



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Draft Internal Audit Report
Housing Void Management
Date: 19 January 2023

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Background and Context

South Kesteven District Council (SKDC) has nearly 6,000 properties for social housing needs, creating a large revenue for the Council, and providing affordable accommodation for multiple tenants who otherwise may struggle to find lodging within their budget.

Around 5% of these properties become vacant every year and to ensure these houses are clean, safe, secure and meet the minimum standard set by the regulator of Social Housing and described within South Kesteven Void Quality Standard. For these standards to be met, maintenance of varying degrees is required on the property making it uninhabitable or void during this period and therefore not generating any rent/income. If appropriate, tenants are recharged a contribution of the costs of repairs and maintenance.

A new Void Policy and Re-lets Standard was approved in January 2022. It aims to provide a greater level of consistency and focus on void management – with the objective of:

‘Delivering a clean, safe and secure property to incoming tenants, within our targets for turnaround times, standard and cost’.

The Council’s Corporate Plan Priority 5 – ‘Undertake a housing review to provide the highest quality service possible to our tenants’ includes a new key performance indicator on average void times - **< 60 days**. This figure is a stretch target for the service with the aim of a 20% reduction in void days annually to eventually meet it.

Performance is monitored quarterly through the Corporate Leadership Team and reported every six months to Rural and Communities Overview and Scrutiny Committee. Current performance is set out below:

	2020/21	2021/22	2022/23 – Q3
Average Void times (calendar days)	Major works: 162.48 Minor works: 64.06	83.46 days	96.72 days
Void Rent Loss	£174k	£344k	£213k
Number of properties re-let	377	327	184

Background and Scope

The figures show an increase in the average void days lost and is still outside of the targeted <60 void days.

The Council updated its Rechargeable Repairs Policy in October 2022, encouraging tenants to take responsibility for the maintenance and cleanliness of their homes in accordance with their responsibilities in their Tenancy Agreement. It sets out tenants liability for the repair of items which have been caused by wilful damage or by carelessness/negligence by their family or visitors to the home.

The Council has been on a significant improvement programme for its Housing Service – areas most relevant to this audit include:

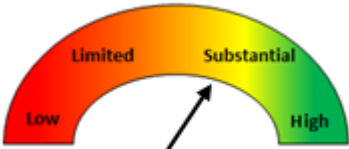
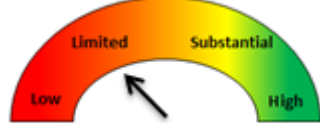

- Improved management structure – providing a new direction and transforming the service.
- New structure for the Housing Repair Services – which includes a new post of Voids Contract Manager. It aims to improve service delivery efficiency and effectiveness.
- Better cross team working.
- Improved processes and reporting.

Scope

The purpose of this audit is to provide assurance on the effective management of void housing. This will encompass reviewing the processes in place, testing a sample of cases and evaluating the monitoring systems used to report performance. We will also follow up on the previous audit recommendations.

We tested 18 void properties with void end dates from June 2021 to September 2022. This number was made up of eight minor, four moderates and six major work categories. We targeted a range of properties that had high void days compared to their grouping (minor, moderate or major) to ascertain the reasons for delays and identify areas of improvements.

Executive Summary

Substantial Assurance for control design and framework		
	<p>Substantial Assurance</p> <p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>	
Limited Assurance for operation / implementation of controls and framework		
	<p>Limited Assurance</p> <p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>	<p>Direction of Travel</p> <p style="text-align: center;">  Improving </p>

Executive Summary

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Ineffective management of void housing, leaving properties empty for extended periods and/or being below regulation standard for new tenants.	Medium	1	4
Processes are ineffective including budget monitoring and re-charge system.	Low	0	0
Skills and capacity to undertake the process are not in place	Medium	0	0
There is no reporting or management oversight of void housing	Low	0	0
Ineffective communication across the team	Low	0	0
Follow up previous audit by RSM	Low	0	0
TOTAL		1	4

Key Messages



Turnaround times and rent loss remains a challenging area for the Council. The new policies and processes implemented to improve the efficiency and effectiveness of the Council's management of void properties will take time to deliver expected results. Whilst the direction of travel is improving - performance is still below the target of < 60 days at 96.72 days at Q3 2022/23 with an associated loss of income decreasing to £213k.

