Report for: Corporate Committee – 30th July 2020

Item number: To be added by the Committee Section

Title: Update on the Audit of the Housing Delivery Programme

Report

Authorised by: **David Joyce, Director of Housing, Regeneration and Planning**

Lead Officer: **Robbie Erbmann, Assistant Director of Housing**

Ward(s) affected: **N/A**

Report for Key/

Non-Key Decision: Non-Key Decision

1.   Describe the issue under consideration

1.1.   This report provides an update on actions taken on the recommendations that were highlighted from the Audit that was carried out by Mazaars between October to November 2019, of the Council House Delivery Programme, where the outcome of the Audit was Limited Assurance.

2.   Cabinet Member Introduction

2.1.   N/A.

3.   Recommendations

3.1.   It is recommended that Corporate Committee:

3.2.   Note that whilst the original deadline for actions set out in the Audit was April 2020, and actions were initially going to be delivered slightly later than this, Covid-19 has significantly delayed the timescales for completing the work for the reasons set out in paragraph 6.10 of the report.

3.3.   Note the progress made to date on actions following the Audit and the further work required to comply with the recommendations in the Audit as set out in paragraphs 7.14, 7.16, 8.8 and 9.5 of the report.

4.   Reasons for decisions

N/A

5.   Alternative options considered

N/A

6.   Background information

6.1.   As part of the 2019/20 Internal Audit Plan, an internal audit was carried out by Mazaars of the Council House Delivery Programme.

6.2. The objective of the Audit was to evaluate the adequacy of key controls and the extent to which controls have been applied, with a view to Audit providing an opinion on the extent to which risks in this area are managed.

6.3. A draft report was provided by Audit in December 2019 and after management responses were given and accepted by Audit, the Final Report was issued on 27th January 2020 and is attached as appendix 1 of this report.

6.4. Audit analysed and reviewed the following risk areas:

- Strategy and Objectives
- Project Planning
- Governance
- Monitoring
- Funding and Budget Management
- Risk Management
- Change Management
- Management Reporting

6.5. From this review, Audit initially identified 6 areas for further improvement which were:

- Estimate of Final Cost and Cashflow
- Programme Highlight Report
- Strategic Risk Register
- Project Brief
- Project Tracker
- Communications Plan

6.6. Following the draft report, further information and evidence was provided to Audit by the Housing Delivery Team, where it was accepted that there was already appropriate processes and controls in place for the three areas; project brief, project tracker and the communications plan.

6.7. However, whilst project brief, project tracker and the communications plan have processes in place and are no longer areas of concern for Audit, this report will provide a brief update on these activities since the Final Report was issued.

6.8. The outcome of the Final Report was that there were three remaining areas that required further action; estimate of final cost and cashflow, programme highlight report and strategic risk register. The recommendations for each are detailed in paragraphs 7.3, 8.2 and 9.2 of the report.

6.9. It is relevant to add that the programme was at a very early stage at the time of the audit, where the project team had only been recruited in September 2019, so there has been little time to develop a comprehensive delivery architecture.

6.10. Additionally the team were impacted considerably by the Covid-19 pandemic as 3 staff were partly redeployed to support urgent frontline Covid-19 work, 3 staff were ill with the virus and another 2 were impacted due to family members being treated for Covid-19, of which one suffered a bereavement.

Team members also had to cover the work of those who were being impacted by the virus.

7. Progress update on areas of concern

7.1. Estimate of final cost and cashflow

7.2. Estimate of final cost and cashflow was rated as a Priority 1 concern. It was felt that where cashflow is not monitored, there is a risk projects may have an adverse impact on the council's cashflow and an increased risk of unexpected overspends on completion.

7.3. Audit's recommendation was that throughout the progress of any individual project, periodic estimates of final cost should be produced and compared against original budget, along with cashflow forecasts. The response to these recommendations is set out in paragraphs 7.7, 7.10 and 7.14.

7.4. At the time of the Audit, the programme was at an early stage, where most projects were only just going through the appropriate gateway process for funding, so there was little budgeting to report.

