



## INTERNAL AUDIT REPORT

### Pinhoe Community Hub - Review of grant award process

#### 1. Introduction and scope

On 24<sup>th</sup> April 2019, I received a request from [REDACTED] (via email from Dave Hodgson) to undertake an independent review of the grants award process in respect of a £100,000 grant that was awarded to Pinhoe Community Hub in 2016 to support the building of a new community hub in the Pinhoe ward. I subsequently met with [REDACTED] on the afternoon of 24<sup>th</sup> April 2019 to discuss her concerns. She advised me that she had asked a number of questions regarding this issue at Corporate Services Scrutiny Committee on 28<sup>th</sup> March 2019 and at Full Council in April. In both instances, she felt that she had not received an adequate response to her questions and, as a result, she had contacted the Council's external auditors Grant Thornton and Internal Audit to request an independent review.

In order to undertake this review I have met with the following officers and councillors:

- Dave Hodgson (Chief Finance Officer)
- Baan Al-Khafaji (Monitoring Officer)



#### 2. Background

Pinhoe Community Hub is a community led initiative to develop a community hub to meet the needs of the developing and expanding community of Pinhoe and adjacent developments. Extensive public consultation was undertaken in 2015 by the Hub, which supported the initial proposal to re-develop the existing library building and a request was made to the Council for a grant of £100,000 as a contribution to support this. However, restrictions to the site meant that it could not fulfil the aspirations of the community and a second public consultation in 2017, indicated that these aspirations could best be fulfilled by relocating to a new site, Station Road Playing Fields which is currently owned by Exeter City Council.

#### 3. Concerns raised and responses



The review has also identified some important points and concerns that the Council should address to ensure that it does not face the risk of damage to its reputation in the future (see section 4 below).

1	<i>Request</i>
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	<p>Please can you provide a copy of the original application for a grant of £100,000 submitted by Pinhoe Community Hub.</p>
	<p><i>Response</i></p> <p>Unfortunately, it is not possible to provide this as no formal application was submitted. From discussions that I have had with both officers and councillors, it would appear that the decision to award this grant from New Homes Bonus was the subject of a discussion between ■■■ (■■■ at that time), ■■■ at that time) and Dave Hodgson (Chief Finance Officer).</p> <p>As ■■■ and ■■■ are no longer with the Council, I am unable to confirm this with them.</p>
2	<p><i>Concern</i></p> <p>The original proposal was for re-development of the existing library site owned by Devon County Council and funding was agreed by the Council on this basis. However, the proposed site has now changed to Station Road Playing Fields which is owned by the Council. This subsequent amendment should have been subject to approval by members.</p>
	<p><i>Response</i></p> <p>In view of the fact that no formal application was submitted, it is not possible for me to confirm on what basis the monies were awarded. However, discussion with the Chief Finance Officer and reference to committee minutes (Resources Scrutiny Committee 29.06.16 where creation of an Earmarked Reserve was approved) would indicate that monies granted were not in respect of specific site, but to support the building of a new community hub in Pinhoe to incorporate a new library and community building.</p>
3	<p><i>Concern</i></p> <p>The proposed new site is next to a travellers' site. The consultation document states that 80% of residents support this change in the site, however this is not true as it is actually only 80% of those that responded to the consultation that supported this change.</p>
	<p><i>Response</i></p> <p>The nature of consultation means that only the opinion of those responding can be considered.</p>
4	<p><i>Question</i></p> <p>Where has the initial £10K of funding gone, who did it go to, when and who authorised this?</p>
	<p><i>Response</i></p> <p>The initial payment of £10,000 was paid to Pinhoe Community Hub on 27<sup>th</sup> February 2018. This payment was paid via BACS to a bank account in the name of Pinhoe Community Hub, payment was raised by Dave Hodgson (Chief Finance Officer) and authorised by Bindu Arjoon (Director). This payment was to enable the group to engage an architect to draw up proposed plans in accordance with the business plan that was submitted. The group are required to submit invoices for further drawdowns to be paid.</p>
5	<p><i>Concern</i></p>

