

Report under Section 8 of the Audit Commission Act 1998

Nottingham City Council

January 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Summary report

Introduction

- 1 This report is issued under Section 8 of the Audit Commission Act 1998 (the Act) and is a report in the public interest. It is to be dealt with in accordance with section 10 of the 1998 Act, which requires the report to be considered by the Council at a public meeting. It concerns the allocation of properties to council tenants and related matters at Nottingham City Council between 2003 and 2005.
- 2 In March 2006, the Audit Commission published an Inspection Report on Nottingham City Homes (NCH), a newly formed arm's length management organisation set up by Nottingham City Council (the Council). The report found that, at that time, there were significant weaknesses in the processes for allocating properties to tenants:

'The allocations and lettings service is poorly managed. The allocation policy lacks accountability; it is neither demonstrably fair nor effectively controlled.....this has led to inappropriate lettings'.

It should be noted that the management of Council's stock of 29,000 houses, together with the majority of the staff from the Council's Housing Department, had been transferred to NCH in April 2005.

- 3 Coinciding with the inspection, allegations were being received by the Audit Commission and the Council mainly relating to inappropriate allocations of properties and allocations that were not made in accordance with the Council's policies and procedures.
- 4 Given the nature of the allegations, we determined that it was appropriate to carry out further work as part of the statutory audit. Our investigation has been conducted in association with the Council's Internal Audit Service. We are most grateful for their assistance.
- 5 A point of context is important in reading this report. Most of the events that are reported here originated in the period 2003 to late 2005, in the latter days of the direct control of council housing by the Council and the early days of NCH.
- 6 All of the senior managers at NCH who were then in post have now left - for a variety of reasons. In addition, since 2005, there has been a complete overhaul of management arrangements and the introduction of a new choice based letting scheme, in order to make improvements.

- 7 This report sets out the findings in relation to our investigation of the allegations and information received. The report examines two areas:
 - the way in which properties were allocated to tenants; and
 - the use of a council in-house employment agency, First Call, to recruit staff into the Housing Department.
- 8 It should be stressed that in compiling this report we have examined only a limited number of cases. Whilst the matters we report upon are serious, they do not imply that all aspects of the Housing Service were deficient.
- 9 An Audit Commission inspection of NCH that is currently taking place will provide an independent assessment of the improvements being achieved in the management of council housing.

Overall conclusions

- 10 Between 2003 and 2005, the Housing Service in Nottingham was not consistently operating according to its own rules or in the best interests of the public. Some officers did not always allocate housing in accordance with the Council's policies and procedures. As a result council houses were not always allocated to those most in need.
- 11 In the cases we investigated, weaknesses in management and control systems allowed Council policies to be overridden and properties allocated to persons associated with a number of senior and other officers. In some cases these houses were also subject to high repairs expenditure (significantly improving the houses) and then right-to-buy applications, enabling the tenants (who should not have been tenants in the first place) to buy the properties at discounted prices.
- 12 In the period 2003 to 2005, around 700 (10 per cent of all offers made) offers of council housing were made outside of the waiting list points system. These 'manual offers' were not subject to proper control. This view is supported by the fact that, after the Inspection Report in 2006, when better controls were introduced, manual offers fell to only 0.5 per cent of total offers made (equivalent to around 30 to 40 a year).
- 13 For offers of housing made within the points system, the evidence suggests that the system was being applied incorrectly by some officers. In the three years to the end of 2005, there were over 2000 offers of housing made where the indications are that the points system was not correctly applied. The result would probably have been that some individuals were given tenancies sooner than they should have been or were granted tenancies of types of properties which were more suitable for a tenant with greater housing need.
- 14 With one exception, we have not found any evidence of inappropriate involvement of councillors in allocations. In that one case, the involvement of the councillor led to a house being allocated to a couple in advance of their assessed priority.

