

## **CITY COUNCIL - 9 FEBRUARY 2009**

### **REPORT OF THE PORTFOLIO HOLDER FOR NEIGHBOURHOOD REGENERATION**

#### **AUDIT COMMISSION ACT 1998 – SECTION 8 PUBLIC INTEREST REPORT ON ALLOCATIONS OF COUNCIL PROPERTIES AND RELATED MATTERS.**

## **1 SUMMARY**

- 1.1 Exercising powers under Section 8 of the Audit Commission Act 1998, on 15 January 2009 the District Auditor issued a Public Interest Report regarding the allocation of properties to City Council tenants and the employment of staff between 2003 and 2005. The report identifies failings and makes a number of recommendations that the Council and Nottingham City Homes (NCH) have a duty to consider and decide on whether to accept the recommendations and on what action to take in response.
- 1.2 This report proposes acceptance of the District Auditor's findings by the City Council and NCH and confirms progress and actions to address the findings and recommendations.
- 1.3 The District Auditor's report has been circulated separately with the agenda.

## **2 RECOMMENDATIONS**

### **2.1 IT IS RECOMMENDED that:-**

- (1) the Public Interest Report and recommendations of the District Auditor be considered;
- (2) the specific findings and recommendations set out on pages 5 and 6 of the District Auditor's Report be accepted in full;
- (3) the action plan and response to the report (set out in the Appendix to this report) as the Authority's official response to the Public Interest Report be approved; and
- (4) regular progress reports on the action plan be submitted to the Executive Board by the Portfolio Holder Neighbourhood Regeneration.

### **3 REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)**

- 3.1 The District Auditor's Report requires the Council to put forward proposals for addressing the findings and recommendations.
- 3.2 The Council strives towards the delivery of high standards in the provision of its services to the community. The Council also has a clear duty to ensure that its services are provided in an open, fair and transparent manner for the community it serves. The Council acknowledges that it fell short of its own standards in the allocation of its tenancies, the employment of staff and in its governance arrangements. The Council accepts the District Auditor's report and is committed towards ensuring that the findings and recommendations are effectively investigated and addressed.

### **4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 4.1 The District Auditor's Report requires the Council to put forward proposals for addressing the findings and recommendations and report back to the District Auditor once the decision has been made. These proposals are additional to other activities of the Council and NCH in pursuit of the delivery of high quality housing management services.

### **5 BACKGROUND**

- 5.1 The City Council established NCH to manage and maintain its housing stock. A Housing Inspection was carried out in 2005 by the Audit Commission Housing Inspectorate in November that year and reported in March 2006. The report established that, at that time, there were significant weaknesses in the processes for allocating properties. The report judged the allocations and lettings service as "poorly managed" and also that "the allocation policy lacks accountability; it is neither demonstrably fair nor effectively controlled.....this has led to inappropriate lettings".
- 5.2 At the time of the inspection, allegations were made to the Audit Commission and the Council relating to inappropriate allocations of properties that were not made in accordance with established policies and procedures. As a result of these allegations, the Audit Commission determined that it was appropriate to undertake further

work as part of its statutory audit at the Council.

- 5.3 The District Auditor's report details a sample of case studies which have been subject to detailed investigation by the Audit Commission. These case studies originated in the period 2003 to late 2005 and related to the latter days of the direct control of council housing by the Council and the early days of NCH. The studies relate to the allocation of properties, employment and governance arrangements at that time.
- 5.4 Since the period covered by the District Auditor's report the housing service has been radically transformed. Actions have been taken since that minimise risk and exposure to such events in the future are therefore significantly reduced. NCH has appointed a new Executive Management Team and has also extensively reviewed its governance arrangements.
- 5.5 Furthermore the City Council's allocations policy and lettings procedures have been radically overhauled. The allocations policy was comprehensively reviewed following citywide customer and stakeholder consultation and a new policy was implemented in February 2006. In addition a choice based lettings scheme (HomeLink) was introduced in June 2006. These two initiatives have significantly improved transparency, probity and integrity with the allocation of properties in Nottingham.
- 5.6 In November 2006, an independent housing consultant HouseMark was commissioned to undertake a review and provide a comprehensive health check for the allocation's service. This review highlighted improving performance and reported that the service was demonstrating good practice.
- 5.7 In 2007 NCH undertook an internal review of HomeLink and this was subject to scrutiny from the Council's Overview and Scrutiny Committee during 2008. Outcomes and recommendations from the review have been incorporated in its Service Improvement Plan and also a joint NCC/NCH Allocations and Homelink Action Plan.
- 5.8 On 29 January 2009, the Audit Commission published a report on its recent inspection of NCH. This report judged the housing service as a "good service that has excellent prospects for improvement." These judgements confirm the significant progress made since the last inspection. Specifically the inspection judged "Scrutiny of the

allocations process is comprehensive and effective. Lettings of properties are closely and systematically monitored with a clear audit trail to demonstrate that they have been made in accordance with the agreed policy. Senior managers, and board members on the performance and regulatory committee, receive regular performance reports on the allocations system. This is ensuring that allocations are made fairly and appropriately.” The inspection report has been circulated separately with the agenda.

