

Completed 2021/22 Internal Audit Activity during the period November and December 2021

Summary of Limited Assurance Opinions on Control

Service Area: Communities

Audit Activity: Voids Management

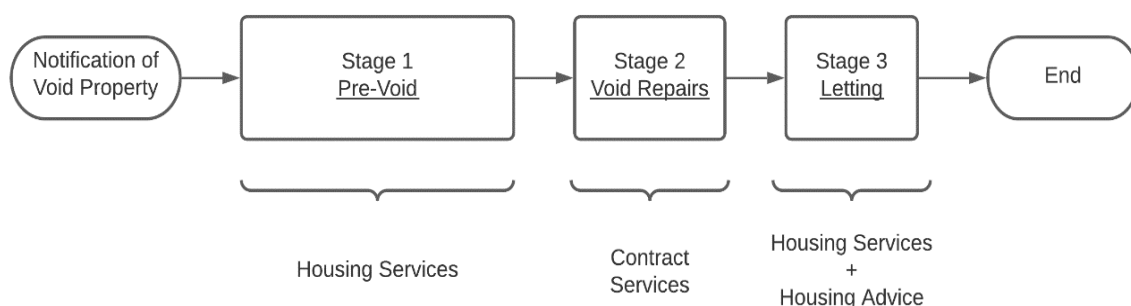
Background

Stroud District Council (the Council) currently let approximately 5,000 residential properties with a book value of £275m. These properties generate an annual income of over £20m. A void (or vacant) property is one which is not generating income and is awaiting a new tenant(s).

There are a number of ways that a property can become void:

- i. Tenants with a housing priority transferring to other void properties;
- ii. Tenants moving to other tenures such as Housing Associations, Home Ownership Schemes, or residential accommodation such as nursing homes;
- iii. Tenants that have breached their tenancy conditions by non-payment of the rent or via anti-social behaviour have been evicted by the Council with a court order for possession of the property;
- iv. The property becomes uninhabitable due to (deliberate, or otherwise) neglect, damage, or disrepair;
- v. Tenants have died without leaving a successor that has a legal right to occupy the property; or
- vi. Tenants have abandoned their tenancy without informing the Council that they intend to move out.

The term “voids management” describes the means by which the Council manages its vacant residential property so as to limit the length of void periods. The management of void properties within the Council involves Housing Services, Contract Services, and Housing Advice. This has been visualised below, for reference.



The arrangements should ensure that properties are quickly brought back into use, maximising rental income, and helping the Council to meet the local demand for social housing. This is a key priority within the 2021-2026 Council Plan (CW2.2).

As of 28th September 2021, there were approximately 3,500 households on the local (Stroud District) housing register. It is critical that void properties are brought back into use as quickly as possible to meet this demand.

Scope

Internal Audit has reviewed the adequacy and effectiveness of the arrangements in place to manage the Council's properties during void periods. The period covered by this audit was the 1st June 2020 to 31st July 2021 (14 calendar months). A sample of properties that were voided (became void) during this period was reviewed. To provide assurance over the management of the Council's void properties, this audit review had four key objectives:

- i. To assess whether effective governance and risk management arrangements have been set-up and are operating satisfactorily;
- ii. To evaluate whether the Council has clear guidelines and procedures in place covering the void management process from end-to-end. This will include consideration of information access and data protection in the context of voids management;
- iii. To evaluate the efficiency and effectiveness of key aspects of the void management process (end-to-end). This included the notification of tenancy changes, the scheduling, completion, and standard(s) of inspections and repairs, and the re-letting of the property to a new tenant(s); and
- iv. To assess the extent to which useful performance management information and Key Performance Indicators (KPIs) are captured, reported, and acted upon.

