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Chairman and Members of the
Audit and Governance Committee

Your contact: Michele Aves
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Date: 23 May 2022

cc. All other recipients of the Audit
and Governance Committee agenda

Dear Councillor,

AUDIT AND GOVERNANCE COMMITTEE - 31 MAY 2022

Please find attached the following report, which has been added to the agenda with the agreement of the Chairman:

10. Next Steps Accommodation Capital Grant Audit (Pages 2 - 13)

Please bring these papers with you to the meeting next Tuesday.

Yours faithfully,

Michele Aves
Democratic Services Officer
East Herts Council
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MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 31 MAY 2022
TIME : 7.00 PM

Agenda Item 10

East Herts Council Report

Audit and Governance Committee

Date of meeting: 31st May 2022

Report by: Steven Linnett, Head of Strategic Finance and Property & Jonathan Geall, Head of Housing and Health

Report title: Audit of Next Steps Accommodation Programme Capital Grant

Ward(s) affected: Stanstead Abbots

Summary – In late 2021, an audit was initiated by Homes England, and carried out by the Shared Internal Audit Service, of the council's capital scheme to provide six self-contained flats for use as temporary accommodation for rough sleepers in the grounds of The Rectory, Stanstead Abbots.

Homes England determined that there were two breaches of their grant conditions. One low severity breach resulting from two documents not being provided to the auditors in a timely way and another breach assessed to be of high severity. This arose from the council submitting its final payment claim one day ahead of the formal certification of practical completion. While a serious matter, Homes England have provided written assurance that so long as the council puts actions in place to ensure that the requirements of Homes England's Capital Funding Guide are met in future, the council's ability to bid for new schemes should be unaffected.

RECOMMENDATIONS FOR Audit and Governance Committee:

- a)** receive and make any comments on the audit of the council's Next Steps Accommodation Programme Capital Grant
- b)** receive and make any comments on the council's actions to ensure similar breaches do not happen in the future.

1.0 Proposal(s)

- 1.1 It is accepted that the council was in error when drawing down the final payment for Next Steps Accommodation Programme (NSAP) capital grant relating to The Rectory scheme, triggered by the scheme's practical completion, one day ahead of the practical completion certification.
- 1.2 The grant in question was the first ever grant the council has received from Homes England. The mistake arose because although Homes England colleagues had helpfully alerted officers on 9th March 2021 that it would be expedient for the council to make the final grant payment submission on 30th March 2021 so as to avoid any risk of a delayed payment due to the close down of Homes England's system at midday on 31st March 2021, the council did not bring forward the final site visit required to enable the issuing of the practical completion certificate from the planned date of 31st March 2021.
- 1.3 It is appropriate that the Audit and Government Committee is made aware of this error in the grant drawn down procedures.
- 1.4 Committee members are invited to consider the changes the council is making to to avoid any similar future mistakes being. The revised procedures include:
 - appointing a single, named project manager for housing capital projects supported by a project sponsor at Head of Service level to whom matters will be escalated promptly should any risk to deadlines be identified
 - ensuring that the funding claim deadlines are highlighted within the project task list, with timely amendments made if any deadlines change during the course of the project

- requiring clearance for financial claims to be made on Homes England's project management system by the project manager only when that person has shown the project sponsor a copy of the requisite document or documents, such as the certification of practical completion.

2.0 Background

- 2.1 In late 2020, the council successfully bid for funding under the government's Next Steps Accommodation Programme to support the acquisition of two properties within the grounds of The Rectory, Stanstead Abbots, and the conversion of these two properties and an adjoining property in the council's ownership into six self-contained flats for use as temporary accommodation for rough sleepers in the district or those at risk of rough sleeping.
- 2.2 Following completion of the project, an audit of the £233k capital allocation was carried out by the Shared Internal Audit Service on behalf of Homes England. Based on this audit, Homes England determined that there were two breaches of their grant conditions. The Homes England's report is attached at Appendix A.
- 2.3 The breaches were as follows:
- neither the contract between the council and its contractor nor the Building Control sign off were made available until after the conclusion of the audit. Homes England assessed this as a low severity breach
 - the audit identified the final grant payment claim at practical completion was made one day in advance of the practical completion certification. Homes England counted this breach as claiming monies in advance of need, a high severity breach.
- 2.4 With regard to the high severity breach, the mistake arose because although Homes England colleagues had helpfully alerted the council

on 9th March 2021 that it would be expedient to make the final grant payment submission on 30th March 2021 so as to avoid any risk of a delayed payment due to the close down of Homes England's system at midday on 31st March 2021, the council did not bring forward the final site visit required to enable the issuing of the practical completion certificate from the planned date of 31st March 2021.

