

**Internal Audit reports identifying ‘significant’ risk or ‘of concern’:
Highways Capital Programme**

Audit Committee

Date: 15th February 2014

Author:	Head of Internal Audit
Wards:	None
Locality Affected:	None
Parishes Affected:	None

1. Purpose and Reasons

- 1.1 Members requested that at least one individual audit report be presented to each meeting of the Committee. At the last meeting Members requested that the report on *Housing Capital Programme* be brought to the April meeting of the Committee.
- 1.2 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating effectively.

2. Recommendations

- 2.1 It is recommended that the contents of the report be noted.

3. Detail

Background

- 3.1 The Council owns approximately 10,500 housing properties to rent within the Housing Revenue Account (HRA). These properties are maintained to standards that currently meet and exceed the government's Decent Homes Standard, but continuing investment is needed to ensure retention of these standards, particularly in properties of non-traditional construction (40% of all properties).
- 3.2 The value of the 2012/13 capital programme for housing repairs was £11.012 million. Swindon Commercial Services (SCS) delivered 85% of this work. In July 2013, Full Council agreed to transfer certain SCS services back to the Council in accordance with a high-level timetable.

Key Recommendations

- 3.3 As noted above a number of the recommendations made have been impacted by the reintegration of the SCS StreetSmart Services Highway Maintenance team in to the Council's Highway and Transport team.
- 3.4 The key recommendations made in the report are as follows:

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- The Council’s Corporate Strategy should recognise the role that improvements to social housing make to achieving its priorities, reflecting the priorities in the draft Health and Wellbeing Strategy.
- The capital programme for housing repairs should also highlight the contribution that it makes to wider priorities within the Council and its partners, and should use it as a possible means of obtaining additional funding and as a determinant in allocating funding between projects within the programme.
- In recognising the interaction resulting from ‘self-financing’ between rent levels, repayment of debt, and future investment, the updated Housing Strategy should address the wider effects of investment in reducing fuel poverty, reducing crime, local employment, and health and wellbeing. In particular, it should highlight the contribution that these factors make to the priorities in the Health and Wellbeing Strategy, the Corporate Strategy, and One Swindon. As an example of good practice evaluate the principle set out the Nottingham City Homes – Health and Wellbeing outcomes from the Secure Warm Modern improvement programme.
- Housing Services should seek assurance from the Contract Manager at SCS, responsible for the Housing Capital Programme, that there is a robust performance and quality assurance process in place and operating for reporting, monitoring and managing delivery. Any emerging issues/risks that may arise from performance below contract requirements should be discussed and resolved through regular client/contractor meetings. These should be recorded in an issues log/risk register including an action plan which is subject to regular review to ensure actions are implemented satisfactorily.
- In evaluating tenders for capital works projects, it should be ensured that all known items and management fees are included in costing so as to minimise the possible levels of subsequent variations and identify any tenders that have been reduced in value by excluding items likely to be required at a later stage.
- Evaluate trialling a three month pilot project with the Contact Centre to help mitigate the cost of reactive repairs by bringing forward or reprioritising planned repairs. As part of the pilot provide a detailed copy of the 2013/14 Capital Programme of works to the Contact Centre so that staff can refer more significant reactive jobs to Housing Services for consideration of delivery under a relevant Capital Programme contract. Review the value of the pilot project after three months to see if there is benefit in continuing the arrangement.
- Housing Services should ensure that the timeliness of repairs is delivered in accordance with targets set out in the tenants’ handbook. To support this pilot, Housing Services should provide guidance and ensure that any queries are resolved on a timely basis by dedicated officers.

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- A procurement strategy should be developed within the Council for property-related services that reflects:
 - Forthcoming tendering of the current SCS 'basket of works'
 - Re-tendering of the roofing contract, currently with Apollo Group
 - Resourcing of projects within future capital programmes that does not hold back works because of lengthy procurement cycles.

With the latter in mind, tendering for a range of trades and professions within a framework agreement should be considered.

- Housing Services and Property Services should benchmark with others, exchange of best practice, and being able to demonstrate value for money.

3.5 The Internal Audit report (issued on 28th October 2013) is attached as Appendix 1 to this report.

3.6 The Head of Housing Services and the Head of Housing Property have provided an update (see Appendix 2) on progress in implementing the recommendations from the report that also reflects the changes due to the reintegration of SCS services.

3.7 The Head of Housing Services and the Head of Housing Property will also be attending Audit Committee to answer any questions that Members may have.

4. Alternative Options

4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 There are no direct financial implications arising from this report however the detailed audit report addresses the suitability of internal controls within the systems examined

Legal and Human Rights Implications

5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2011. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.3 None

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Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Effective systems of internal control within the Council will help to ensure that the Council's corporate objectives and those set out in One Swindon are achieved.

Diversity Impact Assessment

- 5.5 Not Applicable

Risk Management

- 5.6 Not applicable

6. Consultees

- 6.1 The Board Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Internal Audit report: *Housing Capital Programme* (Oct 2013)
- 8.2 Appendix 2 – Update provided by the Head of Housing Services and Head of Housing Property (April 2014)