

## HALE END COURT – AUDIT OUTCOME

### Executive Summary

Woking Borough Council applied to become an Investment Partner with Homes England in July 2020 to enable it to secure grant funding.

The construction of Hale End Court, a new development of 48 Extra Care apartments, commenced the same month and the Council secured £1,973,504 in capital grant funding through Homes England's Shared Ownership and Affordable Homes Programme (SOAHP) 2016-2021.

Homes England undertake an annual Compliance Audit programme to provide assurance that organisations receiving grant have met Homes England requirements and funding conditions and have properly exercised their responsibilities as set out in the Capital Funding Guide. Woking Borough Council, specifically Hale End Court, was selected for audit as part of the 2022-23 Compliance Audit Programme.

As a new Investment Partner, Hale End Court represented the Council's first time registering and bidding for grant through Homes England's Investment Management System (IMS).

The Homes England Compliance Audit report awarded a red grading, indicating serious failure to meet requirements. The areas of concern relate to:

- Secure legal interest and good title over the development land not being in place
- Data discrepancies over rent levels
- Premature claim for practical completion grant

This report sets out the learning from these breaches and any future actions required.

### Recommendations

The Committee is requested to:

#### **RESOLVE that**

- (i) the Homes England Audit Report, as attached to the report, be accepted; and
- (ii) the Strategic Housing and Development Manager be authorised to officially sign off the report with Homes England.

The Committee has the authority to determine the recommendation(s) set out above.
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**Background Papers:** None.

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**Date Published:** 28 June 2023

### 1.0 Introduction

- 1.1 Woking Borough Council applied to become an Investment Partner with Homes England, to facilitate securing grant funding, in July 2020 and were approved as an Investment Partner in September 2020.
- 1.2 Woking Borough Council subsequently received £1,973,504 in capital grant funding through the Homes England Shared Ownership and Affordable Homes Programme in October 2020 to deliver 48 apartments for extra care housing at Hale End Court.
- 1.3 Woking Borough Council, specifically Hale End Court, was selected for audit as part of the Homes England 2022-23 Compliance Audit Programme.
- 1.4 The audit sought to ensure that Woking Borough Council had met the requirements and responsibilities for grant recipients, as laid out in the Homes England Capital Funding Guide (CFG). Grant recipients must follow the requirements within the CFG to remain compliant in using grant for the purposes stated in their relevant grant agreement, maintaining proper records which comply with Homes England's terms and conditions of grant and providing relevant information to Homes England in accordance with the requirements of the grant conditions.

### 2.0 Audit process

- 2.1 TIAA Ltd were appointed by Woking Borough Council to act as an independent auditor. The audit was carried out throughout September 2022.
- 2.2 Woking Borough Council's Strategic Housing and Development Manager worked closely with TIAA Ltd, providing all documents and information as listed in the Homes England Capital Funding Guide.
- 2.3 TIAA Ltd were required to submit their findings via the Homes England online audit portal 4 weeks from the audit start date. The Council then had a 10 working day window from the submission of the auditor's findings to review all independent auditor findings and comment if there was additional information to raise.
- 2.4 Woking Borough Council's responses to questions raised by the auditor were submitted on 14 October 2022 and the Council was informed of the audit report recommendation on 16 March 2023.

### 3.0 Audit outcome

- 3.1 On review of the evidence provided, Homes England determined that there were issues indicating serious failure of Woking Borough Council in complying with all the programme requirements and guidance.
- 3.2 A red grade was assigned with three high level and one low level breaches being identified.
- 3.3 Each breach detailed was accompanied by a recommendation from Homes England.

#### Breach 1 – High (Secure Legal Interest)

- 3.4 The first breach detailed that secure legal interest in the name of the grant recipient was not obtained prior to start-on-site grant claim.
- 3.5 This breach was in relation to the purchase of additional land (Copthorne) to deliver more parking as required to secure a planning consent for the development.

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- 3.6 The Council was in the process of acquiring the property at the time the Covid-19 pandemic struck. The property was tenanted and the additional restrictions imposed (i.e. banning evictions) meant the venter could not achieve vacant possession as planned. To avoid creating a secure tenancy, the property was purchased by ThamesWey and the tenant was offered alternative accommodation. Unfortunately, before the development started, the site should have been transferred to the Council once vacant possession had been achieved, but this got overlooked.
- 3.7 The Council confirmed to the auditor and Homes England that all the land was held within the Woking Borough Council group and control (as ThamesWey is 100% council owned), but they were not satisfied with this.
- 3.8 The Council fully accepts that the land ownership should have been transferred before claiming grant as part of the audit process and will ensure this condition is met in any future schemes. However, this situation was a direct result of the exceptional circumstances of the pandemic and the transfer was overlooked at the height of the emergency response.
- 3.9 Homes England's recommendation noted 'the provider's comment that action is being taken to transfer the land into the ownership of the provider. Please ensure the revised processes have added the necessary steps to prevent similar issues reoccurring in the future and that they meet the Capital Funding Guide requirements and funding conditions.'
- 3.10 This process has now been undertaken by the Council's Legal Department with completion in March 2023 and is currently awaiting registration at Land Registry.

