



Internal Audit

FINAL

## Hart District Council

Review of the Shapley Heath Garden Community Project

2021/22

July 2022

# Review of the Shapley Heath Garden Community Project

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## Introduction

1. An objection to the Council's 2020/21 accounts was received by a member of the public, which raised concerns about budgeting and budget monitoring of the Shapley Heath Garden Community Project. A member of the public asked the Chair of the Audit Committee to consider an Internal Audit of the project and this was considered and approved at the Audit Committee meeting on 7<sup>th</sup> December 2021 as an additional internal audit for 2021/22.

## Scope and Limitations of Review

2. At that meeting it was recommended that the scope of the review should address the following areas:
  - Assurance over the project management framework used.
  - Assurance over budgetary control and financial risks.
  - Assurance over the monitoring and reporting of financial information.
  - Assurance over compliance with contract procedure rules and contract management arrangements.
  - Assurance over the risk management framework including governance and transparency.
  - Assurance over information governance arrangements to include FOI, Transparency and GDPR.
3. TIAA were engaged to carry out this review in March and April 2021. Based on the work carried out an assessment of the controls in place for each of the risk areas outlined above is included in the relevant section of the report.
4. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.
5. For the purposes of this review reliance was placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

## Conclusion

6. The following table summarises the findings for each of the areas reviewed and provides recommendations to enhance the control framework:

Area	Findings	Recommendations
<b>Assurance over the risk management framework including governance and transparency.</b>	<p>10.28 The development and approval of the strategic governance arrangements for the project as initially set out were considered to be appropriate and adequate. It was acknowledged that the ability to implement the governance arrangements in practice was severely impacted by the Covid-19 pandemic, and evidence was provided that governance arrangements were given due consideration during this time. However, as stated in 10.27, after taking into account the impact of the pandemic, the governance arrangements were not actioned as approved by Cabinet throughout the life of the project, specifically relating to (i) the lack of any update reports to Cabinet between March 2020 and November 2021, (ii) meetings not being held at the requisite frequency (post pandemic) and (iii) the lack of an annual review of the Board's Terms of Reference and to review and update the objectives and priorities (as required by the Board's Terms of Reference).</p> <p>10.35 Although at the time the PID was produced some generic risks were identified within the PID neither a Project Risk Register or Risk/Issues log was produced. It was noted, however, that internal audit had previously identified the lack of formal risk recording for the project in early 2021, following which a number of risks were incorporated into a service level risk register, although it was unclear how these risks were monitored or managed.</p> <p>10.36 There was no internal Project Board/Project Panel in place to review project risks/issues and there was little consideration or review of relevant risks by either the Corporate Project Board or the Opportunity Board. As a result, combined with a lack of internal project risk documentation, the oversight of Risk Management was considered to be insufficient throughout the project.</p>	<p>1. Governance arrangements to be reviewed and once established and approved to be followed at all times.</p> <p>2. In line with good practice and the expectations set out in the Council's template PID document, action should be taken to ensure that a project risk register is produced and agreed for all projects, which is a live document and regularly reviewed and updated by the Project team. Significant risks and any mitigating actions should be appropriately reported and reviewed at the Project Panel.</p> <p>3. All projects to have a clearly defined project board/panel which should meet on a regular basis to review risks and mitigations with minutes and actions recorded and retained for a minimum of six years.</p>
<b>Assurance over the project management framework used.</b>	<p>10.50 The management of the Shapley Heath project did not meet the Council's required standards. The project did not follow the Council's standardised project structure and as a result the standard internal reporting processes were not used. In addition, standardised project documentation in relation to risks, issues and budgeting were not used.</p> <p>10.51 While it was advised that weekly project update meetings took place between the Project Manager and the Project Sponsor, these were considered to be more informal and no formal records were maintained. It was also advised that the Project Sponsor was (i) holding regular meetings with the three key officers concerned, (ii) holding more infrequent updates with the Portfolio Holder, (iii) attending meetings with the Developer/Promoter periodically, and (iv) meeting on</p>	<p>4. A lessons learned report should be produced, along with a separate action plan to improve project management processes at the Council, including (but not limited to) the following considerations:</p> <ul style="list-style-type: none"> <li>• Training needs should be identified to ensure that standard project documentation is utilised effectively in all cases, with additional guidance notes created where appropriate, in particular around monitoring risks, issues and budgets.</li> <li>• Where the standard project structure is not utilised, the PID should clearly set out the roles and responsibilities of each individual/team. Similarly, reporting lines should be clearly set out to enable at least</li> </ul>

Area	Findings	Recommendations
	<p>normally a monthly basis with Homes England. However, no particular records of these meetings were maintained (it was advised that meeting notes were taken by hand) and relevant emails had since been deleted in accordance with the Council's email retention period of one year.</p> <p>10.52 The project reporting at Corporate Project Board and Opportunity Board was limited, both in terms of frequency and content, and did not meet the required expectations as per the Opportunity Board's Terms of Reference. This would indicate that there was very little project management oversight at Board level taking place.</p>	<p>the same level of review and scrutiny as there would be under the standard project structure.</p> <ul style="list-style-type: none"> <li>Minutes of relevant project meetings should be formally recorded, and all relevant emails and other data should be maintained in project folders so that a full audit trail is maintained for a minimum six year period from when the project ends.</li> <li>The frequency, format and content of project reporting to the Corporate Project Board and to Members should be reviewed. Examples of good practice identified at other local authorities include: <ul style="list-style-type: none"> <li>Standardised monthly progress reports, with the level of details dependent on the complexity of the project.</li> <li>For more complex projects, this may include: Details of approved budget, committed budget and actual spend; RAG ratings for key elements of the project (Time, Quality, Budget, Risks &amp; Issues, Resources), along with an overview of the RAG status update; Activities completed within the last month, planned activities due for completion but not delivered, and activities scheduled for next month; An overview of the risks and issues, with the impact and mitigation measures; An outline of project milestones with target dates and actual completion dates.</li> <li>For less complex projects, this may include RAG ratings for Time, Quality, Budget, Risks &amp; Issues, and Resources, along with a general project progress update.</li> <li>Project portfolio reporting including an overview of the progress of all corporate projects provided monthly to the Chief Executive and quarterly to Committee.</li> </ul> </li> </ul>
<p><b>Assurance over budgetary control and financial risks.</b></p>	<p>10.73 While all budget approvals and amendments were made in line with Council procedures, there was a distinct lack of clarity around the overall expected expenditure for the project.</p> <p>10.74 It was noted that, since 2018/19 in excess of £650,000 had been spent on the project up to March 2022; after taking into account grant monies and other costs recovered, this amounted to approximately £374,000 of Council funds. Taking into account the latest full year forecast for 2021/22 this may increase to in excess of £820,000 (£544,000 of Council funds). This is within the total approved expenditure for those years, although over 80% of total expenditure is attributable</p>	<p>5. Budgets to be clearly defined to include all income and expenditure (including any recharges).</p> <p>6. Budgets to be regularly monitored clearly showing actuals as the project progresses.</p> <p>In addition:</p> <p><i>See recommendation 4 in relation to reviewing the format and content of project reporting, including in relation to financial information.</i></p>

