

**Housing Repairs
Capital Programme**

28th October 2013

Final Report

Contents and Distribution

Contents	Page
Executive Summary	3
Context	6
Risk Areas Examined	7
Overall Opinion	10
Action Plan	11
Appendices:	
A – Standard Audit Opinion	
B – Nottingham City Homes – Health and Wellbeing outcomes from the Secure Warm Modern improvement programme	
C – Demonstration of Value for Money – Issues to be considered	
D – Management Response	
E – Acknowledgement of Officers Contributing to this review	

Swindon Internal Audit Services: Housing Repairs – Capital Programme**Report Distribution – Final Report issued 28th October 2013 to:**

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Executive Summary

Background

This review has been carried out as part of the agreed Internal Audit Plan for 2012/2013 in order to provide assurance to the Board Member for Service Delivery, Board Member for Resources, Head of Housing Services and Commissioner: Growth and Regeneration that arrangements for managing the capital programme for housing repairs are robust and effective and can demonstrate value for money.

The Council owns 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). This investment contributes to the following One Swindon priorities:

- Living independently, protected from harm, leading healthy lives, making a positive contribution
- We can all benefit from a growing economy and a better town centre
- I like where I live

The value of the 2012/2013 capital programme for housing repairs is £11.012 million. 85% of this is delivered by Swindon Commercial Services (SCS), and the remaining 15% - contracts for roofing and lifts – are delivered by companies that have won the work through competitive tendering. A further contract for welfare aids and adaptations has been put out to market tender.

In July 2013 Council agreed to transfer certain Swindon Commercial Services service ('the undertaking') back to the Council in accordance with a high-level timetable. In accordance with this timetable the Board Director, Service Delivery will carry out a detailed examination of the individual services provided currently by SCS to SBC, with a view to streamlining and integrating processes operating both within services and between client and contractor to further reduce costs. This examination will include Housing Repairs works including those delivered under the Capital Programme. The contract tender timeline the tender timeline for services provided by SCS, as previously agreed by Cabinet in June 2011 (Cabinet Minute 10, 2011/12 refers), will need to be reviewed and a report will be brought to Cabinet with a revised proposal later in the 2013/14 Municipal Year.

Audit Opinion

The impact and materiality of the capital programme is considered to be **high** and combined with the auditor's opinion that **significant improvements are required** to system controls, gives an overall risk to the Council **of concern**.

Key Messages

Risk: Alignment with One Swindon priorities, Corporate Strategy and future Housing Strategy

Although links can be established between the One Swindon priorities and the capital programme, the former are not taken into consideration in preparing the capital programme. The Corporate Strategy does not specifically refer to housing and housing improvements, even though the connection between the latter and health-related outcomes forms a priority in the draft health and wellbeing strategy. The Housing Strategy is currently being drafted and is intended to be presented to Cabinet for approval in December 2013. Once approved, it is intended that this will represent a Swindon Borough wide Housing strategy which is aligned with the Council's Medium Term Resources Plan and the property stock survey. It will incorporate the opportunities and options for housing provided through 'self-financing'. The housing performance indicators and risks relating to the strategy have yet to be identified.

Rand Associates carried out a stock condition survey of the Council's housing stock late in 2011 by property 'archetype'. Their findings were used to extrapolate the cost of improvements across all the stock i.e. £687m over 30 years with an average of £30m per year over the next 10 years. Total revenue and capital budgets for 2012/2013 is £19 million, identifying a shortfall.

The Principal Quantity Surveyor's stock condition database has been used to allocate and prioritise work within the capital programme, and also demonstrate where a shortfall exists and where properties do not meet the Decent Homes and enhanced 'Swindon Standards'. However, mapping of completed repair jobs to relevant properties on the data base is not in place from which to effectively monitor achievement of the Decent Homes Standard.

