

**Final Audit Report**  
**Nottingham City Homes.**  
**Performance Indicators and Management**  
**Information Systems.**  
**2007-2008.**

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# 1 Executive Summary

- 1.1 The audit combined a review of the performance information being produced and an over view of the management information systems supporting the collection of the performance data.
- 1.2 The audit followed up on the reviews already undertaken and reported by Housemark on BVPI's, Gas Servicing/Responsive Repairs and Allocations and Lettings. The review also included the outcome of some subsequent audit work undertaken on a sample of NCH BVPI's that related to NCH activities.
- 1.3 The Housemark and Internal Audit review of BVPI's generally found that NCH performance information was compliant in that the information produced was consistent with current guidance. The current position with those previously reported as non compliant is recorded in the detailed findings section.
- 1.4 Since the Housemark reports were produced there has been a significant development concerning BVPI 212, Average Relet Time, in that a series of exemptions have been identified and agreed with the Audit Commission. Research by NCH indicates that a number of other organisations have been applying these exemptions over a period of time and this is thought to be a major reason that NCH performance is poor in this area when compared to similar authorities in the benchmarking club.
- 1.5 NCH intends to review all lettings in 2007/08 and apply the exemptions and recalculate the BVPI for the complete year. An initial trial was carried out on the September 2007 lettings. This has resulted in a reduction in the re-let times from 70 days to 42 days. Such a reduction is bound to come under close inspection and the revised performance data must stand rigorous review.
- 1.6 With that in mind Audit were requested to review the basis of the revised calculations. We carried out a review of the revised performance data applied to a random sample of 33 of the September 2007 lettings. From this review we feel that:
  - The exemptions have been generally applied for appropriate reasons. However in three cases, where the exclusion related to the lack of sanitary facilities, we consider these repairs constitute normal void works.
  - We consider the exemptions, in a considerable number of the cases reviewed, have been applied for a longer period than that considered reasonable. It appears the ready to let date is entered as the date all repairs on the property are complete, not just those covered by the exemption.
  - The system of recording the information on the SX3 system does not seem to allow multiple exemption periods within a void.

- The application of the exemptions showed instances of inconsistency across the three teams. Training needs to be provided and a standardised approach established across the three teams.
  - The standard of information recorded on SX3 for the exemptions showed inconsistency across the three teams.
  - Reference to the T/card system was required for such exemptions as meter problems and meter debts making support for the exemption within the SX3 system hard to establish.
  - Support for each exemption for dates and nature of the work, both by internal and external contractors, was difficult to trace as ROCC, contract payments and internal charging could all be involved.
  - It is recognised that some of the problems have arisen because of the need to go back and review the void information. Going forward it is felt that adequate justification in support for the exemption should be established at the time of taking the exemption. Such exemptions should receive review from management to ensure their consistency and appropriateness. The support should then be securely held for subsequent review by inspection bodies.
- 1.7 Housemark also carried out a review of the Performance Management and Measurement systems in place at NCH. In respect of the Performance Measurement system they reported several areas of weakness and put forward recommendations for improvements. These included a recommendation to introduce revised suites of performance information.
- 1.8 A review of this area was carried out as part of this audit. It was pleasing to see that NCH have taken many of the Housemark recommendations on board. In particular NCH have incorporated a proposal for introducing revised suites of performance information, largely in-line with the Housemark recommendations, into their draft Delivery Plan. However comparison of the proposals against existing performance information indicated that in a number of instances either the performance information was currently not being collected or there was currently no performance data available. The availability of all data will need to be assured for the commencement of the reporting year.
- 1.9 When considering this report it is pertinent to consider the developing national context. In April 2008 the Government is introducing a new performance management framework for local authorities and ALMOs, which although currently being finalised following consultation, will provide a single set of indicators reflecting national priorities across government and will replace Best Value Performance Indicators (BVPIs).