Area	Findings	Recommendations
	<p>to staff costs and recharges. It was noted that there were a number of tangible outputs achieved for this expenditure, however no key project milestones had yet been achieved at the time of concluding the project.</p> <p>10.75 It was acknowledged that the timeframe for the project coincided with the pandemic, necessitating some officer time being diverted to the Council's response. However, the report to the March 2021 Opportunity Board indicated that the timetable remained largely unchanged despite the pandemic, therefore the level of output for the expenditure incurred was not considered to be attributed to the impact of the pandemic.</p> <p>10.76 While it was confirmed that monthly budget monitoring was carried out in accordance with Council procedures, and quarterly budget monitoring reports were appropriately provided to Cabinet, errors were noted with respect to budget code allocations and calculations for transfers from reserves.</p> <p>10.77 A number of the formal budget monitoring reports presented to Cabinet throughout the life of the project made no reference to the Shapley Heath project due to the fact that no significant variances to budget were indicated at the time. While this is in line with normal budget monitoring practices, this should be viewed in conjunction with the lack of project reporting as highlighted in the section relating to the project management framework. As a result, throughout the life of the project there was very little meaningful financial monitoring data presented to Members, and some of the data that was presented was found to be inaccurate.</p>	
<p><b>Assurance over the monitoring and reporting of financial information.</b></p>	<p>10.84 While there were spreadsheets put in place for day to day financial monitoring, these did not follow the standard template documentation. They were also found to be significantly inaccurate in relation to recording actual expenditure (particularly relating to staff costs and recharges) and calculating available resources, and did not correlate with the project plan document. There has therefore been no evidence provided to support the project having been accurately and appropriately financially managed.</p> <p>10.85 There was a lack of substantial and regular financial reporting to either the Corporate Project Board or Opportunity Board. In addition, little mention is made of the potential cost of the recharges that at final outturn may represent some 40% of the total costs of the project.</p>	<p>7. Standard template documentation be used for the management and monitoring of all projects.</p> <p>In addition:</p> <p><i>See recommendation 4 in relation to (i) identifying training needs for the effective use of standard project budget monitoring documentation and (ii) reviewing the format and content of project reporting, including in relation to financial information.</i></p>

Area	Findings	Recommendations
<b>Assurance over compliance with contract procedure rules and contract management arrangements.</b>	10.96 While the advertising of opportunities and the evaluation process were considered to be fair and transparent overall, it was evident that procurement rules have not been fully followed as prescribed. The fact that multiple documents had not been signed; lack of an audit trail for panel evaluation; incorrect sending of a notification; and delay in publishing award results is unsatisfactory. Procurement should be seen to be working to the highest standards and in accord with the Council's procedures.	8. Procurement guidance and standard form evaluation documents should be reviewed to ensure that panel evaluation criteria are clearly set out and panel members are appropriately recorded.  9. Training needs for project managers/buying managers in relation to procurement processes should be identified, to ensure that standard procedures are followed in all cases and full audit trails are maintained.
<b>Assurance over information governance arrangements to include FOI, Transparency and GDPR.</b>	10.101 The responses to FOI requests pertaining to the Shapley Heath project were considered to be timely and adequate in the majority of cases. It was not possible to fully verify the timeliness of the response in one case, as the email response had been deleted in accordance with the Council's email retention period. In addition, in three cases contradictory information had been given to the requester, and in one of these cases the response had not fully dealt with all aspects of the request.  10.102 It was advised that there had been no subject access requests logged relating to the Shapley Heath project. There had been one data incident which had been appropriately identified and acted upon.  10.103 Appropriate data are maintained on the Council's website in accordance with the Local Government Transparency Code.	10. As emails are only retained for one year, FOI processes should be reviewed to ensure that relevant data is moved from email folders to Sharepoint folders so that a full audit trail of FOI requests and responses is maintained for a minimum six year period from when the project ends.  11. Training needs for project managers in relation to FOI responses should be identified, to ensure that full and accurate responses are provided in all cases.

## Management Response

### Isabel Brittain, Interim Head of Corporate Services

The audit report has highlighted a series of issues related to the work of this project. Whilst each issue should be addressed on its own merits, I have considered an overall management action plan that seeks to address all the concerns.

I acknowledge the issues that have arisen and whilst nothing can be done to change the outcome of this report for Shapley Heath, it is of utmost importance that all the issues are considered for all current and future projects at Hart DC.

The aim of this work is to ensure that all projects:

- have a clear and accountable governance framework of authority that it is accountable to the sponsoring body;
- are always open to wider scrutiny in accordance with the Council's Constitution;
- have clear budgetary controls that are regularly monitored and accurately reported to the sponsoring body to include the full identification of financial risks;
- ensure that all contract procedure rules, and contract management arrangements are followed; and
- give assurance over the risk management framework including governance and transparency.

The interim Head of Corporate Services will lead on the process detailed below, and will be able to draw on the expertise of the Internal Audit team and use their experience to ensure that all projects will adhere to a strict project management policy.

## Management Response

This timetable will be completed by 31st March 2023.

Once this process has been agreed it will be embedded in the annual audit plan and its practical and ongoing implementation will ultimately be monitored by Overview and Scrutiny Committee to ensure that all projects are consistently managed under the same guidance and policy.

### Action Points timetable

Action	Date	By Whom
Audit Committee agreement	26/07/2022	All
Convert Project Policy Guidance into detailed checklist	31/08/2022	Head of Corporate Services
Identify all project leads and set out meetings to consider delivery against checklist	31/08/2022	Head of Corporate Services
Clarify checklist items as agreed against documents provided	By 31/10/2022	Head of Corporate Services
Provide feedback to project board with recommendations and relevant gap analysis	December 2022	Head of Corporate Services
Potential feedback and consideration of policy and guidance and whether it needs updating	By 31/01/2023	Head of Corporate Services
Rectify any gaps and deliver training	By 28/02/2023	Head of Corporate Services
Implement ongoing audit plan requirements for future year audits on projects	By 31/03/2023	Head of Corporate Services
Feedback to Audit Committee	28/03/2023	Head of Corporate Services

## Disclaimer

- The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

## Acknowledgement

8. We would like to thank staff for their co-operation and assistance during the course of our work.

## Release of Report

9. The table below sets out the history of this report.

<b>Date draft report issued:</b>	24 <sup>th</sup> June 2022
<b>Date management responses rec'd:</b>	5 <sup>th</sup> July 2022
<b>Date final report issued:</b>	6 <sup>th</sup> July 2022

## Detailed Findings

10. The following matters were identified in reviewing the key risk areas:

### Assurance over the risk management framework including governance and transparency

#### Background

- 10.1 In 2018, the Hart Local Plan (as originally drafted) included a New Settlement area of search and associated Policy (SS3). The Local Plan identified that the proposal for a new settlement would be taken forward through the preparation of a New Settlement Development Plan Document (DPD).
- 10.2 In September 2018, as part of the government's drive to increase house building, MHCLG announced a new opportunity to join the Garden Communities Programme. At Full Council in the same month, the Portfolio Holder for Planning announced that the Council was in the process of putting in a bid for the government's garden community programme. Whilst the Local Plan was still to be formally examined, the complexity of the new settlement project led the Council to undertake some of the preparatory and background work to the project.
- 10.3 A report outlining the anticipated governance arrangements for this project was considered at Overview and Scrutiny Committee in October 2018 and approved at Cabinet in November 2018. The report set out, among other things, an outline governance proposal for a new settlement project, predicated on a review of examples of governance arrangements for other similar projects. The proposed arrangements included a specific Member New Settlement Working Group, and the creation of a Delivery Board, Project team, forums and more topic specific working groups. The report also set out a draft list of key stakeholders.
- 10.4 The Garden Community bid was submitted on 8<sup>th</sup> November 2018 and included the governance arrangements as approved by Cabinet.
- 10.5 In February 2019, following the Local Plan Examination in Public, the Local Plan Inspector recommended the deletion of Policy SS3. In March 2019 Cabinet considered the Inspector's recommendations and resolved to agree the removal of SS3.
- 10.6 In May 2019, the Council advised Homes England (who administer the Garden Communities Programme on behalf of MHCLG) of the proposal to delete policy SS3. Nevertheless, in June 2019, MHCLG announced that the Council had been successful in being selected to join the Garden Communities Programme, and provided an initial £150,000 of capacity funding to support the Council in 2019/2020.

