

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	8 May 2018
REPORT TITLE	Internal Audit Report AC1825 – Housing Support Budget
REPORT NUMBER	IA/AC1825
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on the Housing Support Budget.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of the Housing Support Budget.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Module.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC1825 – Housing Support Budget.

10. REPORT AUTHOR DETAILS

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ABERDEEN

CITY COUNCIL

Internal Audit Report

Customer

Housing Support Budget

Issued to:

Andy MacDonald, Director of Customer Services

Derek McGowan, Chief Officer – Early Intervention and Community Empowerment

Fraser Bell, Chief Officer – Governance

Sandra Buthlay, Interim Chief Officer – Finance

Alana Nabulsi, Support Services Manager

External Audit.

EXECUTIVE SUMMARY

The Council is under a statutory obligation to assist people presenting as homeless or at risk of homelessness and must offer a minimum of temporary accommodation, advice and assistance. Clients considered intentionally homeless should be provided with temporary accommodation for a “reasonable” amount of time, although the time period is not defined in legislation.

The budget for homeless temporary accommodation has historically overspent. For 2016/17, the Council set a net budget of £3.632 million for Housing Support, with a resultant outturn of £4.364 million (overspend 20%). However, the 2017/18 net budget was set at £4.677 million and the actual net outturn was £4.395 million, an underspend of £282,000 (6%).

As at 23 February 2018 there were 448 households in temporary accommodation, comprising: 269 in Council-owned furnished flats; 56 in the Council’s 3 accommodation units; 108 in accommodation let from private landlords; and 15 in Bed and Breakfast (B&B) accommodation.

The objective of this audit was to consider whether adequate control is being exercised over income and expenditure, and that best value is being obtained. The Service was found to have adequate procedures in place that reflect current arrangements and, in general, practice was found to comply with these procedures, with the homeless person placement process being well managed.

However, in order to make improvements, recommendations have been made and agreed in relation to written procedures; the review of the use of agency staff causing the staffing budget to overspend; the voids process, due to delays rehousing homeless clients causing a loss of income; the recording of out of hours requests for accommodation; the use of occupancy agreements for B&B tenancies, to ensure tenants are aware of their responsibilities; housing benefit since homeless clients are failing to apply, resulting in rent arrears; debt recovery action for rent arrears since an instance was identified when this was not applied as required; and the requirement to raise purchase orders for supplies and services since excluding contracted payments and metered services, 158 payments out of 3,015 (5.2%) reviewed, were not supported by a purchase order.

1. INTRODUCTION

- 1.1 In accordance with Part II of the Housing (Scotland) Act 1987 as amended by the Housing (Scotland) Act 2001, the Homelessness etc. (Scotland) Act 2003, and the Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2004, the Council has a legal duty to assist people presenting as homeless or at risk of homelessness and must offer a minimum of temporary accommodation, advice and assistance. Clients considered intentionally homeless should be provided with temporary accommodation for a “reasonable” amount of time, although the time period is not defined in legislation.
- 1.2 Where the person is found to be unintentionally homeless, the Council is duty bound to assist them in securing permanent accommodation. Priority need clients include pregnant women, persons with dependent children, and persons considered vulnerable due to age, illness or disability. In addition, clients must have a local connection (e.g. family members, past residency, employment), or be a refugee to be housed in Aberdeen. The Council’s duty is discharged by making one reasonable offer of permanent accommodation in any area of the city, in a council tenancy or housing association tenancy.
- 1.3 As at 23 February 2018 there were 448 households in temporary accommodation, comprising: 269 in Council-owned furnished flats; 56 in the Council’s 3 accommodation units; 108 in accommodation let from private landlords; and 15 in Bed and Breakfast (B&B) accommodation.
- 1.4 For 2016/17, the Council set a net budget of £3.632 million for Housing Support, with a resultant outturn of £4.364 million. The 2017/18 net budget was set at £4.677 million and the actual net outturn was £4.395 million, an underspend of £282,000 (6%).
- 1.5 The objective of this audit was to consider whether adequate control is being exercised over income and expenditure, and that best value is being obtained.
- 1.6 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Derek McGowan, Chief Officer – Early Intervention and Community Empowerment, Alana Nabulsi, Support Services Manager, and Bellann Wylie, Acting Housing Access Service Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 General

2.1.1 The Homelessness chapter of the Aberdeen City Local Housing Strategy 2018 – 2023 was approved by the Communities, Housing and Infrastructure Committee on 16 January 2018. This aims to prevent and alleviate homelessness across the City and includes the following key objectives:

- earlier interventions and a housing options approach to mitigate the need for temporary accommodation;
- a prevention approach which will reduce the requirement to use bed and breakfast accommodation;
- a reduction in the average length of time spent in temporary accommodation with a target of no more than 90 days;
- where appropriate, private sector housing will be utilised in order to discharge accommodation duties.