- 1.10 The new framework will consist of 198 National Indicators (NIs) across all local government activity of which only 2 will directly relate to the housing services provided by Nottingham City Homes:
- NI 158 - The percentage of decent council homes (previously BV 184)
  - NI 160 - Local authority tenants' satisfaction with landlord services (BV 074)
- 1.11 Whilst existing BVPIs are being replaced it is not usually appropriate to completely discontinue with their use, and the Audit Commission historically expect to see them incorporated within Local Performance Indicator sets using similar definitions and criteria.
- 1.12 Perhaps most significantly the Government's stated overall aim of the new performance framework is to '**... provide a basis to reconnect citizens with government**' and '**The empowerment of citizens through engagement in the design and delivery of services and other activities will provide impetus to improved service quality and citizen satisfaction. Partnerships will benefit from encouraging choice, influence and user involvement**'
- 1.13 In performance measurement terms this is a significant shift in emphasis towards customer opinion and it is therefore critical that NCH ensure that their future arrangements for obtaining customer feedback are robust and fit for purpose to ensure that all feedback can be used to drive improvements to services.

## **2 Introduction**

- 2.1 Performance Management and Measurement within NCH covers many areas of operation. Performance information is provided on a regular basis to various levels of management. This process is overseen by the Performance Improvement and Planning Service.
- 2.2 Reviews of NCH BVPI's and other specific performance indicators operated in the repair, allocations, lettings and tenancy, and estate management areas were commissioned and undertaken by Housemark in late 2006 and early 2007. This was done to provide assurance that the performance information was being accurately interpreted and applied.
- 2.3 In addition in March 2007 Housemark were commissioned to carry out a review of the system in place for Performance Management and Measurement for NCH.
- 2.4 BVPI 212 relates to performance in re-letting void properties. As each void is let the system calculates the number of days the property has been empty from the last tenancy until the new tenancy. Monthly performance is reported and subject to benchmarking. NCH performance in this area has consistently been in the lower quartile for our benchmarking group.
- 2.5 In mid 2007 guidance was sought from the Audit Commission on the application of exclusions from the void period for certain categories of void works. The Audit Commission provided guidance and clarification but have stressed that the Local Authority must apply the exclusions in a reasonable way that stands up to scrutiny. The Audit Commission also indicated that the calculation of the performance indicator should only exclude the period that work under the exemption is being undertaken.

## **3 Scope and Approach**

- 3.1 The scope of this audit was set to cover the review of Housemark reports on performance indicators and their review of performance management and measurement.
- 3.2 During the course of the audit the scope was extended to review the initial work undertaken to recalculate BVPI 212 on the basis of advice received from the Audit Commission. The review was undertaken to provide an early indication that the resulting adjustments to the performance figures would stand scrutiny and be reasonable and soundly based.
- 3.3 The audit was undertaken by obtaining the relevant Housemark reports and reviewing points raised and establishing the current position. Comparison of the proposals in the draft Delivery Plan for performance reporting and the recommendations contained in the Housemark report was also undertaken. In addition the draft proposals were also compared with existing performance information to ensure data availability.

- 3.4 The advice received from the Audit Commission was obtained and reviewed. The recalculated BVPI 212 figures were obtained and a sample of 33 properties was selected at random for detailed review and comparison against the guidance. A visit was made to the Harvey road depot to review supporting information for the exemption claims and reference to staff and supporting systems.
- 3.4 Detailed Findings and Recommendations follow. These must be addressed by the Service Manager in their response to this report.
- 3.5 Whilst a number of recommendations are included in this report, it is the responsibility of management to determine the action that will be taken in response to each recommendation, after carrying out an assessment of the risks involved and the cost-effectiveness of the control improvements recommended.
- 3.6 Management should note that any recommendations that relate to Financial Regulations must be implemented unless a satisfactory business case can be prepared, justifying why the recommendation will not be implemented. The implementation of these will be followed-up after the issue of a Final Report.
- 3.7 Also, included in the report is a glossary of the terms.

