

Appendix A

Agenda Item 5 – Council Procedure Rule 14 – Questions by Members

Questions from Councillor Dr Anne Crampton

1. The Shapley Heath external audit says; The governance arrangements were appropriate and adequate, but these were not actioned throughout the project. Specifically there was lack of any reports to Cabinet between March 2020 and November 2021, meetings not held at the required frequency even post pandemic, the lack of annual review of the Opportunity Board's Terms of Reference and the lack of a review of objectives and priorities as required by the Terms of Reference. Who made these decisions and with whose authority and in the absence of governance arrangements, how was it expected that those who had the obligation to scrutinise the project, would be able to hold the project to account?

Response from Cllr Neighbour

The Shapley Heath project was curtailed in November 2021, when government funding failed to meet the levels that MHCLG had advised HDC to expect. It has however delivered ten informed and evidenced baseline reports which can underpin any future Local Plan Review and help advise the council of the viable options for meeting future housing need. This evidence base has a real intrinsic value and will benefit the people of Hart should the government allocate the area a substantially increased housing target. The project delivered very real and positive outcomes.

The Audit report did identify a number of deficiencies in the way the project had been managed. These did not have a material influence on the outcome of contract tendering, nor in the quality of the material produced. However, the failure to meticulously follow Hart's own internal processes is clearly recognised. We will learn from the mistakes made regarding the governance and procurement of this project. I welcome the work done by the Audit Committee and apologise to the people of Hart for these failings. We will provide appropriate training to ensure that this doesn't happen again.

Meanwhile the project's ten baseline reports are saved ready for the Local Plan Review, where they will join output from other housing option studies.

Supplementary Question

Are the 10 reports from developers not key milestones?

Response from Cllr Neighbour

I believe that the reports were part of at least one, if not more, of the key milestones. However, it was only a few, not many of them.

2. The management of the Shapley Heath project did not meet the Council's required standards and did not follow the Council's standardised project structure. As a result standard internal reporting processes were not used. How was this allowed to happen and will those responsible be held to account?

Response from Cllr Cockarill

The project referred to as 'Shapley Heath' was our bid to the Government's Garden Village Community Programme. The project management and reporting processes which we set up were those prescribed under the rules of the Garden Village Community Programme, which is run by Homes England. It required the use of standard project reporting template supplied by Home England. The issue of using the Homes England supplied reporting templates had no impact on the project outcome.

I believe both Cabinet & Full Council were aware that this was the case when we agreed to enter the Project, as was Overview & Scrutiny who discussed the membership of the Opportunity Board. The Internal Audit Report made no criticism of the project management and reporting processes themselves.

3. The interim Head of Corporate Services has set out a timetable for improvement in processes going forward. How will what has happened, as highlighted in the report, be investigated, by whom and how will it be demonstrated that those responsible for the project do not "mark their own homework" and dismiss this simply as a project management shortcoming?

Response from Cllr Neighbour

The Audit Committee has asked Cabinet to provide a response to the management recommendations contained within the report. It has also asked Cabinet to review the application of project governance and financial controls and reporting and to provide a response. In addition, Staffing Committee is also asked by Audit Committee to review the exercise of officer management control and financial reporting and oversight over the project. The outcome of these reviews will be shared with Members.

Supplementary Question;

As Cabinet were responsible for this, it seems that they will investigate their own messes.

Response from Cllr Neighbour

No that is not the case. Cabinet has been asked by the Audit Committee to look at an improvement plan. Staff issues will be investigated by the Staffing Committee. I don't believe that Cabinet will be "marking their own homework".

4. In cancelling the July and September Shapley Heath Opportunity Board meetings, what regard did either the officers who advised him or the Portfolio Holder for Place himself, take of the Board's obligation to meet as a minimum once a quarter, particularly as there was outstanding business arising from the March meeting as the 2021/2022 project plan and the costings had not been endorsed and none of the financial information against which to scrutinise the project had been provided?

Response from Cllr Cockarill

Quarterly meetings of the Opportunity Board should have taken place, but unfortunately, we were hit by a global pandemic which caused a nationwide lockdown. As the Council went into emergency mode, the planned schedule of meetings was put aside to allow officers to deal with the health emergency. The March 2021 Opportunity Board meeting did have a briefing on the impact of Covid upon the project. It was my view that the July 2021 meeting of the Opportunity Board would not have all the requested information to hand and therefore considered it better to wait until the next scheduled meeting to provide a full, post-Covid update. I had requested that the Board be supplied a budget by e-mail so that questions could be asked. I do not understand why the officers did not circulate the updated 2021/22 Project Plan and Costings Plan with the detailed budget information as promised to all Board members in the officer's email dated 2 July 2021. The project was halted in September, which meant the next scheduled meeting of course didn't happen. In hindsight, I should have sought to intervene and have the July meeting go ahead to provide the Board with at least the limited information available. It was not my intention to restrict the ability of Members to scrutinise the project and I apologise to Members if I inadvertently gave them that impression.

