

## HALE END COURT LEARNING POINTS

### Executive Summary

At its meeting on 6 July 2023, the Committee received a report entitled 'Hale End Court – Audit Outcome' setting out the outcome of the Homes England Audit into the development and grant funding of Hale End Court. The project comprised of 48 Extra Care apartments for which the Council secured £1,973,504 in capital grant funding through Homes England's Shared Ownership and Affordable Homes Programme (SOAHP) 2016-2021.

The development had been selected by Homes England as part of its 2022/23 Compliance Audit Programme, which aims to provide assurance that organisations receiving grant funding have met Homes England requirements and funding conditions and have properly exercised their responsibilities as set out in its Capital Funding Guide.

The Homes England Compliance Audit report awarded a red grading, indicating serious failure to meet requirements. The areas of concern relate to:

- Secure legal interest and good title over the development land not being in place
- Data discrepancies over rent levels
- Premature claim for practical completion grant

It was agreed that a further brief report would be received at the next meeting of the Committee setting out reflections on how the learning points were being applied more broadly within the Council. Following agreement with the Chairman due to the level of work ongoing around the Council's Medium Term Financial Strategy, it was reported at the meeting on 21 September 2023 that the update report as requested by the Committee had been deferred to the current meeting.

The purpose of this update is to provide Members with reflections on how the learning points from the Hale End Court Audit by Homes England are being applied within the Council.

### Recommendations

The Committee is requested to:

**RESOLVE That** the report be received.

The Committee has the authority to determine the recommendation(s) set out above.

**Background Papers:** None.

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### 1.0 Introduction

- 1.1 Woking Borough Council applied to become an Investment Partner with Homes England, to facilitate securing grant funding, in July 2020 and were approved as an Investment Partner in September 2020.
- 1.2 Woking Borough Council subsequently received £1,973,504 in capital grant funding through the Homes England Shared Ownership and Affordable Homes Programme in October 2020 to deliver 48 apartments for extra care housing at Hale End Court.
- 1.3 Woking Borough Council, specifically Hale End Court, was selected for audit as part of the Homes England 2022-23 Compliance Audit Programme.
- 1.4 The audit sought to ensure that Woking Borough Council had met the requirements and responsibilities for grant recipients, as laid out in the Homes England Capital Funding Guide (CFG). Grant recipients must follow the requirements within the CFG to remain compliant in using grant for the purposes stated in their relevant grant agreement, maintaining proper records which comply with Homes England's terms and conditions of grant and providing relevant information to Homes England in accordance with the requirements of the grant conditions.
- 1.5 The Homes England Compliance Audit report awarded a red grading, indicating serious failure to meet requirements. The areas of concern relate to:
  - Secure legal interest and good title over the development land not being in place
  - Data discrepancies over rent levels
  - Premature claim for practical completion grant
- 1.6 An extract from the minutes of the Committee on 6 July 2023 is set out below.

#### **“8. HALE END COURT - AUDIT OUTCOME STA23-006**

Louise Strongitharm, Strategic Director – Communities, introduced the report containing the audit outcome of Hale End Court from Homes England. Louise advised that in July 2020 Investor Partner Status was secured with Homes England for secured funding of £2m towards affordable extra care homes at Hale End Court. Following a compliance audit requested by Homes England, four breaches had been identified; three of which were classed as high and one of which was classed as low. The two main learning points were that rents should have been updated as they had changed during the two year term of the project, and practical completion claims should have been submitted for the grant awards at the correct time.

The Chairman stated that the report made for sombre reading and it appeared that there could have been some failings in project management, adding that it was vital for the lessons learnt to be incorporated into day to day practice. Louise advised that the Council's full project management process had been followed.

It was agreed that a further brief report would be received at the next meeting of the Committee setting out reflections on how the learning points were being applied more broadly within the Council.

#### RESOLVED

- That (i) the Homes England Audit Report, as attached to the report, be accepted;

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- (ii) the Strategic Housing and Development Manager be authorised to officially sign off the report with Homes England; and
- (iii) a further brief report would be received at the next meeting of the Committee setting out reflections on how the learning points were being applied within the Council.”

1.7 Following agreement with the Chairman due to the level of work ongoing around the Council’s Medium Term Financial Strategy, it was reported at the meeting on 21 September 2023 that the update report as requested by the Committee had been deferred to the current meeting.