The following management actions are already in progress:

- √ Implementation of new Integrated Housing Management System which shall have full workflow and void process integration. This shall also enable effective recharges to outgoing tenants
- √ Housing team restructure with an enhanced focus on voids
- √ Contracts for Asbestos analytics, sampling and removal works have been procured
- √ Implementation of Nat Fed 7 SOR's to enable effective benchmarking of future costs
- √ Implementation of Choice Based Lettings in quarter 2 2023

Our review identified the following improvement areas:

- **Monitoring inspections timescales** - 39% of voids were not inspected within 48 hours increasing the potential loss of rents due to the property being unoccupied. We acknowledge that the reason for the delay has been recorded but recommend that management consider obtaining exception reports on inspection dates exceeding 48 hours and consider these as part of the weekly void meetings helping identify root causes and improvements.

Executive Summary

The service has been impacted by staff shortages in the inspector team which has delayed inspections of properties. To relieve staff pressures agency staff were hired to fill the gaps. This proved unsuccessful as they left shortly after being trained. The service has implemented a plan to also outsource inspections to an external contractor. This is in the preliminary stages but if successful will further alleviate pressures on the current in-house inspector team.

The use of Agency staff has resulted in inconsistent application of the new void standard resulting in additional works on some properties with an effective increase in costs. This has been mitigated by temporary internal staff reshuffles and the clear instruction to contractors to cost and seek approval from the manager before carrying out any works not specified.

- **Improving data quality within the housing system.** We confirmed that an asbestos survey was initiated the same day as the inspection in 39% of the samples checked, with 45% already having survey data and therefore not requiring a survey. Two properties who had survey data and did not require an asbestos survey did not show these tasks as completed on the void management database. The properties were correctly managed in line with the asbestos procedures, but the data was not recorded on to the system. One property was delayed by three months due to the asbestos surveying and analytical company being out of contract, together with a backlog of work for SKDC. The intermediate solution implemented was to bring in an alternative contractor to meet their required KPI's. The service now has a permanent contract in place.
- **Performance reporting.** We identified some inconsistencies in reporting information on Housing Void updates and the Corporate Plan performance framework. We have recommended a review of performance information and benchmarking with other high quartile performing council's.

- **Reviewing the risk register** - During our review we found two incomplete entries, risks are not clearly defined and some of the mitigations were not SMART. Therefore, we have recommended a review of the risk register be undertaken. We understand that service risks will be transferred to the 4risk system shortly and service plans are being developed. This is a good time to revisit the risks and issues facing the Housing Repairs Service and achievement of the Voids policy.

The service deems that *skills and capacity to undertake the process are not in place* as a medium risk. Even though the service has experienced staff shortages and lack of contractor capacity our review noted that the service has put in place satisfactory controls to effectively manage the situation. Therefore, we have no recommendations on this risk.

The future of the Service will see the implementation of new systems. For example,

- The introduction of National Federation Schedule of Rates. This will align the Council with contractor working rates removing the need for the contractor to convert them and therefore reducing costs.
- The implementation of the housing management system scheduled for release in April 2023. This will provide improvement to efficiency through workload reduction and the incorporation of workflows.
- A new staff restructure is being proposed which will see the creation of a new Voids Contract Manager post. The new member of staff will co-ordinate contractors freeing up capacity within the team.

Executive Summary



Further detail on our findings can be found in the attached action plan on the following pages.

We have also included some advisory points which management may consider implementing to improve efficiency in their systems.

We would like to thank all staff for their help during this review.