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- 15 We have also found evidence of offers of temporary employment, where officers have been able to give jobs to people outside of the established appointments process. Housing managers used the 'special request' process (which enabled the normal recruitment process to be by-passed) to make 38 placements between 2003 and 2005.
- 16 We have concluded that the failings in the Housing Service revealed in our investigation were a reflection of failings in the culture, systems and management of the Service. This was an organisation where policies and procedures were not consistently applied and where staff felt unable to question instructions and challenge things that appeared to them to be wrong.
- 17 It was all of Housing Management's responsibility to operate proper systems of controls and this was a particular responsibility for senior management within the Housing Service.
- 18 Senior councillors were not given the right information by senior officers to enable them to perform their role effectively. The performance information provided to senior councillors relating to the Housing Service was not comprehensive and did not tell them how their allocations policies were being implemented.

The way forward

- 19 The Council and the NCH Board need to demonstrate that they have addressed the failings described in this report. They need to demonstrate that exemplary standards of public administration are now present in the management of council housing in Nottingham.
- 20 The Council should consider the issues raised and the recommendations we have made. Our recommendations are as follows.
 - Review the governance arrangements within NCH and retained Housing Services in the City Council to ensure they are both adequate and operating effectively in respect of:
 - the declaration of interests in a formal register;
 - rules on avoiding involvement in cases where a personal interest or a personal association may be involved;
 - procedures for dealing with bullying and harassment; and
 - procedures to allow staff to raise issues confidentially (whistle blow) when they encounter irregularities or other issues of concern.
 - Ensure that adequate and proportionate audit trail arrangements are in place to prevent allocations being made inappropriately in future.
 - Ensure that the procedures governing manual allocations are operating in a proper manner and that adequate records are being maintained in support of these allocations decisions.

- Ensure that procedures prevent inappropriate restrictions on offers of housing being entered into the computerised allocations system and that adequate records are being maintained in support of decisions made.
 - Ensure the procedures for the recruitment of temporary staff through the First Call agency are now operating in a proper manner, to minimise the risk of patronage or favouritism occurring.
 - Ensure there are mechanisms in place that require councillors to register any potential conflicts of interest when seeking to advocate on behalf of local constituents.
- 21 The Council and NCH should also consider in detail the individual cases reported here and determine what action is necessary, particularly regarding the legitimacy of tenancies and right-to-buy purchases.

Detailed report

Background

- 22 For the purposes of this report, we refer generically to the Housing Service to cover staff employed in a housing capacity either at the Council until 2005, or following their transfer to NCH.
- 23 Our investigation began in November 2005. The final phase of the audit ran between December 2006 and September 2007. We have been consulting on the report in various ways since that time.
- 24 The audit has been protracted both because of the complex nature of the cases and because of the difficulties that have been experienced in obtaining evidence:
- there are a number of key individuals who we would have wished to interview, but who have been absent on long term sick leave and have not been well enough to respond to questions, either in person or in writing;
 - there have been basic contradictions in the evidence provided at interview by different individuals and further contradictions between their statements and the documentary evidence that was available; and
 - in general the evidence that was retained by the Housing Service in support of decisions made has been inadequate.
- 25 In forming our judgements, we have placed most reliance on interview evidence that is supported by some form of documentary evidence. We have also given weight where there was a prevalence of particular views expressed in interviews.
- 26 The cases investigated were identified both through third party allegations and from audit work undertaken in the follow up to the 2005 Inspection Report. Because of the large number of these potential investigations (nearly 70), our detailed work has concentrated on a sample of cases. We selected the sample after taking into account the quality of the information already available to us and the issues evident in our initial analysis.
- 27 We are grateful to the people who have responded to our questions or otherwise provided evidence. We are particularly grateful for the co-operation we have received from NCH.

Allocations of council houses

- 28 Allocations policies should be applied in a way that seeks to ensure all applicants for council housing are treated in a fair and consistent manner. Allocations policies were at that time backed by a waiting list points system to help ensure this was achieved and provide transparency to the process.