#### Development and authorisation of the strategic governance arrangements

- 10.7 Following the successful bid to join the Garden Communities Programme a report was presented to Overview and Scrutiny Committee on 18<sup>th</sup> September 2019 and subsequently to Cabinet on 7<sup>th</sup> November 2019. The report stated that it did not seek to pre-determine the planning position with regard to a potential new settlement in Hart as a future growth option. However, it did seek to put in place potential governance arrangements for the opportunity of a new garden community to be explored at 'Shapley Heath' as part of the MHCLG Garden Community Programme.

- 10.8 It was reported that 18 other locations were also selected to join the Garden Communities Programme. The planning policy position of each of the other successful Local Authorities Garden Communities varied, but including Hart District Council, 15 of the 19 Garden Communities selected did not have site allocations within an adopted Local Plan. The approach to exploring the option of delivering a Garden Community was therefore not considered to be exceptional. It was also reported that acceptance on to the Garden Communities Programme committed the Council to explore the opportunity to create a new Garden Community; it did not commit the Council to deliver a Garden Community. The selection of the Council to join the Garden Communities Programme was not conditional upon the Garden Community being advanced as a policy or proposal in the emerging local plan, or for alternatives to have been considered through the plan making process; it had been awarded on its own merits under the Garden Communities Programme. The proposal was therefore considered to have a legitimate life of its own which at that stage lay outside of the Local Plan until such time as the Council itself may decide if it is a suitable long-term growth option. It would then need to be fully considered and evidenced in a future (potentially early) review of the Plan or a subsequent Development Planning Document (DPD).
- 10.9 The governance arrangements proposed in 2018 related to a project where a new settlement would be taken forward through the preparation of a New Settlement Development Plan Document (DPD). As this was no longer the case, revised governance arrangements for the project were proposed to Cabinet in November 2019, including the creation of a Garden Community Board, which would steer the Garden Community project. It was suggested that feeding into the Garden Community Board could be a Community Forum and a Landowners Forum. The governance document outlined the proposed roles and membership of the Garden Community Board, the land owners' forum, community forum and a dedicated Garden Community project team. A Terms of Reference for the Garden Community Board was also presented.
- 10.10 Decisions made by Cabinet included:
- *Approval be given to the exploration of the opportunity to deliver a garden community through a place making/place shaping approach.*
  - *The proposed Governance approach be approved in principle, but a small working group, comprising of the three Group Leaders and Portfolio Holder for Place, be tasked to look again at the proposed governance structure and the work streams over the next 12 months, and be asked to report back to Cabinet, at the latest by February, with any appropriate refinements to the proposed Governance structure or project plan.*
- 10.11 In accordance with the above resolution, the Group Leaders and Portfolio Holder for Place met to consider and amend the Garden Community Governance arrangements. An update report on the governance arrangements for the Garden Community was considered by Overview and Scrutiny Committee at their meeting on 17<sup>th</sup> December 2019, and subsequently by Cabinet on 2<sup>nd</sup> January 2020.
- 10.12 The report set out the Garden Community governance as agreed by each of the Political Group Leaders and the Portfolio Holder for Place. The governance approach was outlined in the report and recognised the fact that clear governance arrangements were necessary, in particular due to the fact that that Council is also the local planning authority:
- As well as the Council's interest in representing local people and as a custodian of the economic, environmental and social well-being of the District, it is also the local planning authority. As the decision-maker for applications for the development of the Garden Community, the Council must ensure that applications are considered in accordance with statutory requirements and its own rigorous ethical standards. Therefore, the governance arrangements set out in this document, for investigating the vision and then exploring the opportunity for a Garden Community is not and cannot be part of any decision making process on matters associated with the Councils role as a Local Planning Authority. The formal arrangements in this document are necessary to demonstrate a separation in the roles the Council performs. A Shapley Heath Opportunity Board will be established to ensure the involvement of local communities and other stakeholders in evaluating the opportunity for a Garden Community in accordance with the principles that have been adopted by the Council.*

- 10.13 The governance arrangements set out that a newly formed Shapley Heath Garden Community Opportunity Board (the Board) would lead the evaluation of the project, reporting to the Council's Cabinet. The Board would:
- Be accountable for the project's expenditure and the overall work of the project
  - Develop a project plan to evaluate the opportunity with clearly defined milestones and outcomes
  - Bring together the evidence, expertise and views of all work streams to provide a holistic view of the Garden Community and the opportunities it may bring whilst also recognising potential constraints – providing guidance, support and finding solutions where obstacles occur.
  - Encourage and strengthen links between the evaluation project and other relevant communities and stakeholders.
- 10.14 Alongside the Board, it was proposed to establish two engagement forums – a Landowner/ Developer Forum and a Stakeholder Forum to enable the circulation and discussion of information and views amongst all of the key stakeholders. The terms of reference for each Forum would be agreed by the Board at its first meeting and would thereafter be annually kept under review by the Board.
- 10.15 Membership of the Land Owners' Forum would include significant landowners or their representatives, within the area of the proposed Shapley Heath opportunity.
- 10.16 Membership of the Stakeholder Forum would include:
- Parish Council representatives from the following Parishes; Winchfield, Hook, Hartley Wintney, Dogmersfield, Odiham
  - Community Stakeholder Organisation representatives e.g. the Diocese
  - Business sector representatives
  - Third sector (voluntary sector) representatives e.g. Hart Voluntary Action
  - Public sector representatives (e.g. health, education, highways)
  - Support from the Council's Shapley Heath Garden Community team
  - Housing association representatives
- 10.17 There would also be a small Project Team led by the Joint Chief Executive focusing on the day-to-day management and needs of the project, and management and implementation of the project plan. It would identify and oversee any project Working Groups and would report directly to the Board.
- 10.18 The Landowners' Forum, Stakeholder Forum and the Shapley Heath Project Team would all report to the Board. The Board itself would be accountable, and regularly report, to Cabinet.
- 10.19 The report also included the proposed terms of reference for the Board, upon which its inception would be based.
- 10.20 Cabinet approved the recommended governance approach to take the project forward, including the establishment of the Board as well as a Landowner Forum and a Stakeholder Forum.
- 10.21 The first meeting of the Board took place in February 2020 and the intention was to commence the Landowners and Stakeholders Forums quickly, however this coincided with the first lockdown of the Covid-19 pandemic which meant that these could not take place.

10.22 It was confirmed that the Terms of Reference and Membership for the Board (as agreed by Cabinet in January 2020) was set out for adoption at the first meeting of the Board in February 2020, along with draft Terms of Reference and Membership for the Shapley Heath Garden Community Landowners and Stakeholders Forum.

10.23 Each of the Terms of Reference set out:

- Purpose;
- Core Functions;
- Membership;
- Roles and responsibilities of Members;
- Chairmanship;
- Meetings;
- Decision making and reporting lines (Board only);
- Review Dates.

