Agreement suite of documentation. Executive and Operational Board meetings are held regularly and the format is structured. Minutes and supporting papers are available. A suite of Key Performance Indicators is in place and risks to the schemes are documented and kept under review.
9. Lessons learnt from Phase 1 have been implemented to accelerate the conveyancing process and progress is monitored.
10. Our audit review has, however, identified the following two areas which we would like to bring to management's attention. We recommend that these are considered in connection with all current and future Housing Acquisition Partnership Schemes.

Governance – Roles and Responsibilities

The LBB Members of the Executive and Operational Board are highly skilled and knowledgeable within their roles. Neither of the schemes, however, benefit from the ongoing Monitoring/Oversight equivalent of a Contract monitoring function to ensure that all duties are discharged and standards are met.

Whilst the obligations of the Limited Liability Partnership parties are documented and a Terms of Reference (TOR) has been drawn up for the Operational Board, understanding is not consistent as to the parameters of the Operational Board's responsibility and escalation process, specifically that for Key Performance Indicator outturns.

Governance – Record Keeping/Good Practice

- (i) **Operational Board meeting minutes.** These are currently held on the 'Shared drive' however, the Terms of Reference for both Phase 1 and 2 states that these should be held on the Scheme's Sharepoint site.
- (ii) **Insurance.** The LBB Executive Board members do not currently satisfy themselves, on an annual basis, that all relevant policies are in place with an acceptable level of cover and that premiums have been paid to date.

HOUSING SCHEMES (GOVERNANCE OF PARTNERSHIPS)

11. We acknowledge that the scheme, being a Limited Liability Partnership Agreement, is recorded on the Contracts Database as headline information only, with the full suite of documentation held in the scheme's Sharepoint site. Access to this site should be kept under review to ensure that it is sufficient and continuous should personnel change on the scheme.
12. Additionally, we have been made aware of a forthcoming change of LBB Executive Board representative. Whilst we understand that a handover is in place, this may result in a loss of scheme specific knowledge.
13. We have highlighted the risks here so that officers can ensure appropriate mitigations are in place, but have not made any associated recommendations.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

14. 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.

HOUSING SCHEMES (GOVERNANCE OF PARTNERSHIPS)

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

1. Governance – Roles and Responsibilities

Finding

The LBB Members of the Executive and Operational Board are highly skilled and knowledgeable in their roles, with delivery of the Housing Acquisition Partnership Schemes absorbed into 'Business as Usual'. Once property acquisition commences, this creates a pinch point at the Nominations stage and an ongoing Operational monitoring requirement for the term of the scheme.

There is a separate Executive Board for each scheme providing Strategic oversight and one Operational Board scrutinising all Contractor A schemes. Neither of the schemes reviewed benefits from the ongoing Monitoring/Oversight equivalent of a Contract Monitoring function.

Whilst the primary duties and obligations of the Limited Liability Partnership parties are documented and a Terms of Reference (TOR) has been drawn up for the Operational Board, understanding is not consistent as to the parameters of the Operational Board's responsibility and escalation process, specifically that for scrutiny and monitoring of Key Performance Indicator outturns.

Risk

Without an ongoing Monitoring/Oversight function:-

- (i) There could be an inconsistent approach to evaluating delivery of the schemes. Efforts may be concentrated on resolving issues at individual Household level and not at scheme level. This could lead to declining performance/delivery failures at scheme level not being identified/dealt with at an early stage and the objectives not being met.
- (ii) Skilled and knowledgeable Operational staff resources may be diverted away from meeting the needs of Households.

HOUSING SCHEMES (GOVERNANCE OF PARTNERSHIPS)

DETAILED FINDINGS AND ACTION PLAN

<p><u>Recommendation</u></p> <p>We recommend that:-</p> <p>(i) It is confirmed that all parties to the scheme have had sight of the Governance documentation setting out their roles and responsibilities and that these, together with escalation procedures, are understood. The extent of each remit should be clarified and include the parameters for substantiating and challenging other parties to ensure that all duties are discharged and standards are met. This should include ensuring that there is no duplication (or gaps) between the work of the Executive and Operational Boards, for example in the monitoring of Key Performance Indicators.</p> <p>(ii) Consideration is given to how the ongoing Monitoring function of the Housing Acquisition Partnership Schemes is delivered to maintain effective oversight and assure that all duties are discharged and standards met.</p>	<p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>The governance is being reviewed in conjunction with the Head of Housing Schemes. The current management contract expires on the 31/3/24.</p> <p>The role is to have the oversight of the governance and interface between the Executive and Operational boards in order to ensure consistent monitoring and avoid duplication. Resource requirements will need to be considered as this role and the team around it expands.</p> <p>(Head of Housing Schemes)</p>	<p><u>Agreed timescale</u></p> <p>Within 2023/24: Likely Q4</p> <p>(31st March 2024)</p>

HOUSING SCHEMES (GOVERNANCE OF PARTNERSHIPS)

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

2. <u>Governance – Record Keeping/Good Practice</u>	
<p><u>Finding</u></p> <p>During the course of the audit, we identified two areas where the efficiency or effectiveness of the control environment could be improved.</p> <p>(i) Operational Board meeting minutes. These are currently held on the ‘Shared drive’ however, the Terms of Reference states that these should be held on the Scheme’s Sharepoint site.</p> <p>(ii) Insurance. The LBB Executive Board members do not currently satisfy themselves, on an annual basis, that all relevant policies are in place with an acceptable level of cover and that premiums have been paid to date.</p> <p><u>Risk</u></p> <p>(i) Should personnel on the workstream change, documentation, or evidence of actions taken, may not be accessible.</p> <p>(ii) In the event of a claim, lack of recourse to an insurer would increase financial exposure.</p>	
<p><u>Recommendation</u></p> <p>(i) Operational Board meeting minutes. In line with the Group’s Terms of Reference, these should be held on the relevant scheme’s Sharepoint site.</p> <p>(ii) Insurance. Whilst it is acknowledged that Insurance is a condition precedent of the Funding Agreement, the LBB Executive Board members should satisfy themselves on an annual basis that all relevant policies are in place with an acceptable level of cover and that premiums have been paid to date.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; display: inline-block;">Priority 3</div>

HOUSING SCHEMES (GOVERNANCE OF PARTNERSHIPS)

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>(i) These will be uploaded onto the relevant site.</p> <p>(ii) This has already been added to the standing agenda item for the Board so is complete.</p> <p>(Head of Housing Schemes)</p>	<p>The uploading of relevant documents will be done within 3 months.</p> <p>(31st July 2023)</p>

OPINION DEFINITIONS

Assurance Level

Assurance Level	Definition
Substantial Assurance	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.
Reasonable Assurance	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.
Limited Assurance	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.
No Assurance	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
Priority 1	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.
Priority 2	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.
Priority 3	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.