- 29 The sample of housing allocations that we reviewed in detail found serious failings in the application of allocation policies and procedures in Nottingham's Housing Service. We believe that deficiencies in the management and culture of the Service were the root cause of these failings.
- 30 The failings took place within a particular context. This context goes some way to explain how established policies and procedures could end up being overridden:
- the Council was seeking to reduce the time taken to let vacant properties. To ensure that delays in letting were minimised, staff were encouraged to be 'flexible' in their approach;
 - specifically, properties that were deemed 'hard to let' could be let to almost anyone who would take them, whether they were on the waiting list or not, and with the recognition that the properties might end up under-occupied; and
 - the approach was one of 'getting the job done', with the aim of achieving a quick turnaround in lettings. Senior officers would focus on this in their reviews of the performance of local area housing offices.
- 31 In 2003 the Council formalised a policy relating to properties that were classified as sensitive lets. This policy also enabled allocations to take place outside of the waiting list. Sensitive lets required prospective tenants' character to be vetted if properties were deemed to be in a sensitive location.
- 32 The impetus to be flexible in applying allocation policies was Council policy. Minutes of an Area Managers' meeting indicate that this was interpreted by the then Director of Housing as requiring staff to apply a more flexible approach in allocating properties, with managers able to offer accommodation 'out of turn' if the case justified this. There were, however, concerns from staff as to a lack of direction from senior management on how this new approach should be applied.
- 33 Such judgements on 'flexible allocations' should have been made within clear parameters, in an open and accountable way. We have no evidence that guidance on the parameters of judgement was ever produced by senior management in the Housing Service.
- 34 All proposed 'flexible allocations' outside of the points system, known as 'manual' allocations, should have been considered and approved by 'Allocation Panels'. These were usually made up of a number of managers, and were also sometimes referred to as 'Management Panels'. Whilst some managers were apparently happy with the operation of these panels, others that we interviewed were not.
- 35 From our examination of individual cases and other evidence, we found that:
- the Panels were not used consistently;
 - they had limited effectiveness; and
 - some Panel Members told us they felt unable to question allocations initiated by more senior officers.

- 36 A senior manager raised concerns within the Housing Service regarding the flexible approach with the then Director of Housing (who subsequently became the NCH Chief Executive). Staff felt that the flexible approach, with the emphasis on a quick turn around of lettings, might place them in an exposed position, where they might be accused of overriding allocations policies. In the senior manager's email to the Director of Housing, he said:

‘Like you I come from a position where we have 33,000 properties, a number of which we struggle to let, and where we are able to offer accommodation to people who are not only desperate, but would be a credit to the local community, it's in order to allocate them.

The problem with this approach is that it does leave myself personally vulnerable to the interpretation that I am in breach of the rules....I felt reassured when you said this morning that, as we have a surplus of properties, we should just get on with it.’

Email from the senior manager to the then Director of Housing July 2004.

‘Totally agree... you have my full support’

Email response from the then Director of Housing

- 37 In this situation, if implemented fairly and consistently, a flexible approach to allocations would clearly have merit. However, as noted above, the boundaries and controls within which the approach should have operated were never effectively established by management, so the approach was open to misinterpretation and allowed the opportunity for abuse in the allocation of housing.

Hard to let properties

- 38 The 'hard to let' flexibility, introduced into the system to tackle delays in lettings, was interpreted and applied in a way that led to inappropriate allocations of properties. We found that the defining of a vacant property as 'hard to let' was not subject to proper control.
- 39 The definition of 'hard to let' was set in 1999:

‘A property should be ready to let and have been refused and be, in the opinion of the ACM (Area Contract Manager), having taken into account the existing waiting list and priority status of applications, likely to be refused again unless a 'managed' offer is made.’

- 40 By 2003 a number of 'unofficial' variants to this definition appeared to be in operation within Housing - the policy itself had not been formally revised. In the cases that we examined, neither the policy nor its variants were being applied properly, with some properties deemed 'hard to let' when they were clearly not. There are examples of family type properties with two or more bedrooms, which had always been in demand, being allocated as 'hard to let'.