2.1.2 Periods spent in temporary accommodation for the period ending 31 December 2017 showed an average stay of 105.6 days, down 27.9 days from the corresponding period for 2016/17 but exceeding the current strategic target of 90 days approved by CH&I Committee on 16 January 2018. The average stay for households accommodated in bed and breakfast accommodation for the period ending 31 December 2017 was 64.0 days, down from 97.6 for the corresponding 2016/17 period in line with the current strategic target.

2.2 Legislation and Procedures

2.2.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving.

2.2.2 Although there are written procedures in place, and a user manual for the Housing System, the Service is in the process of updating procedures to reflect changes in service delivery, and therefore may not yet reflect current processes. In addition, the Service is reorganising the teams involved in delivery of Homelessness assessment, temporary accommodation and support, and intend to update written procedures to reflect that reorganisation. A recommendation has been made for tracking purposes.

Recommendation

The Service should update written procedures to reflect appropriate changes.

Service Response / Action

Agreed pending completion of Service reorganisation.

Implementation Date

January 2019.

Responsible Officer

Support Services
Manager.

Grading

Significant within audited
area

2.2.3 The Council Website offers advice to clients who are, or are under threat of being, homeless and includes information on temporary accommodation offered by the Council. The advice includes details of three accommodation units, however information available on The Zone, and on the Housing System, there are four properties described as being an accommodation unit. The Service is addressing this issue.

2.3 Staffing Costs

- 2.3.1 Placement in hostel accommodation, furnished lets, bed and breakfast accommodation, and related administration is provided by 89 Full Time Equivalent staff. The annual budget for staffing for 2017/18 is £3.407 million, with a forecast outturn, as at 31 December 2017, of £3.590 million. The over spend has resulted from the use of agency staff to fill hours that would ordinarily be covered by posts that are currently vacant. Staff costs were overspent in 2016/17 and 2015/16 by £132,000 for the same reason.
- 2.3.2 The staffing budget is established by Finance reviewing payroll data, any overtime worked in the previous year, and any new starts or increments due. Actual payments are coded directly to the relevant ledger code by the Payroll System. The forecast overspend of £183,000 noted above is attributed to the use of Bon Accord Care agency staff to fill part time hours when required. Although there is evidence that the budget is being adequately monitored, it has not been established if this is a recurring pressure on the budget.

Recommendation

The Service should review use of external staff to cover staffing vacancies to determine if it is the most cost effective way of providing cover.

Service Response / Action

Agreed. The Service now has changing staffing needs, and agency staff dependency will be greatly reduced from the end of June 2018 as a result of changes to the rota and staffing of accommodation units.

Implementation Date

September 2018.

Responsible Officer

Support Services
Manager.

Grading

Significant within audited
area

2.4 Provision of Accommodation & Recovery of Costs

- 2.4.1 Applications for homeless accommodation are made in person with the assistance of a Case Officer. The application records the reason for homelessness; 5 year accommodation history; details of local connection; sources and amount of income; whether temporary accommodation is required; whether furniture storage / uplift is required; any health issues; and whether there are any threats to the individual's safety. The application form is then signed and dated by the applicant and Case Officer.
- 2.4.2 The iWorld Housing system records application responses, enabling a decision to be made on whether or not homelessness is intentional, and if the applicant has a local connection. Applicants from outwith Aberdeen may present as homeless and have details taken, but can be referred to the local authority to which they have a local connection. The assessment process will allow the case officer to determine if the applicant is in need of temporary accommodation.
- 2.4.3 Records relating to 40 homeless persons placed in temporary accommodation (furnished flats, private sector lets and accommodation units) were reviewed to ensure that all were supported by an application form, that intentionality and local connection had been established, that a tenancy had been created on iWorld, that a permanent offer had been made to unintentionally homeless clients, and that where a client contribution towards rent existed, the contribution was recovered, and rent arrears action was taken where appropriate.
- 2.4.4 All tenancies, with the exception of one discretionary ongoing mainstream tenancy, were supported by a homeless person's application, and had been assessed for intentionality and local connection. Four temporary units had been let to clients who had been assessed