	Management of the funds should be undertaken by the Council i.e. paid out on production of relevant invoices and not passed over to the community group as a lump sum. (If this was the case, could VAT be reclaimed?)
	<p><i>Response</i></p> <p>This funding is only a contribution to the total amount required to complete the project. As stated above, the monies have not been handed over as a lump sum, but will be drawn down as and when funds are required. VAT could not be reclaimed by the Council as the project is being undertaken by a third party, not the Council.</p>
6	<p><i>Concern</i></p> <p>██████ has not declared an interest at any meeting where Pinhoe Community Hub was discussed.</p>
	<p><i>Response</i></p> <p>The allocation from New Homes Bonus monies to an Earmarked Reserve of 'Pinhoe Community Hub' in the sum of £100,000 was approved at Resources Scrutiny Committee on 29<sup>th</sup> June 2016. An expenditure budget of £100,000 was subsequently approved by Corporate Services Scrutiny Committee on 29<sup>th</sup> September 2016. ██████ is not a member of this committee and therefore was not present at either meeting.</p>
6	<p><i>Question</i></p> <p>Station Road Playing Field is owned by Exeter City Council, who gave authority to build on this site?</p>
	<p><i>Response</i></p> <p>From my discussions with both officers and councillors I have been unable to evidence any formal approach by representatives of Pinhoe Community Hub to the Council to use the Station Road Playing Field as a potential site. The proposed plans for the site would involve demolishing the existing changing rooms and significantly enlarging the existing footprint of the building to include the play area. As no formal approach has been made, there is currently no authority to build on this site.</p> <p>Informal discussions took place between ██████ and ██████ and ██████ in 2016 when the possibility of relocating the site to Station Road Playing Fields was raised, a proposal was subsequently drafted by ██████ utilising another building on site (not the existing changing rooms).</p> <p>Pre-planning talks have also been held with the Council's planning department, but a planning application has yet to be submitted.</p>

#### 4. Summary and recommendations

As a result of the work I have undertaken above, I have the following concerns:

4.1 The request for the grant was for a significant amount of money but was not supported by a written application which would normally be required for any other grant application. There is therefore no documentary evidence of:

- the details of the proposed project
- any grant conditions that may have been imposed
- how the money is to be spent
- the subsequent grant drawdown procedure

By not following proper procedures the Council is at risk of damage to its reputation and public criticism. The public may lose confidence in the Council

4.2 As the grant application did not go through a proper process there is no evidence:

- of who was responsible for deciding that this money should be allocated to this cause and therefore whether the decision was appropriately authorised
- that other organisations were also eligible to bid for this money

As a result, the decision to award this grant has been open to challenge and perceived as:

- not consistent with Council policies, processes and procedures,
- not transparent
- not fair

Note: In the course of my work I was made aware that a request had been made to the Council at around the same time by Estuary League of Friends (albeit for a larger amount) to undertake a similar project to redevelop the library in Topsham. In this case, a grant was not awarded but an offer of a potential loan was made to be repaid over 15 years. This offer was not taken up.

4.3 Due to the informal nature of this agreement, there was no proper procedure in place when the first request was received to drawdown from the loan. This resulted in a hurriedly improvised form that was then not completed accurately or fully, which, when subsequently provided to [REDACTED], only added to the concerns she had already raised.

4.4 Whilst a number of informal discussions have taken place between officers and councillors and, as a result of my discussions with officers, it is evident that there is generally support for this project, there is no formal authority from the Council that this site will be made available for use by sale/lease. Officers have indicated that use of the site may be restricted to the original footprint of the existing changing rooms or use of an alternative building on site, in which case, the plans that have already been commissioned (at a cost of £13,750) and submitted for pre-planning talks may end up wasted. As these plans have also been released into the public domain as part of public relations exercise carried out by the Hub in March, should the Council decide not to make the land available for use this may result in reputational damage for the Council.

4.5

[REDACTED]

4.7 Due to the historical nature of this investigation and the fact that two of the officers involved in the decision making process have now left the authority, consideration should be given as to what action needs to be taken, if any, as a result of my findings. However, in order that the Council does not open itself to challenge again in the future, I recommend, as a minimum, that the concerns raised in this report are considered as part of the current grants review.

4.8 This report will be issued to Jo Yelland as Director responsible for the grants review and Baan Al-Khafaji as the Council's Monitoring Officer.



4<sup>th</sup> June 2019