

**Final Internal Audit report: Ref 19.22/23
Council House Building Programme 2022/23**

1 Audit opinion

1.1 The work of Internal Audit provides **reasonable assurance** over the Council House Building Programme. The opinion reflects the fact that the new Council House Building Programme control framework is still being embedded as the programme was only approved by Cabinet in March 2022.

2 Executive Summary

2.1 The new Council House Building Programme was approved on the 24 March 2022 and as such some controls in relation to the delivery of the Council House Building were not fully developed and embedded at the date of this audit. The report, therefore, recommends actions to enhance the control framework as the programme becomes further embedded operationally rather than to address identified weaknesses in controls.

2.2 The Council House Building Programme has defined programme of projects (development sites) that will deliver:

- Phase I: 99 new socially rented Council houses to be built over the next two financial years, although it was noted that the Phase I site may now deliver less than 99 units, due to changes in site design and layout to meet planning and other site specific requirements; and
- Phase II: The production of a detailed programme by March 2023 identifying plans for more than 200 additional homes.

2.3 In line with good practice, a House Building Programme Board, which meets every six weeks, has been established to oversee the programme and ensure linkage across the Council including with Housing as they are the client for the new properties. This is underpinned by a House Building Delivery Board which has a more operational role and meets every four weeks.

2.4 Process notes have been established for the programme management and audit recommendations have been made on areas to further develop them with regards to financial approval and investment appraisals. Other audit recommendations are designed specifically to further strengthen programme and project management arrangements.

Scope and Approach

2.5 This audit evaluated the control framework for the New House Building Programme and also determined whether the 20 agreed recommendations in the March 2021 Scrutiny report on House Building had been effective and actioned.

2.6 The audit evaluated key controls to ensure that the key risks are managed adequately and effectively and sought to provide assurance over the following objectives:

Audit Objective	Fully met	Largely met	Partly met	Not met
1. The New House Building Programme is underpinned by detailed programme and project plans for each site.	✓			

Audit Objective	Fully met	Largely met	Partly met	Not met
2. There are robust project and programme management processes in place to deliver the council housebuilding programme.		✓		
3. The individual sites have been assessed as to their financial viability and how they support the aims, themes and principles of the New House Building Programme.		✓		
4. The recommendations in the Delivery of Council House Building Programme Scrutiny report have been incorporated into the New House Building Programme.		✓		
5. There is adequate governance and oversight (including at member level) of the performance in the delivery of the New House Building Programme, including the management of risks.		✓		

3 Detailed Findings

- 3.1 The new Council House Building Programme was approved by Cabinet on the 24 March 2022. The Council House Building Programme has defined programme of projects (development sites) that will deliver:
- Phase I: 99 new socially rented Council houses to be built over the next two financial years; and
 - Phase II: The production of a detailed programme by March 2023 identifying plans for more than 200 additional homes.
- 3.2 It was noted that the Phase I site may now deliver less than 99 units, due to changes in site design and layout to meet planning and other site specific requirements. Red Lion Lane was originally designated for four units, but the tight site constraints and larger housing unit dimensions to accommodate through floor lifts and wider doorways for wheelchair access, resulted in a three unit scheme being progressed, one less than planned.
- 3.3 The aims of the new Council House Building Programme as reported to Cabinet are:
- To significantly increase the number of new homes built by the Council over the next five years;
 - To restore pride in the town through renewal and the development of new housing to meet local needs;
 - To build a range of housing types and tenures that will meet local needs, which will include Council housing at social rent, housing for sale, shared ownership and housing for affordable rent, ensuring new developments meet Gibberd's original principles;

- To build housing at the highest quality levels achieving carbon net zero and seeking to exceed the standards set out in the Harlow Design Guide;
- To ensure value for money with every project in line with industry norms and in line with the funding constraints within which the Council has to operate; and
- To improve social value for Harlow residents and businesses through the provision of employment and apprenticeship positions through the housebuilding programme and the utilisation of local SMEs.