as being intentionally homeless. Three had left the unit per the terms of the assessment letter, which specifies an end date for the temporary tenancy. However, for one tenancy which was due to end by 26 November 2017, the client was still in a temporary unit as at 27 February 2018, and had accrued arrears of £4,032. The Service advised that the client had not successfully challenged the intentionality decision, therefore the Council had no statutory duty beyond 26 November 2017, however the client was not given a Notice to Quit due to the risks of evicting a vulnerable client during winter. The client has been working with the Council's homelessness advice and information provider towards a solution, and the Service is to review the case. Continuing provision of temporary accommodation where a client is intentionally homeless, uses resources that could be used for unintentionally homeless clients, and in this case has potentially increased the value of irrecoverable rent arrears. The Service advised that a meeting is held weekly to discuss long term open homeless applications.

- 2.4.5 The Service no longer issues an occupancy end date to intentionally homeless persons for temporary accommodation. This previously indicated when the Council believed their statutory responsibility to provide reasonable opportunity to secure alternative accommodation had been delivered. This is due to the fact the occupancy end date was frequently exceeded following the issue of a Notice to Quit, resulting in court proceedings to recover accommodation, with the individuals concerned often presenting as homeless again regardless. Intentionally homeless cases are now referred to a commissioned service, who work with the individual to find alternative accommodation, with a view to improving the individual's prospects of obtaining alternative permanent accommodation.
- 2.4.6 Two offers of a permanent tenancy had not been accepted by the client by the offer expiry date. Although iWorld indicated that the temporary tenancies are pending termination, the offer deadline dates for the cases had expired by 56 and 19 days respectively at the time of testing. Where there is a delay in the void / permanent accommodation allocation process there is a risk that homeless clients are in temporary accommodation longer than is necessary, which means appropriate temporary accommodation for new clients may not be available and void periods will be extended preventing offers being made to other clients. The Service advised that the temporary tenancies have now been terminated, and the clients have taken up their permanent tenancies.
- 2.4.7 Building Services has confirmed that, whilst the above delays included the Christmas and New Year period, which would not count towards their 10 day turnaround target, the target in these cases was exceeded due to further repair and maintenance work that was required in addition to achievement of the minimum letting standard. Where an extension to a void period is necessary to carry out repairs, Building Services should notify the Housing Service through the iWorld system, however this was not carried out. Staff have been reminded of the importance of providing these updates.
- 2.4.8 A sample of 30 clients placed in 3 B&B providers was selected from 10 invoices and reviewed. All were supported by a completed homeless persons application form with one exception where a person presented as homeless, and was provided with temporary accommodation on a discretionary basis for one night, but no evidence could be found of an application, or a tenancy being created on iWorld. Where temporary accommodation is not supported by an application form and iWorld tenancy, there is a risk that clients will not be charged for accommodation provided. The Service advised that clients approaching the Service out of hours may be provided with accommodation for the night, but may subsequently fail to formally present as homeless the following day, meaning a homeless person's application will not be completed.

Recommendation

All instances of temporary accommodation provided should be supported by a tenancy created on iWorld.

Service Response / Action

The Service will investigate the possibility of recording out of hours' approaches for temporary accommodation in iWorld.

Implementation Date

September 2018.

Responsible Officer

Support Services
Manager.

Grading

Significant within audited
area

- 2.4.9 To assist vulnerable clients maintain tenancies, the Service provides Housing Support to those who would benefit from that support to help them live independently. Where there is an indication that support may be required, a client will be referred by the caseworker to the Support Team so the client can have their needs assessed. Where a need is identified, the client will be placed with an appropriate Support Officer, or referred externally to a commissioned provider. The iWorld system will be updated with details of the referral and support provided.
- 2.4.10 Records relating to 30 homeless applicants placed in B&B accommodation were reviewed to establish that where a potential need was identified, the client was referred for assessment, and provided with appropriate support. 15 of those 30 indicated a potential need, and all were assessed for housing support. Of the 15, 13 were provided with support, and two were assessed as being able to live independently.
- 2.4.11 Homeless clients may be entitled to Housing Benefit, which is means tested, assessed on eligible rent, and can reduce the client's liability to pay rent. As part of the tenancy sign up process, the Service requires that clients complete a claim for Housing Benefit, although they have limited influence on ensuring the claim progresses to assessment of entitlement as the successful completion of a HB claim is dependent on the claimant submitting all relevant information to Benefits staff timeously. A review of Housing Benefit claims for clients in temporary accommodation noted that 23/40 temporary accommodation clients were in receipt of Housing Benefit. Of the 17 clients who do / did not have Housing Benefit in payment, 16 had rent arrears present, with six clients each having arrears in excess of £2,500.
- 2.4.12 23/30 B&B clients had Housing Benefit in payment. For the 7 who did not, rent arrears were present in all cases, with one client having accrued arrears in excess of £6,400. Given the circumstances of clients, it is likely that such arrears would be irrecoverable. The provision of support for clients to complete the Housing Benefit claim process to ensure entitlement is determined, would reduce the risk of arrears accruing.

