

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

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