Executive Summary

Areas of Good Practice



Through discussion we identified the following areas of good practice:

- ✓ A new Void Policy and Re-lets Standard was approved in January 2022.
- ✓ The Council updated its Rechargeable Repairs Policy in October 2022.
- ✓ Procedure notes updated to reflect current practice.
- ✓ Improved oversight on contractor activity and costings, balancing getting it right first time and keeping work within budget.
- ✓ 100% of post inspections were carried out on the same day works were completed.
- ✓ Properties were promptly (within 24hrs) placed into the housing pool post inspection.
- ✓ Weekly void monitoring and action tracker
- ✓ Priority planning of works for quick turnaround times – quick wins.

Managing your risks



Good risk management, including maintaining risk registers, helps you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

During our review we didn't identify any additional risks to be included on your risk register. We have suggested that the risk register is reviewed, ensuring mitigating actions are SMART and considered in how they reduce the likelihood or impact of the potential risk.

Management Response

Management Response



The audit has identified that the revised process and Void Policy and Re-let standard provide us with the foundations to deliver continuous improvement to this important aspect of Housing.

The 'Limited Assurance' outcome is disappointing but understandable and is a reflection of the impact that several factors outside our direct control have had on our wider performance.

The recent restructure shall remedy the staff levels with direct control of voids to a level that will enable positive performance and focus on the voids aside from our other repairs and maintenance commitments.

The audit has highlighted the importance of our upcoming IHMS implementation and the enhanced reporting this shall provide us with. The data shall be transparent and of a higher quality enabling us to both manage in house resource more effectively alongside our contractor performance and work standards.

The current KPI's shall be revised as a part of the ongoing service planning and shall be integral to the new Corporate Plan.

Completion and timely delivery of the agreed actions shall enable us to embed the positive foundations that we have created.

Action Plan

	Risk Description	Current Rating	Target Rating
1.	Ineffective management of void housing, leaving properties empty for extended periods and/or being below regulation standard for new tenants.	Medium	Low
Findings			
<p>We found that 11 of the 18 (61%) property samples tested were inspected by the voids team within 48 hours of receiving the keys. The 7 (39%) properties that were outside of this timeframe was delayed due to staff shortages, Covid restrictions, the Council awaiting legal notices and chemical cleaning required. The effect of delayed inspections results in a loss of revenue for properties that require minor work; an example of this was a property that had a delay of 13 days for the inspection which is 76% of the total 17 void days.</p>			
Implications			
Loss of revenue due to the property being unoccupied for longer than necessary.			
Recommendation			
Management to obtain exception reports on inspection dates exceeding 48 hours and consider these as part of the weekly void meetings helping identify root causes and improvements.			High
Agreed Action		Responsibility	Implementation date
1.1 Utilise the new reporting capability of IHMS to monitor each void stage and identify opportunities to improve and champion good performance.		Repairs Manager and Voids and Responsive repairs surveyor.	May 2023

Action Plan

	Risk Description	Current Rating	Target Rating
2.	Ineffective management of void housing, leaving properties empty for extended periods and/or being below regulation standard for new tenants.	Medium	Low
Findings			
We confirmed that an asbestos survey was initiated the same day as the inspection in 39% of the samples checked, with 45% already having survey data and therefore not requiring a survey. Two properties who had survey data and did not require an asbestos survey did not show these tasks as completed on the void management database. The properties were correctly managed in line with the asbestos procedures, but the data was not recorded on to the system.			
Implications			
Poor data integrity can lead to misinformed decisions and mistrust in the system.			
Recommendation			
2.1 Review data quality of the Housing System reminding staff of the importance of complete and accurate data being input into the system. Good data ensures good management information provided. 2.2 Consider reviewing the mandatory fields within the housing system eg should asbestos survey be a mandatory field. Alternatively, explore if management exception reports can be obtained from the system.			Medium
Agreed Action		Responsibility	Implementation date
Weekly exception reports to identify any data inaccuracies to be introduced until the implementation of the new IHMS system in May 2023.		Repairs Manager and Voids and Responsive repairs surveyor	February 2023

