

AUDIT AND ACCOUNTS COMMITTEE

21 APRIL 2021

HOMES ENGLAND COMPLIANCE AUDIT REPORT 2020-21 - HRA 5 YR DEVELOPMENT PROGRAMME

1.0 Purpose of Report

- 1.1 To inform the Committee the outcome of the Homes England Audit 2020/21 for the Council's 5 year Housing Revenue Account (HRA) Development Programme.
- 1.2 To advise the Committee of the actions taken and enable the Council to sign of the Audit on Homes England's Information Management System by the end of April 2021 following an extension agreed with Homes England to accommodate the timing of this Committee.

2.0 Background Information

- 2.1 In support of the Council's 5 years HRA Development Programme a grant of £4,307,635 (years 1 and 2) was provided to the Council through the Homes England affordable housing grants programme. No grant has been claimed in relation to year 3 due to the deadlines for using Right to Buy "1-4-1" receipts.
- 2.2 Grant was claimed in October 2019 for the Boughton Extra Care Scheme to the sum of £1,560,000 (start on site claim) and a further claim for £520,000 will be submitted upon reaching practical completion. As part of due diligence, Homes England have undertaken a routine audit of the delivery of the programme.
- 2.3 It is part of the grant conditions that the outcome of the audits are reported to the Council's Senior Leadership Team and relevant Committee.
- 2.4 The Compliance Audit Programme provides assurance that organisations receiving grant have met with all Homes England's requirements and funding conditions and that providers have properly exercised their responsibilities as set out in the Capital Funding Guide, contract and any other supplementary compliance audit criteria.
- 2.5 The scope of the audit includes matters such as compliance with grant conditions, compliance in rent setting, contractor appointment and management and compliance in obtaining relevant planning and other approvals.
- 2.6 Homes England use the audit findings to inform future investment decisions and to assure them that public funds have been used properly.

3.0 Audit Findings

- 3.1 Standardised checks (off-site) were made by Council appointed Independent Auditors (Beever and Struthers) on one of two potential scheme in the district that could have been chosen by Homes England: Westhorpe, Southwell. During the audit, the Independent Auditor checks the scheme for compliance using questions from Homes England's published checklists. The Independent Auditor reviews the information contained on file and reports any findings against Homes England's policy and procedures.

3.2 The Homes England Lead Auditor reviews the Independent Auditor findings and records any inconsistencies against their audit checklist that covers reconciliation of data as well as compliance with the capital funding guide. Breaches are used as the basis for awarding grades to the provider. The Compliance Audit Report awards Providers a red, amber or green grade based on the number and severity of breaches recorded.

3.3 The Grading structure is such that:

Green Grade – the provider meets the requirements through identifying no high or medium breaches.

Amber Grade – one or more high or medium breaches but the authority has not misapplied public funds.

Red Grade – one or more high level breaches and there is a risk that the authority has misapplied public funds.

3.4 Newark and Sherwood District Council’s Compliance Audit has concluded that the Council breached two elements of the audit checklist but that in breaching those checklist points, it did not misapply public funds and hence has been awarded an Amber Grade. The full Homes England Audit Findings are attached as Appendix A.

3.5 The Council has taken the necessary steps to ensure the breaches the Audit highlighted have been addressed and a process review has taken place to resolve the issues and reduce the risk of future audit failure as detailed below:-

Scheme	Breach Level	Breach Details	NSDC Procedure now in place
Westhorpe	Medium	27. Affordable and Social Rent Rents charged do not match those in IMS. The audit has identified that the rents charged do not accord with the data held in IMS.	<p>The procedure that was in place at the time of the scheme delivery and practical completion was a Newark and Sherwood Homes (NSH) Procedure (scheme delivery was between January 19 and December 19.) It has been identified that the process had no provision for reconciliation prior to completion, of forecast rents versus actual chargeable rents.</p> <p>This process has being reviewed to include a pre completion reconciliation review of data including cost and rent charge amounts inputted in IMS.</p> <p>Staff training is also required on grant application and conditions of grant to ensure future compliance. This was identified in early 2020 following the housing team’s re-integration into the Council (and subsequent staffing</p>

			changes) however was not carried out due to Covid-19 restrictions. This has now been arranged.
Westhorpe	Low	8. Incorrect IMS data has been entered but there are no value for money implications. Examples might include typographical errors, or a failure to update the system with revised information. The cost data held on IMS does not match the cost data held on the Scheme file.	As above.