- 41 In some cases, whole streets were defined as 'hard to let', despite variations in type of property in the street and different levels of demand for those properties. For example 36 streets in Hyson Green were defined as 'hard to let'. This meant that they could be allocated outside of the normal waiting list process. The application of the 'hard to let' description was, we believe in many cases, beyond the intention of the policy.

Sensitive lettings

- 42 The category of 'sensitive let' was introduced by the Council in 2003, at the request of Councillors and approved by Committee. It was a category that was intended to be used to counter crime and problems of anti-social behaviour on estates, by ensuring that, in 'sensitive' locations, prospective tenants were vetted as to suitability. Arrangements for sharing information with the Police were initiated to back this up.
- 43 Despite this having Committee approval, senior management did not ensure that the 'sensitive lettings' category found its way into the Council's formal allocations policy. Further, there appeared to be no guidance to staff on how it should be applied. Staff therefore found this a difficult policy to follow.
- 44 Besides not having a criminal or anti-social behaviour record (which could be checked from Police records), applicants were required to be of good character, and this could not be established without an interview. Staff said that interviewing all prospective tenants for a particular property was usually not feasible, so they could not determine who it was most appropriate to let the 'sensitive' property to.
- 45 The Housing Service did not compile information or statistics on the numbers or prevalence of 'sensitive lets'. Staff asked to make a 'sensitive let', have told us that they simply had to follow instructions from senior officers on who the 'sensitive let' property was to be offered to. In a case we examined, the 'sensitive let' was made to a member of staff, without considering any other potential tenants. The application of this informal policy could therefore result in allocations being made without proper checks and provide an opportunity for the policy to be abused.

By-passing the waiting list

- 46 An indication that the allocation policies and procedures of the Council were not being followed was the level of manual allocations, ie those made outside of the points system. In the two years to October 2005 manual offers were running at 10 per cent - about 700 out of the total of 7000 offers made each year.
- 47 The Chair of Housing at the time was not informed by officers of the level of manual offers and has expressed to us his surprise that the level was so high. We believe that officers should have reported information on the number of manual offers to Committee. However, we have seen no evidence that this was done.
- 48 Following controls introduced in November 2005, in the wake of the Inspection Report, manual offers are now running at around 0.5 per cent, or 30 to 40 a year.

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- 49 We also have evidence that the points system itself was being used in a way that resulted in allocations to particular individuals, rather than to others who would have otherwise qualified. In one of the cases we examined various restrictions were placed on eligibility criteria for a property, until a match was found with the circumstances of the individual then allocated the property. These restrictions meant that other applicants with higher points totals were not considered for the property.
- 50 In the three years to the end of 2005, there were over 2,000 offers of housing made where specific restrictions were placed on the allocation criteria for no apparent housing reason. For example over 600 offers were made which required applicants for the property to be a particular age, and over 1,200 offers required applicants to have a set number of children. Over 300 restrictions were applied which required the applicant to be pregnant, yet there are no properties that are only suitable for pregnant women.
- 51 Three officers were responsible for half of these restricted offers of housing. One of these officers has since been dismissed.

Requests for allocations

- 52 Staff in Area Offices told me that they often received requests from Housing Service's Head Office for specific allocation cases to be considered and action taken. The nature of the request was usually that a particular individual was specified as having an urgent housing need that should be dealt with as a matter of priority by the area office staff.
- 53 Requests of this nature were usually made by telephone. When put in writing, these requests were often framed in the manner of 'I would like you to look at the case of... which seems to me to be justified... keep me informed of progress'.
- 54 We were told that when Housing staff requested supporting evidence to justify the potential allocation, this, even when promised, would not necessarily appear. The difficulty we encountered in our audit in finding relevant documents, to some extent supports this.
- 55 The absence of evidence means that it is not always possible to judge the legitimacy of requests. Whilst these requests may well have been proper, no allocation should have been made without the documentary evidence to support it.
- 56 There was a system within the Housing Service's Head Office for recording details of requests made to Area Offices. However, it was not apparent that relevant information was being shared with Area Offices.
- 57 Staff in the Area Offices usually responded to the requests by 'holding' a vacant property in the computerised allocations system. The property would then be offered to the individual identified by head office as requiring housing.
- 58 Staff from the Area Offices that were interviewed told us that they regarded these requests for allocations from Head Office as direct instructions.

