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Independent Reporting Accountant's agreed-upon procedure report in connection with MHCLG's 2017-18 pooling return for the year ended 31 March 2018

Ministry of Housing, communities and Local Government
2 Marsham Street
London
SW1P 4DF
via HRA.PoolingReturns@communities.gsi.gov.uk

9 February 2019

Dear Sir or Madam

Report of factual findings in connection with Warwick District Council Pooling of Housing Capital Receipts 2017-2018 pooling return for the year ended 31 March 2018

In accordance with the terms of our engagement letter dated 15th January 2019 ("the Engagement Letter") we have performed the procedures agreed with Warwick District Council ("the Local Authority") and the Ministry of Housing, Communities and Local Government ("the MHCLG") on the Local Authority's enclosed 2017-2018 pooling return for the year ended 31 March 2018 ("the Return").

Our report is prepared solely for the use of Warwick District Council and the MHCLG to facilitate the Pooling of Housing Capital Receipts scheme. It has been released to the Local Authority and the MHCLG on the basis that our report shall not be copied, referred to or disclosed, in whole (save as otherwise permitted by agreed written terms) or in part, without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the Local Authority and the MHCLG, we acknowledge that the Local Authority and the MHCLG (or one of them) may be required to disclose this report to parties demonstrating a statutory right to see it, to enable such parties to exercise statutory rights of access to this report.

Our report and our work is designed to meet the agreed requirements of the Local Authority and the MHCLG determined by the Local Authority's and the MHCLG's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Local Authority and the MHCLG for any purpose or in any context. Any party other than the Local Authority and the MHCLG who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Grant Thornton UK LLP will accept no responsibility or liability in respect of our report to any other party.

Our engagement was undertaken in accordance with International Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" as published by the IAASB.

The procedures were performed solely for the purpose of assisting the Local Authority to fulfil its responsibilities, under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) and The MHCLG Scheme Regulations, for reporting receipts arising from the disposals of housing assets during the year ended 31 March 2018.

The procedures performed and our corresponding findings are set out in Appendix 1 to this report.

We have not subjected the information contained in the Return to checking or verification procedures except to the extent expressly stated. The MHCLG is responsible for determining whether the agreed-upon procedures are sufficient for the purposes of the Local Authority and the MHCLG. We cannot, and do not, make any representations regarding the sufficiency of these procedures for the purposes of the Local Authority or the MHCLG.

Because the above procedures do not constitute an audit or a review or other assurance engagement performed in accordance with International Standards on Auditing or International Standards on Review Engagements or International Standards on Assurance Engagements we do not express any assurance on the Return. Had we performed additional procedures, or had we performed an audit or a review or other assurance engagement in accordance with International Standards on Auditing or International Standards on Review Engagements or International Standards on Assurance Engagements, other matters might have come to our attention that would have been reported to you.

This report relates only to the matters specified above and does not extend to any annual financial statements of the Local Authority taken as a whole.

Yours faithfully



Grant Thornton UK LLP

Birmingham

9 February 2019

APPENDIX 1 - AGREED UPON PROCEDURES AND FINDINGS MATRIX

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors
1	<p>We have checked that all relevant parts of the return been completed (in pounds and pence) and that the local authority's certificate bears the signature of the Responsible Finance Officer.</p> <p>We have checked that the version provided for reporting matches the information on the DELTA system.</p> <p>We have sought confirmation that any significant matters of which we should be aware have been brought to our attention.</p>	No issues have been identified through the procedures carried out.	N/A
2	<p>For a selection of items of expenditure declared in cells 2, 32, 62 and 92 chosen at random (from a number of acquisitions in the following table), we have compared the amount declared to purchase invoices or completion statements and checked that the date on the purchase invoice/completion statement lies within the period stated on the 2017-2018 pooling return.</p> <p>For the same selection of items, we have inspected the narrative on the corresponding purchase invoice or completion statements to check that the costs meet the definition of "relevant costs" as defined in paragraph 3(1)(a) of the Schedule to the Local Authorities (Capital Finance and Accounting) (England) (Amendment)</p>	No testing performed as criteria not met, i.e. cells are £0.	N/A

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors
	<p>Regulations 2013 (SI 2013/476) ("the Schedule") and that they were in respect of buying back a "relevant interest" as defined in paragraph 3(1)(b) of the Schedule.</p> <p>Using the same selection as in procedure 2(a), inspect the breakdown of the expenditure declared in cells 2, 32, 62 and 92 with the breakdown of the expenditure declared in cells 126, 130, 135, 140, 145, 150, 155, 160, 165, 170, 175 and 180 to check that the buyback expenditure items selected for testing have not been double counted in those cells of the 2017-2018 pooling return as 1-4-1 expenditure.</p>		
3	<p>For a selection of property sales spread throughout the year as noted in the local authority's property register (or equivalent), we have compared the amount of the sales receipts as declared in cells 5, 35, 65 or 95 (as appropriate depending on the quarter during which the sale took place) to the cash received per the bank statement; and checked that the date of receipt lies within the quarter in which the receipt was declared.</p>	<p>No issues have been identified through the procedures carried out.</p>	N/A
4	<p>If the total declared in cells 6, 36, 66 and 96 is more than £500, then for a random selection of four items of receipts included in the supporting breakdown provided by the Responsible Finance Officer, agree the amount of the receipt declared to local authority's records of receipts from mortgages awarded.</p>	<p>No testing performed as criteria not met, i.e. cells are £0.</p>	N/A