3.6 Processes have been reviewed as part of the New Homes Development Procedure to ensure that these breaches do not occur again in future.

3.7 The findings from the Homes England Compliance Audit raised awareness of the identified breaches and the Council instigated a wider review of all sites. The review determined that there is one other scheme whereby the IMS data is not consistent with actual site costs and actual rental charges.

Lindsey Avenue	Newark
----------------	--------

3.8 The Director of Housing, Health and Well Being has written to Homes England to advise that the Council accept the conclusions of the Audit that one medium breach and one low level breach have been made and that the breaches did not misapply public funds as well as notifying of the same issue at Lindsey Avenue. Homes England agreed for the response time to be extended to the end of April to allow for this Committee to consider the reports' findings.

3.9 Subsequently, speaking to the Senior Officer at Homes England, they have indicated that they are happy with the steps that have been put in place, and understand the issues that the staffing changes presented and are clear the Council is learning and responding to the findings positively. Homes England confirmed they wish to build a strong relationship with the Council and look forward to working with us as a key partner in the future.

Internal Audit Findings

3.10 A recent internal Audit (carried out by lead Auditor, Assurance Lincolnshire) has been carried out between November 20 and January 21 on the HRA development programme, which has given a rating of High Assurance. The auditor's results stated, "the review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance. The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as

adequate, appropriate and are operating effectively". The scope of the internal Audit did not review the IMS process of the development program.

3.11 The internal Audit did identify that there are arrangements, which ensure that the contracts in place for the developers and the key consultants are monitored maintaining effective delivery of the development programme. The programme is on target for successfully completing the delivery of all the units within the scheduled timescale and it is projected that the available financial resource is sufficient to ensure the delivery of the programme and is reasonably within the approved budgets. The audit identified a number of areas of good practice, including those which have ensured the achievement of Value for Money, through the re-engineering of the build designs and robust checks to ensure correct application of the schedule of rates have been applied correctly.

3.12 It is highly likely that Homes England will undertake a 21/22 Compliance Audit. Current procedures in relation to IMS data inputting and the reconciliation prior to completion have been reviewed to ensure that improved controls are effective.

4.0 Equalities Implications

4.1 There are no equalities implications.

5.0 Digital Implications

5.1 There are no direct digital implications except for the training required to support use of the Homes England IMS system.

6.0 Financial Implications (FIN20-21/1281)

6.1 Failure to meet Homes England's requirements could adversely affect the Council's ability to access funding for new homes, thus impacting on the Community Plan objective to deliver new affordable homes.

7.0 Community Plan - Alignment to Objectives

7.1 Create more and better quality homes through our roles as landlord, developer and planning authority.

8.0 Comments of Director(s)

8.1 These Audit findings whilst disappointing, are easily rectified through the training and procedure review which has been initiated for the team. Homes England have provided assurance around their commitment to a partnership with us to deliver good quality new homes in the District across the course of the Affordable Homes Programme.

9.0 RECOMMENDATION(S)

That the Committee note the findings of the Compliance Audit have been accepted by the Council, and a response to Homes England has been sent outlining the steps taken to address the breaches and ensure they do not re-occur.

Reason for Recommendation(s)

The Committee is assured of improvements implemented as a result of the Audit.

Background Papers

Homes England Compliance Audit Report 2020/21

For further information please contact Jill Sanderson, Housing Development Officer on Extension 5624

Suzanne Shead

Director of Housing, Health and Wellbeing