

FINANCE, AUDIT AND PERFORMANCE COMMITTEE – 29 OCTOBER 2012
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)
RE: STOCK VALIDATION EXERCISE UPDATE

1. **PURPOSE OF REPORT**

To inform members of the outcome of the Council's stock validation exercise.

2. **RECOMMENDATION**

That the Committee note the results from the Council's stock validation exercise.

3. **BACKGROUND TO THE REPORT**

- 3.1 Under the previous system of housing finance, the Council were required to complete a Housing Revenue Account Base Data Return to inform the payment of housing subsidy. In 2011/12 the Council's External Auditors (PricewaterhouseCoopers LLP) qualified this return due to issues with the accuracy of stock information (e.g. bedroom numbers of archetype) held by the Council. The data recorded on the Council's Orchard system could not be verified to supporting documentation and as such, the auditors were unable to provide assurance on its accuracy. This qualification was reported to the DCLG who requested that this data be collected.
- 3.2 In response to this issue, the Council set up a dedicated project team to organise the collation of stock data. A full verification process was commissioned in June 2012 to obtain updated data on all housing stock. The Council developed a methodology for the collection of the data and shared this with PricewaterhouseCoopers LLP so that they could gain sufficient assurance for their audit of the accounts.
- 3.3 As part of the validation process, each property was visited by an officer and a form completed to indicate both the number of bedrooms and archetype (e.g. semi detached) of the premises. In addition, measurements were taken of all rooms. All data has been retained and collated in a central spreadsheet to allow any differences to be examined.
- 3.4 The outcomes of the validation exercise have been detailed below. Of the Council's 3,427 properties, officers were able to enter 2,831 (82.6%). In the remaining cases, the property was visited 3 times for inspection but entry was refused/not possible. Of those properties surveyed, incorrect information was held in 147 cases (5.19%).

Archetype	Properties	Completed surveys	Discrepancies Detected	No entry
Bungalow	592	566	40	26
Ground Floor Flat	390	311	9	79
Bedsit	6	6	-	-
House	1,678	1,378	79	300
Licensed Homeless	40	39	-	1
Upper Floor Flat	352	253	12	99
Warden Assisted	369	278	7	91
	3,427	2,831	147	596

	%
% of properties that could not be entered	17.39%
Error rate based on surveyed properties	5.19%
Error rate based on total properties	4.29%

3.5 As noted in 3.4 above, incorrect information was held for 147 of the properties entered. The nature of these differences has been summarised below. In over half of the cases, incorrect information was held on the number of bedrooms. The majority these related to houses where the properties had more bedrooms than recorded. This could be because partitions had been set up by tenants.

Archetype	Properties	Completed surveys	Discrepancies Detected (properties)	Discrepancies archetype	Discrepancies bedroom numbers	Number of properties with 1+ error
Bungalow	592	566	40	28	13	1
Ground Floor Flat	390	311	9	7	5	3
Bedsit	6	6	-	-	-	-
House	1,678	1,378	79	17	64	2
Licensed Homeless	40	39	-	-	-	-
Upper Floor Flat	352	253	12	4	8	-
Warden Assisted	369	278	7	7	2	2
	3,427	2,831	147	63	92	8

3.6 Where the Council attempted to gain access to the properties 3 times with no success, the results of properties with a similar archetype have been extrapolated to provide an indication of the error rate for the entire population. This process is to be concluded by the end of October but at the time of writing this report, 404 properties have been considered using this method. A total of 85 errors have been identified using this process, increasing the total error rate to 7.17%

3.7 The discrepancies identified through the validation process may have an impact on the value of the properties disclosed in the Council's Statement of Accounts. In order to provide comfort to the Council's External Auditors that this difference was is not material, a list of discrepancies was communicated to the Council's external valuers in September 2012. At this point, 221 exceptions had been identified and the valuer estimated this would increase the value of these properties by £125,000. On the basis that the total value of Council stock held by the Council is in excess of £105 million, this was not deemed material.

3.8 The results of this exercise and any changes identified to the valuation would not impact the level of Council Tax due from the property as the valuation of the property is only reconsidered by the Valuation Office (VO) at the point of sale.

3.9 The Council has contacted the DCLG to inform them that the stock validation exercise has been completed. Members will be updated on any response that is received. The complete stock data is to be transferred to both the housing management (Orchard) and Fixed Asset (CIPFA) systems and a protocol agreed on how the accuracy of this data is to be maintained going forward. The complete data will be communicated to the Council's external valuer for use in the valuation exercise for 2012/13.

4. **FINANCIAL IMPLICATIONS (KB)**

Financial implication of the process, in relation to the value of property have been included in the main body of this report. A supplementary budget for £33k was approved by Council in September 2012 to set up a budget for the costs associated with this exercise.

5. **LEGAL IMPLICATIONS (AB)**

None raised directly by this report

6. **CORPORATE PLAN IMPLICATIONS**

This report supports all aims of the Corporate Plan

7. **CONSULTATION**

None

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
None	None	None

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

No direct impact

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: Stock validation sheets
Communication from DCLG
External Audit reports

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