- 2.5 Officers recognise that as soon as they became aware that Homes England wished the council to submit the practical completion-related grant claim on 30th March, instead of 31st March which all involved were working to, arrangements should have been made for the council's sub-contracted surveyor to attend the site by 30th March at the latest rather than on 31st March as booked. This would have avoided the problem identified by Homes England audit.
- 2.6 To avoid any recurrence of these problems on future projects, procedures have been amended, with changes including:
- appointing a single, named project manager for housing capital projects supported by a project sponsor at Head of Service level to whom matters will be escalated promptly should any risk to deadlines be identified
 - ensuring that the funding claim deadlines are highlighted within the project task list, with timely amendments made if any deadlines change during the course of the project
 - requiring clearance for financial claims to be made on Homes England's Investment Management System, IMS, by the project manager only when that person has shown the project sponsor a copy of the requisite document or documents, such as the certification of practical completion.
- 2.7 Homes England have assured the council in writing that that so long as the council puts actions in place to ensure that the requirements of

Homes England's Capital Funding Guide are met in future, the council's ability to bid for new schemes should be unaffected

3.0 Reason(s)

3.1 The revised procedures will minimise the risk of similar breaches of Homes England's grant funding requirements happening again in the future.

4.0 Options

4.1 If the council wishes to access Homes England funding in the future, which Homes England have made clear is still an option for the council despite these breaches, it needs to ensure the appropriate procedures are in place that will minimise the risk of repeat mistakes. Therefore, no alternative options have been put forward.

5.0 Risks

5.1 Repeated breaches of Homes England's requirements will not only adversely impact on the council's reputation but could diminish the council's chances of accessing future funding made available by Homes England on a competitive basis.

6.0 Implications/Consultations

6.1 The Head of Strategic Finance and Property and Head of Housing and Health have fully briefed the Chief Executive and the Executive Members for Neighbourhoods and Financial Sustainability.

6.2 The Chief Executive has written to Homes England assuring them that the council has taken the findings of the audit extremely seriously and is amending its procedures as laid out in this report. The council has not received any subsequent correspondence from Homes England, suggesting the agency has been assured by the council's response.

Community Safety

None arising from this report

Data Protection

None arising from this report.

Equalities

None arising from this report.

Environmental Sustainability

None arising from this report.

Financial

The council has put in place new procedures to ensure it can manage Homes England-funded capital schemes in full accordance with the agency's requirements.

Health and Safety

None arising from this report.

Human Resources

None arising from this report.

Human Rights

None arising from this report.

Legal

The council has put in place new procedures to ensure it can manage Homes England-funded capital schemes in full accordance with the agency's requirements.

Specific Wards

Stanstead Abbotts

7.0 Background papers, appendices and other relevant material

7.1 Appendix A: Compliance Audit Report – 2021/22 – 26UD – East Hertfordshire District Council: Homes England

Contact Member

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Compliance Audit Report – 2021/22

26UD – East Hertfordshire District Council

Final Grade	Red - Serious failure to meet requirements
Independent Auditor Organisation	SIAS - Shared Internal Audit Service
Independent Auditor Name	Simon Martin

Report Objectives and Purpose

Compliance Audits check Provider compliance with Homes England's policies, procedures and funding conditions. Standardised checks are made by Independent Auditors on an agreed sample of Homes England schemes funded under affordable housing programmes. Any findings, which may be a result of checks not being applicable to the scheme or an indication of procedural deficiency, are reported by the Independent Auditor to both the Provider and Homes England concurrently. The Homes England Lead Auditor reviews the findings and records those determined to be 'breaches' in this report. Breaches are used as the basis for recommendations and final grades for Providers. Grades of green, amber or red are awarded; definitions are provided on page 2 of this document.

Further information is available at: <https://www.gov.uk/guidance/compliance-audit>.

