



# ABERDEEN

## CITY COUNCIL

### **Internal Audit Report**

### **Communities, Housing & Infrastructure**

### **Sheltered Housing**

**Issued to:**

Pete Leonard, Director of Communities, Housing & Infrastructure  
Richard Ellis, Director of Corporate Governance  
Donald Urquhart, Head of Communities & Housing  
Steve Whyte, Head of Finance  
Graham Souter, Housing Manager  
Anne MacDonald, Audit Scotland

## **EXECUTIVE SUMMARY**

In January 2013 a report on the Housing for Varying Needs Review was presented to the Housing & Environment Committee. This gave details of proposed future usage for all Sheltered and Very Sheltered Housing complexes within the City based on projected future needs for various types of housing. A brief summary of each complex was given, including the number of apartments contained within each complex, and a scoring matrix was used to identify priorities for change.

The objective of this audit was to review the implementation of revised arrangements following the January 2013 report. The Service has not progressed with implementation as originally set out, which means that many of the assumptions and plans are no longer appropriate and will have to be reviewed. Financial and staffing implications have not yet been fully identified, and progress is difficult to measure due to the way in which costs have been recorded.

The Service intends to bring forward a report to the Communities, Housing and Infrastructure Committee no later than May 2016 outlining lessons learned and recommendations for the way forward, and a clear implementation timetable. The Service will work with Finance to ensure the programme has a clear budget which can be monitored at a detailed level to provide assurance over costs and progress with each housing complex.

# **1. INTRODUCTION**

- 1.1 In January 2013 a report on the Housing for Varying Needs Review was presented to the Housing & Environment Committee. This gave details of proposed future usage for all Sheltered and Very Sheltered Housing complexes within the City based on projected future needs for various types of housing. A brief summary of each complex was given, including the number of apartments contained within each complex, and a scoring matrix was used to identify priorities for change.
- 1.2 The objective of this audit was to review the implementation of revised arrangements following the January 2013 report. Internal Audit has consulted with the Housing Manager, Senior Housing Officer, and Finance Partner to obtain evidence and explanations in respect of progress with implementation of the project.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Graham Souter, Housing Manager.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Progress

- 2.1.1 A report was presented to the Housing & Environment Committee on 15 January 2013 entitled 'Housing for Varying Needs Review'. The purpose of this report was to inform Committee of assessments which had been performed on each Sheltered and Very Sheltered Housing complex and to suggest future use for each complex, in light of significant variances between current provision and demand, and forecasts of future demographic changes which were anticipated to impact on demand for various types of accommodation. However, no final decision has yet been made regarding the usage of all of the properties listed.
- 2.1.2 Committee approval was obtained to let properties within 10 Sheltered Housing developments as Amenity Housing. Amenity Housing differs from Sheltered Housing only in respect of the requirements for provision of warden and emergency call services.
- 2.1.3 A subsequent report was presented to Committee on 12 March 2013 which gave details of specific actions which the Service intended to undertake for the following 2 years:
- Upgrade a maximum of 5 specified Sheltered Housing complexes to Very Sheltered Housing
  - Decommission a maximum of 2 specified Sheltered Housing complexes to mainstream housing.
- 2.1.4 The main complex at Provost Hogg Court was to be converted from Sheltered Housing to Very Sheltered Housing with the cottages which are attached to the complex to remain as Sheltered Housing. Differences between Sheltered Housing and Very Sheltered Housing include the need to have 24 hour onsite provision of a Warden and to provide a meal. Meals may be brought in, but the preference is for them to be prepared onsite in an area suitable for the preparation and storage of foodstuffs taking into account health and safety requirements.
- 2.1.5 The Service confirmed that they have not been able to complete the conversion to Provost Hogg Court due to uncertainty surrounding ownership of an area of the building which was formerly used to provide day care services. The Service has stated that the Property Service has been contacted in order to establish ownership of this area of the building, as work cannot start to convert the area to a food preparation area to enable meals to be provided onsite until this matter is resolved.