Action Plan

	Risk Description	Current Rating	Target Rating
3.	Ineffective management of void housing, leaving properties empty for extended periods and/or being below regulation standard for new tenants.	Medium	Low
Findings			
Properties that have received maintenance work are re-inspected by the Void team to assess and ensure that the required void quality standard is met. On occasion properties are found to be sub-standard and require rework. This work is captured within the Void pack up but not recorded or used in an effective manner that could assist the service in future improvements.			
Implications			
The service is missing out on analytical data that could be used for improvements in the future.			
Recommendation			
Record post inspection data, where contractors have not completed work, allowing for appropriate contract management to be carried out.			Medium
Agreed Action		Responsibility	Implementation date
3.1 Utilise the post inspection outcome report from new IHMS post launch to understand the level of additional work required post inspection.		Repairs Manager and Voids and Responsive repairs surveyor.	May 2023
3.2 Ensure this report is monitored by the Voids Contract manager to inform contract meetings and drive performance improvement.		Repairs Manager and Voids and Responsive repairs surveyor.	May 2023

Action Plan

	Risk Description	Current Rating	Target Rating
4.	Ineffective management of void housing, leaving properties empty for extended periods and/or being below regulation standard for new tenants.	Medium	Low
Findings			
<p>The Council has identified void management as one of its corporate priorities recognising that significant improvement and transformation was needed. The relevant corporate ambition is ‘Housing that meets the needs of all residents’ with an associated Priority 5 – Housing Review to provide the highest quality service possible to our tenants’. An average void turnaround performance of <60 days was set in 2021/22 as a key performance measure.</p> <p>Information was also provided on the income loss and number of homes re-let during 2021/22.</p> <p>Examination of the data showed:</p> <ul style="list-style-type: none"> Information presented to the Rural and Communities Overview and Scrutiny Committee on the 8th December 2022 showed performance is currently 81 days turnaround time as at Q2 2022/23. Although the performance measure was showing red – no commentary or improvement action was stated. The new key performance measure amalgamates all types of works – minor / major. Some major repairs may distort performance data and is not comparable with previous years. No financial data is provided – one of the key drivers of the voids policy is to minimise potential revenue losses. Whilst other councils may have different performance measures in place benchmarking with high performing Councils will help compare performance. 			
Implications			
Data integrity and consistency in reporting is vital to ensure informed decision making and appropriate action is taken.			
Recommendation			

Action Plan

<p>4.1 Review current performance measures and data integrity, ensuring that the Council is measuring the right things to help oversight and monitoring of successful achievement of its Corporate Plan and its void policy. We suggest number of voids and £ should be included.</p> <p>4.2 That the Council benchmark its void performance with other Councils – perhaps visiting high performing Councils (with a turnaround of <60) to learn from best practice. This should form part of the Voids performance update.</p> <p>4.3 Commentary on the Corporate Performance update should be action focussed where improvement required ie Red / Amber rating.</p>	<p>Medium</p>	
<p>Agreed Action</p>		<p>Responsibility</p>
<p>4.1 KPI review as a part of the Corporate Plan refresh</p>	<p>Acting Director of Housing</p>	<p>June 2023</p>
<p>4.2 Utilise Housemark benchmarking figures to understand performance and provide context to performance reports</p>	<p>Acting Director of Housing</p>	<p>April 2023</p>
<p>4.3 This shall be delivered in future performance reporting commentary</p>	<p>Acting Director of Housing</p>	<p>April 2023</p>

