



MALDON DISTRICT COUNCIL

INTERNAL AUDIT REPORT

AFFORDABLE HOUSING & HOUSING NEED
JULY 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

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DISTRIBUTION

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Damien Ghela	Lead Specialist Community
John Swords	Senior Housing Specialist Coordinator

REPORT STATUS LIST

Auditors:	Tiyese Namwinga - Internal Audit Senior
Dates work performed:	26 April 2021 - 17 May 2021
Draft report issued:	10 June 2021
Final report issued:	2 July 2021

EXECUTIVE SUMMARY**LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)**

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non-compliance with some controls that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I FOR DEFINITIONS)

High	1
Medium	2
Low	0

TOTAL NUMBER OF RECOMMENDATIONS: 3**BACKGROUND:**

Affordable housing has a significant role to play in meeting the Council's corporate goal of 'meeting housing needs' and preventing and relieving homelessness - co-ordinating work with Registered Providers and developers to provide affordable housing in the District continues to be a priority. Increasing the range of housing products available to people in housing need and providing quality alternatives to homelessness will help to deliver this goal.

Most of the existing supply of affordable homes and those planned for the future will be delivered through the policies in the Council's Local Development Plan. These are based upon evidence on the local need and supply of homes provided by the Council's Strategic Housing Market Assessment (SHMA) and its research into Objectively Assessed Need (OAN). The policies of the local plan reflect that National Planning Policy Framework and the approach taken to develop these is in accordance with National Planning Policy Guidance.

This audit reviewed the areas identified and agreed in the terms of reference as set out in appendix IV of this report. We carried out interviews with the Lead Specialist Community, Lead Specialist Local Plan, Lead Specialist Place and the Senior Housing Specialist Coordinator. Interviews and sample testing were used to determine if the controls and processes with regard to the delivery of Affordable Housing were operating effectively. We reviewed documentary evidence such as: the Local Development Plan, strategies and housing policies, planning application permissions, emails, meeting minutes, supporting guidance documents and the Council policies to assess the design and effectiveness of the processes and procedures in place.

GOOD PRACTICE:

- We confirmed that Maldon District Council (MDC) has a Housing Strategy in place which runs from 2018-2023. Our review of the Homelessness, Rough Sleeper and Housing Strategy confirmed there to be narrative linking the strategy to the Council's Local Development Plan (LDP)

- The LDP includes an up to date housing policy setting out the local requirements for affordable housing provision expected to help boost the supply of affordable homes in the District over the plan period
- Maldon's Local Housing Needs Assessment (SHMA) was completed in September 2014 and informs the LDP which in turn informs the Housing Strategy and supporting housing policies. The Council is currently in the process of undertaking a new SHMA to be used as input to the updated LDP. This will give an update on the housing requirements in the district
- The 2021-22 Housing Service Business Plan sets out the aims and objectives for the Housing Service in 2021/2022 and draws on the MDC Homelessness, Rough Sleeper and Housing Strategy 2018/23 Action Plan
- The Council revived the Housing Development Forum in mid-April 2021 where the Council provides updates to developers about the LDP review and process, to discuss any planning, housing and other matters
- There is engagement with developers on affordable housing provision through the pre-planning application and full planning application process
- There are regular updates to the Housing Team on the status and progress of delivery of affordable housing units
- The Senior Housing Specialist Coordinator liaises with the Essex County Housing Growth Team on affordable housing funding project proposals for the district and county to Homes England.

KEY FINDINGS:

- **Affordable Housing Target, Housing Strategy and Action Plan:** The Council is on course to deliver less than 50% of the affordable housing target to 2022-23. The Housing Team were seeking a two year extension to the current Housing Strategy from the Council Senior Management to enable the full implementation of the Housing Strategy Action Plan. In addition there has not been monitoring of the implementation of the Housing Strategy Action Plan since its inception in 2018-19 (Finding 1 - High)
- **Strategic Housing Board (SHB) meetings:** The SHB has not met in the last 36 months to provide advisory input on affordable housing matters to decision making committees. This has resulted in no independent (a) scrutiny of affordable housing matters prior to decision making and (b) regular monitoring of progress of on affordable housing objectives (Finding 2 - Medium)
- **Affordable Housing Commuted Sums:** The Council currently does not have guidelines on the application of affordable housing commuted sums received from developers to enable it to make the most effective use of the funds in a timely manner (Finding 3 - Medium)

CONCLUSION:

From our review we can confirm that there is a clear plan of direction and appropriate oversight over implementation of the Housing Strategy going forward. In addition there is oversight and direction of the work being undertaken to review and update the LDP and accompanying supplementary planning documents. Work is being undertaken to finalise an up to date Local Housing Needs Assessment (SHMA) to ensure the Council has a current picture of the affordable housing requirements and needs in the district. However, we identified non-compliance with controls in some areas as well as a gap in control. We have raised one high level and two medium level findings arising due to inconsistency in the implementation of the Council processes and controls, a lack of guidelines on application of commuted funds and the fact the Council is on course to deliver less than 50% of the affordable housing units target. Overall this has led to a final assessment of moderate assurance over the control design and moderate assurance over the control effectiveness.