10.24 Particular items to note from the Board's Terms of Reference include:

*"CORE FUNCTIONS*

- 1. To lead the Garden Community project against the Garden Community principles and **report to the Council's Cabinet** (and other respective corporate bodies as appropriate) and elected members to ensure corporate support and buy-in.*
- 2. Be accountable for the project's expenditure and the overall work of the project to include setting the overall direction of the project/programme, its objectives and priorities; to monitor overall progress; and to review and update the objectives and priorities at least annually*
- 3. Develop a project plan to evaluate the opportunity with **clearly defined milestones and outcomes***

*MEETINGS*

***A minimum of one meeting per quarter will be held throughout the year, with additional meetings to be scheduled as and when required.***

*DECISION MAKING AND REPORTING LINES*

*The operational decisions of the Board are likely to fall within the following types of activity for the Project:*

- *Reviewing and agreeing the Project in terms of the:*
  - *Annual milestones and key activities for the next financial year*
  - *Detailed milestones and activities for the 3 months following the Board meeting*
  - *The risk assessment and proposed mitigation for the activities and milestones*
  - *Competitive bidding processes and allocation/prioritisation of funding for that financial year.*

- *Reviewing and agreeing the Engagement Strategy in terms of non-statutory stand-alone consultation exercises related to the Garden Community.*
- *Reviewing and agreeing further procurement related to reports, studies, expertise and services related to progressing the project.*
- *Be accountable for the project's expenditure and the overall work of the project*

#### REVIEW DATES

*These Terms of Reference will be reviewed annually from the point of their first approval, or as required."*

10.25 Similarly, the Terms of Reference for both of the Forums would be reviewed annually from the point of their first approval by the Board, or as required.

#### Conclusion

10.26 **No particular issues were noted in relation to the development and approval of the strategic governance arrangements for the project.**

#### Governance arrangements in practice

10.27 In order to assess the adequacy and effectiveness of the strategic governance arrangements in practice, a review was carried out of the Board and Cabinet meetings which took place between February 2020 and November 2021, when Cabinet approved a recommendation that the Shapley Heath Garden Community Project be concluded with immediate effect. The following items were noted:

- As part of the governance arrangements agreed by Cabinet, the Board would be accountable, and regularly report, to Cabinet. This was also reiterated in the Terms of Reference for the Board. The Board met for the first time on 17<sup>th</sup> February 2020, and the minutes of that meeting were reported to the Cabinet meeting which took place on 5<sup>th</sup> March 2020. Other than high level corporate budget monitoring reports (which often made no reference to the Shapley Heath project due to there being no significant variances to budget at that time), there were no update reports to Cabinet until the decision was taken to conclude the project. In particular, there was a further meeting of the Board in March 2021, but the minutes were not presented to Cabinet.
- The Board's Terms of Reference refers to a minimum of one meeting per quarter being held. After the initial meeting on 17<sup>th</sup> February 2020, the impact of the Covid-19 pandemic meant that Council resources were redeployed to manage the response and recovery. The planned Board meetings for 2020 were cancelled; evidence was provided of various communications during 2020/21 between the Joint Chief Executive and key Members which demonstrated that governance arrangements were considered and discussed, with virtual meetings put in place when it was considered appropriate to do so. An inception meeting with all stakeholders took place on 14 January 2021, followed by a series of Community Stakeholder thematic meetings and separate Landowners Forum. This was followed by the second Board meeting that took place on 8<sup>th</sup> March 2021.
- The Council subsequently moved out of 'Major Incident' status on 1<sup>st</sup> April 2021. It was noted that, following the Board meeting in March 2021, there were no further meetings held before the project was concluded in November 2021. Therefore, even taking the pandemic into account, meetings were not held at the requisite frequency as per the Terms of Reference.
- The Board Terms of Reference refers to an annual review of the Terms of Reference and to review and update the objectives and priorities at least annually. It was not evident that any such reviews took place.

## Conclusion

- 10.28 The development and approval of the strategic governance arrangements for the project as initially set out were considered to be appropriate and adequate. It was acknowledged that the ability to implement the governance arrangements in practice was severely impacted by the Covid-19 pandemic, and evidence was provided that governance arrangements were given due consideration during this time. However, as stated in 10.27 above, after taking into account the impact of the pandemic, the governance arrangements were not actioned as approved by Cabinet throughout the life of the project, specifically relating to (i) the lack of any update reports to Cabinet between March 2020 and November 2021, (ii) meetings not being held at the requisite frequency (post pandemic) and (iii) the lack of an annual review of the Board's Terms of Reference and to review and update the objectives and priorities (as required by the Board's Terms of Reference).

## Risk Management Framework

- 10.29 It was noted that standard form project documents/templates were in place including a Project Initiation Document (PID), Risk Register template, and Issues Log template.
- 10.30 The template PID included the following in relation to risk management: *'A project risk register will be produced and agreed. This will be a live document which is regularly reviewed and updated by the Project team. Significant risks and any mitigation actions will be reported and reviewed at the Project Panel'*. It was noted that the Shapley Heath PID included an initial set of risks and mitigation measures, but there was no reference to an ongoing project risk register and it did not outline how risks were to be identified, managed and reported on throughout the life of the project.
- 10.31 It was further advised that there was no specific project risk register produced and a separate issues log was not produced for this project.
- 10.32 It was noted that the detailed project plan set out a progress update (including any issues/risks) and a RAG rating for each workstream. However, there was no internal Project Board/Project Panel in place as would be the case on other projects. As a result, the standardised reporting processes for updates on project risks/issues were not used.
- 10.33 With respect to oversight of risk management by the Corporate Project Board, it was noted that a monthly summary is prepared which outlines the key achievements and planned actions, along with any particular new risks identified and an overall RAG rating for the project, based on delivery timeframes. This was considered to be a very high level summary, and it was noted that the summary does not include any reference to how existing risks were being managed/mitigated.
- 10.34 With respect to oversight of risk management by the Opportunity Board, its Terms of Reference refers to operational decisions of the Board being likely to fall within a number of types of activity for the Project, including reviewing and agreeing the Project in terms of the risk assessment and proposed mitigation for the activities and milestones. It was noted that there were no details of a risk assessment presented at either of the two Opportunity Board meetings.

*(Also see Project Management section below for further details in relation to oversight of the project more generally)*

## Conclusion

- 10.35 Although at the time the PID was produced some generic risks were identified within the PID neither a Project Risk Register or Risk/Issues log was produced. It was noted, however, that internal audit had previously identified the lack of formal risk recording for the project in early 2021, following which a number of risks were incorporated into a service level risk register, although it was unclear how these risks were monitored or managed.
- 10.36 There was no internal Project Board/Project Panel in place to review project risks/issues and there was little consideration or review of relevant risks by either the Corporate Project Board or the Opportunity Board. As a result, combined with a lack of internal project risk documentation, the oversight of Risk Management was considered to be insufficient throughout the project.

## Assurance over the project management framework used

10.37 For day to day project management processes, the following documents were reviewed:

- The Corporate Project Management Framework to be followed for all projects as at the inception of the Shapley Heath project (2017 version);
- Standard form documents/templates including Business Plan, Project Initiation Document (PID), Project Plan template, Cost Estimate template, Risk Register template, Issues Log template, Project Board and Panel report template;
- The PID for the Shapley Heath project;
- Various high level, mid-level and detailed Project Plans;
- 2021 Corporate Project Board summary of monthly key achievements and planned actions; and
- Agendas and minutes of the Shapley Heath Garden Community Opportunity Board (the Opportunity Board) meetings.

