

Glasgow City Council Internal Audit Section

Committee Summary

Financial Services – Housing Repayment Charges

Item 2(g)

26th March 2025

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1 Introduction

- 1.1 As part of the agreed Internal Audit plan we have carried out a review of the arrangements in place for the administration of Housing Repayment Charges.
- 1.2 Under the Housing (Scotland) Act 2006, Local Authorities have the power to instruct the owners of a property to undertake reasonable repairs to maintain the common parts of the property. In cases where the building has multiple owners, such as tenement blocks properties, the cost of these common repairs is borne by all owners.
- 1.3 When minor common repairs are deemed necessary and the co-owners or property factor and a majority of owners are in favour of the work and have lodged payment for their share, the Council can contribute the share for non-paying owners and pursue repayment for their share of the works costs. In the event of non-payment, a Repayment Charge can be lodged against the property title. The administration of Repayment Charges is carried out by Customer & Business Services (CBS).
- 1.4 Under the Act, when major and structural repairs are deemed necessary, and the co-owners have failed to carry them out, the Council can instruct the works and pursue repayment from each individual property owner for their share of the works cost. A Repayment Charge is lodged against the property title where payment is not received within the timescales defined in the Act (7 days for Section 50 (Minor Works) and 28 days for Section 35 (Major Works)).
- 1.5 The purpose of the audit was to gain assurance that there were adequate controls in place for the management of Repayment Charges and that these are operating effectively. The scope of the audit included:
 - Roles and responsibilities of staff involved in the process.
 - Reviewing the documented policies, procedures and guidelines in place and ensuring they are adhered to.
 - Confirming that verification of ownership checks are carried out.
 - Ensuring that appropriate and sufficient management information is available to senior management.
 - The arrangements for monitoring of Repayment Charges.
 - A review of the process for clearing of Repayment Charges.

2 Audit Opinion

- 2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and two recommendations which management should address.

3 Main Findings

- 3.1 Some of the key controls are in place and generally operating effectively. The roles and responsibilities of staff involved in the process, including support from Neighbourhoods, Regeneration and Sustainability (NRS) staff in determining the value of the charges, and Legal Services registering the Charges, are clearly understood.
- 3.2 As Charges are registered against the property title, these are heritable debts and as such, in the event of non-payment by the property owner, the Council will receive payment in the event of sale or re-mortgaging of the property, therefore reducing the risk to the Council of non-repayment.
- 3.3 We reviewed a sample of 10 cases where a Charge against the property title was expected to be registered and were able to verify that Legal Services had applied the Charge. We also reviewed a sample of 5 recent Charges and were able to verify the cost of the charges to be applied and that costs were correctly apportioned based on the property title deeds. Property ownership checks were carried out and evidence of ownership retained, and copies of the invoices issued were held as well as evidence of the instructions sent to Legal Services to apply a charge to the property title.
- 3.4 Outstanding balances are subject to daily interest. The interest rate used is determined by the Scottish Government as the Pooled Interest Rate of the Council. This is calculated and communicated by Corporate Finance. We verified that interest rates were correctly calculated and applied for the sample of 5 Charges.
- 3.5 However, we noted that there are some areas where controls could be strengthened. Although there are process maps available to staff outlining the areas of responsibility for the application of Charges there are no detailed procedures in place to support staff.
- 3.6 We reviewed a sample of 10 cases where repayment of the Charge was received. For 8 of the 10 sample, we were able to verify that the charge against the property title had been discharged. For 2 cases in the sample, the instruction to discharge had not been sent to Legal Services.
- 3.7 An action plan is provided at section four outlining our observations, risk and recommendations. We have made two recommendations. The priority of the recommendations are:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	2
Low	Lower level controls absent, not being operated as designed or could be improved.	0
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

- 3.8 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.9 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.10 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

4 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Written procedures are in place to support staff.				
1	<p>Upon confirmation of the cost of works undertaken from NRS, CBS invoice the property owner and instruct Legal Services to apply a Charge to the property title.</p> <p>Although there are process maps in place we found that there are no detailed written procedure documents that support staff in the recording of Charges within the relevant systems.</p> <p>Without procedural documentation in place there is an increased risk that staff may follow incorrect processes when dealing with the administration of Charges.</p>	Management should develop procedural documentation for the administration of Repayment Charges. These should be reviewed on a regular basis and shared with all staff involved in the process.	Medium	<p>Response: Accepted</p> <p>High level process maps are available which are supplemented with on-the-job training to ensure staff involved are trained on the correct process. The core system used by staff in CBS, Saffron, is currently part of a system replacement project by CGI and NRS, with a current estimated completion date of June 2025. As part of the new system implementation procedural documentation will be updated. Should there be any slippage in system implementation more detailed procedure notes based on the existing system will be developed.</p> <p>Officer Responsible for Implementation:</p> <p>Service Delivery Manager Non Domestic Rates/Debt Management</p> <p>Timescales for Implementation:</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
				30 September 2025

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Active Charges are recorded accurately.				
2	<p>Upon full repayment of a Charge, CBS should be instruct Legal Service to discharge the Charge registered against the property title.</p> <p>We reviewed a sample of 10 cases where repayment of the Charge was received. For 8 of the 10 cases in the sample, we were able to verify that the charge against the property title had been discharged. For 2 of cases in the sample, the instruction had not been sent to Legal Services. We note that in the event of a disposal of a property with an active charge, the relevant solicitor would contact the Council to confirm the total payable.</p> <p>There is a risk that Charges remain active against property titles after receipt of full payment.</p>	Management should review the current process for the removal of Charges to ensure that all cases are submitted to Legal Services at the appropriate time.	Medium	<p>Response: Accepted</p> <p>The current system does not have a reportable field to record a Discharge date. In the rare event a Discharge request is not sent to Legal Services, this poses a low risk as there is no financial impact to the Council. The recommendation will be considered as an enhancement as part of the Saffron system replacement project and will be put forward to CGI/NRS for consideration.</p> <p>Officer Responsible for Implementation:</p> <p>Service Delivery Manager Non Domestic Rates/Debt Management</p> <p>Timescales for Implementation:</p> <p>31 July 2025</p>