3.4 Whilst the aims of the new House Building Programme are defined, there are as yet no arrangements which set out how the success in delivering these aims will be measured and what factors determine how each planned site will contribute to the aims through its design, delivery and housing type delivered. It was established that the aims are being progressed operationally, for example Red Lion Lane will be three units with through floor lifts for disabled people in housing need, a very specific and under provisioned housing need. A structured approach is required to evaluate how each project assists in the delivery of the aims and how this impacts the outcomes required at the overall programme level.

3.5 The Phase I Council House Building Programme was supported by a schedule of sites made up as follows:

- two current sites for 18 units; and
- nine sites where planning permission or financial approval of the proposed scheme is awaited.

Since the programme was approved in March 2022 the two current sites have reached practical completion:

- Bushy Croft - 16 unit where the practical completion certificate was issued on the 22 June 2022; and
- The Hill - two units where the practical completion certificate was issued on the 6 May 2022.

3.6 The production of a detailed Phase II programme by March 2023 identifying plans for more than 200 additional homes, is supported by an indicative list of sites and their potential number of housing units. While this list is being progressed additional sites for social housing are also being considered, for example in August 2022 a feasibility study was carried on a plot in Parnall Road for eight units to redevelop this derelict site in the Staple Tye neighbourhood.

3.7 The overall governance structure of the programme is defined within the House Building Programme Process document with a House Building Programme Board underpinned by a House Building Delivery Board. Both Board Terms of Reference are documented. The membership of the House Building Programme Board is:

- Director Strategic Growth and Regeneration (Chair);
- Assistant Director Regeneration;
- Assistant Director Planning & Building Control;
- Assistant Director Housing and Property;
- Assistant Director of Finance; and
- Housing Development and Regeneration Manager.

3.8 The House Building Programme Board meets every six weeks to oversee the programme and ensure linkage across the Council including with Housing as they are the client for the new properties. This is underpinned by a House Building Delivery Board, chaired by the Assistant Director Regeneration which has a more operational role and meets every four weeks.

3.9 It was confirmed that the House Building Programme Board has met on three occasions and the House Building Delivery Board on five occasions since inception. It was verified that all eight meetings had an agenda, minutes and a highlight report. Review established that the highlight reports for both Board's included the following expected elements:

- Previous delivery highlight report embedded as a pdf;
- Programme Update;
- Details of schemes in delivery;
- Details of schemes in pre-delivery;
- Phase II schemes;
- Estates Renewal Fund projects; and
- Action tracker.

The action tracker details action number, project / theme, officer responsible, action and the status of the action.

3.10 The House Building Programme process document set out the stages of the development process and which group can authorise progression to the next stage. The document also covers risk management arrangements and review, but detail on formal reporting can be further developed. The process document is still being developed and requires additional detail on:

- a control document which logs the approval grant to progress to the next stage and reference to the minutes or signed documents which grant that approval. This will assist in post project reviews when checking that approvals were all appropriately granted and where there were any delays in the progression of each site;
- further details or a separate appendix on financial appraisal, review and approval arrangements; and
- The formal risk reporting to the House Building Programme Board and House Building Delivery Board.

3.11 It was verified that financial appraisals were produced using Pamwim for Bushy Croft and The Hill. However, the Pamwin parameters date from 2019, and some of these, particularly the inflation parameter, need to be reviewed in the light of current increases in building costs particularly materials and labour and also the increase in interest rates, where further rate rises are forecast.

3.12 Project (site) risk registers are produced the site has received planning permission. At the date of this review only the Bushy Croft and The Hill schemes had passed this milestone. It was verified that Risk Registers were produced for both these sites by consultants engaged by the Council. The format differed as one was a risk register and the other a combined hazard and risk register, in the case of the later it did not attribute risk to risk owners and was less informative in that it did not detail at what stage of the development a risk would no longer be applicable. Consideration should be given to:

- the development of a standard project risk register or in each case the Delivery Board formally assess if the project Risk Register provided is sufficiently detailed and fit for purpose; and

- The inclusion of Risk Management as a standard agenda item, with strategic risk going to the House Building Programme Board and site specific risk being reviewed by the House Building Deliver Board.