10.38 It was confirmed that a PID for the Shapley Heath project was produced in November 2019, and updated in December 2019 following comments from the Corporate Project Board. The PID included details in relation to expected areas such as Aims and Objectives (including key deliverables), Scope and Exclusions, Assumptions, Risks, Resources, Project Governance and Organisation, Communication, Project Plan, Project Controls, and Project Closure. It was noted, however, that the PID did not follow the format of the template documentation provided, in particular in relation to the following:

- It was noted that there were no references to a specific business case for the project.
- The template PID included details as to the responsibilities of each role within the project, including reporting lines. Due to the small size of the Shapley Heath project team, there was no internal Project Board/Project Panel in place as would be the case on other projects using the standardised project structure. The Shapley Heath PID outlined project roles, giving the titles and the individuals involved. It did not, however, outline the responsibilities or accountability involved with those roles or any details as to the process, timings and governance for internal project communication or how the project plan would be monitored (for example the frequency of monitoring meetings of the Project Team to review the project plan). This would have been particularly relevant in this case considering the project did not follow the standard governance structure.
- As noted under the Risk Management section above, the PID template included the following in relation to risk management: *‘A project risk register will be produced and agreed. This will be a live document which is regularly reviewed and updated by the Project team. Significant risks and any mitigation actions will be reported and reviewed at the Project Panel’*. It was noted that the Shapley Heath PID included an initial set of risks and mitigation measures, but there was no reference to an ongoing project risk register and it did not outline how risks were to be identified, managed and reported on throughout the life of the project. It was advised that there was no specific project risk register produced.
- Regarding the budget, the PID template included the requirement for a detailed budget breakdown. The Shapley Heath PID referred to the fact that Homes England had made a provision of £150,000 as part of the inclusion of Hart District Council in the Garden Communities Programme. Further Homes England funding would be subject to a competitive process. It also referenced that Cabinet had made a recommendation to Council regarding provision of a multi-year project fund of £500,000 which would be considered as part of the 2020/2021 budget setting process. The PID did not, however, include any clear references as to the overall project budget, or any budget breakdown, instead simply referring to the fact that a detailed project budget was being prepared alongside the project plan. There were also no references as to how the budget would be monitored on a day to day basis; a separate reference was made to the Council’s financial reporting requirements which would be used to ensure appropriate controls on cost, however this did not relate to the day to day management of the project. *(see Budgetary Control sections for further comments)*

- 10.39 With respect to the other standard form project documentation/templates, it was noted that a separate issues log was not produced for this project. In addition, the Cost Estimate template was not used. (*see Budgetary Control sections for further comments*)
- 10.40 It was confirmed that a number of different Project Plans were produced:
- A high level project plan, showing the key milestones for Phase One (Concept) and Phase Two (Design) of the project, with associated timelines.
  - A mid-level project plan, containing the key activities to be carried out month by month.
  - A detailed project plan, incorporating key priorities/workstreams. For each workstream, specific milestones were set out, along with key actions and deadlines, the responsible party, progress update (including any issues/risks) and a RAG rating. To assist with funding applications and ongoing review by Homes England, the workstreams were set out thematically in line with the key Garden Communities principles/qualities as set out by MHCLG as part of the Garden Communities application process.
- 10.41 While the content of the detailed project plan was considered to be thorough, it was not evident how frequently this was being reviewed and reported on, or how any risks or issues were escalated. In terms of project oversight and scrutiny, as noted above there was no internal Project Board/Project Panel in place as would be the case on other projects. As a result, the standardised reporting processes for updates on delivery timeframes, project budget and project risks/issues were not used.
- 10.42 It was advised that weekly project update meetings took place between the Project Manager and the Project Sponsor, however these were considered to be more informal and no formal records were maintained. It was also advised that the Project Sponsor was (i) holding regular meetings with the three key officers concerned, (ii) holding more infrequent updates with the Portfolio Holder, (iii) attending meetings with the Developer/Promoter periodically, and (iv) meeting on normally a monthly basis with Homes England. However, no particular records of these meetings were maintained (it was advised that meeting notes were taken by hand) and relevant emails had since been deleted in accordance with the Council's email retention period of one year.
- 10.43 The elements of project oversight and scrutiny referred to in the PID included (i) internal oversight by the Corporate Project Board, and (ii) internal and external oversight by the Opportunity Board.
- 10.44 With respect to oversight by the Corporate Project Board, it was advised that this board meets monthly to consider progress with all corporately strategic projects, and the membership includes:
- Joint Chief Executive;
  - Head of Corporate Services;
  - Head of Place;
  - Head of Community;
  - Head of Technical and Environmental Services;
  - Programme Chair;
  - Programme Team.
- 10.45 The PID for the Shapley Heath project referred to the intention for the Corporate Project Board to review and oversee all project management documentation prior to being considered by the Opportunity Board. It was advised that the Corporate Project Board did not meet between March 2020 and July 2021 due to the pandemic, as a Recovery Board had been put in place instead. As a result, there was no formal internal oversight of project management documentation prior to the meetings of the Opportunity Board.

- 10.46 A summary spreadsheet was provided for the Corporate Project Board for 2021. For key strategic projects (including Shapley Heath) this outlines the monthly key achievements and planned actions, along with any particular new risks identified and an overall RAG rating for the project, based on delivery timeframes. This was considered to be a very high level summary, and it was advised that there are no standardised project reports that are submitted to the Board to support this. As such, it was noted that the summary does not include any reference to progress against budget, or consideration of how existing risks were being managed/mitigated. The minutes of the July 2021 meeting were provided; there was no evidence in the minutes of any discussion related to the Shapley Heath project, despite the fact that this was the first progress update meeting in over a year.
- 10.47 With respect to oversight by the Opportunity Board, its Terms of Reference refers to operational decisions of the Board being likely to fall within a number of types of activity for the Project, including:
- Reviewing and agreeing the Project in terms of the:
    - Annual milestones and key activities for the next financial year.
    - Detailed milestones and activities for the 3 months following the Board meeting.
    - The risk assessment and proposed mitigation for the activities and milestones.
  - Be accountable for the project's expenditure and the overall work of the project.
- 10.48 At the first meeting of the Opportunity Board (17<sup>th</sup> February 2020) it was confirmed that a high level project plan was reported, showing the key milestones for Phase One and Phase Two of the project, with timelines from January 2020 – February 2023. A high level cost plan was also presented, with a high level breakdown of how the initial £150,000 of Garden Community Funding would be used, as well as the £500,000 that the Council had allocated from its reserves. There were no details of a risk assessment presented at this meeting.
- 10.49 At the second meeting of the Opportunity Board (8<sup>th</sup> March 2021) an updated high level project plan was reported, showing the key milestones for Phase One and Phase Two of the project, taking into account the impact of the Covid pandemic. Timelines were revised, with estimated dates between January 2021 and June 2023. A mid-level project plan was also reported, containing the key activities to be carried out month by month between January 2021 and February 2022. No details were provided in relation to the spend plan and there was no reference to a risk assessment at this meeting.

### Conclusion

- 10.50 The management of the Shapley Heath project did not meet the Council's required standards. The project did not follow the Council's standardised project structure and as a result the standard internal reporting processes were not used. In addition, standardised project documentation in relation to risks, issues and budgeting were not used.
- 10.51 While it was advised that weekly project update meetings took place between the Project Manager and the Project Sponsor, these were considered to be more informal and no formal records were maintained. It was also advised that the Project Sponsor was (i) holding regular meetings with the three key officers concerned, (ii) holding more infrequent updates with the Portfolio Holder, (iii) attending meetings with the Developer/Promoter periodically, and (iv) meeting on normally a monthly basis with Homes England. However, no particular records of these meetings were maintained (it was advised that meeting notes were taken by hand) and relevant emails had since been deleted in accordance with the Council's email retention period of one year.
- 10.52 The project reporting at Corporate Project Board and Opportunity Board was limited, both in terms of frequency and content, and did not meet the required expectations as per the Opportunity Board's Terms of Reference. This would indicate that there was very little project management oversight at Board level taking place.