Action Plan

	Risk Description	Current Rating	Target Rating
5.	Ineffective management of void housing, leaving properties empty for extended periods and/or being below regulation standard for new tenants.	Medium	Low
Findings			
<p>The risk register is currently reviewed at the monthly meetings. Examination of the risk register showed:</p> <ul style="list-style-type: none"> • Two incomplete entries • Risks that are not clearly defined • Mitigations that are not SMART and do not affect the likelihood or impact of the risk eg Risk No.1 mitigation of "Regular meetings to understand pressure" would not reduce the impact or likelihood of contractor capacity. <p>We understand that service risks will be transferred to the 4risk system shortly and service plans are being developed. This is a good time to revisit the risks and issues facing the Housing Repairs Service and achievement of the Voids policy.</p>			
Implications			
<p>The Risk Register is an important tool to help prepare for events that effect output and prevent escalation of the issue. If these are not completed with due diligence, then output can be severely impacted causing irreparable damage.</p>			
Recommendation			
Review the Risk Register ensuring risk mitigations actions are SMART.			Medium
Agreed Action		Responsibility	Implementation date
5.1 Undertake Risk Register refresh as a part of service planning		Head of Technical Services	April 2023

Advisory Points - Adding Value through Efficiencies

The following items are advisory recommendations / comments arising from the audit, which management may wish to consider implementing to improve efficiency of the system or performance.

Ref	Finding	Advice
AP 01	The monthly budget meetings held between the Repairs manager, Head of Housing Technical Services and Accounts incorporates discussions around budget control and produces actions to be completed. These taskings are captured on the spreadsheet used for the meetings but does not have a target completion date or persons responsible allocated.	We recommend producing an action tracker incorporating tasks, target dates and responsible person. This will provide greater clarity for task management.
AP 02	The service has produced a flowchart illustrating the pathways that Void management should follow. One of the gateways is for a post inspection check to be carried out and an assumption that it will pass first time. This is not always the case and the property is re-assigned to the responsible contractor for the work to be completed.	Input a pathway into the process for Post Inspection failures. This will ensure that the process has a route to follow.
AP 03	Currently the service uses a word document for capturing void activity at the weekly meeting. Placing this data into a spreadsheet will allow for historical data to be kept, targeted dates can be RAG rated, person/team allocation incorporated and a front sheet for statistic presentation.	Create an excel spreadsheet to track properties, issues and actions allocated to staff.

Appendix 1 - Assurance Definitions

High	Substantial
<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited</p>	<p>Low</p>
<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore, the risk of the activity not achieving its objectives is high.</p>

Appendix 1 - Assurance Definitions

Risk Ratings	
Current	Reflects the residual risk after assessing the controls in place.
Target	<p>Represents what level risk an organisation may wish to take, or what level of risk is considered acceptable. Where risk ratings are not at target levels, then recommendations will be given within the report to help achieve the expected risk rating.</p> <p>In some areas the target risk rating may not be “Low”, and we may be willing to accept a “Medium” target risk rating. These situations could be found where:</p> <ul style="list-style-type: none"> • An organisation wishes to realise potential opportunities and as a result has a higher risk appetite. • The area under review is so inherently risky that we accept that risk mitigation strategies are unable to achieve a “Low” target risk rating.

Action Priority	
High	Immediate management attention is required - an internal control or risk issue where there is a high certainty of: substantial loss / non-compliance with corporate strategies, policies, or values / serious reputational damage / adverse regulatory impact and / or material fines (action taken usually within 3 months).
Medium	Timely management action is warranted - an internal control or risk issue that could lead to financial loss / reputational damage / adverse regulatory impact, public sanction and / or immaterial fines (action taken usually within 6 to 12 months)

Appendix 2 – Distribution List

Distribution List



Andrew Cotton – Director of Housing

Craig Spence – Assistant Director of Housing

Julie Martin – Head of Housing Technical Services

Kelly Foster – Repairs Manager Housing Technical Services

Disclaimer

The matters raised in this report are only those which came to our attention during our internal audit work. Our quality assurance processes ensure that our work is conducted in conformance with the UK Public Sector Internal Audit Standards and that the information contained in this report is as accurate as possible – we do not provide absolute assurance that material errors, fraud or loss do not exist.

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