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors
5	We have agreed the number of properties sold (on an annual basis) to the number of properties disclosed as being sold in the audited financial statements. Explanations for any reconciling items should be obtained from the local authority.	No issues have been identified through the procedures carried out.	N/A
6	<p>We have agreed the calculated amount in cell D35 of the Valuation Sheet of the Authority's Debt Supportable Workbook to the Attributable Debt for that quarter on the 2017-18 pooling return (Cells 12, 42, 72 and 102).</p> <p>For a selection of dwellings sold in each quarter as recorded in cells 7, 37, 67 & 97 of the 2017-18 pooling return, we have:</p> <ul style="list-style-type: none"> compared the archetypes listed in cells C5 to C19 of the Debt Supportable Workbook to the archetype attributes of the dwellings as recorded in the local authority's property records; compared the bedroom weightings listed in cells C38 to C45 of the Debt Supportable Workbook to the bedroom weightings attributes of the dwellings as recorded in the local authority's property records; compared the capital valuations listed in cells C50 and below of the Debt Supportable Workbook to the capital valuations attributes of the dwellings as 	No issues have been identified through the procedures carried out.	N/A

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors																												
	<p>recorded in the local authority's property records;</p> <p>for any of those dwellings identified in the local authority's property records as being subject to a PFI contract, inspected the PFI contract to check that the dwelling is listed in the PFI contract.</p>																														
7	<p>For a selection of items of expenditure incurred by the local authority, we have checked whether the expenditure fell within the definition of "development costs" as set out in paragraph vi of the section 11(6) retention agreement ("the Agreement") as clarified by Part 6 of the Agreement.</p> <p>For any items of expenditure within the same selection which relate to the completion of a dwelling, we obtained from the local authority's Section 151 Officer/Responsible Finance Officer a list of the dwellings to which they relate.</p> <p>For the same selection of items of expenditure incurred by the local authority, we have agreed the amount of the expenditure to the corresponding purchase invoice and check that the date of the invoice lies within the quarter during which the expenditure is declared on the 2017-2018 pooling return.</p> <p>We have obtained written management representation from the RFO that the expenditure incurred by the local authority declared in one of</p>	<p>Included within the pooling claim is a total capital expenditure of £16,889,635.23. A summary of this expenditure along with the relevant cell reference is provided below.</p> <table border="1" data-bbox="842 778 1160 1185"> <thead> <tr> <th>Cell</th> <th>£</th> </tr> </thead> <tbody> <tr><td>126</td><td>1,487,747.45</td></tr> <tr><td>131</td><td>1,461,530.12</td></tr> <tr><td>136</td><td>2,328,419.23</td></tr> <tr><td>141</td><td>4,233,255.43</td></tr> <tr><td>146</td><td>2,156,361.51</td></tr> <tr><td>151</td><td>716,451.49</td></tr> <tr><td>156</td><td>825,000.00</td></tr> <tr><td>161</td><td>0.00</td></tr> <tr><td>166</td><td>0.00</td></tr> <tr><td>171</td><td>0.00</td></tr> <tr><td>176</td><td>0.00</td></tr> <tr><td>181</td><td>3,680,870.00</td></tr> <tr><td></td><td><u>16,889,635.23</u></td></tr> </tbody> </table> <p>The client could not provide a detailed breakdown to support this value. The general ledger report provided to support the</p>	Cell	£	126	1,487,747.45	131	1,461,530.12	136	2,328,419.23	141	4,233,255.43	146	2,156,361.51	151	716,451.49	156	825,000.00	161	0.00	166	0.00	171	0.00	176	0.00	181	3,680,870.00		<u>16,889,635.23</u>	<p>A formal request has been made to re-open the Pooling return form to enable the necessary changes to be made, to which we are waiting for a response.</p> <p>We are also seeking clarification on the change in cell narrative. In the original submission, the narrative for the cells in question referred to 'estimated' new build expenditure costs. However, the pre audit submission refers to the same data as being 'actual' new build expenditure.</p> <p>This clarification going forward will ensure that future discrepancies between the return and the ledger are avoided.</p>
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126	1,487,747.45																														
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	Agreed Upon Procedures	Findings and details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors
	<p>the cells listed in procedure 7(a) above was not funded from grants or other housing receipts.</p> <p>We have obtained written management representation from the RFO that they have not included in their 2017-18 pooling return any expenditure incurred by a body in which the local authority held a controlling interest at the time of that expenditure.</p> <p>Where a local authority has handed over 1-4-1 receipts to a housing association, and this is recorded as expenditure in one of the cells listed in procedure 7(a) above, we have checked that there is a contract or written agreement in place between the local authority and the housing association which governs how the 1-4-1 receipts are to be used. We have checked that this contract or written agreement specifies that 1-4-1 receipts must be used for social housing in the area of the local authority or a dwelling to which the authority has nomination rights. We have checked that the local authority has received written confirmation from the housing association that 1-4-1 receipts have been used for the purposes intended by the contract or written agreement.</p>	<p>expenditure above totalled £15,774,898.80. Our sample testing has been carried out on this total.</p> <p>An amendment to the claim form is required in order to recognise the expenditure as the value which can be substantiated by the general ledger records ie the £15,774,898.80. This change has already been requested by the Authority.</p>	
8	<p>For all management explanations related to the exceptions and errors noted, we have obtained representations from the Responsible Finance Officer.</p>	<p>We have received representations from the RFO in respect of the exception noted in Test 7. No other representations required.</p>	N/A