Risk: Value for money in delivering the Housing Repairs Capital Programme

It cannot be demonstrated that consistent value for money is being achieved in delivering the housing repairs capital programme. The majority of housing repairs work is delivered by Swindon Commercial Services Limited (SCS) and is subject to competitive tendering on an annual basis. However, their procurement processes have not reflected the standards and requirements of Housing Services. Consequently, Housing Services reviewed the electrical services contract before it was put to market by SCS; this was to ensure that the specification included the necessary requirements and quantities and demonstrated good practice. The Head of Housing Property has expressed concerns as to whether SCS has the necessary capacity to effectively manage contracts. Housing Services have contracted a few repairs contracts including the roofing contract, awarded to Apollo Group in 2009 and specialist lift work provided by Wessex Lifts. Major Aids and Adaptations work is currently being put out to tender. 5% of housing repairs work (revenue) has been subjected to competitive tendering since 2008 and this does not allow for a full value for money comparison of the work given to SCS. 10% of work within the Swindon Local Transport Plan 2012-2015 has been tendered to allow comparison with SCS's costs.

Housing Services has been proactive in reviewing the 'life cycle' costs relating to heating systems, bathrooms and kitchens. This is to ensure that a quality product is procured which maximise live expectancy, reliability and reduces the cost of reactive maintenance. The service has worked with tenants in agreeing these specifications.

A number of related developments highlight the need for a new procurement strategy for housing and property-related services:

- Housing property works with SCS are due to be retendered from January 2015.
- The roofing contract with Apollo Group expires in 2014.
- Property-related services within the Council, including Housing, have been merged with property assets the responsibility of the Board Member for Resources and property maintenance the responsibility of Board Director Delivery Services.

There is limited use of performance indicators relating to the capital programme among those used in the management of works delivered through the 'basket of works' agreed with SCS. There is also no recognition of risks and emerging issues that may prevent delivery of the capital programmed works to time. Due to a focus on delivery of the 2012/13 capital programme a quality assurance role was not put in place by SCS to ensure delivery of works achieved the required standard.

There has been limited benchmarking carried out with other local authorities and social housing providers. There are no ready means of comparison through established sources such as CIPFA statistics, Housemark and Housing Quality Network, save for buying into benchmarking exercises carried out by the last two. Regulatory inspections are no longer carried out by successor bodies to the Audit Commission. These decreased opportunities for benchmarking come at a time when options available through 'self-financing' present a greater need for comparison and exchange of good practice.

Risk: Arrangements for delivering the capital programme

Delivery of the 2012/2013 capital programme was delayed while SCS sought contractors to deliver projects. Housing reviewed the tenders received and required retendering on certain contracts. The bulk of this programme has been carried out since September 2012.

Inspections of work are carried out by Housing and contractors. These cover health and safety issues as well as quality of work. Full checks are carried out on gas, electrical, and boiler installations to ensure compliance with statutory standards.

The Housing Capital Programme underpins achievement of the Decent Home standard which is published as a public document. The programme is not used by the Contact Centre to alert Housing Property Section of reactive repairs that could be considered for delivery under the capital programme. This may be viable where substantial repairs are required i.e. to roofs, kitchen or bathrooms such that it may be more advantageous to by bringing forward capital programme improvement works and mitigate the cost of reactive repair maintenance.

Context

The Council's stock of social housing properties available to rent (10,500 houses, flats and maisonettes) are maintained to standards that currently meet and exceed the government's Decent Homes Standard. This improved 'Swindon Standard' is expected by tenants and Members of the Council.

A stock condition survey was carried out by Rand Associates late in 2011, prior to the tenants' vote on future management of the housing service. The survey included 1,000 properties of different types, ages and locations, and the results were extrapolated across the remaining properties to identify an improvement programme requiring investment of £687 million over 30 years. The identified annual programme for each of the next 10 years is an average of £30 million. The investment programme for 2012/2013 is only £19.2 million (revenue £8.2 million; capital £11million). Improvements therefore cannot be fully carried out and need to be prioritised, having regard to sustainability of different types of homes, future strategic developments and future housing needs.

This investment contributes to the following One Swindon priorities:

- Living independently, protected from harm, leading healthy lives, making a positive contribution
- We can all benefit from a growing economy and a better town centre
- I like where I live

It also contributes to the following priorities within the Corporate Strategy:

- Work with residents to create well cared-for neighbourhoods
- Together, find new ways to reduce vulnerability and improve health for all

Swindon's draft Health and Wellbeing Strategy 2012-2016 recognises the connection between maintaining homes to a decent standard and improving health outcomes. Priority 21 is to: 'Ensure that housing and development strategies for new and existing communities identify the health and wellbeing impacts for residents in the long and short term'.

