

Final Internal Audit Report

Housing Forecasting

January 2024

Distribution: Corporate Director of Housing
 Director of Housing
 Director of Housing Management
 Head of Homelessness & Allocations
 Housing Transformation Lead
 Director of Finance
 Corporate Director of Resources and S151 Officer

Assurance Level	Issues Identified	
Limited Assurance	Priority 1	2
	Priority 2	2
	Priority 3	0

[Confidentiality and Disclosure Clause](#)

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

Contents
Page**Executive Summary**

1. Introduction	3
2. Key Issues	3

Detailed Report

3. Actions and Key Findings/Rationale	5
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Appendices

1. Terms of Reference
2. Definitions for Audit Opinions and Identified Issues
3. Statement of Responsibility

1. Introduction

- 1.1 The shortage of good quality social/affordable housing has been widely covered in the mainstream and trade media, showing that across the country over a million people are on council housing waiting lists. London Borough of Croydon (the ‘Council’) had around 5,000 households on the housing register at the time of this audit, with many people waiting over ten years for social housing. Only 260 council properties became available last year for people on the Council’s waiting list.
- 1.2 There is also a demand on the Council’s social housing for homelessness, particularly where legislation limits the period that children or pregnant women may be in emergency accommodation.
- 1.3 According to the latest available census data, there are 150,100 properties (houses, flats, bungalows) in Croydon:
 - 66% of properties are privately owned (this includes owned outright and owned with mortgage);
 - 18% of properties are rented from the private sector; and
 - 16% of properties are socially owned (9% rented by the Council and 7% by the housing associations).
- 1.4 In order to help provide housing to vulnerable groups in a fair, measured, and reasoned way, ‘Social Housing Forecasting’ should be in place. This forecasting helps prioritise the allocation of housing in accordance with clearly definable and supportable reasoning.
- 1.5 Within the Council, forecasting and allocations are overseen by the Interim Head of Homelessness & Allocations. The Council uses a number of systems to manage allocations, including NEC (previously Ohms).
- 1.6 While our review and testing were performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.7 The audit was undertaken as part of the agreed Internal Audit Plan 2021/22 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2 Key Issues

- 2.1 There were four key issues identified.

Priority 1 Issues

The Council does not prepare a housing forecast (lettings plan) each year. **(Issue 3)**

There is no management reporting in place in relation to housing forecasting and allocations. **(Issue 4)**

Priority 2 Issues

Internal Audit confirmed that the Council's Housing Allocations Scheme was last updated in October 2019. **(Issue 1)**

The Council does not provide structured training to members of the allocations team. **(Issue 2)**

3. Actions and Key Findings/Rationale

Control Area 1: Regulatory, Organisational and Management Requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1				
2	The Scheme will require full review. There is insufficient capacity and resource to complete this huge task at present. The service will need to make a bid for transformation funding to create capacity for this task to be completed.	<p>Expected Control</p> <p>The Council’s Housing Allocations Scheme (dated October 2019) describes how the Council assesses applications for housing, prioritises each application and decides which applicant will be offered (“allocated”) a Council or housing association home. The housing allocations scheme covers housing in Croydon owned by the Council or by housing associations that have entered into a nominations agreement with the Council.</p> <p>Housing authorities are required by the Housing Act 1996 section 166A(1) to have an allocation scheme for determining priorities, and for defining the procedures to be followed in allocating housing accommodation; and they must allocate in accordance with that scheme.</p> <p>Finding/ Issue</p> <p>Internal Audit confirmed that the Council’s Housing Allocations Scheme was last updated in October 2019. Discussion with the Interim Head of Homelessness & Allocations confirmed that this scheme was outdated and no longer fit for purpose. Internal Audit was advised that the Council planned to update the scheme within the next six months.</p> <p>Risk</p> <p>Lack of an up to date housing allocations scheme can make it difficult to ensure that applicants are prioritised in line with the Housing Act 1996, resulting in non-compliance with the Act.</p>				
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Responsible Officer	Deadline					
Head of Homelessness and Allocations	Dec 2025					