7.5. However, there was a clear gap in the financial budgeting of the programme and the Finance Team had been seeking to recruit specific financial expertise since the programme gathered momentum in autumn 2019.

7.6. In March 2020, a Principal Accountant was recruited, whose primary role is to work with the Housing Delivery Programme to ensure projects can be delivered within the viability of the Housing Revenue Account business plan.

7.7. The Principal Accountant will also work with the Programme Manager to provide periodic estimates of final cost which will be compared to the original budget to ensure costs are within approved budgets.

7.8. This close working relationship with the Principal and Management Accountants will ensure that the programme works within the confines of the Housing Revenue Account and that the programme remains sustainable.

7.9. To accurately report on cashflows the Housing Delivery Programme procured a Sequel database in 2019, which required configuration and staff required the appropriate training.

7.10. Using Sequel will help project managers appropriately manage cashflow forecasts and highlight any variances which will be captured in project highlight reports and will inform part of the programme governance process as detailed in paragraphs 8.4 and 8.8.

7.11. The COVID-19 lockdown has impacted the Sequel set-up training due to remote working and availability of the provider's consultants which has resulted in a significant delay to the process.

7.12. To move the situation forward, negotiations with the provider resulted in a series of tailored remote training sessions in May 2020, with Sequel consultants to train and support our finance accountants with the uploading and reporting of SAP spend.

7.13. Further sessions were developed and delivered remotely in June 2020 to project managers on reviewing and forecasting project cashflows.

7.14. This work has resulted in the development of a monthly process where actual spend is uploaded into the Sequel database and following this, project managers will check the spend against their projects and reforecast any cashflows and revise latest estimates.

7.15. Notwithstanding the Sequel process requiring time to be embedded, it is also an important part of the process that all requests for pre contract budgets have finance oversight and are approved at Council House Delivery Board. There are also monthly meetings with Finance to review capital spend.

7.16. Once the financial costs and cashflow reporting has fully been set up, this information will be reported to Council House Delivery Board monthly or as appropriate commencing in September 2020.

8. Programme highlight report

8.1. For Programme highlight report, Audit's observation was that reports to Council House Delivery Board do not include monitoring of cost against budget, changes, timescales, and risks. It was stated there is a need to develop the reporting across the programme, developing milestones & costs. Where there is no comprehensive monitoring of progress there is an increased risk that key issues are not identified and escalated for action.

8.2. Audit's recommendation was that reports should be developed for the Council House Delivery to include reporting on estimates of cost against budget, progress against agreed project milestones, key project risks and proposed changes to the programme.

8.3. At the time of the Audit, the Programme was still at an early stage and the programme governance process (including highlight reporting) was still being developed and refined.

8.4. Since the results of the Audit, a programme highlight reporting process along with templates has been developed but the training and roll out of this procedure has been delayed due to the lockdown of Covid-19 as all staff have been working from home and resources were severely impacted due to effects of the virus as per paragraph 6.10.

8.5. As a return date to the office environment is uncertain, remote training sessions on the new programme governance procedure have been set up and have started to be carried out and these will be completed by the end of July 2020.

8.6. Whilst there were mechanisms in place for approvals of spend, gateway controls and capital budget monitoring activities, it was recognised that to adequately support governance of such a big programme, there was a lack of programme resources. Whilst there needs to be a review of the level of programme resources required, it was identified in the immediate term, that a recruitment of an interim programme management officer was a key requirement to support an appropriate governance framework.

8.7.	Again, the Covid-19 crisis has delayed the recruitment of this post but just recently after a round of remote interviews a successful candidate has been recruited and will start by the end of July 2020.

8.8.	Programme highlight reporting to Council House Delivery Board will commence in September 2020.

9. Strategic risk register

9.1. The Audit observation on the Strategic risk register was that the Programme risk register had not been regularly updated and that where the register is not reviewed and updated on a regular basis, there is an increased risk that such risks are no longer up to date and fully relevant, and hence the programme may become subject to unexpected factors causing delay.

9.2. The recommendation was that Programme risk register should be presented to each meeting of the Council Housing Delivery Board for review and update.