Provider's Acknowledgement of Report

The contents of this report should be acknowledged by your Board's Chair or equivalent. Confirmation of this acknowledgement should be recorded in the IMS Compliance Audit System by your Compliance Audit Lead on behalf of your Board's Chair or equivalent. Online acknowledgement should be completed within three calendar months of the report email notification being sent.

Confidentiality

The information contained within this report has been compiled purely to assist Homes England in its statutory duty relating to the payment of grant to the Provider. Homes England accepts no liability for the accuracy or completeness of any information contained within this report. This report is confidential between Homes England and the Provider and no third party can place any reliance upon it.



Compliance Audit Grade Definitions

Green Grade	No high or medium severity breaches identified, although there may be low breaches identified. The Homes England audit report will show that the provider has a satisfactory overall performance but may identify areas where minor improvements are required.
Amber Grade	One or more medium severity breaches identified. The Homes England audit report will show that the provider has failed to meet some requirements but has not misapplied public money. The provider will be expected to correct identified problem(s) in future schemes and current developments.
Red Grade	One or more high level severity breaches identified, the Homes England audit report will show that the provider has failed to meet some requirements and there has been a risk of misapplication of public funds.

Compliance Audit Grade and Judgement

Final Grade	Red - Serious failure to meet requirements
Judgement Summary	<p>On review of the evidence provided, the outcome of the audit has shown the provider has failed to comply with some programme requirements and there is a risk of misapplication of public funds. A RED grade has been assigned. The audit has identified one high and one low breach. The breaches relate to:-</p> <ul style="list-style-type: none"> No contract between the council and its contractor, and Building Control sign off was not available in the scheme file at the time of the Independent Auditor's review. This was provided upon request by the Independent Auditor but after the audit submission deadline. Practical completion certificate is dated the 31 of March 21 and practical completion was submitted and completed on IMS on 30 March 21 one day before practical completion. <p>We wish to emphasise that implementing appropriate systems and procedures to meet Homes England contractual requirements and funding conditions is essential to ensure there is no future risk of misapplication of public funds. The provider is responsible for ensuring remedial action is taken in accordance with the recommendations listed in the Compliance Audit system to ensure further breaches of this nature do not reoccur in the future and Capital Funding Guide requirements are met.</p>

Scheme/Completions details

Scheme ID/ Completion ID	Address/Site ID	Scheme type
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1023906	East Herts Council next steps rough sleepers accommodation Roydon Road, SG12 8HA	Next Steps Accommodation - Capital
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Audit Results

Number of Schemes/Completions Audited	1
Number of Breaches Assigned	2
Number of High Severity Breaches	1
Number of Medium Severity Breaches	0
Number of Low Severity Breaches	1

Details of Breaches by Scheme/Completion

Where there are breaches identified, remedial action must be taken in accordance with recommendations listed in the Compliance Audit Module to mitigate the potential for re-occurrence.

Breach 1

Scheme/Completion ID	1023906
Address/Site ID	East Herts Council next steps rough sleepers accommodation Roydon Road, SG12 8HA
Breach severity	Low
Breach description	3. Key document not on file: provided following request by Independent Auditor but not before audit submission deadline
Breach comment	The audit has identified that there was no contract between the council and its contractor, and Building Control sign off was not available in the scheme file at the time of the Independent Auditor's review. This was provided upon request by the Independent Auditor but after the audit submission deadline. All key documents should be available in the scheme file to meet the requirements of the Capital Funding Guide.
Recommendation	The Provider should review their processes and add the necessary steps to prevent similar issues reoccurring in the future. Please ensure the revised process meets the Capital Funding Guide requirements and funding conditions.



Breach 2

Scheme/Completion ID	1023906
Address/Site ID	East Herts Council next steps rough sleepers accommodation Roydon Road, SG12 8HA
Breach severity	High
Breach description	17. Practical Completion grant payment claimed in advance of need. This applies where the final grant claim preceded Partial Possession/Practical Completion (as defined in the CFG)
Breach comment	The audit has identified that the practical completion grant payment was claimed in advance of need. The practical completion certificate was not issued prior to submission of practical completion grant claim. Practical completion certificate is dated the 31 March 21 and practical completion was claimed on IMS 30 March 21 .
Recommendation	The Provider should review their processes and add the necessary steps to prevent similar issues reoccurring in the future. Please ensure the revised process meets the Capital Funding Guide requirements and funding conditions. The provider is also expected to revise and correct the identified issue in all current grant funded developments.