- 59 A different view has been expressed to us from some employees who were based at the head office. This is that requests to Area Offices that action be taken were simply that - requests. Area staff were expected to deal with these requests according to the Council's policies and in a professional manner. It has also been suggested to us that within the area offices properties were marked to be 'held', inappropriately by some Area Office staff.
- 60 The views expressed by staff emphasised what they thought of as the negative aspects of the 'forthright' management style said to be prevalent in the Housing Service. Some staff felt that they were unable to ask questions regarding decisions made at the head office or that questions were not welcomed and that a failure to comply would have had adverse consequences for their working conditions and prospects. Staff gave examples where they believed this had happened. Staff also said to us that they did not feel able to raise their concerns through any formal or other channels.
- 61 In our view, the deficiencies in organisational culture evident in this situation were the root cause of many of the problems that we found in the Housing Service.
- 62 However, in statements sent to us, other officers have expressed contrasting views. They said they found the management style at that time to be inspirational and found no difficulty in raising questions with senior management regarding decisions. They pointed to the positive effects of an emphasis on 'getting the job done quickly' with a minimum of bureaucracy.
- 63 The management of the organisation appeared to be unaware that some staff felt they could not query requests to act where the proper processes were not being followed and some staff felt systems were open to abuse.
- 64 In addition staff do not always appear to have understood what management's expectations were regarding what could be allowed as legitimate flexibility in the operation of the housing allocation system. This particularly applied to the application of the 'hard to let' policy.
- 65 This is not a healthy state of affairs. Senior management in the Housing Service should have known about these system and cultural failings and should have taken action.

Individual allocations cases

- 66 Below we summarise findings from the individual cases that were examined in detail.
- 67 The overall conclusions that we draw from these cases are that:
- there is evidence that allocations of properties were not made in accordance with the points system or the policies of the Council;
 - there is evidence that repairs were arranged outside of the repairs system;
 - there has been inadequate management review; and
 - record keeping was inadequate to support decisions.

Case 1

- 68 Area Housing staff allocated a property to an employee that they line managed without properly considering any other potential applicants. The allocation was made manually outside of the normal lettings process, as a 'sensitive let'. Senior management in Housing Service's Head Office had some months previously instructed the Area Office that the property should be treated as a 'sensitive let'. The subsequent letting was made with the sanction of a senior manager in Housing's head office.
- 69 Despite Area staff carrying out the usual checks, the true housing status of the applicant was not established. The employee's housing application (which was checked with him) did not accurately specify the full housing needs of the family or their housing circumstances.
- 70 The result was that the employee obtained the tenancy ahead of a significant number of other more needy applicants. Some housing staff were concerned as to the legitimacy of the allocation, but they told us they believed that the employee had a connection with a particular senior manager and felt unable to raise their concerns.
- 71 The Ombudsman has also investigated this case - his provisional finding was that there had been 'maladministration and injustice' (the report was not finalised as the matter was subject to a local settlement).
- 72 Just before the allocation, building works costing £43,000 were carried out to the property. The original estimate for the works was £15,000. No records exist to explain why the cost increased so much.

Case 2

- 73 The Housing Service's Head Office directly intervened to use the manual allocation process to allocate a house to the partner of a Housing employee. The senior manager responsible for the manual allocation states that this was justified because the tenant had suffered racial harassment at her previous Housing Association rented property.
- 74 The tenant did not make any reference to harassment on her application form (but has since produced a police crime number as evidence of this). There is nothing on the Housing Association files relating to any harassment. No other prospective tenants were considered for the property.
- 75 The allocation should have been subject to the established reciprocal transfer process for existing Housing Association tenants (ie if the Council house a HA tenant then the Council get a HA property for allocation). It was not. We can find no reason as to why this was not investigated or considered.
- 76 The allocation was retrospectively approved by a Management Panel. The Panel did not challenge the allocation, even though it lacked supporting evidence and the reciprocal transfer process had not been considered.