3.13 In March 2021 the Scrutiny Committee recommended and Cabinet approved that the recommendations set out in the Delivery of Council House Building Programme scrutiny report be adopted. The Delivery of Council House Building report made 20 recommendations covering both strategic and operational aspects of the programme which are being incorporated into the New House Building Programme and its programme and project delivery processes.

Review of the March 2022 update on progress established that eight actions had been completed and 12 are ongoing or have future target completion dates. It was confirmed that the completed ones have been addressed effectively e.g. the officers group as recommended was established and is the House Building Programme Board. However, in reviewing this report and action plan, it is apparent that no officer or group is formally tracking the ongoing and outstanding recommendations. This responsibility would be aligned to the role of the House Building Programme Board. To address this the House Building Programme Board should receive a quarterly update report on progress in the delivery of the recommendations set out in the Scrutiny report on The Delivery of the Council House Building. This progress report should also detail and conclude on the effectiveness of actions taken to ensure the matter raised has been addressed fully by the actions undertaken.

3.14 The Cabinet approved the New House Building Programme on the 24 March 2022 and a report on progress with regards to Phase I and Phase II will be made to Cabinet in March 2023. The Deputy Leader of Harlow Council and Portfolio Holder for Regeneration meets weekly with Director of Strategic Growth & Regeneration to discuss the programme and specific issues etc. However, Members do not currently:

- Receive regularly, perhaps quarterly, updates on the programme other than the Annual Reporting to Cabinet; and
- Receive briefing on schemes, especially the appropriate Ward Members at various stages of the development process, but Council Officers indicated that this is something that would be useful moving forward, to ensure Members and Ward Councillors buy into the scheme at an early stage.

3.15 At the date of this review no Post Project reviews had been undertaken as it is the stated intention to undertake a detailed post project review of Bushy Croft and The Hill 12 months after practical completion, that being 22 June 2023 and 6 May 2023. This is appropriate as it will enable snagging defects and tenant feedback of living in the houses and on the site to be obtained. The post project review should be presented to both Delivery and Programme Boards.

3.16 The action plan attached includes detailed findings and recommendations. This report makes eight recommendations (three medium and five low priority).

4 Background

- 4.1 The Council House Building Programme has not previously been subject to an audit review.
- 4.2 The New House Building Programme (NHBP) approved by Cabinet on the 24 March 2022. In March 2021 the Scrutiny Committee recommended and Cabinet approved that the recommendations set out in the Delivery of Council House Building Programme scrutiny report be adopted. The Delivery of Council House Building report made 20 recommendations covering both strategic and operational aspects of the programme which have been incorporated into the New House Building Programme and its programme and project delivery processes.
- 4.3 Significant findings from the review will be presented to the next Audit and Standards Committee. Implementation of recommendations will be tracked through a separate report to CMT and the Audit and Standards Committee.

5 Distribution

- 5.1 **James Gardner** (Assistant Director Regeneration)
Andrew Bramidge (Director of Strategic Growth and Regeneration)
Wendy Makepiece (Assistant Director Housing and Property)
Simon Freeman (Director of Finance and S151 Officer)
Final report:
As draft report.

