Leeds
CITY COUNCIL

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Report of the Head of Strategic Landlord

Corporate Governance and Audit Committee

Date: 29 September 2010

Subject: Council Assurance Framework for ALMOs/ BIMTO

Electoral Wards Affected:	**Specific Implications For:**
	Equality and Diversity ☐
	Community Cohesion ☐
☐ Ward Members consulted (referred to in report)	Narrowing the Gap ☐

Executive Summary

This report sets out the drivers for the implementation of the Assurance Framework and how it will operate. The Framework will support the Strategic Landlord in managing the relationship with the ALMOs/ BITMO. It will monitor their performance, governance and value for money against the risks from delegating the housing management function to them. The framework is based upon a co-regulation approach expecting ALMOs/ BITMO to provide the council with assurance that risk areas are being managed and supported by Internal Audit and Strategic Landlord through an independent verification process. The risk areas are based on six key areas about which the Strategic Landlord needs assurance. These are: governance; asset management; partnerships; lettings and tenancy enforcement; service improvements plans; and customer satisfaction. The new Framework was implemented in April 2010.

It is recognised that the Strategic Landlord relationship with the ALMOs / BITMO is key to managing the services that have been transferred. The framework has been devised using a risk based approach, so that there is a balance between getting the right assurances and giving the ALMOs/ BITMO freedom of independent operation. This approach allows the council and the ALMOs/ BITMO to identify areas of concern and take a collaborative approach to improvement.

1.0   Purpose Of This Report

1.1   The purpose of this report is to advise Corporate Governance and Audit Committee on the ALMO/ BITMO Assurance Framework.

2.0   Background Information

2.1   In July 2008, Internal Audit produced an audit report on the Council / ALMO relationship and the Councils' Performance Management framework. The report concluded that there was limited assurance with the control environment and limited assurance in the compliance environment. In response to the report, the Council reviewed how it should manage its relationship with the ALMOs. The initial drivers and revised approach were outlined in a report which went to ALMO Boards in February / March 2009. The report recommended that a new relationship is developed through a new framework that focuses on key risk areas for the council. As a result, the Assurance Framework has been developed.

2.2   A risk based approach fits in with the current Tenant Services Authority (TSA) proposal for a new national regulatory framework for all social landlords. Furthermore, the Assurance Framework follows the co-regulation approach proposed by the TSA whereby ALMOs/ BITMO will be expected to self assure themselves whilst this is checked on a risk basis by the council, supported by Internal Audit.

2.3   Over the past year, Strategic Landlord group with support from Internal Audit have developed the Assurance Framework. ALMOs have supported the development of the framework, and all ALMO/ BITMO boards have approved its implementation.

2.4   The Assurance Framework will complement the current Performance Management Framework that the Council has with ALMOs and will be an annex in the ALMO Management Agreement. For BITMO as the legal governance framework differs from that of the ALMOs, the Assurance Framework will also complement the schedules in their management agreement

3.0   Main Issues

3.1   The Assurance Framework sets out a control environment within which the housing management service is delivered by the ALMOs or BITMO whilst at the same time providing assurance to the council that this is achieved within minimum risk. The Framework was implemented in June 2010.

3.2   The spirit of the Framework is co-regulation. The ALMOs/ BITMO assure the council that they have mitigated the risk areas though a process of self assurance. Internal Audit will undertake an annual audit program based on the risks that the ALMOs/ BITMO and Strategic Landlord have identified through the self assurance process.   In addition, Strategic Landlord will support the audit programme through undertaking some sampling and checks on the ALMOs.

3.3   The greater assurance that the ALMOs/ BITMO provide through the annual self assurance report, the smaller the audit programme, whilst ensuring that certain audits such as governance and open book reviews for repair and maintenance contractors have a minimum number of days to undertake.

3.4 The Audit program is commissioned by Strategic Landlord who are working in partnership ALMOs/ BITMO. For the current year, Internal Audit has agreed the audit programme with each ALMO/ BITMO. The audit reports are reported to both organisations simultaneously.

3.5 The Assurance Framework sets out six clear objectives on which the Council seeks assurance. These are:

o Governance

o Asset management

o Partnerships

o Tenancy enforcement and lettings

o Service improvement plans

o Customer satisfaction

3.6 The development of the objectives has taken into account the Council's Governance Framework for Significant Partnerships.

3.7 The Framework will provide more clarity in defining the Councils Performance management framework for ALMOs and BITMO as well as further developing the Council – ALMO relationship. The Framework has been developed to build on and improve the current systems of ALMO/ BITMO accountability to the council.

3.8 In the first year of operation, 2010/11, both the audits undertaken by Internal Audit and the checks undertaken by Strategic Landlord will form the baseline for the self assessment and future audits undertaken in 2011/12. For 2011/12 and beyond ALMOs will undertake a self assurance exercise against the framework which will be submitted to Strategic Landlord Group by May annually. The self assessment will be used alongside the previous year's audit to assess the risks posed for each control in the Framework. This will then form the basis of the Internal Audit plan for that year which will be agreed by ALMOs, BITMO and Strategic Landlord, early in the new financial to commence that quarter. The audit plan will be bespoke to each ALMO/ BITMO as the levels of risk may differ.

3.9 As the Framework develops it will be reviewed annually to ensure that it is providing appropriate levels of assurance to the Council and ALMOs/ BITMO.

3.10 Strategic Landlord will produce an annual report for Corporate Governance and Audit Committee on the outcomes of the Assurance Agreement . In addition, through the usual Internal Audit reporting mechanism if an audit is deemed a major impact then it will be reported to Corporate Governance and Audit Committee.

4.0 Implications For Council Policy And Governance

4.1 The Assurance Framework is a response to an Internal Audit report in 2008 which considered that there were limited controls and limited compliance in the governance relationship between the Council and the ALMO. The Assurance Framework will put in place a comprehensive list of objectives with a number of controls in each of these to ensure that any risks generated by the delegation of the housing management function are managed effectively.

4.2 The effectiveness of the Assurance Framework will be reported by Strategic Landlord Group to Corporate and Governance Committee annually.

5.0   Legal And Resource Implications

5.1 The current Performance Management Framework (PMF) is an annex of the Management Agreement that the Council has with each of its ALMO/ BITMO. The Assurance Framework will complement the current PMF.

6.0   Conclusions

6.1 The Council have developed a sophisticated framework in which it can manage the risks that it is exposed to as a result of the delegation of housing management to ALMOs/ BITMO. The spirit of the Assurance Framework is one based on co-regulation. ALMOs will be expected to provide assurance to Strategic Landlord that they are mitigating the risks of providing a housing management service supported by an annual Internal Audit programme to confirm the assurance. The Framework seeks to develop a more robust and clearer council – ALMO/ BITMO relationship, by formally setting it out through the Framework.

7.0   Recommendations

7.1 That Corporate Governance and Audit Committee receive an annual report from Strategic Landlord Group on the assurances give for ALMOs and BITMO in managing the housing service through the Assurance Framework.

Background Documents Used

None