Case 3

- 77 The property was allocated to the tenant following the wrong process. As an existing tenant the allocation should have been dealt with as a transfer, rather than through the normal waiting list. As a result the tenant has been re-housed sooner than he would have been.
- 78 The criteria used to find a suitable applicant for the property were amended so that they exactly matched this tenant's circumstances - facilitating the allocation. If this had not been done there were at least four other applicants who should have been offered the property before this tenant.

Case 4

- 79 A housing applicant, who was the partner of a Housing Officer, was allocated two properties in turn, when the evidence indicates that there was no urgent need. Our evidence suggests that the tenant never lived at the first property. It was only after our enquiries began, two years after the tenancy started, that she moved into the second property.
- 80 Considerable renovation works were carried out at the first property. These were arranged by the Housing Service's Head Office, outside of normal procedures. Staff stated that they were aware of this, but felt unable to raise questions.

Case 5

- 81 Three applicants for housing were prioritised for allocations of properties, ahead of other applicants. This was done by 'holding' the properties to prevent offers being made to other applicants, then organising manual offers to the applicants.
- 82 In total allocations to six properties were involved. Some of these properties were wrongly defined as 'hard to let', and had more bedrooms than the applicants needed. Of the final allocations to the three applicants, only one was to a 'hard to let' property - so neither of the other two allocations should have been made manually.
- 83 The final offers to the three individuals were made on the same day. This might be possible for an exchange of properties mutually agreed between tenants, but this was not a mutual exchange.
- 84 Documentary evidence shows two of the final offers to be at the request of a senior officer at Housing's head office. This senior officer denies any direct involvement and states that a three way move was not unusual.
- 85 Following the allocations several of the properties were prioritised for substantial repairs. Staff told us that the repairs were undertaken outside of the usual system, arranged at the request of the Housing Service's Head Office.
- 86 One of the tenants (also a Housing employee) has now purchased his house at a discounted price through Right To Buy.
- 87 Ultimately these individuals have gained council housing at the expense of more needy applicants.

Case 6

- 88 A Councillor initially raised the case of a housing application from a young couple within his ward with the Area Office. Housing staff state that they told him, because the couple were assessed as low need, it would be a considerable time, probably years, before they might be offered a property in the high-demand location that they had specified.
- 89 With no further progress after six months the Councillor, in accordance with normal practice, contacted the Chair of Housing who then contacted a senior officer and asked him to consider the case. At this time the Councillor stated that one of the applicants was his grandson (he was not). The Councillor says that he made this incorrect statement to emphasise the personal nature of his relationship with the applicant.
- 90 The senior officer wrote to the Area Office stating:
- 'Because of domestic difficulties the family are living apart and clearly this is having an effect on them.....I see this request [for housing] as very reasonable and it would be appreciated.....if you would deal with this matter and keep me informed.'**
- 91 The Area Office staff state that they regarded this as a direct instruction and manually allocated a property to the couple - on the day they received the 'instruction' from the senior officer. The property was in the high-demand location the couple had requested.
- 92 We have separately considered a number of allocations in which there has been evidence of Councillors legitimately raising questions with Housing on behalf of ward constituents.
- 93 In a number of these, there are indications that a manual allocation has been generated in advance of waiting list priority. In others there is an absence of evidence on the file to justify the allocation.
- 94 The conclusion is that, because of the systemic failures that were present in the Housing Service at the time, legitimate enquiries by Councillors on behalf of constituents could, down the line, result in accelerated allocations by officers.
- 95 However, apart from elements of this case, we have not found evidence that the involvement by Councillors, including the portfolio holder, was in any way improper or that any undue pressure was brought to bear by them.