5.2 Issue date

Draft report issued: 07 September 2022
Final report issued: 03 November 2022

Auditor

Simon Cox, Elucidate Consulting

Management Action Plan – Council House Building Programme 2022/23

Ref	Findings	Risk	Priority	Recommendation	Manager's response	Implementation date
1	The Pamwin system used to produce investment appraisals uses parameters dating from 2019, and some of these, particularly inflation, need to be reviewed in the light of current increases in building costs particularly materials and labour and also the increase in interest rates, where further rate rises are forecast.	The investment appraisal parameters may no longer be fit for purpose resulting in costs exceeding budgets.	Medium	The investment appraisal parameters set within the Pamwin system are reviewed, in conjunction with the finance team, and if appropriate updated.	<p>Assistant Director Regeneration</p> <p>The parameters will be reviewed on an ongoing basis inline with continued market movement. The Council House Building Programme (CHBP) process document will be updated to include this step ahead of any iteration of appraisal. Pamwin will also be reviewed to ensure it remains fit-for-purpose.</p>	<p>Date due: 31 March 2023</p>
2	Project (site) risk registers are produced when the site has received planning permission. At the date of this review only the Bushy Croft and The Hill schemes had passed this milestone. It was verified that Risk Registers were produced for both these site by consultants engaged by the Council. The format differed as one was a risk register and the other a combined hazard and risk register, in the case of the later it did not attribute risk to risk owners and was less informative as it did not detail at what stage of the development a risk would be no longer be applicable.	The project risk register may not be sufficiently detailed and risk ownership is not allocated to designated officers. Risk management arrangements may therefore be inadequate.	Medium	<p>Consideration is given to:</p> <ul style="list-style-type: none"> • the development of a standard project risk register or for each project the Delivery Board formally assess if the Risk Register provided is sufficiently detailed and fit for purpose. • The inclusion of Risk Management as a standard agenda item, with strategic risks going to the House Building Programme Board and site specific risk being reviewed by the House Building Deliver Board. <p>Revised arrangements will need to be reflected in the House Building Programme process guidance.</p>	<p>Assistant Director Regeneration</p> <p>A formal Risk Register has now been adopted and agreed by the Delivery and Programme Boards.</p> <p>Standing agenda items will be included from December 2022 and updates to the CHBP process document will be made.</p>	<p>31 December 2022</p>

Management Action Plan – Council House Building Programme 2022/23

Ref	Findings	Risk	Priority	Recommendation	Manager's response	Implementation date
3	<p>The Cabinet approved the New House Building Programme on the 24th March 2022 and a report on progress with regards Phase I and Phase II will be made to Cabinet in March 2023. The Deputy Leader and Portfolio Holder for Regeneration meets weekly with the Director of Strategic Growth & Regeneration to discuss the programme and specific issues etc. Members do not currently</p> <ul style="list-style-type: none"> • Receive regularly, perhaps quarterly, updates on the programme other than the Annual Reporting to Cabinet; and • Receive briefing on schemes, especially the appropriate Ward Members at various stages of the development process, but Council Officers indicated that this is something that would be useful moving forward, to ensure Members and Ward Councillors buy into the scheme at an early stage. 	Potentially Members and particular Ward Members may be unaware of proposed developments if communication and not adequate.	Medium	<p>The arrangement to update Members on the House Building Programme be reviewed, with consideration given to quarterly updates.</p> <p>The designated Project Manager for each site should draft a short communications strategy for each site for Delivery Board sign off, setting out the key stakeholder who will be engaged with and updated at each stage of the key stages of the development process.</p>	<p>Director Strategic Growth and Regeneration</p> <p>Member briefings have been discussed with the Portfolio Holder and it is felt that quarterly is too frequent given that most projects will take place over a long period of time (c2 years) so six monthly is to be introduced.</p> <p>The comms strategy will be implemented with immediate effect with a process established for this being included in the stage 2 sign off by the Programme Board.</p>	30 November 2022
4	<p>Whilst the aims of the New House Building are defined, there are as yet no arrangements to set out how the success in delivering these aims will be measured and how it will be determined how each planned site will contribute to the aims through its design, delivery and housing type delivered.</p>	There is no process to capture and record how each site meets the Council House Building Programme aims.	Low	<p>The House Building Programme Board needs to establish formal arrangements to measure how the success in delivering the programme aims will be evaluated and also how each site will be assessed against the six aims of the New Council House Building Programme.</p>	<p>Director Strategic Growth and Regeneration</p> <p>Agree – to be included in the Stage 2 approval by the Programme Board.</p>	30 November 2022

