

Cabinet

19 January 2009

**Responses to the Temporary Accommodation Scrutiny
Commission report**

All Wards

Cabinet Portfolio:Leader of the Council: Councillor Steve
Reed**Report Authorised by:**

Chief Executive: Derrick Anderson

Executive summary

In September 2008 the Finance Scrutiny Sub-Committee commenced a commission investigating the overspend in the temporary accommodation (TA) budgets in 2007/08 and 2008/09. The Commission has now completed its work and submits here its findings, along with a response to those findings prepared by the Chief Executive, for consideration by Cabinet. The report contains a number of recommendations which, if implemented, will lead to improved controls and greater assurance for members.

Summary of financial implications

Recommendations will be met from within existing budgets.

Recommendations

- (1) That Cabinet approve the recommendations of the Temporary Accommodation Commission report and direct that the action plan be implemented.

Consultation

Name of consultee	Directorate or Organisation	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Derrick Anderson	Chief Executive	18.12.08	22.12.08	throughout
Mohamed Khan	Chief Internal Auditor	18.12.08	19.12.08	3
Cllr Lib Peck	Cabinet Member Housing and Regeneration	18.12.08	6.1.09	Various
Cllr Steve Reed	Leader of the Council	18.12.08	6.1.09	
Cllr Jim Dickson	Cabinet Member for Finance	18.12.08	6.1.09	1.4
Greg Carson	Legal Services	18.12.08	19.12.08	4
Richard Hornby	DDR HRE	18.12.08	19.12.08	Throughout
Mike Suarez	EDFR	18.12.08	22.12.08	Throughout

Report history

Decision type: Key decision; January 2009, Forward Plan		Urgency item? No	
Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
06.01.09	15.12.08	24.12.08	
Report no.:	Report author and contact for queries:		
280/08-09	Chris Lee, Executive Director, Housing, Regeneration & Environment 0207 926 3426 clee@lambeth.gov.uk		

Background documents

Finance Scrutiny Sub-Committee report (18.12.08 – report 264/08-09), Temporary Accommodation report.

Annex

Action Plan response to HRA Commission report

Appendices

Appendix A: Redacted report of the Temporary Accommodation Scrutiny Commission
Appendix B: Un-redacted Report of the Temporary Accommodation Scrutiny

Reason for Exemption from Disclosure

Appendix B is exempt from disclosure by virtue of the following paragraphs of Schedule 12A to the Local Government Act 1972:

1. Information relating to any individual.
2. Information which is likely to reveal the identity of an individual.
3. Information relating to the financial or business affairs of a particular person. (Including the authority holding that information).

Responses to Temporary Accommodation Scrutiny Commission report

1. Context

- 1.1 At its 4 September 2008 meeting Finance Scrutiny Sub-Committee considered the management investigation report commissioned following the discovery of an overspend in the temporary accommodation (TA) budget during financial closedown 2007/08. As a result of consideration of that report the committee resolved “that a scrutiny commission be established to investigate issues arising from the management investigation of the TA budget”.
- 1.2 The Commission has now completed its work and submits here its findings, along with a response to those findings prepared by the Chief Executive, for consideration by Cabinet. The report contains a number of recommendations which, if implemented, will lead to improved controls and greater assurance for members.
- 1.3 The Commission held 3 evidence-gathering sessions during October and November 2008. These included consideration of information requested, consideration of the responses to questions put by the commission, consideration of audit reports and interviews with the council’s auditors and exploration of the possibility of fraud in private sector leasing.
- 1.4 The work of the Commission was presented by the Chair Cllr Truesdale on behalf of Cllr Kimm and Cllr Robbins at the FSSC meeting of the 19th December. Cllr Dickson and the Executive Director of Finance & Resources who attended the meeting thanked the Commission for its valuable piece of work.
- 1.5 The report and recommendations arising from the commission’s work are attached at appendices A and B (exempt). The Finance Scrutiny Sub-Committee, as the committee that established the Commission, is required to consider the Commission’s report prior to its submission to Cabinet for formal response.

