

ALPHA ROAD – AUDIT OUTCOME

Executive Summary

Woking Borough Council applied to become an Investment Partner with Homes England in July 2020 to enable it to secure grant funding.

The Council subsequently secured £605,600 of Rough Sleeper Accommodation Programme (RSAP) funding in summer 2021 to acquire 8 properties as move-on accommodation for former rough sleepers. The Council targeted leasehold apartments to buyback within its own blocks and delivered all 8 properties ready for occupation by 30 June 2022.

The Council, specifically the acquisition of 31 Alpha Road under the RSAP scheme, was selected for audit as part of the Homes England 2023-24 Compliance Audit Programme. The Homes England Compliance Audit report awarded a red grading, indicating serious failure to meet requirements. The areas of concern relate to:

- Lack of comprehensive scheme file (Medium Level Breach)
- Incorrect data (Low Level Breach)
- Premature grant claim (High Level Breach)

This report sets out the learning from these breaches and any future actions required.

Recommendations

The Committee is requested to:

RESOLVE that

- (i) the Homes England Audit Report, as attached to the report, be accepted; and
- (ii) the Strategic Director - Communities be authorised to officially sign off the report with Homes England.

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

Background Papers: None.

Reporting Person: Kevin Foster, Strategic Director – Corporate Resources
Email: kevin.foster@woking.gov.uk, Extn: 3198

Contact Person: Louise Strongitharm, Strategic Director – Communities
Email: louise.strongitharm@woking.gov.uk, Extn: 3599

Date Published: 3 April 2024

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 was approved as an Investment Partner in September 2020.
- 1.2 The Council subsequently secured £605,600 of Rough Sleeper Accommodation Programme (RSAP) funding in summer 2021 to acquire 8 properties as move-on accommodation for former rough sleepers. The Council targeted leasehold apartments to buyback within its own blocks and delivered all 8 properties ready for occupation by 30 June 2022.
- 1.3 The Council, specifically the acquisition of 31 Alpha Road under the RSAP scheme, was selected for audit as part of the Homes England 2023-24 Compliance Audit Programme.
- 1.4 The audit sought to ensure that the 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.

2.0 Audit process

- 2.1 TIAA Ltd were appointed by Woking Borough Council to act as an independent auditor. The audit was carried out during autumn 2023.
- 2.2 TIAA Ltd were required to submit their findings via the Homes England online audit portal and then the Council had 10 working days from the submission of the auditor's findings on 6 November 2023 to review all independent auditor findings and comment if there was additional information to raise.
- 2.3 Woking Borough Council's responses to questions raised by the auditor were submitted on 16 November 2023 and the Council was informed of the audit report recommendation on 15 March 2024.

3.0 Audit outcome

- 3.1 On review of the evidence provided, Homes England determined that there were issues indicating serious failure of Woking Borough Council in complying with all the programme requirements and guidance.
- 3.2 A red grade was assigned with one high level, one medium level and one low level breach being identified. A red grading is given when one or more high level severity breaches are identified.
- 3.3 Each breach detailed was accompanied by a recommendation from Homes England.

Breach 1 – Medium (Lack of Comprehensive Scheme File)

- 3.4 The first breach identified that a comprehensive scheme file was not maintained and did not include all required document(s). The scheme file did not meet the requirements of the Capital Funding Guide.
- 3.5 The Strategic Director – Communities picked up the audit coordination midway through the process in October 2023, when a number of requested documents were outstanding and overdue. Whilst most of the documents were located with some effort, it was acknowledged that record management had been weak.

- 3.6 Homes England's recommendation noted "We note the provider's comment that revised processes are now in place. Please ensure these revised processes have added the necessary steps to prevent similar issues reoccurring in the future and that these revised processes meet 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."

Breach 2 – Low (Incorrect Data)

- 3.7 The second breach detailed that incorrect data had been entered onto the Homes England grant system (IMS). However, as these did not impact overall value for money to the grant funder, this was a low level breach.
- 3.8 The audit identified that key cost data detailed in the scheme file is less than the values entered on the IMS system. The Council had spent more of its own resources on refurbishment works than recorded on the system. Whilst this is permitted, the scheme should have been updated to reflect this. This error did not impact the value for money of the grant award.
- 3.9 In addition, the rental figures had been updated on the IMS system to reflect final rents, but not submitted correctly for approval. The rent figure was correctly submitted and approved during the audit process to rectify the issue.
- 3.10 Homes England's recommendation noted "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."

Breach 3 – High (Premature Grant Claim)

- 3.11 The third breach identified that the Council could not evidence that it had commenced start on site works according to Capital Funding Guide definition. The Council claimed start on site on 30 March 2023, but the first evidence of any works being carried out was an asbestos survey being carried out on 12 April 2023.
- 3.12 It was believed that a lock change had taken place on the claim date, as this was excluded from the voids work specification (as would be usual practice), but no evidence could be found to support this.
- 3.13 Homes England's recommendation noted "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."

4.0 Lessons Learnt

- 4.1 At its meeting on 6 July 2023, the Standards and Audit 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. This audit highlighted similar (but a greater number of) concerns and breaches to the Alpha Road audit.
- 4.2 On 23 November 2023, the Committee received an update on how the learning points from the Hale End Court Audit were to be applied within the Council. Unfortunately, this was too late to impact the RSAP project, including Alpha Road, which had already been completed the previous year.

- 4.3 Both audits highlighted the need to constantly update scheme records on the Homes England IMS system to reflect changes and the need for robust record keeping.
- 4.4 Every project should 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. Whilst the Council's project management approach provides the framework to track key deliverables linked to grant conditions, it was suggested that for complex grants, a detailed checklist should also be produced and tracked as part of the project oversight. This approach would have prevented some of the issues identified in the Alpha Road audit.
- 4.5 The RSAP project was not set up formally as a project using the corporate process. It is clear from the findings that a more robust project management approach should have been followed with this grant-funded scheme, particularly in relation to meeting key milestones and record keeping.
- 4.6 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, including the administration of the IMS system. In particular, this could have prevented breaches 2 and 3 from the RSAP audit, relating to incorrect data and the premature grant claim.
- 4.7 It is now widely accepted that the Council has lacked project management expertise, capacity and rigour in the past. An experienced project manager, familiar with the Homes England grant process and system, would most likely have avoided these breaches.
- 4.8 Significant progress has been made over the last 18 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. The Council's Programme Management Office has also been strengthened to oversee the delivery of the Council's Improvement and Recovery Plan and Fit for the Future change programme.

5.0 Corporate Strategy

- 5.1 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. The acquisition of homes under the Rough Sleeper Accommodation Programme (RSAP) focused on supported vulnerable rough sleepers into settled accommodation.

6.0 Implications

Finance and Risk

- 6.1 The breaches and audit outcome are unlikely to impact the ability of the Council to apply for future Homes England 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

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

Legal

6.3 Woking Borough Council is required to acknowledge acceptance of the report via the England online audit portal by 15 May 2024.

7.0 Engagement and Consultation

7.1 There are no specific implications outlined in the report.

REPORT ENDS