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Housing Repairs

City of York Council

Internal Audit Report 2016/17

Business Unit: Health, Housing & Adult Social Care
Responsible Officer: Assistant Director, Housing & Community Safety
Service Manager: Head of Building Services
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Status: Final
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	P1	P2	P3
Actions	0	1	2
Overall Audit Opinion	Substantial Assurance		

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Summary and Overall Conclusions

Introduction

The council is responsible for maintaining a housing stock of over 7,000 properties. This work includes routine repairs and maintenance (revenue) and also major repairs (capital). In 2015-16 £5.9m was spent on general repairs and maintenance and in 2016-17 this figure is estimated to be in the region of £5.5m. The work is carried out in-house by Building Services and through the use of sub-contractors. The total in-house team labour costs for Building Services was over £6m in 2015-16.

Council tenants contact the Housing Repairs team if they need a repair to their home or these are reported by the Estate Managers. These repair jobs are divided into three priority levels: four hour repairs; same day repairs; general repairs. The Housing Repairs team also complete work on void (i.e. empty) council properties. The labour and material costs incurred in carrying out this work are charged to the Housing Revenue Account. In some cases repairs are the responsibility of the tenant and where this work is carried out by the council a charge is made to the tenant for the work undertaken.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- The Housing repairs and maintenance budget is produced in line with financial procedures, on a sound basis and effective in year budget monitoring and forecasting takes place.
- Jobs are prioritised in order to meet national and local targets and make efficient use of resources.
- Job costs are accurately recorded and accounted for.
- Costs are recharged to tenants where appropriate and in accordance with the council's recharging policy (to include efficient billing and collection of debt).

The audit included a review of the arrangements for housing repairs and maintenance and concentrated on jobs completed in-house, rather than by subcontractors (as this was subject to review in 2015-16). The audit work included repairs of void properties, in as far as they relate to the above objectives but not wider landlord services aspects of void management. It did not include major repairs scheme work.

Key Findings

Our work found that job costs are accurately recorded and accounted for in the Servitor system, although when adjustments are put through in the general ledger by Finance, these are not always allocated to the relevant job in Servitor and so some of the accuracy of information that Servitor is able to provide to managers is lost.

Regular monthly budget monitoring takes place between Finance and Building Services and the total spend can be monitored satisfactorily against the total budget. Additional detailed reports are also produced and discussed at these meetings, including: projections based on different scenarios, detailed subcontractor spend forecast, labours hours spent on different areas of work.

There was a requirement for Housing Building Services to make a saving of £500k in the 2016-17 financial year. Materials and all other areas of controllable expenditure have been monitored by managers but the saving has not been achieved. At the time of the audit little formal documentary evidence, in the way of a specific savings plan document, was available to demonstrate that a realistic and achievable plan had been formulated to meet these savings targets. Actions have since been put in place to monitor and reduce the sub-contractor spend, including: regular reports on subcontractor spend, which are reviewed and discussed on a monthly basis with finance officers and the Head of Service; these discussions form the basis of the monthly spend forecasts provided by Building Services. A surveyor has been specifically assigned to manage subcontractors and meets subcontractors every month; managers have objectives around reducing spend and procurement exercises have been undertaken on major areas of subcontractor spend. It is also noted that annual spend on subcontractors has steadily reduced from £2.9m in 2014/15 to £1.2m in 2016/17. The current forecast for 2017/18 indicates that whilst the £500k savings target is unlikely to be achieved, spend will continue to decline to £800k.

The Civica financial system is regularly reconciled to the Servitor works management system by Finance to ensure that all costs have been allocated on the general ledger and to the service's budget, even those allocated after a job has been closed. Reconciliations are also performed to ensure that all charges have been recovered.

Jobs are prioritised in accordance with urgency to tie-in with national and local targets. However we found that the priorities applied to repairs qualifying under the Right To Repair (RTR) Scheme are well in excess of the national targets. By adopting these more stringent deadlines the service may not be making the most efficient and effective use of resources by having much tighter targets to achieve than is necessary and by treating more jobs than is necessary as "emergency" repairs.

A copy of the Repair Recharge Policy and Procedure was obtained from Housing Services; it was not available on the intranet. The policy needs to be completed in respect of void properties. There is also a section titled "Discretionary circumstances" which allows some discretion about creating a recharge where the vulnerability and personal circumstances of the tenant may be taken into account. If a recharge is not created, the reason why this decision has been reached should be briefly recorded on the works management system.

Greater use could be made of the technology currently available, although it is recognised that this is subject to both time and cost restraints. For example, parts of the service still do not use the DRS (scheduling) system and so instead of jobs being updated automatically there is a lot of manual work involved in printing out job tickets and closing jobs. Similarly, although much of the workforce uses DRS, which has a time-recording capability, written weekly timesheets are still prepared, coded and manually input into Servitor. Overtime and call-outs are recorded on a manual spreadsheet which is sent to payroll instead of making use of the DRS system. Salary reports do not show standby costs separately to overtime costs. Managers would like to see these payroll elements shown separately to help with their decision-making. This could be achieved at no additional cost with liaison between the different areas.