## 4 Summary of Findings

- 4.1. The Housemark report concluded that there were compliancy issues in respect of two BVPI's (BVPI 211b, Emergency and urgent repair spending and BVPI 212, Average Re-let Time). This meant that either the reporting system used to produce the indicator was found to be not capable of producing the indicator in line with the required definitions and guidance, or the basis for calculating the indicator had not been properly applied.
- 4.2. BVPI 211b was discontinued as an Audit Commission BVPI for 2007-08 although NCH still monitor performance as a local performance indicator and have revised the method of calculation in line with the Housemark recommendations.
- 4.3. BVPI 212 has been subject to further amendment after seeking advice from the Audit Commission and is covered separately in this report below.
- 4.4. The recommendations contained within the Housemark report are being incorporated within the review being carried out following the additional advice from the Audit Commission.
- 4.5. The advice received from the Audit Commission was obtained and reviewed. The advice clarified circumstances under which the void period of a property can be reduced.
- 4.6. NCH has used the advice to recalculate the void statistics under BVPI 212 for September 2007. This reduced the average number of days taken to re-let a void property from 70 days down to 42 days. In order to form an opinion on compliance with the advice, to ensure the robustness of the recalculation and general compliance with taking a reasonable approach a random sample of 33 properties let in September 2007 where a reduction occurred was reviewed in detail.
- 4.7. For each property in the sample the circumstances of the reduction were reviewed and compared to the Audit Commission advice. The following points were noted:
  - In four cases the reduction had been applied for specific works covered under the major works exemption. The advice states that a void should only be classed as major works if an existing tenant would need to be decanted. The replacement of items of bathroom ware and the laying of a floor screed we feel do not fall into this classification.
  - The advice states that under major works exemptions it would be reasonable to exclude the time the work was being undertaken from the void period. In quite a number of cases the exempt works we feel that although the works were covered by the exemption the period excluded exceeded the time it took to complete the actual exempt work. The period used appears to be the period until all works for the property were completed.

- The exemption is recorded on the SX3 system under the estates module in the other fields section. A ready to let date is then entered on the system and becomes the revised date for the start of the void period. This approach does not allow for more than one adjustment period during the void.
- The void team is split into three areas of the city. From the testing undertaken it was seen that there were inconsistencies in the application of the exemptions across the teams. It is recognised that the revised approach to void period calculation has only just commenced however, little training had been provided to staff and no written instructions were in place to aid consistency.
- The actual exemption applied is recorded on a field on SX3. This is supplemented by a detailed reason on the line below. In five cases tested there was no reason provided.
- In a number of cases the SX3 system did not contain information under the repairs module that supported the taking of the exemption. Particularly in the case of missing meters and meter debts reference to the T/card system was necessary. Dates applicable to the exemption were difficult to obtain.
- A similar situation existed for a number of exemptions taken for infestations. Review of the repairs module showed this work had been undertaken by an outside company and was not recorded on SX3.
- Support for the exemption in terms of copy invoices, job cards etc was not held.
- As a trial the recalculation of the void statistics had only been completed for the month of September. It was found that there had been no independent review by Management. Such a review is felt to be warranted, especially given that the recalculated void period shows a significant reduction. It is considered that the management review should ensure that the adjustments had been applied in accordance with the Audit Commission advice, that the exemptions had been consistently applied by all staff and that the exemptions applied met the overall need for reasonableness. The management review should also ensure that adequate support is available to demonstrate the work is covered by the exemption and that the number of days being excluded is accurate.

4.8 Housemark reviewed and reported on the Performance Management and Measurement systems in place at NCH in early 2007. In respect of the performance measurement system they reported several issues including, complexity of information provided, lack of monitoring against delivery plans, lack of understanding on how to use the information, volume of information, timing of information, lack of a pulling together culture, poor use of benchmarking, issues with IT, quality of customer satisfaction information, measurement of quantity rather than quality and the limited and inconsistent information provided to residents. They

made several recommendations in their report including the introduction of revised suites of performance information.

- 4.9 A copy of the draft NCH delivery plan was obtained. Review of this showed that a revised approach to performance measurement had been included and this was largely found to be in-line with that recommended by Housemark.
- 4.10 Comparison of the draft revised performance information with the existing performance information being published revealed that a number of new local performance indicators have been incorporated for 2008-09 where information is not currently monitored or in some cases systems do not currently exist to capture the data. NCH need to ensure that work is completed prior to the commencement of the new financial year to have these new systems in place.