Housing repairs and capital works are currently carried out by Swindon Commercial Services (SCS), following successful competitive tendering in 2008. SCS re-tender capital works on an annual basis. A paper to Housing Advisory Forum on 7 March 2012 concerning the 2012/2013 programme noted that SCS will be sub-letting packages of the work as medium term contracts.

The Council has recently reorganised and brought together property-related services within Commissioning, Service Delivery (including Housing), Resources, and Capita.

Risk Areas Examined and Findings

In accordance with best practice, a risk-based approach was adopted that identified the key risks to the business objectives and those mitigating actions/controls that should be in place. The auditor then assessed the effectiveness of the mitigating controls through examination of relevant documents, procedures and detailed testing. Sample capital works have been examined within the kitchen, roofing and gas central heating contracts. Reference has been made to research carried out jointly by Nottingham Trent University and Nottingham City Homes Housing Association concerning the wider social and economic impacts of the latter's Safe, Warm, Modern improvement programme. A diagnostic has been completed regarding demonstration of value for money through the capital programme, and the balance between cost, performance and satisfaction. This is set out in Appendix C.

The key risks to the achievement of the business objectives were discussed and agreed with the Head of Housing Property, Capital Programme Manager, Finance Manager: Housing, Treasury and Growth, and the Supporting People and Housing Strategy Manager before the commencement of the audit. The table below summarises the Risk Areas examined during the review and provides an assessment of the adequacy of controls in place for each area of risk examined:

Risk Area Examined and Findings	Audit Conclusion
<p>Risk: Alignment with One Swindon priorities, Corporate Strategy and future Housing Strategy.</p> <ul style="list-style-type: none"> The capital programme is prepared on the basis of the stock condition survey carried out by Rand Associates, which provides an objective basis for determining work required and allocation of budgets. The Principal Quantity Surveyor maintains a database of all properties and their meeting the Decent Home standard. This allows prioritisation of properties to be included in the capital programme and recognition of backlogs. However, completed property repair works are not mapped to the data base to enable monitoring of performance against the Standard. The Corporate Strategy does not specifically refer to housing and housing investment, even though they contribute to the priorities concerning well cared for neighbourhoods and reducing vulnerabilities, improving health for all (AP1.1). The draft Joint Health and Wellbeing Strategy 2012-2016 identifies the connection between decent housing and improved health outcomes, but this is not recognised in the capital programme, nor used as a driver for determining the latter's funding and allocation to projects (AP1.2). The Housing Strategy is currently being updated to recognise the changed circumstances for Housing under 'self-financing'. The draft is due to be produced by August 2013 and the final version to be presented to Cabinet in December 2013. (AP1.3) 	<p>Significant improvements required</p>

