

Report of	Meeting	Date
Director of Policy & Governance	Governance Committee	05/06/19

## **OUTCOME OF 2017/18 HOMES ENGLAND AUDIT - PRIMROSE GARDENS**

### **PURPOSE OF REPORT**

1. Update members on the outcome of the 2017/18 Homes England audit of the Primrose Gardens project.
2. Update members on the expected 2018/19 audit of Primrose Gardens Retirement Village project.

### **RECOMMENDATION(S)**

3. That the committee acknowledge the findings of the 2017/18 Homes England audit.
4. That the committee note that an email will be sent to Homes England outlining why the council will not meet the new requirement to complete the 2018/19 audit by July 2019.

### **EXECUTIVE SUMMARY OF REPORT**

5. The outcome of the Homes England Audit for 2017/18 is given in appendix one (incorrectly labelled as 2018/19 by Homes England). The council has received an amber grade as the valuation of the site was not signed off until the 31 March 2018 when the start on site was documented as 23 March 2018.
6. Homes England brought forward the deadline for the audit from October 2018 to August 2018. As a result of bringing this deadline forward, the Homes England audit report was expected in January 2019 however it was not received until 23 May 2019.
7. The council will be audited again for the year 2018/19. Homes England have now requested that the audit is completed by the end of July 2019, due to the statutory requirement to sign off the audit of the statement of accounts by the end of July this deadline is not achievable. The Interim Financial Services Manager will email Homes England to explain these 'extenuating circumstances' and advise that the audit will be completed by the end of August at the earliest.

<b>Confidential report</b> Please bold as appropriate	Yes	No
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## CORPORATE PRIORITIES

8. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy homes and communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

## BACKGROUND

9. As part of the funding agreements with Homes England, the council has been subject to external audit of its housing projects including Cotswold House in 2016/17.
10. The council received a red grade for its audit of Cotswold House last year due to declaring the project practically completed before the practical completion date. However the council felt it was misled by the advice of the Homes England grant manager and wrote a letter to Homes England to this effect.
11. As a result of last year's red grade the council was required to have the Primrose Gardens project audited as well. The report to Governance committee on 30 May 2018 suggested that the council may receive another red grade for the upcoming audit as the council was advised, once again by the Homes England grant manager, to declare a 'start-on-site' to release £2.4m of funds. This was because the pre-construction service agreement had been signed 24 March 2018 however, as per the grant conditions, the declaration of a start-on-site may have been premature as the demolition of the site did not begin until April 2018.

## PRIMROSE GARDENS AUDIT

12. The audit was undertaken by Grant Thornton in August to September 2018
13. The outcome of Grant Thornton's work was that there were a number of breaches by the council including one that could have led to a severe (red) rating:
  - start-on-site was declared before contractual possession of the site had been passed on to the contractor. The pre-construction contract was signed on 24 March 2018 however the council could not provide evidence that possession of the site had been handed over before the council's declared start-on-site date of 29 March 2018.
14. Grant Thornton submitted their findings to Homes England that have been moderated regionally and nationally. The declared outcome by Homes England is **one amber breach**:
  - *Valuation signed and dated (as evidenced in uploaded file) on 31.03.17 which is after SOS date of 23.03.17 and after signed contract of 24.03.17 therefore was not in place prior to exchange of contracts. Although the valuation took place on the 10th March, the valuation report has not been signed off until 31.03.17.*
15. The valuation was undertaken as part of the closure of accounts by the Valuation Office. The Valuation Office are required to sign off the valuations as at the end of the financial year (31 March). If they did not do this the assets in the council's statement of accounts may not be deemed compliant with the requirements of CIPFA's code of practice. It is not expected that the value would have changed between 10 March 2017 and the 31 March 2017.

16. Homes England brought forward the deadline for the audit from October 2018 to August 2018. As a result of bringing this deadline forward, the Homes England audit report was expected in January 2019 however it was not received until 23 May 2019.
17. Homes England require that:
  - The contents of the Homes England report should be acknowledged by the council's Chair or equivalent – as per last year this will be acknowledgement from the Governance Committee
  - Confirmation of this acknowledgement should be recorded in the information Management System (IMS) Compliance Audit Module by your Compliance Audit Provider Lead on behalf of your Board's Chair.
  - Online acknowledgement should be completed within one calendar month of the report email notification being sent.
18. Subject to acknowledgement by the Governance Committee, officers will update the IMS system to acknowledge the findings of the report.

### **2018/19 PRIMROSE GARDENS AUDIT**

19. The council will be audited again for the year 2018/19. Homes England have now requested, in the past month, that the audit is completed by the end of July 2019, due to the statutory requirement to sign off the audit of the statement of accounts by the end of July this deadline is not achievable. The Interim Financial Services Manager will email Homes England to explain these 'extenuating circumstances' and advise that the audit will be completed by the end of August at the earliest.
20. The Primrose Garden project practically completed on 21 March 2019. The council has confirmation from Eric Wright and Building Control to this effect. As such the council does not expect any severe (red) ratings from the 2018/19 audit.
21. However, the council did not get the site valued in 2018/19 for the following reasons:
  - it wasn't occupied so it is still classified as an asset under construction and therefore the valuers (Valuation Office) would have just valued it based on costs to date, this information is already available to the council
  - even if it was occupied the valuers may have taken into account the agreed tenancies but not the potential future tenancies, as such they could devalue the building despite the evidence suggesting the retirement village is in popular demand.
22. Officers will make these arguments to the auditors as part of the 2018/19 audit however it is possible the council will receive another amber rating with the outcome being another audit in 2020.

## IMPLICATIONS OF REPORT

23. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

## COMMENTS OF THE STATUTORY FINANCE OFFICER

24. The outcome of this audit will have no financial implications for the council
25. The cost of the 2018/19 Homes England audit is estimated at £5k and has been included in the 2019/20 budget.

## COMMENTS OF THE MONITORING OFFICER

26. No comments, the observations in the body of the report are noted.

REBECCA HUDDLESTON  
DIRECTOR OF POLICY & GOVERNANCE

Report Author	Ext	Date
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