#### **Recommendation**

The Service, in conjunction with the Property Service, should ensure the conversion of Provost Hogg Court is completed timeously.

#### **Service Response / Action**

Agreed. Issues regarding the legality of the HRA funding the upgrade to allow the main complex to become very sheltered have been resolved. Plans agreed and contractors to start on site in January 2016 for completion by the end of this financial year.

#### **Implementation Date**

April 2016

#### **Responsible Officer**

New Projects Officer  
(Kenny Paterson)

#### **Grading**

Significant within audited  
area

- 2.1.6 Over 19 months later, no decisions have been made regarding the remaining 4 buildings originally identified for conversion to Very Sheltered Housing between 2013 and 2015 following completion of Provost Hogg Court, and therefore no work has commenced. The

Service has confirmed that progress in this respect has been limited to property surveys to identify whether or not the existing kitchen facilities are suitable for the storage and preparation of foodstuffs.

2.1.7 The Report to Committee in March 2013 identified Smithfield Court as being the first Sheltered Housing property to be decommissioned and returned to mainstream housing. The Service has confirmed that this has been completed.

2.1.8 A further 11 properties were listed as options for decommissioning to mainstream housing or to be converted to Amenity Housing following the completion of Smithfield Court, of which one was to be selected and progressed between 2013 and 2015. The Service has stated that it does not wish to commence work on further properties until it has confirmed current demand for the different types of property. This calls into question whether the data obtained in January 2013 is still relevant, meaning that further analysis and decisions may be necessary.

2.1.9 There is a risk that further delays in progressing with the planned upgrades and decommissioning will result in further reduced confidence in the data obtained to support these plans. This in turn is likely to result in additional delays.

**Recommendation**

The Service should consider whether or not the proposals contained within the Report of January 2013 should be revised in light of current demands.

The Service should ensure that any planned changes to proposals are reported to Committee.

The Service should ensure that if no changes are required, an option from the March 2013 report is selected and progressed for decommissioning timeously.

**Service Response / Action**

Agreed. The initial phase has allowed for hard evidence to be gathered as to the costs and timescales for the upgrading to very sheltered or the part-decommissioning to amenity or full decommissioning to mainstream. Whilst continuing with the initial recommendations is still an option it would be prudent to confirm whether or not the original assessments are still valid and whether or not the recommendations are still appropriate. In addition, it would be beneficial to review the impact of continuing with a phased approach. The intention is to bring forward a report to the Communities, Housing and Infrastructure Committee no later than May 2016 outlining lessons learned and recommendations for the way forward.

**Implementation Date**

May 2016

**Responsible Officer**

Housing Manager  
(Graham Souter)

**Grading**

Significant within audited  
area

2.1.10 Plans for progressing upgrades and decommissioning were never formally scheduled, beyond '2013-2015' as stated in the report. Without a set timetable, there is increased risk of project slippage.

**Recommendation**

The Service should develop a timetable to expedite the conversion of identified properties.

**Service Response / Action**

Agreed. A firm timetable would be beneficial and also provide residents with a degree of certainty. This has not been possible to date with the phased transformation of the

blocks in the initial implementation phase. This will be covered in the report to the Communities, Housing and Infrastructure Committee by May 2016.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
May 2016	Housing Manager (Graham Souter)	Significant within audited area

## 2.2 Staffing

2.2.1 With the planned changes of use for properties there is likely to be an impact on staffing requirements. Staffing is currently provided via a contract with Bon Accord Care which provides the requisite staff at each site. Details of this contract including the number of staff and the number of years the contract runs for were sought from Finance on the advice of the Service but no response to this request has been received to date.