2. Proposals and reasons

- 2.1 The reasons for the Commission’s recommendations are set out within the body of the Commission’s report (Appendices A and B).
- 2.2 In accordance with the Scrutiny procedure rules the Finance Scrutiny Sub-Committee (as parent-committee of the commission) considered the commission’s findings at its meeting on 18 December 2008. It recommended that the report be submitted to Cabinet for consideration and implementation and also requested that the Chief Executive provide to Cabinet on 19 January 2009 a report and action plan addressing the Commission’s recommendations.
- 2.3 The completed action plan is annexed to this report.

2.4 Taking each of the main areas of the report in turn and providing a short response :

2.4.1 Changing Government Policy and budget setting in 2007/8 and 2008/09

The Commission has rightly highlighted the reduction in Housing Benefit subsidy as a key issue. For 2007/08, this change was factored into the budget monitoring by officers. The report has set out the flaws in the model used to forecast expenditure and the poor links to reliable service volumes.

The approach for 2008/09 did also take into account the subsidy reduction in that a separate contingency was made for it. The approach to still ask the service to drive out savings from better management was the correct one.

2.4.2 Jenkins Duval Report January 2008

2.4.2.1 The Jenkins Duval report was commissioned to assist in an options appraisal at the end of the contract with Amicus who were managing the PSL stock. This contract was let in 2003 and was acknowledged as having a number of weaknesses particularly with regard to the amount of risk placed with the council. The PSL contract with Amicus was brought back in house in April 2008 following the expiry of the contract. This previous contractual arrangement placed significant and inappropriate risk on the Council. Officers were also dealing the failings in the repairs and void management arrangements and a legal dispute remains an unresolved issue.

2.4.2.2 The Commission is right to point to the significance of the Jenkins Duvall report. With the benefit of hindsight the implications for the 2007/08 budget should more properly have been picked up when this report was considered. However the business unit manager who received the report and reported it to DLT failed to identify the implications for his business unit and the budget forecasts that he was presenting on a monthly basis. It is clear that had these been questioned more thoroughly that this could have been picked up albeit late in the financial year since the report was not produced until January 2008.

2.4.3 Actions When the Overspend Came to Light

2.4.3.1 Actions to reduce TA costs have been ongoing for some time but attracted greater urgency and attention once the overspend emerged. An action plan was drawn up in May 2008 and a project team, led by the DD Strategy and Partnerships, has met on a weekly basis since then to mitigate the financial impact.

2.4.3.2 The attention of this plan has been focussed on reducing the cost of TA, through assessing the positive and negative cost drivers of the accommodation. Thus the council has concentrated on maximising occupancy particularly for dwellings that have optimal financial benefit, and minimising the use of high rent properties. High rent leases have therefore been handed back to landlords wherever possible, and lower rents negotiated. The council has also sought to minimise the use of TA, through incentivising households to move out of this type of accommodation. This has been successful during the year mitigating the

financial pressure by an estimated £1.5 m this year and more in a full year. This is despite the pressure on the budget having been increased due to the significant success in reducing TA use with a reduction between March 2007 and December 2008 of over 440 households in TA.

2.4.3.3 Overspends on the TA budgets across the 2 years of 2007/8 and 08/09 are expected to be approximately £11 million and may be less. Appropriate budget provision has been made for 2009/10.

2.4.4 Audits

2.4.4.1 Officers commissioned the KPMG scoping report but failed to adequately follow up the response to the recommendations. The delay is in part due to the changing nature of the risk that was identified in that the managing agent contract was ended and the service brought in house pending decisions on externalisation to a new more appropriate contract. The old contractual arrangement was inappropriate and outdated. The officer response was also affected by the failings of the officer responsible and his departure from the Council in July 2008.

2.4.4.2 Since this was a scoping report it was not picked up in the regular Audit Tracker. This is being amended so that future issues could be picked up. This practice has been recommended to all Council Departments.

