Southway Housing Trust

Assurance Review of Shared Ownership

August 2024

Final

Executive Summary

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Planned Sales Receipts from Shared Ownership not achieved.

KEY STRATEGIC FINDINGS

- **The Trust has robust policies and procedures in place covering management and sales of shared ownership properties.**
- **The step-by-step guideline for staircasing and resale of shared ownership was confirmed to be followed diligently by staff of the Trust.**
- **Testing confirmed that some of the lease agreements held by the Trust do not contain the signature of the buyer.**

GOOD PRACTICE IDENTIFIED

- **All surveyors engaged in the Valuation of properties are confirmed to be qualified and registered members of the Royal Institute of Chartered Surveyors.**
- **A standard checklist is maintained and followed by the Staff of the Trust in handling cases of staircasing and resales of shared ownership properties.**

SCOPE

The review considered the arrangements in place for home ownership products, including sales and marketing; the eligibility, application and approval processes; valuations; document retention; and lease and legal arrangements.

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	2	1

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	The official lease agreements granting shared ownership to successful applicants were reviewed during the audit. This details the parties to the agreement, agreed letting terms and conditions and obligations of both parties. The lease agreement also includes appendices on staircasing, notice of rent increase, key information for shared owners and useful links by the Government for more information on mortgage fees and costs. Testing also confirmed that five of the ten lease agreements reviewed were only signed off by the Attorney and not the buyers. Management confirmed that the Trust's solicitor does receive signed copies of the lease agreements from the buyers directly prior to completion of the transaction, but that the copies sent to the Trust by the Solicitor on completion do not have the buyer's signature but the Attorney's.	The Trust to obtain and keep copies of lease agreements signed by both the Attorney and shared ownership properties buyers from the Trust's Solicitor.	2	*It was clarified with Knights that this is usually done on a counterpart basis.* *For all future sales we will request copies of lease with all signatures and save on file.*	*07.08.24*	*Sales Advisors*

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.	2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.	3	ROUTINE	Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	A 19 stage checklist was confirmed to be completed and duly signed for each application to ascertain that customers have been properly advised and aware of all the conditions attached to shared ownership such as subletting, payment of rent and service charges and building warranty and are consenting by appending their signatures to the pre-reservation checklist. Names of the applicants and the date signed off are also clearly stated on the checklist. Testing confirmed that all sampled properties had their pre-reservation checklist well documented and completed, except for two that were filled with a X instead of a Yes or No.	Sales advisor to ensure that questions on the checklist are answered with Yes/No in line with the wording of the questions and avoid use of X.	3	*Checklist amended and Sales Advisors notified of change in process.*	*07.08.24*	*Sales Advisors*
3	Directed	The shared ownership application form contains useful and necessary information ranging from type of property required to detailed information about applicant's annual income level, mortgage and credit information which are key information necessary to performing an eligibility assessment check. Ethnicity is also well captured on the application forms. All application forms for the ten shared ownership properties sampled were correctly filled except for one application that was meant to be a joint application but filled only by one applicant.	The Sales advisor to ensure that joint applications are filled by all parties.	3	*Sales Advisors notified and will action on future joint sales.*	*07.08.24*	*Sales Advisors*

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
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3	ROUTINE	Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	The Trust's Shared Ownership Management Policy, which is subject to approval by the Board, was last reviewed in December 2021. The Policy is due for revision and update in November 2024. The Policy applies to all shared ownership homes completed through the 2016-2021 and the 2021-2026 Affordable Homes Programme. Appropriate references were made to legislations and legal requirements. A Shared Ownership Sales Policy was also confirmed to be in place. Approved by the Board in December 2021 and due for review in Quarter 3 of the 2024/2025 financial year. Details of shared ownership eligibility and affordability, marketing, valuations, different types of shared ownership, application for shared ownership by the Trust's staff and relatives and lease arrangements are clearly specified in the Policies. Related policies such as sales and marketing policy, tenancy fraud policy, repairs and maintenance policy and data protection policy were appropriately referenced.	Board to consider specifying a specific month, rather than the quarter 3 as currently stated for the revision of the Shared Ownership Sales Policy, in line with other policies.	*Agreed this would best approach.*

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings

Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	**Governance Framework**	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	1
RM	**Risk Mitigation**	The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	**Compliance**	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	1, 2 & 3	-

Other Findings
The Trust maintains separate procedures for resale of a property by shared owners with clearly specified guidelines in the Resales Procedure. Procedures on staircasing shared ownership, including application, valuation of property, mortgage approval and leasehold staircasing; were all confirmed to be in place. Related policies and procedures including Staircasing Policy, Valuations Policy, and valuations procedure were cross-referenced. In line with the Trust's policy, the procedures are subject to review every three years.
Documents of shared ownership properties buyers are retained in line with the Trust's Records Management and Quality Policy and hosted on the Trust's housing management system, Open Housing and stored on the Teams drive of the Trust.
The Development Marketing Strategy and the Marketing Plan for 2024 were reviewed during the audit. Appropriate and extensive marketing strategies, including digital marketing; use of paid and organic social media, outdoor media, social events, completions and testimonials, open day events, site signage and others are all confirmed to be in place.

