Meeting:	Audit & Governance Committee
Meeting date:	16 September 2026
Report of:	Director of Communities
Portfolio of:	Executive Members for Housing, Planning & Safer Communities

Decision Report: Management of Property Management Agency

Subject of Report

1. As reported to Executive on 22 April and 15 July 2025, YorHome is a team within Housing Services in City of York Council which operates an ethical letting agency service. It is a non-profit service that enables people who have the means to pay rent, but cannot afford expensive upfront costs, to access the private rented sector. YorHome currently manages 45 properties with 60 rooms in York and arranges accommodation for people at risk of homelessness. Tenants are referred through the Housing Options Team and the Refugee Resettlement Team.

2. The Executive reports focussed on rectifying historic property management arrangements where officers had not sought the necessary Executive approvals and where, in a number of cases, the wrong form of agreement had been entered into.

3. This report responds to Executive's decision on 22nd April 2025:

   To propose for the purpose of transparency and accountability that a report is prepared for the Audit and Governance Committee to consider any process issues raised or identified.

4. To assist with this work, from the point the Property Management issue emerged (originating from a complaint), an internal audit Phase 1 review was initiated which has guided the areas for improvement. This report is attached at Exempt Annex A.

5. This report to Audit & Governance Committee responds to the points raised in the audit report with revised arrangements being subject to a further internal audit review (Phase 2) before the service resumes work with new landlords. This report is attached at Exempt Annex B.

6. To be clear, no further new cases or properties will be taken on by YorHome while the current rectification work remains ongoing and until the revised governance, legal and financial controls have been fully implemented, evidenced and tested. Once those matters have been resolved, officers will review the position and bring a further update to Members before any decision is taken to resume new landlord or property activity.

Policy Basis

7. The Audit and Governance Committee has a key role in considering matters of governance, risk management and internal control. This report is brought in response to the Executive resolution that Audit and Governance Committee should consider the process issues raised or identified in relation to YorHome, and to provide assurance that corrective action has been taken and that revised controls are subject to independent review.

8. The issues first came to light following a single complaint about one property management arrangement. Initial enquiries prompted wider checks across the YorHome portfolio, which identified that similar concerns were present in relation to a number of other properties (see Exempt Annex C), including issues with documentation, approvals and the form of agreements in place. Veritau was therefore commissioned to undertake two internal audit reviews to provide independent assurance that all matters of concern had been identified, considered and reflected in the subsequent improvement action plan.

Recommendation and Reasons

9. Audit & Governance Committee is asked to note the findings of the Veritau work, the recommendation of Executive and the work undertaken since the improvement work commenced.

Reason: That those responsible for scrutiny and governance are assured that controls are in place and risks addressed.

Background

10. YorHome was created in 2009, becoming fully operational in October of that year. However, it has become apparent that it was set up without sufficient clarity as to its governance structure, which has contributed to some decisions being made without proper oversight or authority.

11. The issues originated from a single complaint about one property management arrangement. Initial checks into that complaint raised concerns about the form of documentation, approvals and responsibilities in place, which prompted wider checks across the YorHome portfolio. Those wider checks identified similar issues in a number of other cases, meaning it was necessary to understand the full extent of the arrangements before agreeing revised processes. This included reviewing historic leases, management and repair agreements, tenancy documentation, financial exposure and legal responsibilities. Resources have also had to be balanced between rectifying existing legal agreements and ensuring future arrangements and controls are robust before the service resumes new landlord activity.

12. Veritau were asked to review the operation of YorHome and the cases identified to assure statutory officers that all matters of concern and risk had been identified. This first 'Phase 1' Veritau review (see Exempt Annex A) concluded that there were weaknesses in the governance and operation of YorHome, including arrangements for entering into leases, management and repair agreements and assured shorthold tenancy arrangements. The review identified weaknesses in legal and financial controls, approval routes, records of decision-making, communication between services and oversight of the service model. It did not include agreed management actions, but its conclusions were intended to assist the council in understanding the position and informed the improvement action plan, the Executive reports and the subsequent Phase 2 review of revised arrangements.

13. A task and finish group involving Housing, Legal Services and Finance has developed revised control arrangements. Veritau issued a Phase 2 report which is attached as Exempt Annex B. The

Phase 2 work provides further evidence for the live action plan and focusses on whether revised processes provide adequate assurance for future YorHome activity.

14. A lessons learned exercise has been undertaken within the relevant staffing groups across the Council, including support services. A comprehensive suite of policies, procedures and guidance has been developed and will be subject to a regular review in future. In addition, a clear organisational chart has been developed to ensure clarity of roles and responsibilities.

15. The latest internal audit report indicates that progress has been made on recording delegations, clarifying s151 Officer approval requirements for relevant acquisitions and developing revised response arrangements. Further work remains ongoing on conflict of interest controls, completion of property-specific legal rectification, and ensuring a single dated recovery plan is in place showing remaining cases, responsible officers, financial exposure, decisions required and evidence that audit actions have been closed.

