

Report for: Corporate Committee 3rd December 2020

Title: **Update on the Audit of the Housing Delivery Programme following Corporate Committee on 30th July 2020**

Report

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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 recommendations from the Council House Delivery Programme Audit, that have been implemented since Corporate Committee report on 30th July 2020.

2. Cabinet Member Introduction

- 2.1. N/A.

3. Recommendations

- 3.1. It is recommended that Corporate Committee:
- 3.2. Note the progress made to date on actions following the Corporate Committee report on 30th July 2020.
- 3.3. Note that all actions from the Council House Delivery Programme Audit from December 2019 have now been completed.

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. The outcome of the Audit was Limited Assurance.
- 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.
- 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. Consequently, project brief, project tracker and the communications plan have processes in place and have no further actions from Audit. However, this report will provide a brief update on the Communications Plan as there has been some progress on remote engagement following Corporate Committee in July.
- 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 had 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 partially 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.

- 6.11. Following the Corporate Committee update on 30th July this report provides an update on progress made since then.
- 6.12. All recommendations from the Audit have been implemented and there are no further actions outstanding.

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 early 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 ensures that budget requests for feasibility works and start on site contracts, are carefully analysed and can be contained within the Housing Revenue Account before approval is given in gateway reports.
- 7.8. This close working relationship with the Principal and Management Accountants ensures 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 can help project managers manage cashflow forecasts and highlight any variances, which is then captured in project highlight reports and informs part of the programme governance process as detailed in paragraphs 8.4 and 8.9.
- 7.11. The first COVID-19 lockdown had impacted the Sequel set-up training due to remote working and availability of the provider's consultants which had 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 training and supporting 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 check the spend against their projects and revise latest estimates.

Update since Corporate Committee July 2020

- 7.15. Since August 2020, Project Managers must record and monitor the previous period's actual spend for the each of their sites on the Project Highlight Report and explain and mitigate for any variances. This process will be explained in more detail in 8.9 and 8.10.
- 7.16. 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 quarterly meetings with Finance to review reforecast capital spend.
- 7.17. In the past 2 months to improve the estimate of final cost and cashflow process further, the Programme Manager has worked closely with Project Managers and a Housing Systems Analyst to ensure that cashflow forecasts for all sites with approved budgets for feasibility works, or that have started on site are recorded and forecasted in more detail in Sequel.
- 7.18. A Business Modelling tool has been developed from Sequel, for all sites that have an approved budget allocation that can provide detailed analysis on; forecasted number of homes, dwelling mix, total scheme costs and estimate of cashflow by month and year from start on site to completion.
- 7.19. Part of the cost and cashflow work has fed into a more robust bottom up approach to calculating the Housing Delivery Programme's budget requirements for the Housing Revenue Account Business plan, where forecasts have been based on a more detailed analysis of total scheme costs over the life of the project.
- 7.20. As a site's costs and cashflows may change as it goes through different iterations of design through the feasibility stage - the Programme's Development Procedures are being amended to reflect this process to ensure that any variations to financial viability are being recorded and monitored.
- 7.21. Since September 20, budget forecasts for schemes that are on site or have an approved budget for feasibility work have been reported as part of the Programme Highlight Report at the monthly Council House Delivery Board.

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 was uncertain, remote training sessions on the new programme governance procedure were set up and due to 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.

Update since Corporate Committee July 2020

- 8.7. Whilst the Covid-19 crisis delayed the recruitment of the programme management officer a successful candidate was recruited and started at the end of July 2020.
- 8.8. Since July the programme governance training as mentioned in 8.5 has been completed and all Project Managers have received training on the new highlight reporting process.
- 8.9. Following completion of the monthly highlight reports, project review meetings are held with senior project managers and project managers to review and discuss the content of the reports and any issues are discussed and escalated as required.
- 8.10. Specifically spend against approved budgets are reviewed and any variances must be explained and mitigated and logged. Additionally, any variances to key milestones are discussed and queried and only when there is a reasonable rationale will adjustments to milestones be approved.
- 8.11. Once these monthly project review meetings have been completed all the highlight reports are locked down and then analysed and heatmaps are produced to easily identify patterns and trends. These are then consolidated into a programme highlight report.

- 8.12. The programme highlight report will use the consolidated information to provide a RAG rating for four indicators of the programme Budget, Risks and Issues, Time, and Resources. These four indicators will inform an overall RAG rating for the programme.
- 8.13. The first Housing Delivery programme highlight report was presented at September's Council House delivery Board and is now a standing agenda item every month at the Board.

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.

Update since Corporate Committee July 2020

- 9.5. The new highlight report process captures project risks, which determine programme risks. Risk and issues management was trained and rolled out as part of the programme governance training already mentioned in 8.8.
- 9.6. The programme governance training also included completing an amended risk and issues log which has been aligned to a new risk matrix that the Audit & Risk Management team have developed.
- 9.7. To help embed the risk and issues recording and monitoring process the Deputy Head of Audit & Risk Management held a specific session for the Housing Delivery Team on 11th November 2020 where techniques were shared on how to assess and mitigate the impact of risks.
- 9.8. The completion of the revised risk and issues logs for individual projects feeds into an overall Strategic Programme Risks and Issues Register. Common themes are analysed and extracted to help build a picture of wider programme risks and issues e.g. Covid wave 2, resources etc.,

9.9. In September 2020, as part of the new Programme highlight report process, strategic programme risks have been reported and discussed at the Council House Delivery Board.

9.10. Currently strategic programme risks are being reported monthly, but this may move to quarterly depending on feedback from the Council House Delivery Board.

10. Progress update on communications plan since Corporate Committee

11. Communications Plan

11.1. 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.

11.2. 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.

11.3. There is now a clear process for remote engagement for statutory and non-statutory consultation that includes:

- Letters sent by post
- Online Webinars or Online Consultation Boards
- Updating the Council's consultation pages and providing feedback to residents

11.4. Remote engagement sessions were recently completed successfully on three S105 sites and reports with findings and recommendations will be shared at November's Council House Delivery Board.

12. Contribution to strategic outcomes

12.1. 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*".

13. Statutory officer comments

Finance

- 13.1. Finance has worked with the service to address some of the issues highlighted in the audit report, especially around estimation of final cost and cashflow. A dedicated finance officer, in addition, provides support to the housing delivery team, ensuring that estimates are reasonable and robust; actuals are monitored against the HRA business plan/budget and potential overspends are not just highlighted but mitigations are proposed.

Legal

- 13.2. 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

- 13.3. This report does not have Procurement implications.

Equalities

- 13.4. This report does not have equality implications.

14. Local Government (Access to Information) Act 1985

As above