

Corporate Governance and Standards Committee Report

Ward(s) affected: All

Report of Director of Resources

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Date: 17 June 2021

## Housing Revenue Account (HRA) Right to Buy Receipts Audit Report

### Executive Summary

On 23 March 2021, officers reported to the Executive on a review of the use of the right to buy capital receipts by the Council. The review reported that, in 2019-20, the Council had to repay Right to Buy (RTB) receipts plus interest to government totalling £2.7million. The reason for the repayment was because the Council did not spend the money on its new build housing investment programme in the HRA within the required time frame. The Council had acquired property to try and mitigate some of the repayment risk; however, it did not spend enough money on acquisition of property into the HRA to mitigate all of the repayment risk. The report showed that the Council has seen slippage in the region of 56% to 72% on its Housing Investment Programme (HIP) in recent years which continued into 2020-21.

The HIP is funded 30% through RTB receipts (with the remaining 70% being funded either through HRA reserves or, if necessary HRA borrowing) and as such, any slippage in delivery has a direct impact on the risk of having to repay receipts to government. The review found that, in order to avoid this risk going forward, the Council needs to improve both the monitoring and the delivery of its Housing Investment Programme. The Executive set up an Executive working group to consider why RTB receipts needed to be repaid to government, the reporting arrangements around the matter and what can be done to prevent further repayments. Alongside the working group, the Council's internal auditors, KPMG were asked to carry out an audit of the monitoring and use of RTB receipts. The audit is now complete, and the findings are presented in the attached report at **Appendix 1**.

The audit report details an Executive Summary and makes seven recommendations which have been accepted by officers for implementation. The highest priority of the recommendations is to establish a formal policy around Right to Buy Receipts and their use. The proposal was a recommendation to the Executive at its March meeting; however, KPMG have recommended that the policy should also set out the roles and responsibilities, accountability and ownership for the spending and monitoring of RTB receipts. Officers aim to establish the policy for it to be approved by the Executive in September 2021.

KPMG have found that some, but not all, of the recommendations made to the Executive in March have been implemented. The improvements to the financial monitoring reports to this Committee were implemented immediately. However, improvements to the monitoring and reporting of progress on projects identified as being partially funded through RTB receipts by the Major Projects Portfolio Board and the establishment of a Housing Working Group are still to be implemented. KPMG have also made some additional recommendations relating to the training of officers and risk management processes.

There is one minor correction to the KPMG report in relation to the detailed findings noted in Appendix A. On page 14, it states that the Council's Housing Team purchase new properties using Right to Buy Receipts for North Downs Housing (the Council's Housing Subsidiary). This is not correct, the Housing Team use RTB receipts to purchase new properties or re-purchase properties formerly sold under right to buy for the Council's Housing Revenue Account. The remainder of the finding is correct.

### **Recommendation to Committee**

The Committee is requested to:

- (a) review the audit report from KPMG attached as Appendix 1 to this report,
- (b) note the accepted recommendations and actions, and
- (c) make any additional comments that it feels necessary.

#### Reasons for Recommendation:

To ensure good governance arrangements and internal control.

**Is the report (or part of it) exempt from publication? No**

## **1. Purpose of Report**

- 1.1 To present the audit report from KPMG regarding the HRA Right to Buy receipts audit.

## **2. Strategic Priorities**

- 2.1 The audit of Council services supports the priority of providing efficient, cost effective and relevant quality public services that give the community value for money.

## **3. Background**

- 3.1 The Audit report is attached at Appendix 1 and contains an executive summary and seven recommendations. There is one minor correction to the KPMG report in relation to the detailed findings noted in Appendix A. On page 14, it states that the Council's Housing Team purchase new properties using Right to Buy Receipts for North Downs Housing (the Council's Housing Subsidiary). This is not correct, the Housing Team use RTB receipts to purchase new properties or re-purchase properties formerly sold under right to buy for the Council's Housing Revenue Account. The remainder of the finding is correct.

- 3.2 The highest priority of the recommendations is to establish a formal policy around Right to Buy Receipts and their use. The proposal was a recommendation to the Executive at its March meeting. However, KPMG have recommended that the policy should also set out the roles and responsibilities, accountability and ownership for the spending and monitoring of RTB receipts. Officers aim to establish the policy for it to be approved by the Executive in September 2021.
- 3.3 The remaining recommendations are medium priority and relate to monitoring and control processes within the Housing and Finance Teams, training of officers, risk management processes, the reporting of projects to the Major Projects Portfolio Board and the need to either continue the Executive RTB working group or transfer its responsibilities to a new Housing Working Group or other Housing Programme Board.

#### **4. Financial Implications**

- 4.1 There are no financial implications as a result of this report.

#### **5. Legal Implications**

- 5.1 There are no financial implications as a result of this report.

#### **6. Human Resource Implications**

- 6.1 There are no financial implications as a result of this report.

#### **7. Background Papers**

[Executive report 23 March 2021: Review of the Use of Right to Buy Receipts and Appropriation of Land into the Housing Revenue Account](#)

#### **8. Appendices**

Appendix 1: HRA Right to Buy Receipts Audit report