### 2.0 Lessons Learnt

2.1 As a new Investment Partner, Hale End Court represented the Council’s first time registering and bidding for grant through Homes England’s Investment Management System (IMS) and delivering a new-build scheme through their grant regime.

2.2 The audit highlighted the need to constantly update scheme records on the Homes England IMS system to reflect changes. It has also identified the need for robust records, accepting that some of the discrepancies resulted from specific circumstances arising from the pandemic.

2.3 Following the July Committee meeting, officers involved with the project met with the Council’s Corporate Strategy Manager to consider how the Council’s approach to project management could be improved to avoid similar breaches occurring in future.

2.4 The Old Woking Independent Living Project (Hale End) was formally initiated through the Project Support Office in December 2017. The Project Manager of the scheme was the Asset Management Business Manager within Property Services. The project was correctly initiated, executed, and closed, in-line with the Council’s, project management process, and quarterly progress reports were prepared and submitted to the Executive until the closure of the project. The project was classified as ‘in retention’ from October 2021 to October 2023, which is standard for ‘build’ projects to allow time for any snagging/remedial works to be undertaken.

2.5 Every project must complete a Project Workbook (business case) which must be reviewed and signed-off prior to the release of funds and commencement of the work. The Project Workbook captures a range key information such as scope, approach, funding, financial implications (validated by Finance), contract requirements, milestones, etc. As part of project closure, lessons learnt are also captured. One of the key lessons learnt recorded upon closure of this project was that “The requirements of the Homes England Grant were not made clear to the project by Housing at project outset. This led to very late demands for information as a requirement for the grant to be released some of which we did not have.”

2.6 At the time of initiation and throughout delivery, the project was considered to be a ‘build’ project, which is why it was managed by an officer with asset management expertise. The project team and stakeholders (both identified at project initiation/start-up stage) reflect focus on the development aspect of the scheme (contractors, consultants, architects etc.) rather than the ‘client side’ perspective which would have included Housing representation. Housing colleagues, who would have been the main interface with Homes England and more fully aware of Grant Funding requirements, were not listed and therefore not as actively involved as required. It was this disconnect between delivery agent (Asset Management) and client (Housing) which resulted in funding condition issues.

2.7 Long after project commencement, a new team was created in Housing (Strategic Housing and Development) – the remit of which was to seek the creation of new affordable homes to support the Council’s wider Housing objectives and to provide a link with Government departments, such as, Homes England. At this point, the project team should have expanded

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to better reflect the needs of the client and build in closer links with Homes England. The Project Workbook should have been updated to reflect this and encompass the funding milestones and expected deliverables.

- 2.8 Significant progress has been made over the last 12 months in relation to project oversight and governance. A quarterly Corporate Programme Board meets (comprised of CLT) to review the status of all Council projects – the Board enables a more strategic conversation around risk, issues, and interdependencies between initiatives, and is designed to ensure a more joined-up approach.
- 2.9 The review of the project highlights the importance of having a strong “client” role around projects and ensuring the project team is kept under review as a project evolves.
- 2.10 Whilst the Council's project management approach provides the framework to track key deliverables linked to grant conditions, it is suggested that for complex grants, a detailed checklist should also be produced and tracked as part of the project oversight.
- 2.11 In addition, where the Council lacks expertise and/or experience in delivering grant funded schemes, there may be a role to bring in support from other organisations either to manage the grant claim process and/or to act as a critical friend. This is likely to be most applicable to large scale, complex grants, such as Homes England. There are a number of housing associations who do offer this service to local authorities.

### 3.0 Corporate Strategy

- 3.1 Housing plays an important role in the health, social, environmental and economic wellbeing of everyone who lives in the borough. Good quality, decent and affordable homes contribute significantly to health and wellbeing. Hale End Court focuses on delivering suitable housing for frail and vulnerable residents that is truly affordable.

### 4.0 Implications

#### Finance and Risk

- 4.1 The Council does not expect the breaches to impact its Homes England Investment Partner status or its ability to apply for future grant funding. However, following the issuing of the S114 notice, the Council was notified by Homes England in August 2023 that it was not entitled to apply for any new grants for the foreseeable future, as the S114 Notice was deemed a withholding event.

#### Equalities and Human Resources

- 4.2 There are no specific implications outlined in the report.

#### Legal

- 4.3 Woking Borough Council is required to acknowledge acceptance of the report via the England online audit portal. This has been done following the July 2023 Committee meeting.

### 5.0 Engagement and Consultation

- 5.1 There are no specific implications outlined in the report.

REPORT ENDS