Recommendation

The Service should consider providing ongoing support, specifically for the Housing Benefits claim process.

Service Response / Action

Agreed. Proposals are being looked at for changing job profiles to address rent arrears and a dedicated resource is currently being piloted.

Implementation Date

September 2018.

Responsible Officer

Support Services
Manager.

Grading

Significant within audited
area

- 2.4.13 Homeless clients placed in temporary accommodation units are required to sign an occupancy agreement, which details the responsibilities of the tenant and the landlord. Currently, occupancy agreements for tenants are held centrally in hard copy format for Council owned flats and Private Sector Leasing tenants, and at accommodation units, and are scanned and held on iWorld for former tenants. Testing confirmed an occupancy agreement was present for all clients in the sample.
- 2.4.14 Occupancy agreements are not in place for clients placed in B&B accommodation. The Service advised that this is due to B&B proprietors having conditions of occupancy specific to their establishment. However, an occupancy agreement between the Council and the referred homeless person would provide clarity over the responsibilities of both parties.

Recommendation

Occupancy agreements should be put in place for B&B accommodation tenancies.

Service Response / Action

The Service will explore this possibility further. It may not be practical to take forward in every instance due to the process being managed by third party providers.

Implementation Date

June 2018.

Responsible Officer

Support Services
Manager.

Grading

Important within audited
area

- 2.4.15 Temporary flats used for housing homeless clients are furnished units, therefore each has an inventory of furniture and equipment, which each tenant is required to sign for. The inventory is held on file, and is checked at the end of the tenancy to ensure all furniture and equipment is present and in good condition. However, when a tenancy ends, the inventory is destroyed, therefore there is no evidence that an inventory was signed for by former tenants.

Recommendation

Inventories relating to former tenancies should be scanned and held on iWorld prior to the original documents being destroyed.

Service Response / Action

Agreed.

Implementation Date

June 2018.

Responsible Officer

Support Services
Manager.

Grading

Important within audited
area

2.5 Rent Arrears

- 2.5.1 As at 31 January 2018, rent arrears across all temporary accommodation for homeless clients was £6.095 million. The majority of this balance relates to former tenants (£5.547 million). The balance has increased from £5.057 million as at 31 March 2017. The Service has advised that they have introduced a number of options aimed at reducing rent arrears, including requesting Housing Benefit claim evidence at first contact to expedite claims, a pilot targeting initial support to collect claim evidence and direct referral to the Financial Inclusion Team for clients most likely to incur high levels of rent arrears, such as self-employed clients.
- 2.5.2 With one exception, rent arrears action, which is implemented when arrears exceed £100, with further escalation when arrears exceed £1,500, had been taken in accordance with homeless persons rent arrears procedures. One case was noted where arrears of £1,300 had accrued, but no action was documented on iWorld. Although it is acknowledged that

recovering arrears from vulnerable clients may be difficult, not applying arrears procedures further increases the risk of bad debt.

Recommendation

Rent arrears procedures should be applied to all tenancies where arrears are present.

Service Response / Action

Arrears action will be prioritised when staffing resources allow.

Implementation Date

September 2018.

Responsible Officer

Support Services
Manager.

Grading

Significant within audited
area

2.6 Procurement and Purchasing

2.6.1 The Service utilises the PECOS purchase ordering system to raise orders for goods and services for the Homeless Persons service, including furniture, accommodation, cleaning services and support. The Council's Financial Regulations require that an order be issued for all work, goods and services, although an order would not be expected for regular contract payments, or for metered services.