Management Action Plan – Council House Building Programme 2022/23

Ref	Findings	Risk	Priority	Recommendation	Manager's response	Implementation date
5	The House Building Programme process document set out the stages of the development process and which group can authorise progression to the next stage. There is currently no document to log and reference the approvals at each stage.	There is no single record to record project approval. Potentially a scheme could progress without the appropriate approval being granted.	Low	It would enhance arrangements if each site had a control document which logs the approval grant to progress to the next stage and reference to the minutes or signed documents which grant that approval. This will assist in post project reviews when checking that approvals were all appropriately granted and where there were any delay in the progression of each site.	Assistant Director Regeneration Agreed – A site control document will be created for each site and amendment to the CHBP Process document will be made.	31 December 2022
6	The arrangements for the financial approvals have yet to be fully detailed in the House Building Programme process guide, but the process will include a financial appraisal through the pamwim system.	Financial approval may not be granted correctly as the process and control framework is not documented.	Low	The House Building Programme process document is enhanced with further details or a separate appendix on financial appraisal, review and approval arrangements, seeking advice from finance as required.	Assistant Director Regeneration Works are already underway for this section of the CHBP Process Document, and this is being complete in conjunction with Finance colleagues.	30 January 2023
7	The 24 March 2022 Cabinet Report on the New House Building Programme included in Appendix A an update on progress in implementing the 20 recommendations. Review of the March 2022 update on progress established that eight actions had been completed and 12 are ongoing or have future target completion dates. It was confirmed that the completed ones have been addressed effectively e.g. the officers group, as recommended, was established and is the House Building Programme Board. However, in reviewing this report and action plan,	Recommendations may not be implemented effectively if they are not adequately monitored.	Low	The House Building Programme Board receive a quarterly update report on progress in the delivery of the recommendations set out in the Scrutiny report on The Delivery of the Council House Building. This progress report should also detail and conclude on the effectiveness of actions taken to ensure the matter raised has been addressed fully by the actions undertaken.	Director Strategic Growth and Regeneration Agreed – to be included on the agenda for every other meeting of the Programme Board	30 November 2022

Management Action Plan – Council House Building Programme 2022/23

Ref	Findings	Risk	Priority	Recommendation	Manager's response	Implementation date
	it is apparent that no Officer or Group is formally tracking the ongoing and outstanding recommendations. This responsibility would be aligned to the role of the House Building Programme Board.					
8	At the date of this review no Post Project reviews had been undertaken as it is the stated intention to undertake a detailed post project review of Bushy Croft and The Hill 12 months after practical completion, that being 22nd June 20223 and 6th May 2023. This is appropriate as it will enable snagging defects and tenants feedback of living in the houses and on the site to be obtained. The post project review should be presented to both Delivery and Programme Boards.	There is a risk that the post project reviews are not carried out if they are not logged in forward work plans.	Low	Post project reviews should be logged in a forward plan diary and formally reported to both the Delivery and Programme Boards.	Assistant Director Regeneration Agreed – a forward plan for both Delivery and Programme Boards will be developed to include all relevant project reviews and other document review processes.	28 February 2023

Management Action Plan – Council House Building Programme 2022/23

Definitions of Assurance and Recommendation Priority Ratings

Levels of Assurance	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.. (Any high priority recommendations will prevent
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Recommendation Priority Ratings

The Public Sector Internal Audit Standards (PSIAS) make it clear that the work of the Internal Audit function should be risk-based; therefore the agreed priority ratings are based on the risk criteria used by Harlow Council in their current risk management strategy. Each recommendation is linked to a category of risk, with most recommendations falling into ‘high’, ‘medium’ or ‘low’ risk. A more scientific approach can be adopted in assessing recommendation priority ratings by using these [risk criteria](#).

A ‘critical/catastrophic’ rating will only be used in exceptional circumstances, with senior management being informed immediately if such a serious control failing was being observed or suspected during audit fieldwork.

Managers’ responsibilities

Managers should develop and maintain sound systems for governance, risk management, and internal control, including measures to prevent and detect error and fraud. Internal Audit is not a substitute for this. We plan our work to identify significant control weaknesses, and do not guarantee to detect error or fraud – managers should not rely on our work to replace their own monitoring and vigilance.

Confidentiality

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