2.2.2 The Service confirmed that there has been minimal movement of staff as only one building has been decommissioned from Sheltered Housing to mainstream housing. As the review progresses and further changes to use of buildings commences there is likely to be a further impact on staffing. The Service has suggested that staffing requirements are likely to largely balance out, as although there will be less requirement for staff where Sheltered Housing complexes are decommissioned, this will be balanced out by the requirement for additional staff for complexes which have been upgraded to Very Sheltered Housing. There will also be an additional requirement for staff through the increased use of telecare systems which will require Responder Wardens.

2.2.3 The Service confirmed that there have been no net savings to the staffing budget and where staff have no longer been required at complexes they have been reallocated to other posts. Although it is too early to be sure of the overall effect on staffing requirements due to the possible change of planned usage of buildings it is of concern that the Service does not have any detailed plans of the proposed or anticipated effect on staffing levels and costs. Having such plans in place would enable the Service to more accurately determine the levels of staffing required and would be a driver in determining future contractual agreements.

### **Recommendation**

The Service should ensure that a detailed prediction of staffing levels is undertaken and any forecasts from this are used in future planning for budgeting, staffing levels and negotiations with Bon Accord Care.

### **Service Response / Action**

Agreed. Discussions are ongoing with Bon Accord Care regarding the impact on their services since initial implementation. Bon Accord Care are a key partner in the review and the direction of travel and will provide critical information for the planned report to the Communities, Housing and Infrastructure Committee by May.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
May 2016	Housing Manager (Graham Souter)	Significant within audited area

## 2.3 Income and Expenditure

2.3.1 It is important to monitor project costs to ensure that these remain within budget, and to provide a financial overview of progress with implementation. Without specific monitoring of the project costs there is a risk that costs may be allowed to escalate unchallenged and that expenditure will not match actual progress, which may lead to deficits in the future.

Underspends may also highlight a lack of progress with planned work, or resources committed to projects which do not currently require them.

- 2.3.2 Information was sought from the Service and Finance in respect of budgets for the proposed work. It was confirmed that the work is paid for from the capital budget for Housing. There is however no specific monitoring of costs in respect of the upgrade and decommissioning projects. Costs for this are collated along with expenditure incurred on improvements to properties to meet revised Sheltered and Amenity housing standards. The Accountant confirmed that project costs specifically related to the project are not easily identified from the ledger.

**Recommendation**

The Service, in conjunction with Finance, should ensure that detailed monitoring of project costs is regularly undertaken and reported.

**Service Response / Action**

Agreed. There would be no costs involved in the decommissioning to amenity standard. Costs associated with full decommissioning can be ascertained at the outset with the exception of void rent loss. Upgrading to very sheltered is managed through the capital improvements team and is monitored by the project officer. The Project Lead, New Projects Officer and Finance Partner will review recording of expenditure to ensure costs are regularly monitored and reported.

**Implementation Date**

April 2016

**Responsible Officer**

Housing Manager  
(Graham Souter)  
New Projects Officer  
(Kenny Paterson);  
Finance Partner  
(Helen Sherrit)

**Grading**

Significant within audited area

- 2.3.3 Where works are able to be undertaken in-house by departments then this should be the preferred option in order to reduce costs. The Service confirmed that all works had been performed in-house with the exception of the provision and installation of the telecare system. Confirmation of this was not however able to be obtained from Finance without a detailed examination of the ledger due to the way in which expenditure is recorded.

**Recommendation**

The Service, in conjunction with Finance, should consider how costs are recorded in order to aid identification of specific expenditure.

**Service Response / Action**

Agreed.