## 5 Action Plan

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
<b>5.1 BVPI 212, Time Taken to Re-let, Recalculation.</b>					
5.1.1	In four cases the reduction had been applied for specific works covered under the major works exemption. The advice states that a void should only be classed as major works if an existing tenant would need to be decanted. The replacement of items of bathroom ware and the laying of a floor screed I feel do not fall into this classification.	Reduced void periods should only be applied in accordance with the definition contained in the Audit Commission advice. The decant test should also be applied to repairs.	Medium	Agreed, incorporated within guidance issued to staff and being applied to recalculation process.	Bernadette Lawley 31 <sup>st</sup> March 2008
5.1.2	The advice states that under major works exemptions it would be reasonable to exclude the time the work was being undertaken from the void period. In quite a number of cases the exempt works we feel that although the works were covered by the exemption the period excluded exceeded the time it took to complete the actual exempt work. The period used appears to be the period until all works for the property were completed.	The time excluded from the void period should only be that applicable to that taken to carry out the works covered by the exemption.	Medium	Agreed, incorporated within guidance issued to staff and being applied to recalculation process.	Bernadette Lawley 31 <sup>st</sup> March 2008
5.1.3	The exemption is recorded on the SX3 system under the estates module in the other fields section. A ready to let date is then entered on the system and becomes the revised date for the start of the void period. This approach does not allow for more than one adjustment period during the void.	A facility for recording more than one void exempt period against a property should be incorporated into the system and these should be incorporated into the reporting process.	Medium	Agreed subject to ability to change ICT system	Simon Marlow 31 <sup>st</sup> March 2008

5.1.4	The void team is split into three areas of the city. From the testing undertaken it was seen that there were inconsistencies in the application of the exemptions across the teams. It is recognised that the revised approach to void period calculation has only just commenced however, little training had been provided to staff and no written instructions were in place to aid consistency.	All staff dealing with void exemptions should receive training on the application of exemptions. This should be supplemented with written guidance and reference material.	Medium	Agreed and training commenced.	Bernadette Lawley 31 <sup>st</sup> March 2008
5.1.5	The actual exemption applied is recorded on a field on SX3. This is supplemented by a detailed reason on the line below. In five cases tested there was no reason provided.	All exemptions recorded on the SX3 system should have a supporting description input.	Medium	Agreed and being applied to recalculation process.	Bernadette Lawley 31 <sup>st</sup> March 2008
5.1.6	In a number of cases the SX3 system did not contain information under the repairs module that supported the taking of the exemption. Particularly in the case of missing meters and meter debts reference to the T/card system was necessary. Dates applicable to the exemption were difficult to obtain.	The SX3 system should contain sufficient information, including dates, to provide sufficient support for the exemption being applied. Cross referencing to the T/card system should also take place.	Medium	Agreed and being applied to recalculation process.	Bernadette Lawley 31 <sup>st</sup> March 2008
5.1.7	A similar situation existed for a number of exemptions taken for infestations. Review showed this work had been undertaken by an outside company and was not recorded on SX3.	All works, where an exemption is invoked, should have some reference recorded on the SX3 system.	Medium	Agreed and being applied to recalculation process.	Bernadette Lawley 31 <sup>st</sup> March 2008
5.1.8	Support for the exemption in terms of copy invoices, job cards etc was not held.	Copies of supporting invoices, job cards should be held to support each exemption and support the period being claimed.	Medium	Agreed and being applied to recalculation process.	Bernadette Lawley 31 <sup>st</sup> March 2008

5.1.9	For the trial period of September no management review of the recalculated performance figures had been undertaken.	Management review of the recalculated performance should be undertaken. The review should ensure that the adjustments had been applied in accordance with the Audit Commission advice, that the exemptions have been consistently applied by all staff and that the exemptions applied meet the overall test of reasonableness. The management review should also ensure that adequate support is available to demonstrate the work is covered by the exemption and that the number of days being excluded is accurate.	Medium	Agreed and being applied to recalculation process.	Bernadette Lawley 31 <sup>st</sup> March 2008
<b>5.2 Performance Management &amp; Measurement.</b>					
5.2.1	Comparison of the revised performance information in the draft service delivery plan against the existing published performance information showed that in a number of cases the performance indicator did not currently exist. In addition in a number of other cases the indicator existed but performance information was not currently being produced.	Review should be undertaken to ensure that all performance information, set out in the service delivery plan, can be provided.	Medium	Systems for new performance indicators included within 2008-09 Delivery Plan to be in place by 31 <sup>st</sup> March 2008.	Simon Marlow 31 <sup>st</sup> March 2008

Signed..... Date.....

(Service Manager or above)

## Glossary of Terms

### 1 Categorisation of Recommendations

The recommendations within this report have been categorised by City Audit Services as:

High Priority	A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
Medium Priority	A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
Low Priority	The audited body is not exposed to any significant risk, but the recommendation merits attention.

In all cases Internal Audit will follow up implementation of the recommendations by the agreed date.