DETAILED FINDINGS

RISK: THE COUNCIL DO NOT HAVE A STRATEGY AND ACTION PLAN IN PLACE OUTLINING THE OBJECTIVES FOR DELIVERY OF AFFORDABLE HOUSING.

Ref	Significance	Finding																																								
1	High	<p>Affordable Housing Target, Housing Strategy and Action Plan</p> <p>The combined Homelessness, Rough Sleeper and Housing Strategy runs for the period 2018-23 and includes an Action Plan which aims to provide a number actions in order to assist the Council in meeting its affordable housing targets. The Strategy is owned by the Lead Specialist Community and Housing Services Manager.</p> <p>There was an identified need for 130 affordable units each year, from 2014 for the next 15 years (total of 1,950 units). However, the Council has an acute shortage as at FY 2020-21 with 399 units delivered against a total target of 1,040 affordable housing units (38% delivery rate). The Council is on course to deliver less than half the amount of affordable housing of its target to date as of 2022-23 (see table below). A contributory factor to the lower delivery rates is that the Council had few schemes online at the time of identification of the affordable housing targets/LDP and therefore fewer completions in the early years from 2014. It was not until 2018/19 that the Council had major strategic sites coming through/completing enabling the Council to exceed its target in 2019/20 and again in 2021/22. The failure to meet the affordable housing need is included on the Council’s Corporate Risk Register with a score of 20.</p> <p>Table 1 - Affordable Housing Deliveries to FY 2023:</p> <table><tr><th>Period (FY)</th><th>Units Completed (Units Expected)</th><th>Annual Target</th><th>Variance to Target (Units)</th><th>Delivery Rate (%)</th></tr><tr><td>2014-17</td><td>95</td><td>520</td><td>425</td><td>18%</td></tr><tr><td>2017-18</td><td>25</td><td>130</td><td>105</td><td>19%</td></tr><tr><td>2018-19</td><td>35</td><td>130</td><td>95</td><td>27%</td></tr><tr><td>2019-20</td><td>156</td><td>130</td><td>26</td><td>120%</td></tr><tr><td>2020-21</td><td>88</td><td>130</td><td>42</td><td>68%</td></tr><tr><td>2021-22</td><td>178</td><td>130</td><td>38</td><td>137%</td></tr><tr><td>Total</td><td>577</td><td>1,170</td><td>593</td><td>49%</td></tr></table> <p>Approval is being sought from CLT and members for an extension of two years to the Housing Strategy 2018-23 to 2025 to enable implementation of the Housing Strategy Action Plan.</p> <p>Additionally, the Housing Strategy 2018-23 Action Plan has not been monitored in the past. It was therefore not possible to</p>	Period (FY)	Units Completed (Units Expected)	Annual Target	Variance to Target (Units)	Delivery Rate (%)	2014-17	95	520	425	18%	2017-18	25	130	105	19%	2018-19	35	130	95	27%	2019-20	156	130	26	120%	2020-21	88	130	42	68%	2021-22	178	130	38	137%	Total	577	1,170	593	49%
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measure performance against set objectives. Monitoring of the Action Plan was a challenge in the last few years due to changes in management, the Ignite Model rollout and the Covid-19 pandemic. A decision was therefore made by the Housing Service management to breakdown the Plan into shorter achievable goals which have been included in the Housing Service Business Plan FY2021-22 and will be included in future service plans. However, this is currently in draft.

Lack of monitoring of the Housing Strategy action plan means the Council may not know its performance against the strategy and may not achieve its short and long term affordable housing goals and objectives.

RECOMMENDATION:

- 1.1. Ongoing reporting and monitoring of delivery against action plan and the affordable housing targets should be undertaken.
- 1.2. The Housing Strategy extension should be finalised as soon as possible and an accompanying action plan included which links with the actions in the Housing Service Business Plan.
- 1.3. The Housing Service Business Plan should be finalised and disseminated to relevant staff.

MANAGEMENT RESPONSE:

1.1 A review of KPIs and ongoing monitoring will be bolstered to ensure management have better oversight of Housing targets

Responsible Officer: John Swords/Damien Ghela

Implementation Date: September 2021

1.2 This will be taken to Members for oversight within Qtr 2/3

Responsible Officer: Damien Ghela

Implementation Date: December 2021

1.3 Housing Business Plans will shortly be finalised and disseminated to staff.

Responsible Officer: Damien Ghela/Hannah Wheatley

Implementation Date: September 2021

DETAILED FINDINGS

RISK: AFFORDABLE HOUSING NEEDS WITHIN THE DISTRICT ARE NOT APPROPRIATELY UNDERSTOOD.