2.4.4.3 The delay in responding fully to the KPMG recommendations was as a result of the situation inherited by the council once the Amicus contract was terminated. 445 PSL properties were in management at the time with 184 voids, which were a financial drain on the council. The overwhelming imperative was to reduce the number of voids quickly, and this necessitated engaging contractors to do inspection and remedial work to empty properties. The arrangement to complete works up to a value of £1000 was made on the basis of needing to reduce void levels as efficiently as possible and delivered significant savings. The arrangement was backed up by 100% post inspections. This arrangement has been suspended since October 2008 following concerns raised by the Scrutiny process. Whilst this arrangement delivered significant financial savings through speeding up the relet process, officers acknowledged the concerns of the Commission and suspended this arrangement pending review.

2.4.4.4 Implementation of the recommendations was delayed by decisions early on in the process to negotiate with Orchard and Shipman, a private sector provider, to manage the PSL portfolio. This was to be achieved through the adoption of the 'Midlothian' contract to ensure that the contract met EU procurement regulations.

2.4.4.5 The letting of the contract would – at a stroke – have met almost all of the report's recommendations which is why focus has been put into moving to revised contract arrangements as soon as possible.

2.4.4.6 Negotiations with Orchard and Shipman have not concluded and are subject to commercial confidentiality. Officers are currently exploring further options with regard to the management of PSL properties. The service is currently provided competitively via in house arrangements thus providing the opportunity for choice and evaluation of the most economically advantageous arrangements to be made alongside consideration of the Orchard and Shipman 'Midlothian' contract. Officers are actively managing this to ensure best value arrangement can be delivered. In any case once the backlog of voids was cleared the KPMG recommendations were implemented fully.

2.4.5 Potential for Fraud

No evidence of fraud was identified but this is being kept under review by the Internal Audit Team who are undertaking investigative work in bed and breakfast payments.

3. Comments from Executive Director of Finance and Resources

- 3.1 This report is all about standards of financial control. Implementing the recommendations will be completed from existing resources.

4. Comments from Director of Legal and Democratic Services

- 4.1 The Council has a duty to maintain a balanced budget throughout the year and, accordingly, members are required to regularly monitor the Council's financial position in accordance with section 28 of the Local Government Act 2003.
- 4.2 The relationship between the Council and its contractors is governed by the terms in the written contract and unless agreed by the parties or where criminal action is envisaged the Council should comply with the terms therein in dealing with the matters set out in the commission report as any breach thereof could lead to a challenge against the Council's action.
- 4.3 The Council has statutory duties to provide accommodation to applicants who are homeless and are in apparent priority need and those who are homeless in priority need and not intentionally homeless.
- 4.4 Local Housing Authorities are required to produce and publish Homelessness Strategies based upon the results of a homelessness review of their district. The homelessness review, reviews the level of homelessness and likely future level of homelessness in their district for the purpose, amongst other matters, of securing that accommodation is or will become available for people in their district who are or who may become homeless.
- 4.5 Currently the Council and the former contractors are in discussions as to how to resolve the outstanding liabilities between the parties.

5. Results of consultation

- 5.1 This report is a response to the findings of a Scrutiny Commission and does not require consultation.

6. Organisational implications

- 6.1 **Risk management:** Operational risk management is a critical business process which was an area of weakness highlighted by the Commission and the management investigation within TA. Recommendation 7 therefore is fully accepted as it is imperative that risks across the Council are being operationally managed and that assurance systems are in place to ensure that all business units are routinely using this key business activity to manage risk and the weakness highlighted within TA are not repeated elsewhere within HRE or the wider organisation.

- 6.2 **Equalities impact assessment:**
None

- 6.3 **Community safety implications:**
None.

- 6.4 **Environmental implications:**
None.

- 6.5 **Staffing and accommodation implications:**
None

- 6.6 **Any other implications:**
None

7. Timetable for implementation:

- 7.1 The commission has requested that a report on progress implementing the commission's recommendations be brought to the final Cabinet and Finance Scrutiny Sub-Committee meetings of the 2008-09 municipal year (23 March and 24 March 2009 respectively).