2.6.2 All supplier payments made up to and including November 2017, coded to cost centres for hostels, temporary flats, private sector leases and administration, were reviewed to ensure payments were supported, where appropriate, by a PECOS purchase order. Excluding contracted payments and metered services, 158 payments, out of 3,015 were not supported by a purchase order. Where a purchase order is not raised, there is a risk that there may be insufficient budget in place, or that unauthorised purchases may be made. In addition, it is a breach of Financial Regulations.

Recommendation

Purchase orders should be raised for all goods and services, in accordance with Financial Regulations.

Service Response / Action

Agreed.

Implementation Date

June 2018.

Responsible Officer

Support Services
Manager.

Grading

Significant within audited
area

2.6.3 A sample of 30 paid invoices was reviewed to ensure they had been authorised independently of the purchase order, matched that order, were accurate, complied with VAT regulations, and were reasonable. All invoices were appropriately processed.

2.6.4 The Council has procured accommodation facilities at a number of bed and breakfast establishments, and pays proprietors on a monthly basis for accommodation provided. For the 2017/18 financial year to 31 January 2018, £229,450 had been paid to three B&B providers. Procurement regulations require that where contract spend exceeds £50,000 then a tendering exercise should be undertaken. The Service has liaised with Commercial and Procurement Services, and Governance, with a view to undertaking a competitive tender for the procurement of B&B accommodation. An invitation to tender was issued on the Public Contract Scotland website on 29 March 2018, for the provision of temporary homeless accommodation, with a response return date of 26 April 2018.

2.6.5 The Council procures specialist services to support homeless persons that it may not be able to provide internally. For the 2017/18 financial year up to 28 February 2018,

payments totalling £2.24 million had been made to external bodies for the provision of specialist services, such as mental health services. Documentation relating to all (seven) providers paid in excess of £100,000 was reviewed and it was confirmed that a contract is in place for the service provided.

2.7 Voids

2.7.1 Where a tenancy ends, there is a void period to allow for any cleaning and / or repairs to be carried out before the tenancy can be allocated to another homeless person. During the void period, any rent due from potential tenancies is lost. To 28 February 2018 for the current year, 24,433 days (75.0 days per unit) were lost due to voids, with a corresponding lost rental income of £341,000 (8.5% of gross rent). In 2016/17, a total of 23,362 days (71.7 days per unit) were lost due to voids, with a corresponding lost rental income of £447,000 (9.5 % of gross rent). This is based on 269 Council owned furnished flats and 57 'units' at the 3 Council owned hostels / accommodation units.

2.8 Statutory Returns

2.8.1 All local authorities are required to make quarterly returns to the Scottish Government on homeless applications received, households and priority needs cases in temporary accommodation, to allow monitoring on compliance with the Unsuitable Accommodation Order, and types of accommodation offered for all applicants. The HL-2 quarterly return to the Scottish Government describes the number of homeless applications received and completed in the quarter and the number of households in temporary accommodation at the end of the quarter by type of accommodation. The returns for the first 3 quarters of 2017/18 were submitted to the Scottish Government in a timely manner. At the time of the audit the submission for the fourth quarter was not due.

2.8.2 The Council received 1,375 homeless applications in 2016/17, exceeded only by Glasgow, Edinburgh, Fife, North Lanarkshire and South Lanarkshire. Homeless applications have been largely static in recent years, following a substantial decline in 2011/12. Homeless applications to the Council are charted below. Homeless applications for 2017/18 are expected to be approximately 1,706, which the Service attributes to an increased number of applications from young people, an increase in private tenancy evictions and work to enhance access to homeless services.



2.9 Budget and Monitoring

- 2.9.1 The budget setting and monitoring process is carried out in line with guidance issued by Finance, with Budget Holders being responsible for monitoring their budgets. Monitoring is carried out on a monthly basis, and is discussed between the Support Service Manager and Team Leaders at monthly and one-to-one meetings. In addition, budget monitoring is discussed at monthly meetings between the Support Services Manager and Finance, and is reported to the Communities, Housing & Infrastructure Committee on a quarterly basis.
- 2.9.2 Budget monitoring as at 31 December 2017 had a forecast 2017/18 overspend of approximately £686,000, although this was offset by an adjustment in debtors' income of £746,000. The Service Accountant advised that overspends were apparent on staff and property costs. The Service is working to identify savings to mitigate these cost pressures, with a reduction in the use of agency costs and reduction in the length of voids having been identified as areas to be addressed in 2018/19.

AUDITORS: D Hughes
A Johnston
N Ritchie

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	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.
Major at a Service Level	<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>
Significant within audited area	<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>
Important within audited area	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.