Case 7

- 96 Over a period of two years, an Area Housing Manager prioritised two employees (brothers) and their father for housing in three separate properties, ahead of other applicants. This was done by holding the properties to prevent offers to other applicants, then organising manual offers on the basis that the properties were 'hard to let'. Our view, based on lettings history and right to buy applications, is that the definition of 'hard to let' was incorrectly applied in these cases.

- 97 An officer involved in the allocation told us that when recording and prioritising the application she had entered false details. The officer stated that they would enter details that differed from the application if instructed by management to do so.

Case 8

- 98 A senior manager wrongly arranged for a single person known to him to be allocated a three bedroom house. Prior to the offer being made, the senior manager had instructed the area office to hold a number of other three bedroom properties for possible allocation to this person. The area office questioned the allocation of a three bedroom property to a single man. They were then told by the senior officer that he had mistakenly believed the allocated property to be a two bedroom property. He said it was too late to revoke the offer.
- 99 The offer, which was a manual allocation, was approved by a Management Panel on the grounds of racial harassment. The report to the Panel, which should include details of any racial harassment, is missing and there is no mention of harassment on the application form for re-housing.
- 100 Housing staff also state that substantial works (which totalled over £22,000) were arranged to be carried out to the property. Over £12,000 of the works were ordered after the tenant had made a right to buy application. The right to buy section were not informed of these works and so the purchase price was not adjusted upwards to reflect any enhancement in value.
- 101 The right to buy application did not disclose that the tenant had previously shared with his parents in a right to buy acquisition from the Council. If this had been disclosed, the discount on the purchase price would have reduced from £24,000 to nil.

Case 9

- 102 The allocation of a council property to an employee in the Leisure department was irregular. The property was 'held' for Housing's head office prior to a housing application being submitted by the employee. The whole process was dealt with in a matter of days.
- 103 The property allocated was not 'hard to let'.

Summary

- 104 The cases above demonstrate significant failings in the way allocations were made in the period examined. The cases show examples of policies not being applied, procedures not being followed and proper records not being kept. The cases also illustrate the cultural failings that were evident in the Housing Service at the time.
- 105 In some of the cases examined, there was evidence of a potential conflict of interest in that there was an association between the housing officer and the applicant, who in some cases was another staff member or partner of a staff member. In none of the cases was there a formal disclosure by any housing officer of a conflict of interest nor were there any rules about the need to disclose such a conflict of interest. In my opinion disclosure of an association could reasonably have been expected of any officer and where a conflict of interest existed the officer concerned should not have been involved in the case.
- 106 The failings identified had the result that on occasions properties were allocated to people ahead of those who had the greatest housing need and some of those people went on to purchase the property they were allocated at a discount.

Employment practices

- 107 The Council set up its own temporary staffing agency - First Call - in 1997. It was intended that this should operate in a similar manner to any external staffing agency, with potential employees registering with the agency and completing basic competency tests. Council managers were then supposed to contact First Call when they had a temporary clerical or administrative vacancy, to obtain a list of suitable candidates for selection.
- 108 However, Council managers (not just in Housing) were able to by-pass this recruitment process by making 'special requests' for a particular individual to be taken on, even though that individual was not registered with First Call. First Call made sure any such 'special request' was recorded on file, identifying the departmental manager responsible because they fell outside of the normal process. More recently, First Call introduced a specific 'disclaimer' for managers to sign, in which the manager accepts responsibility for the recruitment process given that First Call had only limited involvement when 'special requests' were made.
- 109 Internal Audit produced a follow up report on the operation of First Call in 2007 and that the Council is implementing the recommendations made in that report.
- 110 First Call provided us with a summary of their placements with Housing. It showed that between March 2003 and September 2005 there were 48 placements through First Call, of which 38 were 'special' requests.
- 111 Most recruitment was centralised through the Housing Service's Head Office.
- 112 We reviewed four of the cases in detail. Aspects of all these cases were unsatisfactory. However, there is a contradiction in the evidence we have

gathered between each of the individuals' descriptions of how they were appointed to their original temporary role and First Call's records (or the acknowledged process). Each of the individuals state that they did in fact go through a recruitment process with First Call.