Swindon Internal Audit Services: Housing Repairs – Capital Programme

Risk Area Examined and Findings (continued)	Audit Conclusion
<p>Risk: Delivery of the capital programme</p> <ul style="list-style-type: none"> The standard format for monitoring progress and delivery of capital projects and reporting to operational meetings is not being effectively used by Property Surveyors. (AP 2.2) Capital work is recorded through the Open Housing System, but works are not always charged to the correct accounting codes, thereby reducing its effectiveness for budgetary control. Commitment accounting is carried out through the Open Housing System (OHS) (AP2.6). Delivery of the 2011/2012 programme continued into 2012/2013 (AP3.1). The slow pace of delivery of the 2012/13 capital programme is attributed to delays by SCS letting new contracts and demonstrating that these reflected the standard and requirements of Housing Services. While project surveyors may set up jobs and payments in OHS, they can only be authorised and released by the Capital Programme Manager or the Head of Housing Property. A full audit trail is maintained for variation orders on OHS. They must be agreed by project surveyors before payment can be made. Costs of variations are unclear where jobs are not paid for and inflate project costs (AP2.1). Inspections of work and health and safety arrangements are carried out by project surveyors and contractors. Full checks are carried out on electrical, gas and boiler installations. 	<p>Satisfactory</p>
<p>Risk: Value for Money.</p> <ul style="list-style-type: none"> Housing Services have been proactive in reviewing the 'life cycle' costs relating to heating systems, bathrooms and kitchens. This is to ensure that a quality product is procured which maximise live expectancy, reliability and reduces the cost of reactive maintenance. The service has worked with tenants in agreeing these specifications. The Housing repair services within the 'basket of works' provided by SCS are to be retendered from 2015. The roofing contract was awarded to Apollo Group in 2009 following competitive tendering and adherence to the Council's procurement guidelines. Major Aids and Adaptations are currently being put out to tender. SCS tender individual packages of work, but there is no value for money comparison with other organisations. (AP3.1 and AP3.2). SCS sub-contract significant values of the Housing Repairs work however SCS's procurement processes do not reflect the standards and requirements of Housing Services. Housing Services reviewed the procurement process relating to the Electrical Contract to ensure that the standard and requirements required are achieved and to share good practice. There is only limited use of performance indicators relating to the capital programme. Overall performance is reported to LPAR on a quarterly basis. (AP2.2). There are limited opportunities for benchmarking the capital programme and comparing best practice (AP3.2). 	<p>Significant improvements required</p>

Overall Opinion

Materiality and impact: High. The value of the 2012/2013 capital programme for housing repairs is £11.012 million. Materiality is therefore **high**. The capital programme brings improvements to 10,500 homes within the Borough on a cyclical basis and makes a clear contribution to the One Swindon priorities and Corporate Strategy. Impact is therefore **high**.

Opinion on system controls: Significant improvements required (see Appendix A) i.e. the Auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.

Overall assessment of risk: the combination of the high impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **of concern**:

		MATERIALITY AND IMPACT		
SYSTEM CONTROL		High	Medium	Low
1	High standard	Moderate	Minimal	Minimal
2	Satisfactory	Moderate	Moderate	Minimal
3	Significant improvements required	Of Concern	Moderate	Moderate
4	Fundamental weaknesses identified	Significant	Of Concern	Moderate

Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the audit of the capital programme for housing repairs, together with the recommendations to mitigate risks. Management responses to the recommendations and timescale for implementation are co-ordinated in Appendix 'A'. In order for you to identify the most significant matters arising, which affect the reliance that can be placed on the controls reviewed, the recommendations have been prioritised.

1 *Risk: Alignment with One Swindon priorities, Corporate Strategy and future Housing Strategy*

Findings:

The Council's Corporate Strategy does not specifically mention housing and housing investment, but certain priorities relate to these areas:

- Work with residents to create well cared for neighbourhoods i.e., well maintained homes are an essential part of well cared for neighbourhoods
- Reduce vulnerability and improve health for all i.e., decent homes contribute to improved health, reduced burglaries, and people needing care able to stay at home. This is based on research by Nottingham Trent University and Nottingham City Homes, and is demonstrated in the diagram in Appendix B

The draft Joint Health and Wellbeing Strategy recognises this connection. Priority 19 is: 'Ensure that housing and development strategies for new and existing communities identify the health and wellbeing impacts for residents in the short and long term'.¹

Although links can be established between One Swindon priorities and the capital programme (living independently; better town centre; I like where I live), the former are not taken into account in preparation of the capital programme and allocation of the available funds. Without this clear connection to the One Swindon priorities, there is a risk that housing repairs and improvements will have a lower priority among the Council and its partners, and allocated resources may be reduced.

An updated Housing Strategy is currently being compiled by the Supporting People and Housing Strategy Manager within Commissioning. This is intended to recognise the changed circumstances for Housing as a result of 'self-financing'.

HRA Self-financing has been reviewed separately by Internal Audit, and is not considered further in this review.

The Strategy provides the opportunity to strike a balance between rent levels, repayment of debt, and further investment in social housing.

There is a risk that the full contribution of housing improvements to wider priorities may not be recognised as outcomes. A good example to demonstrate such links and relationships are set out in Appendix B: Nottingham City Homes – Health and Wellbeing outcomes from the Secure Warm Modern improvement programme.

