

Report To:	AUDIT COMMITTEE
Date:	28TH MARCH 2022
Heading:	HOMES ENGLAND COMPLIANCE AUDIT REPORT 2021/22
Portfolio Holder:	CLLR T HOLLIS – PORTFOLIO HOLDER FOR HOUSING & ASSETS
Ward/s:	SKEGBY / SUTTON CENTRAL
Key Decision:	NO
Subject to Call-In:	NO

Purpose of Report

Homes England ask that audits are completed on new affordable housing developments being funded through their affordable housing programmes to ensure compliance with policies, procedures and funding conditions. The purpose of this report is to advise Members of the findings of the Compliance Audit Report – 2021/22 conducted on the Council’s first affordable housing development scheme in Sutton in Ashfield and to seek approval of the steps taken to address the identified breach.

Recommendation(s)

To note the findings from the Homes England Compliance Audit Report – 2021/22.

To approve the steps taken to address the breach identified in the Audit Report and the processes in place to reduce the risk of future audit failure.

Reasons for Recommendation(s)

It is important the Council acknowledges the breach identified in the Homes England Compliance Audit Report and takes appropriate action to reduce the risk of future audit failure.

It is part of the grant conditions that the outcome of the Homes England audits are reported to the Council’s senior management team and relevant Committee.

Alternative Options Considered

None

Detailed Information

The Council has embarked on an ambitious £10m affordable development programme, aimed at delivering 100 new homes over a 5 year period.

The Council receives financial support from Homes England for its new build homes, this helps ensure the financial viability of the scheme. Typically Homes England funding covers 25 - 30% of the build costs.

In January 2021 the Council began its first development, termed Sutton In-fill, it included the development of 4 bungalows on former community centre sites at Poplars and the Beeches and 5 family homes on a former car park on Stoney Street.

In June 2021 the Council received notification from Homes England that an independent audit of the Sutton In-fill scheme was required. Through the audit process Homes England were seeking assurance that organisations receiving grant have met with all of their 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.

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.

Arrangements were made for Central Midlands Audit (CMAP) to conduct the audit in accordance with Homes England requirements. A copy of the report was forwarded to Homes England for their Lead Auditor to review and record any breaches.

The Compliance Audit Report awards providers a red, amber or green grade based on the number and severity of breaches recorded.

- Green Grade – the provider meets the requirements through identifying no high or medium breaches.
- Amber Grade – one or more high or medium breaches but not misapplied public money.
- Red Grade – one or more high level breaches and there has been a risk of misapplication of public funds.

In January 2022 the Council received Homes England's Compliance Audit Report – 2021/22. The Audit concluded that the Council had failed to meet requirements as one high level breach (red grade) had been identified. The full Homes England Compliance Audit Report – 2021/22 is attached at Appendix A.

The general interaction between the Council and Homes England is via Homes England's computer based system 'IMS'

Audit Findings

The table below sets out the detail of the breach, the steps the Council has taken to address the issue and the processes in place to reduce the risk of future audit failure;

Scheme name	Breach level	Breach Details	ADC Procedure put in place
Sutton In-fill	High	<p>Start on site funding was drawn down from Homes England when there was no formal build contract in place.</p> <p>The Capital Funding Guide states that start on site funding can only be drawn down when there is a signed build contract in place. Preliminary works on site had commenced.</p> <p>At the point of drawing down funding the Council had a Letter of Intent in place with the contractor and was finalising the contract prior to signature.</p>	<p>No Homes England funding will be drawn down on the IMS system until all appropriate funding requirements have been met and this has been signed off by the Project Lead and approved by the Service Manager.</p> <p>Certification and contract checklist has been formulated to ensure all relevant documents and dates are correct prior to drawing down funding.</p> <p>All relevant dates and financial aspects are discussed and reviewed at a bi-monthly development meeting involving the Housing Development Team and the Finance Team.</p> <p>Once approved, the Project Manager and Service Manager will together input all relevant information onto the IMS system.</p>

The Council has written to Homes England to accept the findings of the audit and to confirm that appropriate steps are being taken to address the breach. Whilst officers are of the opinion that the breach did not result in the misappropriation of public monies, we do accept that drawing down start on site funds when there was not a signed contract in place with the developer was in breach of the Capital Funding Guide.

The Director of Housing and Assets (Deputy CEO) has held a meeting with the Lead Regulator in order to assist in ensuring future compliance with Homes England requirements. It was also confirmed that Ashfield District Council does not need to provide a detailed response back to Homes England but does need to acknowledge the matter has been formally raised and discussed, at the appropriate Committee, on the IMS system.

The outcome of the Audit and the necessary follow up actions have also been presented to the Corporate Leadership Team and the Council's Leadership.

It is highly likely that Homes England will request an audit of the Council's next affordable development scheme, the Hucknall Garage In-fill sites. Officers are currently reviewing all processes and procedures, not just those associated with the breach outlined above, to ensure the service is compliant with funding conditions.

The first homes delivered as part of the Council's Affordable Housing Development Programme have been of exceptional quality and will help the Council's corporate objective of ensuring there is sufficient decent and affordable homes in the District.

The CMAP audit report included a few further comments including specifics relating the Homes England IMS system. The audit identified a need for a dedicated and trained officer to maintain and

update the system on behalf of the Council, taking advantage of Homes England training courses to improve competency. The system was identified as not being particularly user-friendly, especially for those new to it. The Council will act upon the comments.

Implications

Corporate Plan:

Legal:

There are no significant legal implications arising from this report. [RLD 04/03/2022]

Finance: No direct financial implications arising from this report. [PH 02/03/22].

Budget Area	Implication
General Fund – Revenue Budget	N/A
General Fund – Capital Programme	N/A
Housing Revenue Account – Revenue Budget	N/A
Housing Revenue Account – Capital Programme	N/A

Risk:

Risk	Mitigation
Potential future loss of Homes England funding if further high level breaches are identified on future audits	<p>The Sutton In-fill development was the Council's first affordable housing development and officers have had limited experience and exposure to the Homes England regime and expectations. Officers are gaining more experience and understanding of the expectations and requirements of Homes England.</p> <p>All processes that relate in some way to Homes England funding are being reviewed to ensure full future compliance.</p>

Human Resources:

None

Environmental/Sustainability

None

Equalities:

None

Other Implications:

None

Reason(s) for Urgency

N/a

Reason(s) for Exemption

N/a

Background Papers

N/a

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