## Assurance over budgetary control and financial risks

- 10.53 A review was carried out in relation to the corporate budget setting/approval processes for the years 2018/19 – 2021/22, along with the formal budget monitoring processes, and findings for each year are set out below based on:
- Income and expenditure data for the New Settlement budget code.
  - Monthly budget monitoring data for the financial years 2018/19 – 2021/22 for the New Settlement budget code.
  - Agendas and minutes of Cabinet and Council meetings for the financial years 18/19 – 21/22 where budget setting and budget monitoring reports were presented.
- 10.54 The day to day monitoring and reporting of the project budget from a project management and project governance perspective has been addressed separately in this report in the section relating to “**Project/Financial Monitoring**”.
- 10.55 Total costs for the Shapley Heath project are shown in the table below.

### Summary of amounts posted up to 7<sup>th</sup> March 2022

Category	2018/19	2019/20	2020/21	2021/22	Grand Total
Staff Costs	74,837	77,238	115,618	105,150	372,844
Professional Services	13,464	13,237	72,102	20,434	119,237
Overheads	307	138	379	2,481	3,305
Recharges	1,437	31,406	135,526		168,369
Recovery of Costs		-2,380	-7,500		-9,880
Grants		-150,000	-130,000		-280,000
Grand Total	<b>90,045</b>	<b>-30,361</b>	<b>186,126</b>	<b>128,065</b>	<b>£373,874</b>

- 10.56 It was confirmed that formal budget monitoring for the project was undertaken on a monthly basis in line with the Council’s internal finance procedures. In addition, it was confirmed that periodic budget monitoring reports were presented to Cabinet in line with the Council’s procedures.
- 10.57 The following items were noted from a review of the budget setting and monitoring reports during the life of the project:

## 2018/19

- 10.58 There were two distinct periods in relation to budget setting for the Shapley Heath project, being before and after joining the Garden Communities Programme in mid-2019. In February 2018, Council approved the draft budget for 2018/19, which at that point did not include a specific budget allocation for the new settlement project. However, there was a further discussion at that meeting in relation to the proposed use of potential budget surplus, and it was agreed that a total of £50,000 of any budget surplus should be used to provide (i) a dedicated resource to commence a long term project to put in place a Development Plan Document to deliver a new settlement, and (ii) regeneration initiatives. A separate New Settlement, Development and Regeneration budget code was subsequently set up with a budget of £50,000.
- 10.59 At the Cabinet meeting in November 2018 a report was presented which set out some of the possible first stages in delivering a new settlement in the District. This included proposals for additional resources to take the project forward, as well as a draft summary of resources likely to be required for the project for the years 2018/19 – 2020/21. A £20,000 transfer from reserves was agreed for additional temporary resource during 2018/19, effectively creating a budget of £70,000.
- 10.60 The Cabinet meeting in March 2019 included the 2018/19 Q3 budget monitoring report. This reported against the original full year budget of £50,000, with year to date actuals reported as £51,494, and Full Year forecast outturn as £67,419 (an adverse variance of £17,419 in line with the additional agreed resourcing costs to be funded from reserves).
- 10.61 It was noted that actual net expenditure allocated to the New Settlement budget code amounted to £90,045 for 2018/19. It has not been established as to why the budget had increased to some £90k.

## 2019/20

- 10.62 In November 2018, Cabinet considered the likely financial resources needed to fund a new settlement (under a Development Planning Document approach) which was then approved as part of the Council's budgeting process by Full Council in February 2019. A total budget of £785,990 (excluding recharges) was approved for 2019/20. Once Support Services recharge costs of £31,070 were added, this gave a total budget of £817,060 as published in the Council's budget book for 2019/20.
- 10.63 Following the successful bid to join the Garden Communities Programme, an initial £150,000 of capacity funding was provided by MHCLG to support the Council in 2019/2020. At its November 2019 meeting, Cabinet agreed an indicative spend plan for 2019/20 for utilising the initial £150,000 secured from MHCLG. It was further agreed that the £785,990 previously allocated for the new settlement in the budget for 2019/2020 should be returned to reserves as this funding was predicated on an alternative approach, which was now no longer being carried forward. This effectively created a budget of zero for the year.
- 10.64 Actual net expenditure allocated to the New Settlement budget code amounted to -£30,361 for 2019/20 (the surplus income relating to the unused portion of the initial £150,000 funding).
- 10.65 With respect to formal budget monitoring for 2019/20, it was confirmed that Cabinet received budget monitoring reports as follows:
- The Cabinet meeting on 5<sup>th</sup> September 2019 included 2019/20 budget monitoring to end of June 2019. No variances were reported for the New Settlement cost centre.
  - The Cabinet meeting on 5<sup>th</sup> December 2019 included budget monitoring to end of September 2019. No variances were reported for the New Settlement cost centre.
  - The Cabinet meeting on 5<sup>th</sup> March 2020 included budget monitoring to end of December 2019. It was confirmed that this reported the variance in relation to the original budget being returned to reserves.
  - The Cabinet meeting on 3<sup>rd</sup> September 2020 included a report on the final 2019/20 outturn position. It referred to a significant underspend of £847,000 against budget on garden communities due to a delay in the project (the original £817k budget, plus the actual £30k credit, gives the overall underspend).

## 2020/21

- 10.66 At the November 2019 Cabinet meeting, a fund of £500,000 was recommended to be allocated to the Joint Chief Executive from a bespoke earmarked reserve to be utilised for the procurement of appropriate expertise and resources to help the Council make informed choices associated with the Garden Community. This funding would not be allocated to a specific year, rather to the long-term length of the project over three years. Cabinet agreed to make such a recommendation to Council for a total budget of £500,000, and that any budget spend would be reported to and monitored by Overview and Scrutiny Committee and Cabinet as part of the normal budget monitoring process. **It was noted, however, that there were no details of the overall expected expenditure for the project, and there was no breakdown of expenditure across the three year period or any indication of the items that would be covered by such expenditure.** The £500,000 budget was subsequently incorporated into the 2020/21 budget setting process, being approved by both Cabinet and Full Council in February 2020.
- 10.67 The 2020/21 net expenditure budget as per the Council's budget book was set at zero due to the fact that any expenditure was expected to be offset by income received from the Garden Communities funding and/or from transfers at year end from the earmarked reserve. It was noted that the budget figures included income of £68,062 which had been allocated to a 'Consultants' cost code; it was advised that this had been incorrectly coded and should have been allocated to a ledger code relating to 'transfers from earmarked reserves'.
- 10.68 Actual net expenditure allocated to the New Settlement budget code amounted to £186,126 for 2020/21. In July 2021 Cabinet agreed a transfer of £283,000 from the Corporate Reserve to fund the 2020/21 work on the new settlement at Shapley Heath. Discussions with officers indicated that the £283,000 transfer from reserves was made using information available at the time, which was in fact a mis-calculation. The required transfer from reserves was £186,000 in order to fund the actual net expenditure.

## 2021/22

- 10.69 The 2021/22 budget approved by Council in February 2021 included a budget of £279,167 for the new settlement budget code.
- 10.70 The final 2021/22 budget book on the Council's website shows a budget of £149,167 as the second round of Garden Communities funding received (£130,000) was initially allocated to 2021/22 before being recorded on the budget code as 2020/21 income.
- 10.71 The budget code monitoring data provided showed a full year budget of £183,370, the main difference being an approximate £32,000 increase in the value of the recharges subsequent to the approved budget. Removing the £130,000 grant income figure gives a more accurate overall budgeted expenditure figure of £313,370.
- 10.72 Actual net expenditure allocated to the New Settlement budget code amounted to £128,065 for 2021/22, up to 7<sup>th</sup> March 2022. The latest full year forecast was £298,615, with the difference mainly relating to expected recharge costs in excess of £150,000.