- 5.9 The specific recommendations and the current position in respect of these are detailed in the Appendix to this report. All recommendations are prioritised to ensure that these are effectively and promptly addressed. Key actions include the commencement of a thorough investigation funded by both the City Council and NCH to examine the individual cases highlighted in the District Auditor’s report.

## **6 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)**

- 6.1 Financial implications will depend on the outcomes of any subsequent investigations to be carried out as a result of the recommendations of the District Auditor’s report and will be reported back to Overview and Scrutiny.

### **6.2 HUMAN RESOURCES’ COMMENTS**

- 6.3 Actions have already been undertaken with regard to recommendations to an internal audit report including moving the First Call Staffing agency into HR and subsequently disbanding it with effect from August 2008 ensuring fair employment procedures.
- 6.4 It is noted that a recommendation of the Audit Commission is a review which may involve examining employment processes and terms and conditions of employment. This will be incorporated into HR Service Plans should any recommendations arise from the review. HR will consider how to further raise awareness of the whistle blowing.

## **7 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS AND EQUALITY AND DIVERSITY IMPLICATIONS)**

- 7.1 The District Auditor’s report and recommendations have been issued under Section 8 of the Audit Commission Act 1998 as an immediate public interest report requiring consideration, within one month, at a

meeting of full Council. Publicity requirements in relation to the issue of the report and its consideration at this meeting have been complied with. This meeting of Council is required to decide:

- (a) whether the report requires the Council to take any action or whether the recommendations are to be accepted; and
- (b) what, if any, action to take in response to the report or recommendations.

The Council also has duties to notify the District Auditor of its decisions and give public notice summarising those decisions, in a form approved by the Auditor.

## **8 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION**

8.1 None.

## **9 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

- 9.1
- Report under Section 8 of the Audit Commission Act 1998 Nottingham City Council -January 2009
  - Audit Commission Inspection Report on Nottingham City Homes – March 2006

**COUNCILLOR ALAN CLARK  
PORTFOLIO HOLDER  
NEIGHBOURHOOD REGENERATION**

**APPENDIX**

**Audit Commission Recommendations**

Recommendation	Responsibility	Comments	Timescale
<p>Review the governance arrangements within NCH and retained Housing Services in the City Council to ensure they are both adequate and operating effectively in respect of:</p> <ul style="list-style-type: none"> <li>• the declaration of interests in a formal register;</li> <li>• rules on avoiding involvement in cases where a personal interest or a personal association may be involved;</li> <li>• procedures for dealing with bullying and harassment;</li> <li>• procedures to allow</li> </ul>	<p>Director of Legal and Democratic Services</p>	<p><b><u>NCC</u></b> A review will be carried out, and may involve examining and improving internal processes and terms and conditions of employment of officers generally.</p>	<p>3 months</p>
	<p>Director of Housing and Regeneration</p>	<p>Councillors are bound by the Code of Conduct and have obligations to formally register interests in a public register which is available on the Council's web site.</p>	<p>Completed</p>
	<p>NCH Board and Executive Management Team</p>	<p><b><u>NCH</u></b> Governance arrangements were reviewed and new arrangements were approved by the NCH Board in 2007. These include the introduction of a new Board and committee structure as well as a robust system of company standing orders.</p> <p>There is a formal register of interest for all NCH employees and board members. This is held by the Company Secretary. Anyone who has a personal interest in a company, or in a person undergoing</p>	<p>Completed</p> <p>Completed</p>

Recommendation	Responsibility	Comments	Timescale
<p>staff to raise issues confidentially (whistle blow) when they encounter irregularities or other issues of concern.</p>		<p>the recruitment process, should make it clear to their executive director.</p>	
		<p>Employees and board members who have a personal interest, financial or otherwise, in a company, organisation or person, declare this as soon as they are aware the company is dealing with them.</p>	<p>Completed</p>
		<p>The City Council and NCH have established grievance and harassment and discrimination procedures for their respective organisations. These procedures are available to all employees through their intranet websites and are also given to all new employees.</p>	<p>Completed</p>
		<p>The City Council and NCH both have whistle blowing policies to allow employees to raise issues confidentially. This is available on the intranet of both organisations, and each refer to it as their 'Confidential Reporting Code'. For both City and NCH this is provided to employees on their induction. NCC will review the awareness and content of the procedures.</p>	<p>Completed</p> <p>3 months</p>