- 113** In each of the cases reviewed the individual was quickly appointed from the temporary role to a permanent job, solely on the basis of the relevant experience provided by the temporary work. In two of these cases they were appointed to the maximum pay point available - we can find no record to support these decisions.

Case 1 - Special request by an Area Housing Manager. The individual was appointed to a temporary post that was made permanent seven months later. Staff said the person turned up out of the blue, they were told to find her work.

Case 2 - First Call's records show this as being a special request from an Area Manager. The Area Manager denies making this request. The person started work in a Scale three post, but despite unsatisfactory probationary reports and a poor sickness record, was quickly appointed to a permanent Scale six post. The person resigned prior to a disciplinary in 2007.

Case 3 - Special request from Housing head office. After four months this person was appointed to a permanent position at the top of the appropriate pay scale. The person resigned prior to a disciplinary 2007.

Case 4 - Special request from Housing Service's Head Office. After five months this person was appointed to a permanent post at the top of the pay scale. No records exist concerning the permanent appointment, but this change was effected on the creation of NCH, when a number of temporary posts were made permanent.

- 114** The use of First Call is a legitimate tool for recruiting temporary staff at short notice. The use of the 'special request' route can also be legitimate in circumstances where for example there is an urgent need for a temporary member of staff with specific skills or knowledge. However the use of the 'special request' route in housing was excessive compared to other parts of the council and the proper processes were not followed. The lack of proper controls and failure to follow proper processes provided an opportunity for appointments to be made that might not have been were the correct procedures adhered to.

Housing management failures

- 115** We conclude from our audit that, particularly as regards allocations of council properties, Housing was failing in its obligations to provide a fair and consistent Service. Senior Housing management should have been aware of the failings and should have taken action:
- the culture of the organisation was flawed. Some staff were acting on instructions they believed to be wrong, but felt they had no option but to comply; and
 - management controls were not operating adequately.
- 116** Specifically, we believe that not all the system controls that should have been established to ensure the proper administration of the Housing Service were in place. It is also evident that the organisational culture was such as to allow controls that had been established to be over-ridden without proper justification being provided.
- 117** Our conclusions relate particularly to the flexibilities in allocations procedures that were introduced in 2004, but also apply to what should have been more tightly controlled allocations using the computerised system. These weaknesses presented the opportunity for distortions to occur in the application of council policies and, at the extreme, the opportunity for officers to obtain personal advantage from manipulation of the systems.
- 118** It was all of Housing Management's responsibility to operate proper systems of controls and this was a particular responsibility for senior management within the Housing Service.
- 119** In our interview with him, the Leader of the Council expressed frustration with how the Housing Service had operated. The Leader stated that he felt that the management of the Service had been working in silos, with senior officers at odds with each other. Performance was poor and statistics intermittent and unreliable.
- 120** The then Chair of Housing also felt that at the time the performance of the Service was poor. It had a culture that was not open to change and was not responding to the need to become service focused.
- 121** Both councillors felt that in the move towards the establishment of NCH the organisation had begun to turn itself around. In retrospect it was clear that there had been problems, but these were not apparent at the time. Both councillors also expressed disappointment that the whistle-blowing arrangements at the Council did not seem to have operated effectively before the inspection.

Next steps

- 122 This report has identified a number of issues of serious concern. We present in the summary, recommendations detailing the actions we believe are needed to address the issues raised.
- 123 It is now for the Council and NCH to ensure that appropriate action is taken, so that the citizens of Nottingham can have confidence that the Council Housing Service is being administered fairly.
- 124 We will monitor the progress made in response to the recommendations. The Audit Commission inspection of NCH that commenced in November 2008 will report publicly on the current quality of council housing services in Nottingham.

The Audit Commission

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