Other Findings

Ranked No. 15 on the Risk Register, the Trust has identified the risk of 'Planned Sales Receipts from Shared Ownership not achieved'. The scope of the risk is also identified to include adverse market conditions impact on business plan, sales and pricing strategy not effective, unable to find the right projects, procurement difficulties with Developer and Land Led schemes. Appropriate mitigating controls in place include Business Plan modelling and stress testing used to assess risk of sales not taking place, individual scheme marketing plans developed for each scheme, reporting framework in place to enable monthly scrutiny of progress, appraisal of sites prior to acquisition through Hometrack system and review of the local area including amenities and market trends, and signed up to the national shared ownership campaign, allowing access to marketing materials.

Other key controls put in place are regular dialogue with Metro Finance (Independent Financial Advisor) to evaluate the mortgage market and demand with average tranche sales being monitored; Clixifix procured to improve defects management and aftercare and reduce negative customer reviews; new website and branding launched; and marketing now going through the in-house system with leads increasing.

Currently with a net risk score of 12, the Trust targets the risk to be reduced to 9-10 following further actions planned which include review of responsibilities between commercial and home ownership and sales team and corporate action plan on core service delivery for shared owners.

Initial eligibility and financial sustainability assessments were confirmed to be carried out. Key information such as the total share being purchased, value of the share, monthly rent, monthly mortgage, service charge and total monthly payments to net mortgageable household income ratio are explicitly stated and assessed to determine the suitability of each application. For the ten samples selected, sufficient eligibility checks were conducted.

Testing confirmed that reservation agreement was filled and duly completed and signed off by both the buyers and the Trust. The details of the vendor, plot reserved, tenure and reservation details are clearly stated on the form. The terms and conditions of the reservation estimated monthly fees to be paid and details of the solicitors for both buyers and the Trust are also stated. All the ten samples had their reservation agreement filled and completed.

In line with the Policy, testing confirmed that shared ownership affordability forms are duly completed, signed and dated by the sales advisor. Discussions with Management confirmed that all required evidence of income and savings of applicants are duly checked by the sales advisor via Metro Finance. Testing also confirmed that the affordability sign-off form is subject to approval by a sales Manager, thus confirming that appropriate segregation of duties is in place. Official shared ownership sign-off form duly completed by Metro Finance were also reviewed.

A customer due diligence checklist confirming sources of deposit, verification of bank statements and credit reports were confirmed to be carried out. Bank transactions that are queried in the course of the financial assessment are clearly isolated on the form for further enquiries, where applicable. The sign off also confirms that the applicant has been assessed for their maximum affordability, fulfil the Capital Funding Guide requirements and are able to proceed on the shared ownership. Name of staff signing off, date and signature for all the ten sampled properties were also clearly stated on the sign off form.

In line with the Trust's Policy, shared owners have the option to buy 1% each year in which case the value of the property will be established by the Trust using the service of a registered member of Royal Institute of Chartered Surveyors (RICS) and using the House Price Index. Five properties were taken as samples, with three being cases of valuation for staircasing and the remaining two being valuation for resale purposes. Emails from shared owners requesting staircasing were seen during the course of the audit. Testing confirmed that factsheets about staircasing providing a step-by-step guide on the staircasing process, official letters conveying administrative fees and valuation fees, rights and responsibilities were sent to the shared owners. It was also confirmed during testing that completion statements from the Trust were sent the buyer to evidence completion of the staircasing. The Historical Grant Notification Form was also confirmed to have been duly filled for the 100% staircasing in line with the Policy and Procedures. Outcome of staircasing were also seen to be recorded on the Consents register in line with the Policy. Segregation of duties was confirmed to be in place as the records on the Consents Register were completed by a member of staff and duly approved by another staff. Detailed valuation reports for the five sampled properties by a RICS registered Valuer, highlighting the market value of the property as at the date of valuation in line with RICS Valuation Global Standards and duly signed by the surveyors were also seen and reviewed.

Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	**Performance Monitoring**	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	**Sustainability**	The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	**Resilience**	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	Out of scope	-	-

Other Findings

The Trust provides a Development Update Report to the Board on a quarterly basis, in March, June, September and December. The most recent reports from meetings held in March and June 2024 were reviewed during the audit. Both reports feature progress reports on targets and actual figures for starts on site and build completions for shared ownership properties. Financial performance in terms of cost, grant and sales were also confirmed to be included in the report. Report on staircasing and resales of shared ownership properties were also captured in the development update reports.

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	9th April 2024	16th April 2024
Draft Report:	28th July 2024	8th August 2024
Final Report:	22nd August 2024	