Supplementary Question

As portfolio holder for the project, would you resign?

Response from Cllr Cockarill

No. I was working on information made available to myself and the Opportunity Board at the time. No concerns were raised by any member of the Opportunity Board. Had a

concern been raised and I had failed to act upon it, then there may have been a different outcome.

5. The Shapley Heath Garden Community audit review outlines a series of significant failings by the Council. Does the leader of the Council agree with me that the issues raised in the review cannot simply be described as project management shortcomings but instead represent a far more deeply rooted example of mismanagement, questionable competency and accountability which must be investigated further? Who will carry out that investigation, when and how will it be fed back to members? Doesn't like Cabinet will do.

Response from Cllr Neighbour

I cannot agree to recognise all of the points raised in your question – they go well beyond the factual findings of the Audit review. We are nevertheless determined to abide by the highest standards of governance and unfortunately in this case I do agree the project governance exhibited in this case is not acceptable.

As I said earlier, Audit Committee has asked Cabinet to provide a response to the management recommendations contained within the report. That is our process. It has also asked Cabinet to review the application of project governance and financial controls and reporting and to provide a response. Will go to audit committee to review. In addition, Staffing Committee is also asked by Audit Committee to review the exercise of officer management and financial control and oversight over the project. The outcome of these reviews will be shared with all Members.

Supplementary Question

What will the timeline be?

Response from Cllr Neighbour

There will not be a response tonight as we will need to prepare information streams to put in place. The Staffing Committee will decide when they can make available their aspects of the response.

Questions from Councillor Spencer Farmer

1. Why was an audited 2021/22 budget never circulated to the Opportunities Board and, because the costings were never supplied, how was it expected that the budgeted spend for 2021/22 be scrutinised, particularly as the 2021/22 Project Plan was never endorsed. Who therefore approved the 2021/22 work stream?

Response from Cllr Cockarill

I believe that I gave a full answer to a similar point earlier, but for clarity: The intention was to bring budgets to the Opportunity Board (initially in July but deferred to September of 2021), but decisions taken regarding the future of the project meant that the September meeting was subsequently cancelled.

I had requested that the Board be supplied a budget by e-mail so that questions could be asked. I do not understand why the officers did not circulate the updated 2021/22 Project Plan and Costings Plan with the detailed budget information as promised to all Board members in the officer's email dated 2 July 2021. That update was never provided and that clearly hampered the ability of the Opportunity Board to properly scrutinise the project's finances albeit this was not an issue raised with me by any Board members at the time.

However, I believe the Opportunity Board did see a high-level project plan in March 2021 and raised no objections to the principle of the programme, albeit the Board did ask for a more detailed budget and costings to be provided before it received final sign off. In hindsight, I should have sought to intervene and have the July meeting go ahead to provide the Board with at least the limited information available.

Supplementary Question

Who therefore approved 21/22 workstream and project plan. Where in the Terms of Reference did it allow that these be approved without referral to the Opportunity Board.

Response from Cllr Cockarill

It didn't. This is an issue that I cannot explain as I do not know where the approval came from.

2. It was noted that since 2018/19 in excess of £650,000 has been spent on the Shapley Heath project up to March 2022. Taking into account the latest full year forecast for 2021/22, this may increase to in excess of £820,000 (£544,000 of Council money). Unrecorded staff costs such as officer resources used to support/lead workstreams need to be assessed, therefore what is the true cost of the project when these factors are taken into account?

Response from Cllr Cockarill

The Audit Committee has now received the final updated figures for the project income and expenditure over the last 4 years broken down in appropriate detail. The actual expenditure incurred is significantly less than that initial Audit forecast (more in the region of £752,000) without account having been taken of a miss coding. It also must be recognised that a substantial portion of the budget was also actually used by officers working on other projects and on the emergency response to COVID. It should be noted that of the £500k drawn down from reserves £298k of this has recently been put back.

Supplementary Question

The numbers were stated in the auditors' report and it was thought that any proof of other costs for staffing would have been presented to the auditors and if different from what they were originally advised, this should have been highlighted. Why was this not the case?

Response from Cllr Cockarill

That information is not detailed here but I will go back to the officers involved and ask them to supply the information requested. When I know how long it will take to get this information together, I will advise Council.