Recommendations:

- 1.1 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.
- 1.2 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.
- 1.3 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 (see Appendix B).

Priority: High**Responsible officers:**

Head of Housing Services in conjunction with the Board Director of Service Delivery, Board Director for Resources, and Supporting People and Housing Strategy Manager.

2 Risk: Delivery of the capital programme

Findings:

The pace and quality of Housing capital repairs works delivered by SCS were not consistently performed to the required level across 2012/13. The Head of Housing Services expressed concerns regarding the contracting capacity of SCS. Housing Services conducted a review of the tender specification and process for electrical works being put to market by SCS and supported the company in ensuring that good practice and value for money was demonstrable in sub-contracting these 'basket of works'.

On the gas central heating contract where no payments have yet been made, there is no difference between original and actual job costs.

On the kitchens contract, work completed to January 2013 had an original value of £597,930 and actual cost of £668,630 representing an increase of £70,700 (12%). Of this, £27,070 is attributable to work at Mervyn Webb Place supported living scheme where the 12% management fee had been accidentally omitted (28 properties). A further analysis of 20 other kitchen installations with cost variations showed reductions at all properties in the cost of asbestos surveys, but the same additional items required at a majority of properties, for example, 13 of the 20 properties required carbon monoxide detectors charged at £77.83 each.

The detailed Capital Programme of works is not used by the Contact Centre to alert Housing Property Section of reactive repairs that could be considered for delivery under the capital programme. This may be viable where substantial repairs are required i.e. to roofs, kitchen or bathrooms such that it may be more advantageous to by bringing forward capital programme improvement works and mitigate the cost of reactive repair maintenance.

Mapping of completed repair jobs to relevant properties on the Open Housing data base is not in place from which to effectively monitor achievement of the Decent Homes Standard.

Recommendations:

- 2.1 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.
- 2.2 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.
- 2.3 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.
- 2.4 Housing Services should ensure that the timeliness of repairs are 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.
- 2.5 Review the value of the pilot project after three months to see if there is benefit in continuing the arrangement.
- 2.6 Completed capital programme repair jobs should be mapped to relevant properties on the Open Housing data base and used to effectively monitor achievement of the Decent Homes Standard.

Priority: High**Responsible officers:****Head of Housing Property in conjunction with the Capital Repairs and Maintenance Programme Manager**

3 Risk: Value for money**Findings:**

Of the total cost of the 2012/2013 capital programme (£11 million), 15% was provided by contractors awarded the work through competitive tendering. The largest contract was for roofing works (Apollo Group: £1.041 million). The rest is provided by SCS as part of the 'basket of works', which are tendered on an annual basis. Major Aids and Adaptations work has also been subject to competitive tendering.

The Strategic Commissioning Review approved by Cabinet in June 2011 agreed that work could continue to be placed with SCS without competitive tendering until such time as the 'basket of works' is retendered. A condition was that Value for Money should be demonstrated, which is achieved through tendering individual packages of work on an annual basis. In the implementation Plan for Swindon's Local Transport Plan 2012-2015 10% of the work that might have been given to SCS has been put out to tender in order to benchmark SCS's costs. The 10% has latterly been raised to 30%.

Even though work has been tendered on an annual basis it is not possible to demonstrate value for money without benchmarking. Work on certain 2012/2013 capital programme contracts did not start until late in the year.

A reason for this is that SCS were sub-letting new contracts for this work. These tenders were shared with Housing Property and in the case of the electrical upgrades contract, were considered unsatisfactory, leading to re-tendering. This means that the bulk of the capital programme is being delivered during the latter part of the current year, and into 2013/2014.

Housing Property are now merged with other property-related business units across the Council and the timeline for commencement of market activity for the SCS 'basket of works' is approaching in 2015.

The contract for roofing awarded to Apollo Group originally ran from 2009 to 2012 and is being extended to 2014, as permitted by the contract.

All these circumstances highlight that there is currently no procurement strategy for property related services. There is a risk that future tendering for these services may be undertaken in a piecemeal fashion, leading to late delivery of future capital programmes and best value not being obtained from the contracting process.