## Conclusion

- 10.73 While all budget approvals and amendments were made in line with Council procedures, there was a distinct lack of clarity around the overall expected expenditure for the project.
- 10.74 It was noted that, since 2018/19 in excess of £650,000 had been spent on the project up to March 2022; after taking into account grant monies and other costs recovered, this amounted to approximately £374,000 of Council funds. Taking into account the latest full year forecast for 2021/22 this may increase to in excess of £820,000 (£544,000 of Council funds). This is within the total approved expenditure for those years, although over 80% of total expenditure is attributable to staff costs and recharges. It was noted that there were a number of tangible outputs achieved for this expenditure, however no key project milestones had yet been achieved at the time of concluding the project.

- 10.75 It was acknowledged that the timeframe for the project coincided with the pandemic, necessitating some officer time being diverted to the Council's response. However, the report to the March 2021 Opportunity Board indicated that the timetable remained largely unchanged despite the pandemic, therefore the level of output for the expenditure incurred was not considered to be attributed to the impact of the pandemic.
- 10.76 While it was confirmed that monthly budget monitoring was carried out in accordance with Council procedures, and quarterly budget monitoring reports were appropriately provided to Cabinet, errors were noted with respect to budget code allocations and calculations for transfers from reserves.
- 10.77 A number of the formal budget monitoring reports presented to Cabinet throughout the life of the project made no reference to the Shapley Heath project due to the fact that no significant variances to budget were indicated at the time. While this is in line with normal budget monitoring practices, this should be viewed in conjunction with the lack of project reporting as highlighted in the section above relating to the project management framework. As a result, throughout the life of the project there was very little meaningful financial monitoring data presented to Members, and some of the data that was presented was found to be inaccurate.

### Assurance over the monitoring and reporting of financial information

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#### Project/Financial Monitoring

- 10.78 The following documents were considered in relation to the project monitoring of financial spend:
- Garden Community Budget tracker spreadsheet. This incorporated elements of estimates, committed spend (where Purchase Orders had been raised) and actual spend, in order to determine the remaining level of available resources. The document provided contained details of Purchase Orders which had been raised up to June 2021.
  - Purchase Orders tracker spreadsheet, detailing Purchase Orders raised during 2019/20, 2020/21 and 2021/22 (up to June 2021).
  - 2021 Corporate Project Board summary of monthly key achievements and planned actions.
  - Agendas and minutes of the Shapley Heath Garden Community Opportunity Board (the Opportunity Board) meetings.
- 10.79 As noted previously in this report, the standard project documentation provided included a Cost Estimate template, which required the input of estimated costs for all aspects of the project (including contingency costs) and compared this with the actual costs to determine the variance and the budget remaining. **This template was not used for the Shapley Heath project.**
- 10.80 While the Budget tracker spreadsheet incorporated elements of estimates, committed spend and actual spend, these were not clearly differentiated to give an accurate position. It was also noted that elements of expenditure included within the Budget tracker spreadsheet did not appear as workstream items on the detailed project plan, therefore the two documents did not fully tie up.
- 10.81 The two main areas of expenditure for the project were staff costs and recharges. It was noted that the values on the Budget tracker spreadsheet for staff costs were considerably different to those actually recorded on the budget code, and there were no recharges costs taken into account on the Budget tracker. In addition, while there were details included for the value of Purchase Orders raised, there were very little details as to the actual amounts invoiced/paid. Furthermore, some values were expressed as excluding VAT, and some were expressed as the VAT inclusive cost. As a result of these items combined, the value being calculated as the available resource was therefore significantly inaccurate.

- 10.82 A review of the Corporate Project Board summary indicated that an overall RAG rating was applied to the project. It was advised that this was based on the delivery timeframe alone. There was no evidence provided that budgetary/financial information for the project was presented to or discussed by the Corporate Project Board.
- 10.83 As noted previously, at the first meeting of the Opportunity Board (17<sup>th</sup> February 2020), a high level cost plan was presented, with a high level breakdown of how the initial £150,000 of Garden Community Funding would be used, as well as the £500,000 that the Council had allocated from its reserves. The minutes from this meeting indicated a specific action point for a more detailed cost plan to be presented to the next Opportunity Board. At the second meeting of the Opportunity Board (8<sup>th</sup> March 2021) no details were provided in relation to the spend plan.

### Conclusion

- 10.84 While there were spreadsheets put in place for day to day financial monitoring, these did not follow the standard template documentation. They were also found to be significantly inaccurate in relation to recording actual expenditure (particularly relating to staff costs and recharges) and calculating available resources, and did not correlate with the project plan document. There has therefore been no evidence provided to support the project having been accurately and appropriately financially managed.
- 10.85 There was a lack of substantial and regular financial reporting to either the Corporate Project Board or Opportunity Board. In addition, little mention is made of the potential cost of the recharges that at final outturn may represent some 40% of the total costs of the project.

### Assurance over compliance with contract procedure rules and contract management arrangements

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- 10.86 The general approach to procurement for the project was considered and agreed at the first meeting of the Shapley Heath Garden Community Opportunity Board in February 2020. It was reported that the promoters/developers with significant land interest (Lightwood and L&Q Estates) would procure and fund all of the baseline surveys. The Council would provide detailed briefs for each of the surveys and the appointed consultants would be required to liaise with the Council to ensure that the requirements and standards stated in the briefs were fulfilled.
- 10.87 Council funds and any MHCLG Garden Community Funding would be used to fund the strategy reports, a number of which would benefit from resource support from key stakeholders such as Hampshire County Council and the M3 Local Enterprise Partnership.
- 10.88 A Collaboration Agreement was subsequently entered into in February 2021 between the Council and the developers/promoters. This set out that L&Q and Lightwood would procure and fund all of the baseline surveys (which would record the existing conditions), as detailed below:
- Topographical Survey and Ground Survey;
  - Transport;
  - Landscape;
  - Agricultural Land Classification;
  - Heritage;
  - Flooding;
  - Drainage;
  - Water Cycle/Management;
  - Utilities ;
  - Air Quality;
  - Noise;
  - Contamination;
  - Ecology/Biodiversity;
  - Woodland, Trees and Hedgerows.

10.89 During the audit it was confirmed that, while the Council gave input into the required scope of the baseline surveys, it did not contribute financially towards the cost of any of the surveys and the financial risk lay with the developers. The procurement process for any such surveys was therefore considered to be outside the scope of this review.

10.90 The Council would be responsible for procuring any Strategy reports (which would consider and recommend options), including:

- Homes;
- Economy and employment;
- Retail;
- Education;
- Green Infrastructure (including Community Facilities/Sports/Leisure/Play Space);
- Health Needs;
- Health Impact;
- Active Lifestyles;
- Climate Change Mitigation;
- Renewable Energy;
- Innovation/Future Proofing – Transport;
- Innovation/Future Proofing – Technology and Lifestyle;
- Urban Design;
- Place Stories and Branding.

10.91 Only one of these strategy reports had been procured prior to the project being paused (Place Stories and Branding). A review of the Council's expenditure data for the Shapley Heath project identified four main contracts which had been procured by the Council:

- Chelgate Limited –Communication and Engagement –
  - (i) Undertaking a Place Survey
  - (ii) Creating a comprehensive Communication and Engagement Strategy,
  - (iii) Setting up the Garden Community Forum,
  - (iv) Providing a Garden Community Website Strategy, and
  - (v) Providing specialist engagement and communications advice to the Council.
- DigitalDinos Limited – Communication and Engagement - Creation and development of a new website for the Garden Community.
- Premm Design Limited – Branding – Branding and Place Story for the Garden Community.
- RegenCo – Viability – Strategic Economic Outline Appraisal.