The current system for raising orders is not efficient and duplicates work. Housing Services raise a job in Servitor, creating a job number, and then have to raise a purchase order in Civica for the same job once an invoice has been received with the actual cost as the P2P system requires a purchase order to be raised for each job. A work-around is then done to populate the correct job on Servitor with the invoice details and costs.

Building Services Managers are frustrated by the quality of management information available to them and a number of these issues have been raised in these key findings. There do seem to be limitations with the current systems in place and resources available that limit the opportunities for improvements to be made in these areas. A review of IT systems has recently been taking place and opportunities to improve the information available and interaction with the financial management system should be a key part of this review.

Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Budget Savings

Issue/Control Weakness	Risk
There is no documented evidence that a realistic, achievable plan to make the required savings has been formulated or implemented.	The repairs budget is exceeded.

Findings

Managers explained that expenditure on materials and all other controllable areas of expenditure is strictly monitored. Savings were hoped to be achieved through a reduction in contractor spending, more efficient use of mobile working and improved sickness monitoring.

Actions have been put in place to reduce subcontractor spend, including: a surveyor has been specifically assigned to the management of sub-contractor contracts and has regular meetings with the sub-contractors to monitor expenditure; managers performance and development reviews (PDRs) include objectives around reducing spend; detailed reports are produced by finance and discussed regularly with the service; procurement exercises have been undertaken for all major areas of subcontractor spend. As a result of these actions total expenditure on sub-contractors has been reducing.

Although managers feel that they are unable to obtain all of the information to manage the business as effectively as they would like, it would be expected that more documentation and evidence would be available to show that a realistic, achievable plan was established to make the required £0.5m savings in the 2016-17 financial year. A net overspend of £569k for the service is the latest Finance prediction (Feb 2017).

Agreed Action 1.1

More formal documentation in respect of meetings with contractors, savings proposals and action plans will be produced and maintained in future.	Priority	2
	Responsible Officer	Head of Building Services
	Timescale	March 2018

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2 Right To Repair Priorities

Issue/Control Weakness	Risk
The council's Right To Repair priorities exceed those required by legislation.	Targets are unnecessarily high for RTR jobs which may make the targets unattainable. Additional costs may be incurred trying to attain these targets.

Findings

A list of qualifying repairs under the right to repair (RTR) scheme for Local Authority tenants was compared to the right to repair jobs listed on the schedule of rates currently on Servitor.

One of the defects listed on the statutory schedule, 'loose or detached banister or hand rail', is not included as a council RTR priority. The other 19 defects listed on the statutory schedule all have a prescribed period for repairing of either 1, 3 or 7 working days.

The council attach a repairing period of either 4 hours or 24 hours to all of their RTR jobs. This is well in excess of the government targets. For example, the statutory schedule has a 7 day target for repairing a mechanical extractor fan whereas the council have this as a 24 hour priority.

All RTR repairs should be reviewed and consideration should be given to reducing the council's RTR targets by introducing 3 and 7 day response times to align them with legislation or at a minimum removing the 4 hour targets and replacing with the statutory 1 working day. This would improve the service's performance by lowering targets that are unnecessarily high and enable resources to be used more efficiently.

Agreed Action 2.1

A review of the service offer is currently underway. This will include a review of repair targets.	**Priority**	3
	Responsible Officer	Head of Building Services
	Timescale	March 2018

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3 The Recharge Policy is incomplete and needs clarifying

Issue/Control Weakness	Risk
The Recharge Policy is difficult to access and some parts of the policy need further clarification.	Rechargeable costs cannot be collected from tenants, resulting in a cost to the Council.

Findings

A copy of the current tenant recharge policy and procedure cannot be found on the intranet and is therefore not readily available for staff to access. A copy was obtained from Housing Services. This copy had been updated in June 2016 and reflects the system currently in place. Part 5 of the Policy is titled Void Properties but states only "to be confirmed". At the time of the audit, meetings were being held to try to streamline the process. The policy will then need to be updated to reflect the agreed process.

There is a section within the Policy about "Discretionary circumstances". This states that:

The vulnerability and personal circumstances of the tenant may be taken into account. The decision to raise the order will be at the discretion of the member of staff dealing with the situation and they should seek support from their line manager where needed.

It would be good practice if, when a decision is taken not to recharge for rechargeable work, this was noted on Servitor and included the reason why the work was not being recharged. Ideally this decision not to recharge would also be authorised.

Agreed Action 3.1

The review currently underway will include recharges and discretionary repairs. The Recharge Policy will be reviewed, consulted on and approved.
A note will be made on the repairs management system to provide a reason whenever a discretionary charge is being waived, so that these can be reviewed and challenged.

Priority	3
Responsible Officer	Head of Building Services
Timescale	March 2018

Audit Opinions and Priorities for Actions

Audit Opinions
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.