The Capital Programme Manager has attempted limited benchmarking on certain contracts with other local authorities and social housing providers. This has largely been done through a former member of the Housing property team who has been able to provide the information. It is at an early stage and has yet to be reported.

Wider benchmarking of the capital programme is not possible through CIPFA Statistics, and Housemark and Housing Quality Network only offer benchmarking services for a fee (£5,000).

In a previous audit relating to housing repairs it was possible to carry out benchmarking using analyses of inspection reports carried out by the Audit Commission. Inspections are no longer undertaken within the regulatory framework now established by the Homes and Community Agency. The latter have a Value for Money standard for non-local authority housing providers as part of economic regulation.

Options for benchmarking delivery of the capital programme are therefore limited at a time when 'self-financing' is offering wider opportunities for housing

investment by local authorities.

As part of this review a value for money diagnostic has been completed and is included as Appendix C.

Recommendations:

3.1 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.

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

- Voluntary adoption of the Value for Money standard within the HCA economic regulation framework (this would still require benchmarking with other housing providers including any local authorities who have also voluntarily adopted the standard).
- Formation of a benchmarking club with other local authorities and housing providers
- Payment for benchmarking through HQN, Housemark, or other consultancies.

Priority: High

Responsible officers:

Head of Housing Property in conjunction with the Board Director of Resources, Head of Commercial Services and the Capital Repairs and Maintenance Programme Manager

Standard Audit Opinions

The audit opinion is based on two different criteria the first is the materiality of the system and its impact on the Council if there was a system failure. This has been spilt into High, Medium or Low.

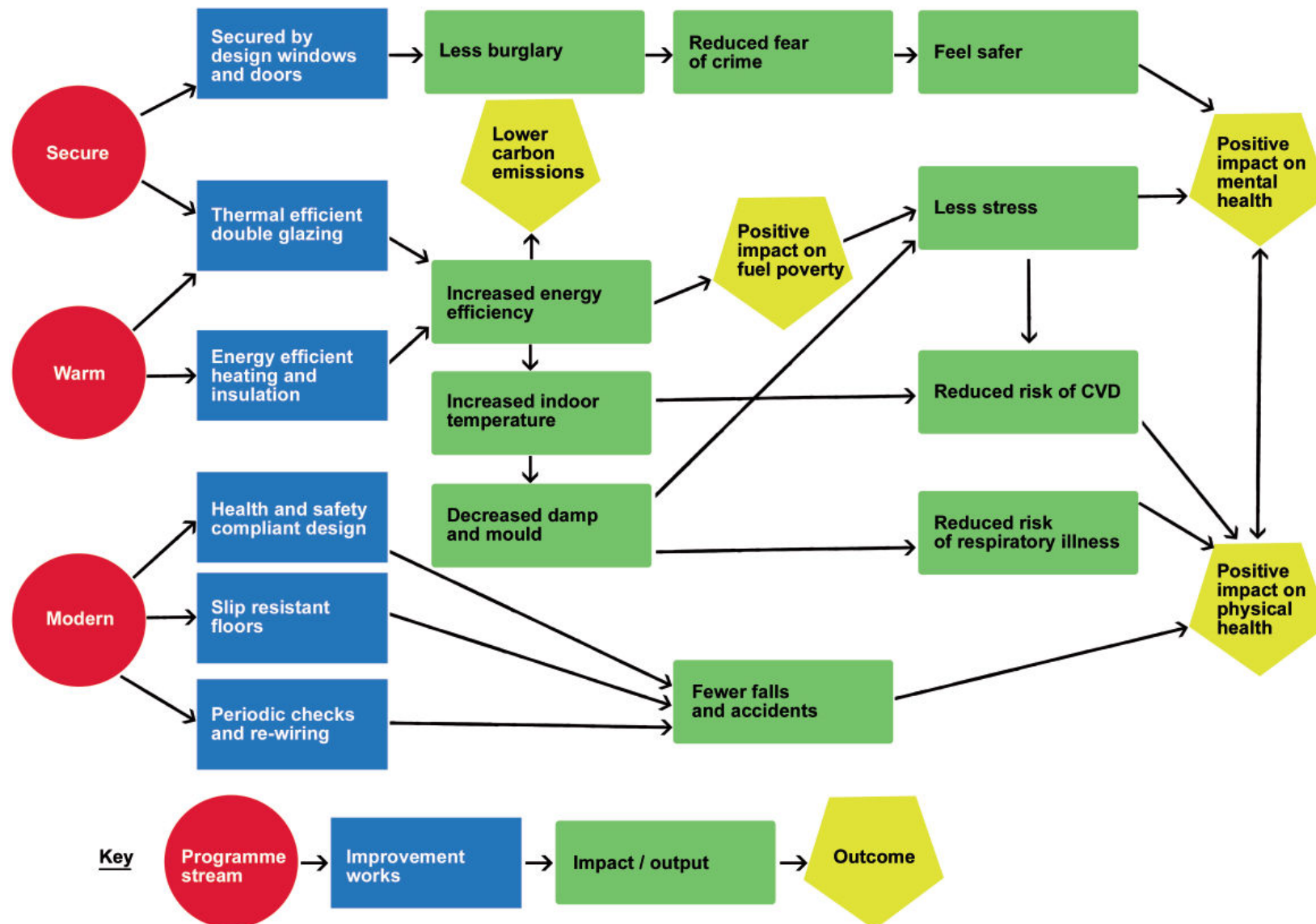
The second criteria, is the standard of control found within the system audited. This has been categorised into 4 different levels i.e. high; satisfactory; significant improvements required and, fundamental weakness. Each of these categories has a standard opinion (see below).