10.92 The Council's Contract Standing Orders (CSOs) are incorporated within its Constitution (available on the Council's website) and govern the procurement of goods and services. The CSOs set out the Quotation and Tender Procedures, which will vary according to the value of the contract, with more rigorous procedures for higher value transactions. For medium value contracts (between £5,000 and £75,000), the CSOs state that:

- (i) an established framework agreement may be used
- (ii) an agreed procurement service with Capita (no longer in place) could be used, or

- (iii) a procurement process could be run in-house. A pre-defined template is available for this, and any contracts worth over £10,000 should be advertised on Contracts Finder. The Contracts and Procurement Officer would manage this process.

10.93 Other relevant items in the CSOs relate to the acceptance of Quotations and Tenders:

- The results of the tender/quotation award process must be recorded. A contract may only be awarded by a Head of Service or other nominated Officer(s), as authorised under the scheme of delegation. As set out in the CSOs, Budget Managers have an authorisation value of up to £20,000.
- Following completion of the tender award process, all tenderers must be notified in writing of the results. This should include:
  - Where based on price alone, unsuccessful tenderers should be informed of the winning price; or
  - Where based on the “value for money criteria”, tenderers should be given sufficient information to explain how the Council applied its selection and how the final award decision was made.
- Once a contract has been awarded the Corporate Contract Register must be updated.

10.94 A review of the guidance notes in place to support the CSOs, along with discussions with the Contracts and Procurement Manager, identified additional relevant items as follows:

- There are standard form documents/templates in place for a Request for Quotation, an evaluation spreadsheet, and a Contract Award letter.
- There is an expectation that three written quotations will be obtained wherever possible.
- There is an expectation that evaluations of bids received will be carried out by a panel of three officers, although it was noted that this is not explicitly recorded within the procurement guidance.

10.95 A review was carried out of the supporting documentation available for the four main procurement exercises, with the following items noted:

- In all four cases the value of the contract exceeded £10,000. It was confirmed that three of the four procurement exercises had been managed through the central Procurement team and had been advertised on Contracts Finder, however one of the procurement exercises was managed solely by the project team and was not advertised on Contracts Finder. While it is not a requirement to do so under relevant Regulations, it is specifically referred to as part of the procurement process in the CSOs. In this case, it was confirmed that six companies had been approached for quotes instead, with two subsequently submitting bids.
- A standard form Request for Quote (RFQ) had been used in all cases, which incorporated the Council’s standard terms and conditions. It was confirmed for all cases that the RFQ also appropriately set out the specification, expected timeframes, and the evaluation criteria/weighting.
- In all cases the standard form evaluation spreadsheet had been used to score the bidders in accordance with the evaluation criteria set out in the RFQ document. It was advised that there were three members forming the evaluation panel in each case, although this was not recorded on the evaluation documentation.
- In all cases the contract had been awarded to the bidder with the highest overall score.

- In all cases the outcome of the award process had been notified to all bidders, with details of the individual scores obtained versus the winning bidder's scores. It was noted that in one case the notifications were sent purely by email rather than using the standardised letter generator, which increases the risk that the notification would not include all of the information required. In this case it was noted that the initial email to the unsuccessful party did not include any information as to the scoring breakdown or comparison with the successful party. This was only subsequently provided once the unsuccessful party replied to request it.
- In three of the four cases, the formal agreement was entered into by way of the standard form Contract Award letter, which incorporates the agreed terms as set out in the winning bidder's submission. The contract values in these cases were all between £10,000 and £20,000 and the award letter in each case had been issued by the Budget Manager in accordance with delegated authority limits. In one case, however, it was advised that a fully signed version of the Contract Award letter could not be located.
- In one case, due to the complexity of the arrangement, a separate formal contract was prepared by the Council's legal team. However, a fully signed version of the final contract could not be located.
- In all cases the Contract Register had been appropriately updated.
- For the cases advertised on Contracts Finder, it was confirmed that an Award Notice had been published in each case. However, these had been published at least a year after the contracts had been awarded, rather than within the expected 90 calendar days.

### Conclusion

- 10.96 While the advertising of opportunities and the evaluation process were considered to be fair and transparent overall, it was evident that procurement rules have not been fully followed as prescribed. The fact that multiple documents had not been signed; lack of an audit trail for panel evaluation; incorrect sending of a notification; and delay in publishing award results is unsatisfactory. Procurement should be seen to be working to the highest standards and in accord with the Council's procedures.

### Assurance over information governance arrangements to include FOI, Transparency and GDPR

- 10.97 A listing was provided of all the Freedom of Information requests received by the Council relating to the Shapley Heath project since 1<sup>st</sup> January 2018. The following items were noted from a review of the supporting evidence:
- It was advised in all cases that a response had been provided within the statutory timeframe of 20 working days, and this was verified in all but one case. It was not possible to fully verify the remaining case as the FOI email response had been deleted in accordance with the Council's email retention period (12 months).
  - In three cases the cover email to the requester stated that the Council did not hold the requested information. However, a detailed response was attached to the email in each case, which outlined that the Council did hold the information but that the request was refused due to legislative exceptions. Contradictory information was therefore provided to the requester in these cases. Furthermore, in one of these cases the response only dealt with one aspect of the request and did not include any details in relation to the second aspect of the request.
  - In a number of cases the request was refused; in these cases an appropriately detailed response had been provided as to the reasoning behind this.
  - Where subsequent internal reviews of the original response were requested, it was confirmed that appropriate review responses had been issued.

- It was advised that there had been no notice of a complaint or appeal to the Information Commissioner's Office received to date.

10.98 It was advised that there had been no subject access requests logged relating to the Shapley Heath project.

10.99 It was advised that there had been one data incident involving the Opportunity Board logged in the Incident Register. The incident was known on 5<sup>th</sup> March 2021 and involved a breach of confidentiality. It is recorded that a signed contract document was accidentally sent to all members of the Opportunity Board when it should have been sent to just some. Four people's data was breached, the personal data disclosed being their signatures. It was not considered that this personal data breach posed a high risk to the rights and freedoms of the individuals. As a result, a Security Incident Form was not completed, the individuals were not contacted, and the incident was not reported to the ICO. A Data Breach Risk Assessment was completed for the incident. To remedy the breach, a privacy notice for the Garden Community Opportunity Board, to be appended to the Terms of Reference, was drafted.

10.100 In line with the Local Government Transparency Code (2015), it was confirmed that the Council publishes a series of data sets on its website. Of particular relevance to the Shapley Heath project, this includes:

- Expenditure exceeding £500 (since 2019/20 the Council have published expenditure over £250 in line with best practice).
- Contracts Register detailing all contracts over £5,000.
- The Council's Constitution (incorporating Financial Regulations and Contract Standing Orders).

### Conclusion

10.101 The responses to FOI requests pertaining to the Shapley Heath project were considered to be timely and adequate in the majority of cases. It was not possible to fully verify the timeliness of the response in one case, as the email response had been deleted in accordance with the Council's email retention period. In addition, in three cases contradictory information had been given to the requester, and in one of these cases the response had not fully dealt with all aspects of the request.

10.102 It was advised that there had been no subject access requests logged relating to the Shapley Heath project. There had been one data incident which had been appropriately identified and acted upon.

10.103 Appropriate data are maintained on the Council's website in accordance with the Local Government Transparency Code.