16. The key remaining property matters under active management include the remaining properties from the original ten identified and other properties where documentation, maintenance responsibilities, tenant communication, surrender or replacement agreements, or potential acquisition options require further legal and financial resolution.

17. The Phase 2 review and the live action plan at Annex D are therefore central to the assurance requested by Executive, Audit and Governance Committee and external auditors. They will support a clear management response, demonstrate progress against recommendations and identify any matters that must remain open until controls have been fully implemented and tested.

Consultation Analysis

18. This work has been supported by internal and external legal advice, input from Finance, senior officer and External Audit oversight and Veritau’s internal audit work.

Implications and Issues Arising

19. The work has identified a number of implications arising from the original complaint, the wider portfolio checks and the subsequent Veritau reviews. These include the need to rectify historic documentation, clarify legal responsibilities, strengthen financial and decision-making controls, improve record keeping, ensure clearer communication between services and provide assurance that revised arrangements are embedded before new landlord activity resumes.

20. The principal issues arising are property-specific and relate to the form and status of agreements, maintenance and repair responsibilities, tenant communication, surrender or replacement arrangements, potential acquisition decisions and the financial consequences of resolving each case. The legal issues are complex and specific to each property, meaning careful consideration has had to be given to resolving the issues at each individual property rather than there being a single solution available to apply to all properties. There have also been wider service implications, including staff time, legal support, finance input, audit review, senior management oversight and the opportunity cost of pausing new landlord activity while controls are reviewed and strengthened.

21. The financial implications are still being assessed and will need to be updated as each property matter is resolved. The table below itemises the costs per property to date, together with external costs of the rectification work.

Property / cost area (property details contained in Exempt Annex A)	**Issue requiring resolution**	**Cost to date £**	**Status / comments**
Property 1	Final amendments to landlord agreements. Tenancy agreements to be changed	135,519	In progress
Property 2	Final amendments to landlord agreements. Tenancy agreements to be changed	3,937	In progress

Property / cost area (property details contained in Exempt Annex A)	**Issue requiring resolution**	**Cost to date £**	**Status / comments**
Property 3	Same as above	3,610	Same as above
Property 4	Property to be surrendered by mutual consent	-1,885	In Progress
Property 5	Complete	10,364	Complete
Property 6	End of agreement in progress, no renewal	-4,347	Complete January 2027
Property 7	Property surrendered by mutual agreement	15,830	Complete
Property 8	Under Review	22,447	In Progress
Property 9	Licence Approved	-10,161	Complete
Property 10	Lease expired	28,134	Complete
Total Property Costs		**203,448**	
Legal advice and documentation	Advice, drafting and rectification work	35,973	In Progress
Total	**All identified costs**	**239,421**	

22. The table above includes costs such as rents paid to landlords, repairs where necessary, furniture, and utilities. The figures are also net of rental income received from tenants. Total property costs expenditure (net of Yorhome fees) was £614k, rents and specific grants totalled £411k.

23. In addition to the costs above, internal staff time has been spent on financial assessment, audit review and assurance work as well as the task and finish group, senior officer oversight and service review.

24. The total cost identified in the table above has been funded through a combination of non-specific government grants, management fees received from the other Yorhome properties, as well as funding from reserves set aside from years when Yorhome achieved surpluses.

Other Risks and Mitigations

25. The key risks if the required control improvements are not completed and evidenced are:

    - Reputational risks resulting in the pipeline of premises no longer being available.
    - Risks that mistakes could be made again in the future bringing further financial and legal risks.
    - This will mean that there will be fewer safe and secure tenancies for some of York's residents who are most at risk of homelessness and deprivation.
    - Continuing legal, financial, governance and reputational exposure while individual property rectification matters remain unresolved.
    - Risk that revised procedures are not consistently embedded, evidenced or tested before new landlord activity resumes.

26. Mitigations are being managed through the live action plan, senior officer oversight, Legal and Finance input, revised delegations and approval routes, clearer audit trails, conflict of interest controls, completion of property-specific rectification work and Veritau's Phase 2 review of the revised arrangements. Further testing will be required once the new controls are operational.

27. As a further reinforcing mitigation, YorHome will not take on any new cases, landlords or properties while the remaining rectification work is ongoing. This position will only be reviewed once the legal, financial and governance issues have been resolved, the revised controls have been implemented and tested, and a further update has been brought back to Members.

Contact details

For further information please contact the authors of this Decision Report.

Author

Name:	Pauline Stuchfield
Job Title:	Director of Communities
Service Area:	Communities Directorate
Report approved:	Yes
Date:	07/09/2026

Background papers

- Background paper: Executive report, 22 April 2025

  Decision - Approval of Property Management Arrangements

- Background paper: Executive report, 15 July 2025

  Decision - Approval of Property Management Arrangements - Follow-Up Report

Annexes

- Exempt Annex A: Veritau YorHome Phase 1 fact-finding review
- Exempt Annex B: Veritau Phase 2 assurance review of revised arrangements
- Exempt Annex C: Property Details
- Annex D: YorHome live action plan and management response