The combination of these two factors gives an overall risk assessment to the Council of one of four scores i.e. significant, of concern, moderate or minimal (see Overall Opinion section in the main report).

Standard Audit Opinions on System Control
<p>Audit Opinion 1. <i>High standard</i></p> <p>The auditor completing the review concluded the significant system controls are in place and operating effectively and only minor recommendations have been made.</p>
<p>Audit Opinion 2. <i>Satisfactory standard</i></p> <p>The auditor completing the review concluded that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.</p>
<p>Audit Opinion 3. <i>Significant improvements required</i></p> <p>The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.</p>
<p>Audit Opinion 4. <i>Fundamental weaknesses identified</i></p> <p>The auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.</p>

APPENDIX B

Nottingham City Homes – Health and Wellbeing outcomes from the Secure Warm Modern improvement programme
(from joint research with Nottingham Trent University)



Demonstration of Value for Money – Issues to be considered

This analysis is based on a model developed by Manchester City Council that identifies issues to be considered in determining whether a service is providing value for money. It is based on three elements – low cost (=economy); high performance (=efficiency); and effectiveness (=high satisfaction). The elements are assessed on a red/amber/green basis and cross-referenced to the action plan (AP) in this report.

Elements of Value for Money					
Low Cost		High Performance		High Satisfaction	
Meets One Swindon priorities/ Corporate Strategy	Links exists but need to be made explicit (Amber – AP1.1 &1.2)	Meets One Swindon priorities/ Corporate Strategy	Links exists but need to be made explicit (Red – AP1.1 &1.2)	Meets One Swindon priorities/ Corporate Strategy	Links exists but need to be made explicit (Amber – AP1.1 &1.2)
Right people involved – partners, communities	Close liaison with SCS as main provider, other contractors and tenants (Green)	Right people involved – partners, communities	Close liaison with SCS as main provider, other contractors and tenants (Green)	Post Implementation Reviews	Post work inspections carried out (Green)
Champions/ promoters	Project Surveyors, Tenant Liaison Officers (Green)	Champions/ promoters	Project Surveyors, Tenant Liaison Officers (Green)	User feedback	Tenant feedback sought through user groups and feedback forms – response and engagement could be greater (Amber AP2.2)
Vision and values	Housing Strategy and implications for investment being updated in the light of 'self-financing' (Amber AP1.3)	Vision and values	Housing Strategy and implications for investment being updated in the light of 'self-financing' (Amber AP1.3)	Regulatory reviews	These no longer take place under HCA regulatory framework (Red AP3.3)