9.3. The work to improve risk monitoring is very much linked with the Programme highlight report work and there have been clear templates and training developed to ensure that risks are adequately captured, monitored and mitigated, following the corporate risk management policy.

9.4. Strategic risks to the overall programme will be updated, however as strategic risks are unlikely to change on a monthly basis then it is suggested (subject to approval by Council House Delivery Board) that strategic risks will be presented and reviewed quarterly. However, if strategic risks become more severe and require additional controls and further action, these will be presented to Council House Delivery Board to be reviewed sooner at the next monthly Board.

9.5. The new highlight report process will capture project risks, which will determine programme risks. Risk management will be trained and rolled out as part of the highlight report process already mentioned and will be reported to Council House Delivery Board as part of the suite of programme highlight reporting from the next Board in September 2020.

10. Progress update on project brief, project tracker & communications plan

10.1.	Project brief

10.2.	There was a concern that project briefs were not being prepared for all sites and the recommendation was that project briefs should be produced for all new sites proposed for inclusion in the programme.

10.3.	It was evidenced before the Audit was completed that all new projects had a project brief as part of the Gateway 0 approval process which was presented at the Council House Delivery Board. This project brief is an evolving document that will be populated as the project develops. Additionally, a detailed project brief is developed at the tender of contracts stage.

11. Project tracker

11.1. There was an observation that the project tracker which tracked actions following project review meetings was not being updated in time and the recommendation was that records should be promptly updated, and where such actions are overdue, there should be an assessment on the impact on the delivery of the project on the programme as a whole.

11.2. Audit stated that the action tracker should identify individual project managers for each project, which was completed before the new reporting cycle started and records are now promptly updated on the live document as per paragraph 11.3.

11.3. During the Audit, a new reporting cycle was developed for the Leader and Lead Member where actions from project review meetings were actioned urgently by the end of that week, as the accurate status of projects was required for informing the monthly Leader's report. Since then, a new dynamic process of working collaboratively on a shared live spreadsheet has removed the need for a tracker document.

12. Communications Plan

12.1. Audit identified that a draft Communications Plan was developed which identifies the background to the programme and how it links to Corporate Priorities. It established a communications objective, the target audience and means of reaching different target stakeholders.

12.2. The recommendation was that this draft Communications Plan was presented Council House Delivery Board for formal review and approval which was done in September 2019.

12.3. Following the Audit there has been significant work in developing a comprehensive Communications, Consultation and Engagement Procedure Notes and Guidance, for the Housing Delivery team to follow which provides a clear process of engagement at the different gateway stages of the development cycle. This was shared and approved at Council House Delivery Board in May 2020.

12.4. Furthermore, as a result of the COVID-19 pandemic, traditional methods of face to face engagement has not been possible, and an alternative method of consultation and engagement approach has been developed to ensure stakeholder engagement and statutory consultation can be held remotely and with accessibility and inclusion in mind. This approach was shared with Council House Delivery Board in July 2020.

13. Contribution to strategic outcomes

13.1. The Council Housing Delivery Programme is at the heart of delivering the top priority in the 2019-2023 Borough Plan - a safe, stable, and affordable home for everyone, whatever their circumstances. Outcome 1 of that housing priority in the Borough Plan states "*we will work together to deliver the new homes*

Haringey needs, especially new affordable homes", with specific objectives to "*deliver 1,000 new Council homes at Council rents by 2022*" and to "*secure the delivery of supported housing that meets the needs of older, disabled and vulnerable people in the borough*".

14. Statutory officer comments

Finance

14.1. Finance is working with the service to address the issues highlighted in the audit report and is aware of the delays in implementing some of the recommendations due to COVID. The HRA business plan review provides an avenue to ensure that all recommendations are fully implemented.

Legal

14.2. The Assistant Director of Corporate Governance has been consulted on the content of this report. There are no legal implications arising from this report.

Procurement

14.3. This report does not have Procurement implications.

Equalities

14.4. This report does not have equality implications.

15. Use of appendices

Appendix 1–19-20 Council House Delivery Final Report issued 270120.pdf

16. Local Government (Access to Information) Act 1985

As above