LAMBETH SCRUTINY ACTION PLAN

Report Title: Temporary Accommodation Scrutiny Commission

Report commissioned by: Finance Scrutiny Sub-Committee

Date adopted by Cabinet: 19 January 2009

Proposed dates for monitoring reports to Scrutiny sub-committee:

Update	Date	Completed?	Note
1 st	March 2009		See rec. 10
2 nd			

See end-note for guidance on the completion of the action plan

To be completed by	Actions (include additional comments and reasons for rejection where appropriate.)	Targets/Milestones (measures of success)	Target dates (do not use ongoing)	Resource Implications (staffing financial etc.)	Lead Officer (name and role)
<p>Recommendation 1 <i>That the Chief Executive take action under the general disciplinary code against those officers that had failed to pick up the DWP reduction in caps and thresholds and that had failed to realise the impact of this on the temporary accommodation budget until April 2008.</i></p>					
<p>Response</p>					
CE	<p>Accepted – The key officers directly accountable for this failure in managerial process and oversight have exited the Council. The previous management investigation highlighted significant areas of weakness and concern regarding ineffective budget monitoring, ineffective management of the contract, ineffective operational risks management, failure to respond to key changes in the environment (including reduction in housing subsidy rates) and failure to set a adequate income budget for 2007/08 (including reduction in housing subsidy rates). Disciplinary action was taken against a number of officers in the Housing Regeneration and Environment Department. The issue of the DWP reduction in gaps has been investigated. The Chief Executive will instigate a service management briefing council wide on the lessons learnt from this matter.</p>		<p>Complete March 09</p>	<p>None None</p>	<p>Chief Executive</p>

To be completed by	Actions (include additional comments and reasons for rejection where appropriate.)	Targets/Milestones (measures of success)	Target dates (do not use ongoing)	Resource Implications (staffing financial etc.)	Lead Officer (name and role)
<p>Recommendation 2 <i>That the Chief Executive present to Cabinet and Finance Scrutiny Sub-Committee a review of the rules and guidelines relating to the information presented to members in the budget challenge process, and the process by which that information is presented to members, to enable members to have greater confidence in the process. Such a review should particularly take account of the relationship between financial information and operational information.</i></p> <p style="text-align: right;">[target dates: 24 March 2009 – Finance Scrutiny First meeting of 2009/10 - Cabinet]</p>					
<p>Response</p>					
CE	<p>Accepted -A report covering these matters will be presented to both Committees in the timescale set.</p>	<p>Report to FSC Report to Cabinet</p>	<p>March 09 2009/10</p>	<p>None</p>	<p>EDFR</p>
<p>Recommendation 3 <i>That the Chief Executive consider what action is necessary in light of the failure of the Regeneration and Housing department's failure to respond to and implement the recommendations of the KPMG scoping exercise.</i></p>					
<p>Response</p>					

To be completed by	Actions (include additional comments and reasons for rejection where appropriate.)	Targets/Milestones (measures of success)	Target dates (do not use ongoing)	Resource Implications (staffing financial etc.)	Lead Officer (name and role)
CE	Accepted -The Chief Executive has required that all the recommendations of the KMPG report be completed without further delay. In addition such reports will in future be picked up via the Councils “audit tracker” monitoring tool to ensure that risk of non-completion can be mitigated as early as possible. It is recognised that some of the original recommendations became less relevant once the service was removed from the external managing agent and brought in house however progress was not as complete as it should have been and this was also delayed by the departure of the manager responsible .	Completion of all recs in KPMG report and consideration of any further action	Jan 09	None	EDHRE
<p>Recommendation 4 That Corporate Committee be presented with a report to each of its future meetings setting out any extant audits and any reports commissioned from external auditors flagging particularly:</p> <ul style="list-style-type: none"> (i) Where recommendations have been provided but the response time from the department is outside of the 35-day limit; (ii) Any recommendation that is past its due date that has not been closed down by the committee. <p style="text-align: right;">[target dates: all subsequent Corporate Committee meetings]</p>					
Response					
	Accepted -This is in hand and will be completed. Cabinet should also note ‘compliance officer’ role has now been established within each department that further strengthens compliance with such types of recommendations.		All subsequent Corporate Committee meetings	None	Executive Director Finance & Resources