Swindon Internal Audit Services: Housing Repairs – Capital Programme

Elements of Value for Money					
Low Cost		High Performance		High Satisfaction	
Feasibility	Carried out for external contracts but not for SCS 'basket of works' (Amber AP3.1)	On time	2012/2013 programme being delivered late (Red AP3.2)	Long term objectives achieved	Stock condition surveys show work needed to meet Decent Homes and higher standards. (Green)
Delivers solution to meet outcome	Capital programme based on Decent Homes and Swindon Standard. (Green)	On budget	2012/2013 programme is within budget but cannot be demonstrated through commitment accounting (Amber AP2.5)	Benchmarking	Being developed but not yet reported. (Red AP3.3)
Planning	Programme is based on stock condition surveys and budget allocated on this basis rather than wider considerations (Amber AP1.3)	Quality delivered	Post work inspections carried out (Green)	Performance reviews	Post work inspections carried out (Green)
Benefits agreed/calculated	Agreed in tender documents and evaluation where work has been subject to competitive tendering ie roofing (Amber AP3.1)	Performance reviews	Post work inspections carried out (Green)		

Swindon Internal Audit Services: Housing Repairs – Capital Programme

Elements of Value for Money					
Low Cost		High Performance		High Satisfaction	
Procurement consulted	Award of roofing contract to Apollo followed procurement guidelines. Also consulted on current welfare adaptations contract (Amber AP3.1)				
Quotes required	Tenders required for roofing contract. Required by SCS for their work put out to tender. (Amber AP3.1)				
Tenders required					
OJEU compliance	Roofing contract advertised in OJEU (Green)				
Planning	Project plans developed with contractors by surveyors (Green)				
Price/budget	Budgets agreed with SCS for 'basket of works'. Roofing contract has prices agreed with Apollo. (Green)				
Quality	Post work inspections carried out. (Green)				

Swindon Internal Audit Services: Housing Repairs – Capital Programme

Elements of Value for Money					
Low Cost		High Performance		High Satisfaction	
Innovation	Expected in roofing contract with Apollo but achievement unclear (Amber AP3.1; 3.3)				
Setting, Monitoring and achieving KPI's/ targets/ benefits/ out-comes	The KPI's used to manage the Council's contract with SCS are not adequate to demonstrate effective and efficient delivery of the capital programme (Red AP2.4; 2.6).				
	Performance measures and benchmarking with other local authorities and social housing providers are being developed by the Capital Programme Manager, but are at an early stage and have not been reported other than to tenant representatives. (Red AP3.3)				

Management Response Form

I have read a copy of the draft report by Internal Audit on the **Housing Repairs, Capital Programme** and can confirm that for those recommendations that you have been stated as the responsible officer:

1. Findings and Recommendations

I am happy with the accuracy of the report's finding and the practicality of the recommendations made.

YES

2. Responsible Officers and Timescales

I confirm that stated responsible officers and timescales are appropriate and agreed.

YES

3. Actions

I confirm that appropriate actions will be taken to implement the recommendations made.

YES

4. Any Other Comments

Please add any other comments you may have:

Improved links with Decent Home Standard works to be established with One Swindon and Corporate Strategy in line with available resources. Housing Strategy to identify strategic priorities for surplus funding to deliver non-core works and regeneration. The tender timeline is to be reviewed following the SCS integration and a procurement strategy is to be developed with the option to include framework agreements to improve value for money and focus for delivery.

Confirmed by: Gerry O'Connor, Head of Housing Property

Date: 26th September 2013.

Acknowledgement

Internal Audit would like to acknowledge and thank the following officers who contributed to this review

Name	Job Title
Gerry O'Connor	Head of Housing Property
Brian Skeffington	Capital Programme Manager
Jon Black	Project Surveyor
Paul Hewer	Project Surveyor
Noel Bearcroft	Project Surveyor
Marcus Szczepanek	Principal Quantity Surveyor
Ian Burbage	Finance Manager – Housing, Treasury and Growth
James Graham	Supporting People and Housing Strategy Manager
Rachel Ind	Strategic Commissioner – Major Suppliers