### Breach 2 – High (Good Title over Development Land)

- 3.11 The second breach detailed that the Acquisition/Start on Site was recorded on IMS prior to sufficient evidence of good title over development land or defective title indemnity insurance being in place.
- 3.12 This breach is concerned with the first grant payment being claimed in advance of need, because of Breach 1.
- 3.13 The Council fully accepts that the land ownership should have been transferred before claiming grant as part of the audit process and will ensure this condition is met in any future schemes.
- 3.14 As covered under Breach 1, the transfer of land ownership has now taken place.

### Breach 3 – Low (Rent Discrepancy)

- 3.15 The third breach details that the scheme data does not match the data entered and approved in IMS with the actual rents being lower than those initially inputted into IMS. There are no value for money implications.
- 3.16 The rents initially calculated for the bid were estimates prior to construction commencing, based on a very limited number of comparable properties on the market at the time.
- 3.17 Prior to occupation, more work was done before setting final social rents, including differentiating between smaller and larger 1 bed flats, and engaging an independent firm of Chartered Surveyors and RICS Valuers to advise.
- 3.18 Data should have been kept up-to-date and accurate on IMS at all stages of the development. As such, the rents should have been immediately updated in IMS to reflect the new information, which did not happen.
- 3.19 The final rents were corrected in IMS during the audit process.

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- 3.20 Homes England's recommendation noted that WBC's comment that 'revised processes are now in place. Please ensure these revised processes have added the necessary steps to prevent similar issues reoccurring in the future and that these revised processes meet the Capital Funding Guide requirements and funding conditions. The provider is also expected to revise and correct the identified issue in all current grant funded developments.'
- 3.21 In the future, Woking Borough Council will ensure that rent charges are updated on IMS more expediently.

### **Breach 4 - High**

- 3.22 The fourth breach detailed that the Council had not secured Building regulations sign-off/ completion certificate before claiming the Practical Completion grant.
- 3.23 The Practical Completion grant claim was made on the 20 October 2021 (following confirmation by the Project Manager). However, the building regulations sign-off completion certificate was then delayed until 8 November 2021 due to a delay in commissioning the fire panel.
- 3.24 The audit identified that the Practical Completion grant claim should have been delayed until after Building Regulations sign off.
- 3.25 Homes England's recommendation was that WBC 'should review their processes and add the necessary steps to prevent similar issues reoccurring in the future. Please ensure the revised process meets the Capital Funding Guide requirements and funding conditions. The provider is also expected to revise and correct the identified issue in all current grant funded developments.'
- 3.26 The Council will ensure that all completion certificates are in place before submitting final claims on any future schemes.

## **4.0 Lessons Learnt**

- 4.1 As a new Investment Partner, Hale End Court represented the Council's first time registering and bidding for grant through Homes England's Investment Management System (IMS) and delivering a new-build scheme through their grant regime.
- 4.2 The audit has highlighted the need to constantly update scheme records on the Homes England IMS system to reflect changes. It has also identified the need for robust records, accepting that some of the discrepancies resulted from specific circumstances arising from the pandemic.
- 4.3 Homes England have advised that the breaches do not affect the Council's status as an Investment Partner and the learning from this audit can be applied to any future developments delivered with the support of Homes England funding.

## **5.0 Corporate Strategy**

- 5.1 Housing plays an important role in the health, social, environmental and economic wellbeing of everyone who lives in the borough. Good quality, decent and affordable homes contribute significantly to health and wellbeing. Hale End Court focuses on delivering suitable housing for frail and vulnerable residents that is truly affordable.

## **6.0 Implications**

### Finance and Risk

- 6.1 The Council does not expect the breaches to impact its Homes England Investment Partner status or its ability to apply for future grant funding.

### Equalities and Human Resources

- 6.2 There are no specific implications outlined in the report.

### Legal

- 6.3 Woking Borough Council is required to acknowledge acceptance of the report via the England online audit portal

## **7.0 Engagement and Consultation**

- 7.1 There are no specific implications outlined in the report.

REPORT ENDS