Risk Assurance – Limited

Control Assurance – Limited



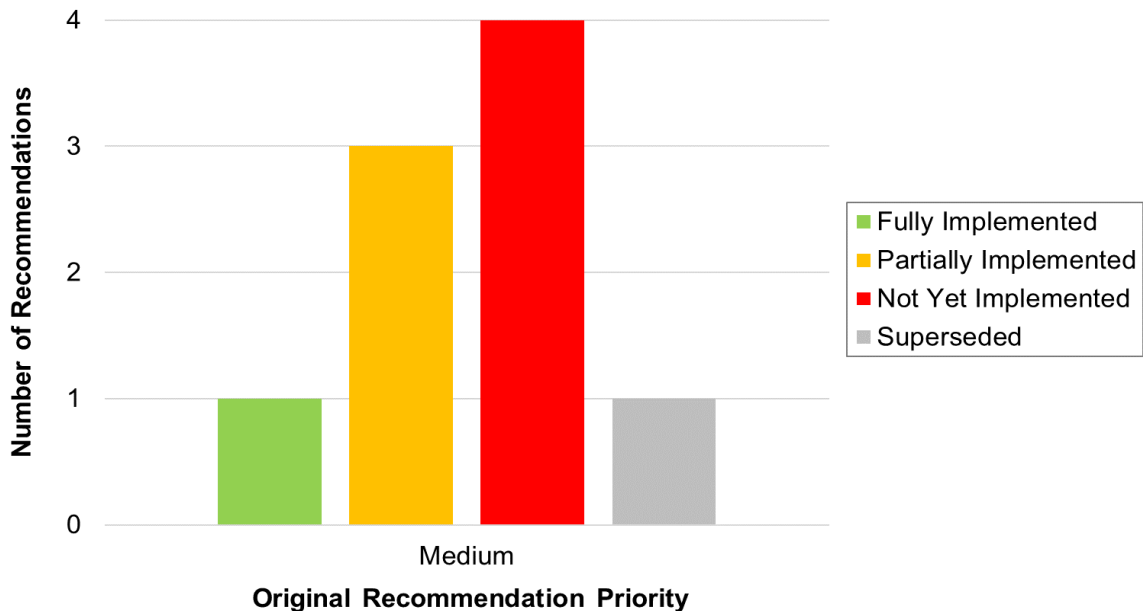
Control Assurance



Follow-Up

ARA's last review into the Council's voids management concluded in late 2019, with "Satisfactory Assurance" provided and nine "Medium Priority" recommendations accepted. The progress made towards implementing these is shown below. ARA has determined that only some progress has been made towards implementing these, with some pushed-back due to pressures on the service since March 2020.

Progress Made Towards Implementing Agreed Actions



Key Findings

The outcome of this review must be considered in light of the continuing impact of the Covid-19 pandemic on service delivery. Prior to March 2020, there were no reported issues or concerns regarding the Council's voids management.

As shown above, the assurance opinion provided here is finely balanced, and should be interpreted as such. The residual risk(s) to achieving service objectives remains high in the short to medium-term.

This review primarily considered the period from 1st June 2020 to 31st July 2021. Covid-19 had a substantial impact on the Council's voids management service over this period. A large backlog of properties built up due to the external contractor responsible for undertaking void repairs (when instructed by the Council) placing their staff members on furlough from April 2020 to June 2020. This, coupled with a relatively high void rate (the number of properties becoming void in a given period), has increased pressure on the service over the past two years. Additionally, restrictions imposed in England due to Covid-19 have often slowed the turnaround of void properties by, for example, limiting the number of contractors permitted on-site.

For information, the re-let time is defined as the time between the point of a tenancy ending (the property becoming vacant) and a new tenant moving-in. ARA has reviewed publicly available statistics (see GOV.UK "Local Authority Housing Statistics" LAHS 2020/21) which showed that English councils owning between 3,000 and 6,000 properties achieved an average re-let time of 57 days in 2020/21, the year ending 31st March 2021. Stroud District Council's reported (average) re-let performance in this return was 140 calendar days.

Re-let times are often broken down internally into those for "Major Voids" and "Minor Voids". A "Major Void" is one which requires a large amount of work in order to be fit for re-letting. A "Minor Void" is one which requires only a small amount of work in order to be fit for re-letting. A reasonable target re-let time for a "Major Void" is around 60 calendar days. For a "Minor Void", the analogous figure would be 30 calendar days. Annual Reports (Tenant Services) produced by the Council in the past have referenced a similar target turnaround of 53 days and 22 days for "Major Voids" and "Minor Voids", respectively.

For the sample of void properties selected from between 1st June 2020 and 31st July 2021, the average re-let times were approximately 200 days for "Major Voids" and 160 days for "Minor Voids". There is clearly scope for improvement in void turnaround times here, though the impact of the Covid-19 pandemic (and the repeated imposition of restrictions) cannot be overstated.

ARA notes that there has been some improvement (a reduction) in void re-let times since August 2021, with a reduction to around 80 days (on average). The Head of Contract Services has advised that the Housing Committee will receive a report on recent performance in due course.