**Implementation Date**

April 2016

**Responsible Officer**

New Projects Officer  
(Kenny Paterson);  
Finance Partner  
(Helen Sherrit)

**Grading**

Important within audited area

- 2.3.4 While complexes are decommissioned or have their usage changed they may be unoccupied, leading to a loss of rental income for that period. The Service confirmed that an estimate of £10,000 per annum had been used, based on average rental lost over a four week period for conversions to Amenity Housing. This same figure was used in the March 2013 report. This had been arrived at by calculating the number of terminations the previous year at transitional blocks (complexes which are having apartments

converted from one use to another), the average time taken to complete the conversion and the average weekly rent. However, the Service noted in its report to the Communities Housing and Infrastructure Committee in March 2015 that the equivalent void rent loss from Smithfield Court was £151,398, which is substantially in excess of previously reported figures. If this is replicated in future projects, due to further delays, there is a risk of substantial income loss through voids.

**Recommendation**

The Service should identify a realistic cost for anticipated voids as a result of the conversion programme and ensure Committee is advised.

**Service Response / Action**

Agreed. The projected void rent loss for Smithfield Court was based on a fairly unique situation. The building had a significant level of voids at the time, approximately 1/3 of the complex was to transfer to the Clashieknowe facility resulting in only 18 residents requiring to be rehoused. Future void rent loss projections would be based on the lessons learned from decanting a relatively small number of residents. Void rent loss projections for full decommissioning in the same manner as for Smithfield Court does not appear affordable and this will be included in the proposed report to Committee in May.

**Implementation Date**

May 2016

**Responsible Officer**

Housing Manager  
(Graham Souter)

**Grading**

Significant within audited area

2.3.5 It is important that the Service, while progressing with planned changes to the use of buildings, is seen to be addressing concerns which may be raised by tenants. Throughout the proposed changes the Service has consulted with tenants in order to address concerns, although they have reported that no changes have specifically been made to the program as a result.

2.3.6 There have been changes to the proposed use of buildings however: the Service has stated that the Communities, Housing & Infrastructure Committee determined that Sheltered Housing tenants should not be housed in the same complexes as mainstream housing tenants. The Service has been asked to provide details of this decision being minuted, but has so far been unable to do so. This reduces the ability of the Service to decommission parts of Sheltered Housing developments to mainstream housing in advance of full decommissioning. As a result there are likely to be further delays, and potentially additional costs through lost rental income through properties being held void until all properties in a development have ceased to be occupied by Sheltered Housing clients.

**Recommendation**

The Service should confirm with the Communities, Housing and Infrastructure Committee whether it is appropriate for parts of Sheltered Housing developments to be decommissioned to mainstream housing.

**Service Response / Action**

Agreed. Committee debated the proposals and whilst satisfied that transition to amenity was a reasonable and realistic shift whereby the client group was unlikely to cause significant differences in lifestyles already evident in sheltered accommodation, this was unlikely to be the case where full decommissioning was being progressed. Committee was anxious to protect existing residents from any nuisance, distress or alarm by allocating vacancies to a client group likely to be substantially different from current residents. Committee members concerns and requirement for a sensitive allocation



policy expressed in the debate is not reflected in the minuted decision. Full clarity will be provided in the report to Committee in May.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
May 2016	Housing Manager (Graham Souter)	Significant within audited area

- 2.3.7 The Service has committed to compensatory payments and reimbursements for additional expenditure incurred in respect of tenants moving from the affected properties. Reimbursements include payments for removal costs, flooring, mail redirection, internet and phone connection charges, in addition to a set compensatory payment of £1,500. A report to Housing & Environment Committee in August 2013 suggested that the maximum reimbursement should be in the region of £3,100 per tenant based on previous relocations.
- 2.3.8 Following the decommissioning of Smithfield Court from Sheltered Housing to mainstream housing 18 of 19 tenants incurred average costs of £2,722 each, which is within the anticipated cost range. The total maximum estimated charge for Smithfield Court was predicted to be £58,900 while actual total costs were £49,000.

**AUDITORS:** D Hughes  
C Harvey  
D Henderson

**Appendix 1 – Grading of Recommendations**

<b>GRADE</b>	<b>DEFINITION</b>
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
<b>Major at a Service Level</b>	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
<b>Significant within audited area</b>	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system’s adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.