Recommendation	Responsibility	Comments	Timescale
<p>Ensure that adequate and proportionate audit trail arrangements are in place to prevent allocations being made inappropriately in future.</p>	<p>NCH Director of Housing</p>	<p>The allocation of properties is undertaken by NCH in accordance with the City Council's policy. There is a complete audit trail for every allocations decision that includes established and robust scrutiny and monitoring systems.</p> <p>All allocation decisions are monitored monthly. Lettings managers meet with the NCH Director of Housing / Assistant Director of Housing to check the appropriateness of offers and correct application of procedures. These meetings focus on:</p> <ul style="list-style-type: none"> <li>• Adherence to allocations policy and procedures</li> <li>• Scrutiny of allocations panel cases and decision</li> <li>• Reconciliation of all new tenancies with relevant approval, e.g. if tenancy offered via manual offer, reconcile with approval to make a manual offer and to monitor allocations in general.</li> </ul> <p>IT systems provide an audit trail to enable the</p>	<p>Completed and subject to ongoing review.</p>



Recommendation	Responsibility	Comments	Timescale
		<p>identification of all employees who have made amendments.</p> <p>NCH has also introduced a 'related parties' procedure. Any applications and offers from employees, board members, councillors and relatives are maintained by a central team. Any offers are scrutinised before an offer is made. Approval must be given by the NCH Director of Housing / Assistant Director of Housing (for employees) and Director of Housing/ Chief Executive (for board members and others) to make sure there is no preferential treatment.</p>	Completed
<p>Ensure that the procedures governing manual allocations are operating in a proper manner and that adequate records are being maintained in support of these allocations decisions.</p>	<p>NCH Director of Housing</p>	<p>All manual offers are:</p> <ul style="list-style-type: none"> <li>• Approved and ratified by the Allocations Panel.</li> <li>• Reconciled with the original approval to make a manual offer.</li> <li>• Recorded electronically to provide a full audit trail. This is backed up using manual systems.</li> <li>• Monitored on a monthly basis and scrutinised by Director of Housing / Assistant Director of Housing.</li> </ul>	Completed

Recommendation	Responsibility	Comments	Timescale
		<ul style="list-style-type: none"> <li>• Reported to the Performance and Regulatory Committee of the Board every three months</li> </ul> <p>In 2007 NCH undertook a review of HomeLink and this was also subject to scrutiny from the Council's Overview and Scrutiny Committee. Outcomes and recommendations from the review have been incorporated in the Service Improvement Plan and a joint NCC/NCH allocations and Homelink Action Plan.</p>	
Ensure that procedures prevent inappropriate restrictions on offers of housing being entered into the computerised allocations system and that adequate records are being maintained in support of decisions made.	NCH Director of Housing	All restrictions are checked thoroughly as part of our allocations monitoring arrangements. These are reported to the NCH Director of Housing / Assistant Director of Housing on a monthly basis.	Completed
Ensure the procedures for the recruitment of temporary staff through the First Call agency are	Head of HR Shared Services (NCC)	Management of First Call was taken over by Human Resources early in 2008 and disbanded in August 2008.	Completed

Recommendation	Responsibility	Comments	Timescale
now operating in a proper manner, to minimise the risk of patronage or favouritism occurring.	NCH Executive Management Team	NCH no longer uses the service. Employees are either recruited through professional recruitment agencies or through direct advertising.	
Ensure there are mechanisms in place that require councillors to register any potential conflicts of interest when seeking to advocate on behalf of local constituents.	Director of Legal and Democratic Services	The Code of Conduct applies to all City Councillors and training is provided on it. There is also a statutory public register of interests for councillors. Specific guidance will be developed to address issues arising in this investigation. Develop guidelines on housing allocations casework and ask the Standards Committee to consider the appropriateness of these.	3 months
The Council and NCH should also consider in detail the individual cases reported here and determine what action is necessary, particularly regarding the legitimacy of tenancies and right-to-buy purchases.	Director of Housing and Regeneration  NCH Executive Management Team	The individual cases highlighted in the District Auditor's report will now be thoroughly investigated and the Council and NCH will take appropriate action where this is necessary. Regular updates will be provided to the Executive Board. This will include referral to the police or other legal action wherever possible and in the public interest.	A joint NCC/NCH investigation will be undertaken.