The key findings of this review are that:

- i. The Council does not currently have a Voids Management Policy in place. This is a key governance control and public-facing policy. The roll-out of this policy will help to ensure that there is adequate oversight, guidance, and the correct assignment of responsibility and accountability across the end-to-end process;
- ii. The guidance in place to support voids management is not comprehensive or complete across all stages of the end-to-end process. There are some types of void event, such as "Transfers", where no formal guidance is in place;

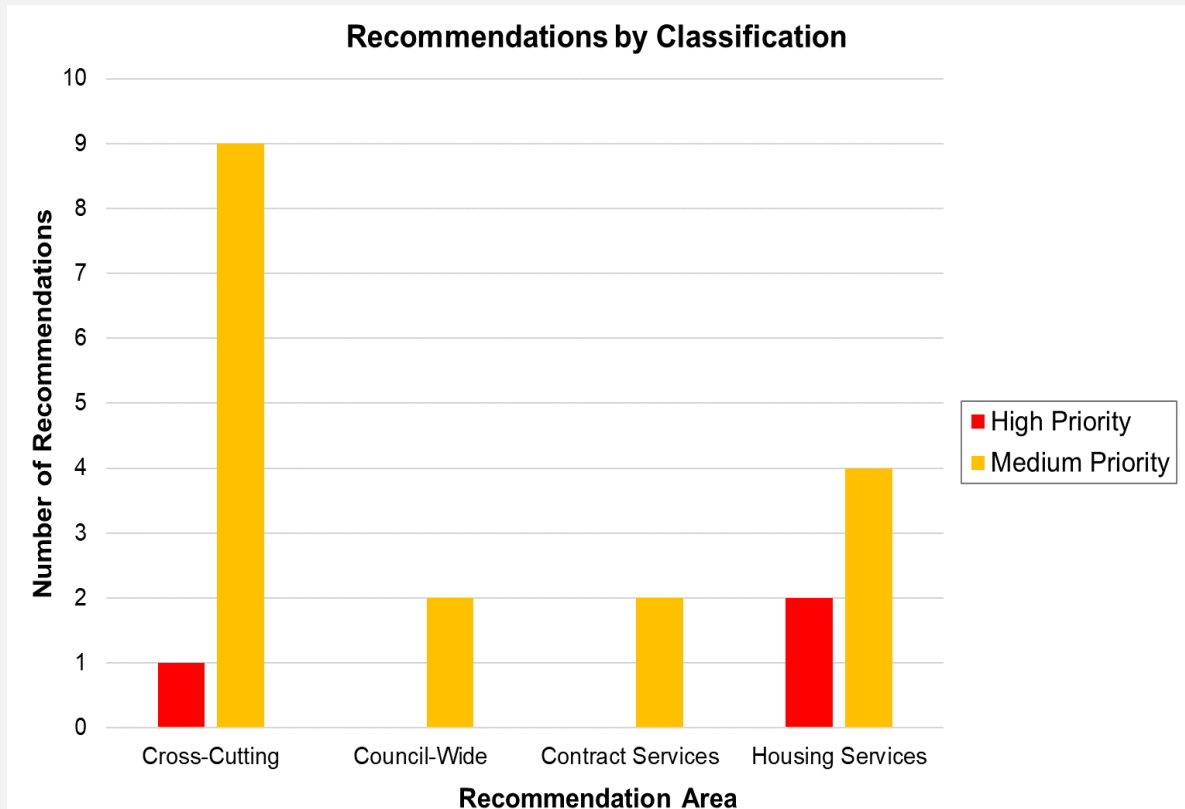
- iii. The Annual Reports (Tenant Services) for 2019/20 and 2020/21 have not been prepared and published on the Council's website within the "Tenant Publications" section. This is a statutory requirement as per the Tenant Involvement and Empowerment Standard (one of the Regulator of Social Housing's Consumer Standards);
- iv. A formal survey is used to classify the void according to the work required. There were significant delays noted for the ARA sample in scheduling these surveys following the property becoming void. The negative impact on void turnaround was further compounded by both extended repair times, lengthy delays in preparing post-repair tenant sign-up packs, and average "Advertisement to Re-Let Times" of over 30 days;
- v. The Council do not currently monitor the attestation ("Read and Understood" by officers) of policies or procedures centrally, and this is not a protocol that is embedded within individual service areas. This exposes the Council to the risk of individual officers being unfamiliar with key policies or major changes to policies and procedures;
- vi. The current version of the Housing Management System does not effectively support established workflows and leads to lapses in some controls. Management are aware of the system's limitations and the intention is to procure an alternative with improved specifications;
- vii. Tenancies only commence on Mondays, rather than on any weekday. This leads to a modest amount of rent loss (as a missed opportunity to collect more rent, not a direct loss);
- viii. Although there is some monitoring of the risks linked to the void repairs contract, there has not been any formal consideration (via Excelsis or an offline risk register) of risks relating to other aspects of the end-to-end voids management process;
- ix. The current approach to key-handling could be improved by using key safes at an earlier stage in the voids process;
- x. Pre-Termination Inspections (PTIs) were generally not completed during the sample period, initially due to Covid-19 restrictions. Properties were only inspected (via a formal survey) after becoming void. This prevented any rechargeable repair work being scheduled and completed while the property was still tenanted, or any early classification and scheduling ("queuing") of the property for void repairs;
- xi. The Tenancy Agreement (and other related legal documentation relied upon by Tenant Services) requires review to ensure that the Council is able to enforce and complete PTIs where possible. This will require the input of OneLegal. This will ensure that the Council is exercising its rights (and opportunities) as a social housing landlord to the fullest extent of the law;