To be completed by	Actions (include additional comments and reasons for rejection where appropriate.)	Targets/Milestones (measures of success)	Target dates (do not use ongoing)	Resource Implications (staffing financial etc.)	Lead Officer (name and role)
<p>Recommendation 5 <i>That assurance be provided through a report to the Housing Scrutiny Sub-Committee that those recommendations not picked up in the KPMG scoping exercise have been implemented.</i></p> <p style="text-align: right;">[target date: 26 March 2009 – Housing Scrutiny]</p>					
<p>Response</p>					
	<p>Accepted -This will be completed</p>	<p>Report to HSSC</p>	<p>March 2009</p>	<p>None</p>	<p>Executive Director Housing Regeneration and Environment</p>
<p>Recommendation 6 <i>That the Chief Executive provide a report to Finance Scrutiny Sub-Committee setting out the decisions that led to the authority accumulating such a large stock of temporary accommodation and setting out the lessons learnt from that experience.</i></p> <p style="text-align: right;">[target date: 24 March 2009 – Finance Scrutiny]</p>					
<p>Response</p>					
	<p>Accepted -This will be completed</p>	<p>Report to FSC</p>	<p>March 2009</p>	<p>None</p>	<p>Executive Director Housing Regeneration and Environment</p>
<p>Recommendation 7 <i>That in light of the findings of the commission a report be presented to Corporate Committee reviewing the current processes which would result in matters being included in the council's risk register.</i></p> <p style="text-align: right;">[target date: first Corporate Committee of 2009/10]</p>					
<p>Response</p>					

To be completed by	Actions (include additional comments and reasons for rejection where appropriate.)	Targets/Milestones (measures of success)	Target dates (do not use ongoing)	Resource Implications (staffing financial etc.)	Lead Officer (name and role)
	Accepted -This will be completed .	Report to Corporate Committee	2009/10	None	– Executive Director Finance & Resources
Recommendation 8 <i>That the matter of the possibility of fraud within Private Sector Leasing be pursued and a fully conclusive report on the matter be brought to Corporate Committee.</i> <p style="text-align: right;">[target date: first Corporate Committee of 2009/10]</p>					
Response					
	Accepted -This will be completed . Whilst recognising no actual evidence of fraud has yet emerged; the fact of the matter is given the serious weakness in operational management oversight and internal controls as exemplified by the initial wider reports the possibility of fraud must exist until the matter is concluded.	Report to Corporate Committee	First meeting 2009/10	None	Executive Director Finance & Resources
Recommendation 9 <i>That the Chief Executive considers suspending the arrangements by which contractors are completing work specifications and a report brought to Corporate Committee and Housing Scrutiny Sub-Committee on the minimum controls that should be in place in relation to signing-off repairs.</i> <p style="text-align: right;">[target date: January 2009 26 March 2009 – Housing Scrutiny First Corporate Committee of 2009/10]</p>					
Response					
	Accepted -Done	Arrangements suspended October 2008 Reports to Committees		HSSC March 09 Corporate Committee 09/10	EDHRE [DD Strategy & Partnerships]

To be completed by	Actions (include additional comments and reasons for rejection where appropriate.)	Targets/Milestones (measures of success)	Target dates (do not use ongoing)	Resource Implications (staffing financial etc.)	Lead Officer (name and role)
<p>Recommendation 10 <i>That the Chief Executive report to the final Cabinet and final Finance Scrutiny Sub-Committee of 2008-09 on progress against the commission's recommendations.</i> [target date: 24 March 2009 – Finance Scrutiny 23 March 2009 – Cabinet]</p>					
<p>Response</p>					
	<p>Accepted -This will be completed</p>	<p>Reports to FSC and Cabinet</p>	<p>March 2009</p>	<p>None</p>	<p>Chief Executive</p>