Ref	Significance	Finding
2	Medium	<p>Strategic Housing Board (SHB) meetings</p> <p>The SHB are due to meet on a quarterly basis and provide a basis for consultation on strategic housing matters between representatives, members and officers to inform direction and planning of services. The Board has an advisory role and the opinions and recommendations of the Board may be presented to decision making committees. However, the Board has not met in the last 36 months due to other priorities such as the roll out of the Ignite Model, the onset of the Covid-19 pandemic and departure of staff and a board member with the last meeting held on 23 May 2018.</p> <p>The May 2021 local elections has meant new board members can now be appointed to the board. A Full Council meeting was scheduled for 19 May 2021 at which working group or committee members are appointed.</p> <p>A lack of an independent scrutiny of affordable housing matters by members does not facilitate robust decisions by the decision making committees and regular monitoring of progress against Council affordable housing objectives.</p>

RECOMMENDATION:

- 2.1. The Strategic Housing Board meetings and accompanying terms of reference should be reviewed and meetings reinstituted as soon as possible.

MANAGEMENT RESPONSE:

This is in the process of being refreshed with a view to reconvening in Mid-Autumn. The focus will remain that of discussion around strategic housing sites and how to make best use of them.

Responsible Officer: John Swords

Implementation Date: September 2021

DETAILED FINDINGS

RISK: SUMS PAID BY DEVELOPERS, FOR THE PROVISION OF AFFORDABLE HOUSING, ARE NOT USED APPROPRIATELY.

Ref	Significance	Finding
3	Medium	<p>Affordable Housing Commuted Sums</p> <p>The LDP and housing policies allow for the Council to receive commuted sums in exceptional cases. Funds received are usually not sufficient to fund a whole scheme and must be used within a specified period before funds are paid back to the developer.</p> <p>However, there is currently no detailed guidelines on how affordable housing commuted sums are to be applied on a practical level. We understand a paper proposing the introduction and agreement of a 'Commutated Sums Strategy' was produced for members in March 2021 by the Lead Specialist Place. The Lead Specialist Place plans to include the strategy in his 2021/22 annual objectives.</p> <p>Lack of guidance on the use of commuted sums means that the Council may not make the best use of commuted sums i.e. in a timely manner and in a most effective way.</p>

RECOMMENDATION:

- 3.1. The Commuted Sums Strategy should be drafted and approved as soon as possible and disseminated to relevant Council staff.

MANAGEMENT RESPONSE:

An updated Commuted Sums Strategy is being currently being drafted. Once drafted, the Strategy will proceed through our approval process before being disseminated to front line staff and forming part of our approach with developers

Responsible Officer: Matt Leigh/ John Swords/ Damien Ghela

Implementation Date: December 2021

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Name	Job Title
Damien Ghela	Lead Specialist Community
John Swords	Senior Housing Specialist Coordinator
Anne Shoreland	Lead Specialist Local Plan
Matt Leigh	Lead Specialist Place (Head of Planning)

APPENDIX I - DEFINITIONS				
LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

Review of how effectively the Council is managing its strategy around provision of social housing and developing the private rented sector.

KEY RISKS:

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- Affordable housing needs within the District are not appropriately understood
- Relevant provision for affordable housing is not made within individual developments and future plans for the District as a whole
- Housing developers are not aware of the affordable housing requirements in place
- Housing staff are not aware of progress on developments so that affordable units nearing completion can be advertised appropriately
- Sums paid by developers, for the provision of affordable housing, are not used appropriately
- Affordable housing developments do not meet the guidelines with regards to the different types / tenures
- The Council does not work effectively with partners to ensure affordable housing is provided
- Affordable housing is not appropriately included in new developments
- The Council do not have a strategy and action plan in place outlining the objectives for delivery of affordable housing

SCOPE OF REVIEW:

The following areas will be reviewed as part of this audit:

- Review of the Housing Needs Assessment and Housing Strategy to determine if these appropriately set out the Council's plan and approach to delivering the required volume of affordable housing.
- Review of any action plans and supporting policies and procedures for implementation of the affordable housing strategy.
- Review how the Council work with developers to ensure a pipeline of new affordable housing and how this is monitored and managed within the Housing team.
- Review how the Council works with partners to ensure how affordable housing is provided and advertised to district residents.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

APPROACH:

Our approach will be to select a sample of information asset owners and conduct interviews to establish the controls in operation for our areas of audit work. We will then seek documentary evidence that these controls are designed as described and to identify whether they adequately address the risks. Any opportunities identified to improve arrangements will be offered for consideration alongside recommendations to resolve any weakness in controls.

BAF/CRR REFERENCE:

R8: Failure to meet the affordable housing need.

EXCLUSIONS

The scope of the review is limited to the paper based records, documented under the scope and approach. All other areas are considered outside of the scope of this review.

FOR MORE INFORMATION:**Greg Rubins**

Greg.Rubins@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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