3. A fund of £500,000 was allocated to the Shapley Heath Project, approved by Cabinet and Full Council in February 2020. However, there were no details of the expected overall expenditure of the project, no breakdown of expenditure over the three-year period, or any indication of items that would be covered by such expenditure. 80% of the expenditure is attributable to staff costs or recharges and no key milestones had been achieved at the time of concluding the project. Day-to-day financial monitoring did not follow the standard template documentation and was found to be significantly inaccurate in recording actual expenditure, particularly staff costs and recharges, and calculating available resources, and did not correlate with the project plan document. There was also no evidence to support the project having been accurately and appropriately financially managed. How did this happen and who is responsible?

Response from Cllr Cockarill

As I have just said, Audit Committee has now received the final updated figures for the project income and expenditure over the last 4 years broken down to the appropriate level. Furthermore, a substantial portion of the SH budget was actually used by officers working on other projects and on the emergency response to Covid. It should

be noted that of the £500k drawn down from reserves £298k of this has recently been put back.

It is the nature of major projects such as Shapley Heath often start with outline budgets, as the exact scope of works and timescales needed to achieve the project's aims are themselves forecasts. Full Council agreed, prudently in my view, to allocate a reserve fund of £500k over three years, to provide some certainty over the Council's financial liability for the project. By the end of that 3-year period, the aim was to have collated enough information for Cabinet to decide whether a Garden Village was desirable and or feasible, be it at Shapley Heath or elsewhere.

Because the Government's financial commitment to the Project fell substantially below that which was expected, Cabinet realised that Hart's financial liability would increase to an unknown limit. Because the work undertaken during the project had given Council has the information it needs to be able to assess the new settlement option against other potential housing options in a future review of the Local Plan, Cabinet agreed to halt the Project. There are, as I have acknowledged, issues over how the finances of the project were managed and reported. These are the issues that the Staffing Committee and Cabinet will need to address and resolve.

Supplementary Question

The Governance process was agreed in principle in November 2019 and fully in February 2020. The Terms of Reference were agreed in February 2020. Why was it not ensured that these were followed?

Response by Cllr Cockarill

Failure to ensure that this happened is partly due to the fact that Covid threw a curve ball. There were no meetings at all held at Hart District Council, and during this period work was going on by officers under emergency protocols. I was not approached by the Opportunity Board or Members with any concerns. If any had been raised and we had deliberately failed to act, then things might have been different, but as that did not happen I am not going to take an underserved hit.

4. Despite spending all this taxpayer's money, not one milestone was achieved. Who will take responsibility for this failure by the administration?

Response from Cllr Cockarill

I respectfully disagree with my colleague that the project did not achieve any milestones. At the time the project was closed it was on track to deliver its programmed outcomes. As I explained in an earlier answer, the first phase of the project was to evaluate the potential

for a Garden Village as an option for future housing growth. We have enough information from that evaluation to enable an assessment to be made of the suitability of a new settlement, compared to other housing options when we come to review our Local Plan. The Project has, therefore, met its primary objective.

Supplementary Question

The audit report is clear that not one key milestone was achieved. The press release yesterday seeks to claim that 10 baseline reports have been published. However, the baseline studies are not an outcome of the spend as the studies were funded by developers. By claiming reports as a response to the funding, how can you say you are being transparent.

Response from Cllr Cockarill

It is clear that the funding came from 3 streams: government, the council and developers. Therefore it was right for us to ask developers to provide detailed reports: if we had commissioned them it would have cost more than the developers charged. Cllr Farmer was part of the Opportunity Board.

6. The Shapley Heath Audit Report found that procurement rules have not been fully followed as prescribed, with multiple documents not signed, lack of an audit trail for panel evaluation of contracts, an incorrect sending of a contract notification, and an approximate 9-month delay in publishing contract award results. Why was this allowed to happen and who is responsible?

Response from Cllr Cockarill

Public procurement rules, particularly concerning large and complex projects, are necessarily detailed, both to protect the public purse and ensure against impropriety. There is no excuse for officers not to have complied with Contract standing Orders albeit there is no suggestion anywhere in the Audit report that the failure to follow these rules to the letter amounted to improper decisions being taken. The failure to publish the results of the procurement process in the correct timeframe had no material impact upon the process, nor indeed to the Project. It is important, however, that procurement rules are followed to the letter and the Cabinet will ensure that officers are reminded of and trained in the proper procurement processes, as necessary.

Supplementary Question

When spending taxpayers' money, why does the portfolio holder believe rules are important?

Response from Cllr Cockarill

The first right of local government is to ensure that we are spending taxpayers' money in a prudent manner and correctly. However, in the case of Shapley Heath, procurement processes were not followed correctly, and this is clearly not acceptable. Officers will be reminded and will be retrained wherever appropriate.