- xii. The Council do not currently have a “Tenant Incentive Scheme” in place. This type of scheme would usually mirror the arrangements for recharging exiting tenants;
- xiii. The Council do not currently undertake “Tenancy Audits”, whereby Tenancy Management are able to obtain, collate, and act (intervene) on data regarding the condition of Council properties. These will be key to better understanding and addressing the Council's ongoing issues with properties being handed-back (voided) in poor condition; and
- xiv. Though there is some monitoring of standard KPIs covering the void repairs stage (Stage 2), KPIs are not currently monitored or reported-on across the end-to-end process (Stage 1, 2, and 3). ARA has confirmed the accuracy of some internal reporting covering Stage 2.

Conclusion

ARA has raised three High Priority and 17 Medium Priority recommendations covering Key Findings i to xiv. Once implemented and operating effectively, these recommendations will strengthen the current system of internal control, risk management, and improve monitoring and reporting. These are summarised in the figure below.

A number of these recommendations are related to one another, but have been separated out for clarity and ease of tracking. Therefore, the relative number of recommendations should be interpreted with this in mind.



Management Actions

Management have responded positively to the recommendations made, however have noted that the scope for short-term implementation is limited. ARA and management have jointly agreed a target date of 1st July 2022 for most recommendations. A Members' Voids and Repairs Task and Finish Group has also been engaged in reviewing the Council's voids management performance since late 2021. A number of the recommendations raised as part of this audit have been supported by this group.

The Strategic Director of Communities, Head of Contract Services, and Head of Housing Services would like to echo that the period under review was exceptionally challenging and that there were extreme pressures on service delivery. They would like to take this opportunity to recognise the considerable effort expended by officers to help the Council meet local housing need in the midst of the Covid-19 pandemic.

Performance has improved since the period reviewed by ARA (from July 2021 onwards). The Housing Committee will be kept fully informed on performance and outcomes.

Summary of Special Investigations/Counter Fraud Activities

Current Status

The Counter Fraud Team (CFT) within Internal Audit has received two referrals in 2021/22 to date. Both cases were Covid-19 grant related and have been closed, with the detail reported to the 30th November 2021 Audit and Standards Committee meeting.

In addition, the CFT continues to work on one case brought forward from last year (Covid-19 grant related). This case remains under review and will be reported to the Audit and Standards Committee on its completion.

Any fraud alerts received by Internal Audit from the National Anti-Fraud Network (NAFN) and other credible entities are passed onto the relevant service areas within the Council, to alert staff to the potential fraud.

Since the start of the Covid-19 pandemic ARA has provided the Council with regular updates on local and national scams which seek to take advantage of the unprecedented circumstances. Risk area updates include a rise in bank mandate frauds, inflated claims, duplicate payments and the submission of fraudulent Covid-19 grant applications. This area of activity continues, with updates provided to the Council where relevant.



As previously reported, Stroud District Council is a proud supporter of International Fraud Awareness Week (IFAW). This year IFAW fell between 14th and 20th November 2021. The aim of the week-long event was to encourage everyone to proactively take steps to minimise the impact of fraud by promoting anti-fraud awareness and education. As part of this action, the CFT provided numerous articles to the Council including an interactive quiz that enabled staff to find out how “scam savvy” they were. By being a supporter of the event, Stroud District Council is demonstrating its commitment to preventing and detecting fraud.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data matches in respect of the main 2021/22 exercise were released in mid January 2021 and the matches are now available for review.

Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all matches are always investigated but where possible, all recommended matches are reviewed by either Internal Audit, the appropriate service area within the Council or by procuring the services of the Counter Fraud Unit (CFU).

ARA has been advised that the CFU have been employed to undertake some of the match reviews on behalf of the Council. The CFU findings will be separately reported to the Audit and Standards Committee.

Due to the further government funding made available during the Covid-19 pandemic, additional NFI matches (associated with the payments of the various government grants) have been issued and these continue to be released for review throughout the year. The CFT have offered assistance to the Council in reviewing some of these matches.

Data relating to Council Tax Single Person Discount is due to be uploaded between 28th November 2021 and 28th January 2022. Once uploaded any data matches will be available for review.