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2				
2	<p>This will be covered in the transformation of the service.</p> <p>A training plan is already in place for staff across the division including the Allocation Team. The training has started to be delivered and will continue until the end of the year.</p>	<p>Expected Control</p> <p>Members of staff responsible for housing allocations should be adequately trained.</p> <p>Finding/ Issue</p> <p>Discussion with the Interim Head of Homelessness & Allocations established that the Council did not provide structured training to members of the allocations team.</p> <p>Risk</p> <p>Lack of structured training can make it difficult to ensure that staff process each case consistently. Additionally, staff may be unaware of latest changes in regulation resulting in inappropriate allocation decisions.</p>				
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Responsible Officer	Deadline					
Head of Homelessness and Allocations	Ongoing					

Control Area 2: Formulation of the Housing Forecast

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3				
1	An annual lettings plan is being developed. However, as it is aligned to an Allocation Scheme that is not fit for purpose, it can carry a degree of risk that will be legally challenged. The plan will be basic until the Scheme is updated and is less risky.	<p>Expected Control</p> <p>The allocation of housing is governed by Part VI of the Housing Act 1996. Housing authorities are required to have an allocations scheme, which must give ‘reasonable preference’ to certain groups of people. These include:</p> <ul style="list-style-type: none"> • People who are homeless; • Those living in insanitary or overcrowded housing, or otherwise unsatisfactory housing conditions; • Those who need to move on medical or welfare grounds; • Those who need to move to a particular locality within the district where it would cause hardship if they were unable to do so. <p>An Annual Lettings Plan helps ensure that those most in housing need will continue to be targeted for re-housing and details projected lettings to each group of applicants on the housing list based on the anticipated supply of properties that are expected to become available.</p> <p>Finding/Issue</p> <p>Discussion with the Interim Head of Homelessness & Allocations established that the Council did not prepare a forecast/ lettings plan each year. Additionally, there were no policies or procedures in regard to preparing such a forecast or lettings plan.</p> <p>Risk</p> <p>Lack of an Annual Lettings Plan can make it difficult for the Council to ensure that those most in housing need will continue to be targeted for re-housing.</p>				
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Control Area 7: Monitoring and Management Reporting

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4				
1	All data has now been moved the new Housing IT system, NEC. This will start the process to develop better data and reporting. KPI's are being developed that are SMART and can be reported via NEC. This area needs further work as it integrates with voids and lettings processes.	<p>Expected Control</p> <p>Internal reporting and governance arrangements should be in place to regularly oversee allocations data, ensuring any issues and themes are highlighted and resolved promptly.</p> <p>Issue/ Finding</p> <p>Discussion with the Interim Head of Homelessness & Allocations established that the team did not have key performance indicators (KPIs) in place regarding allocations and management information was not regularly reported to Senior Management for oversight, escalation and resolution of issues.</p> <p>Risk</p> <p>Lack of management information and oversight arrangements can make it difficult to ensure that issues affecting the delivery of service are escalated and resolved in a timely manner.</p>				
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Head of Homelessness and Allocations / Director of Housing Management	Apr 2024					

AUDIT TERMS OF REFERENCE

Housing Forecasting

1. INTRODUCTION

- 1.1 Each Local Authority has its own ‘allocations scheme’ (or ‘housing register’) for social housing in its area, setting out the rules used to decide who to house. Allocations schemes vary from area to area as local authorities can decide who gets priority for housing but there are still some general rules about priority that all Local Authorities must follow.
- 1.2 The shortage of good quality social/affordable housing has been widely covered in the mainstream and trade media, showing that across the country over a million people are on council housing waiting lists. Croydon has around 5,000 households on the housing register, with some people waiting over 10 years for social housing.
- 1.3 There is also a demand on the Council’s social housing for homelessness, particularly where legislation limits the period that children or pregnant women may be in emergency accommodation.
- 1.4 In order to help provide housing to vulnerable groups in a fair, measured, and reasoned way, ‘Social Housing Forecasting’ should be in place. This forecasting helps prioritise the allocation of housing in accordance with clearly definable and supportable reasoning.
- 1.5 This audit was being undertaken as part of the agreed Internal Audit Plan for 2021/22.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective was to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE

- 3.1 This audit included the following areas (and issues raised):

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational, and Management Requirements	0	2	0
Formulation of the Housing Forecast	1	0	0
Adoption of the Housing Forecast	0	0	0





LBC Final Audit Report – Housing Forecasting 2021-22

Notification of Vacancies from Housing Associations	0	0	0
Notification of Nominations to Housing Associations	0	0	0
Monitoring & Management Reporting	1	0	0
Total	2	2	0

Definitions for Audit Opinions and Identified Issues

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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