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Your ref

Our ref **DG/RA**

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10 January 2019

Dear Sirs

Report of factual findings in connection with Exeter City 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 02 January 19 (“the Engagement Letter”) we have performed the procedures agreed with Exeter City 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 the Local Authority 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, KPMG 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), 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.

No exceptions or errors were identified.

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 sincerely



KPMG LLP
Chartered accountants

Attached:

- 1 Agreed Upon Procedures and Findings Matrix
- 2 2017-18 Pooling Return for the year ended 31 March 2018
- 3 Quarterly Debt Supportable Workbooks for the year ended 31 March 2018

1. Agreed Upon Procedures and Findings Matrix

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified
1(a)	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.	Test Satisfied - No Exceptions noted
1(b)	We have checked that the version provided for reporting matches the information on the DELTA system.	Test Satisfied - No Exceptions noted
1(c)	We have sought confirmation that any significant matters of which we should be aware have been brought to our attention.	Test Satisfied - No Exceptions noted
2(a)	For a selection of 0 items of expenditure declared in cells 2, 32, 62 and 92 chosen at random from 0 acquisitions, 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 Return.	Test not applicable as there were no acquisitions made in the year.
2(b)	For the same selection of items identified in procedure 2(a), 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) 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.	Test not applicable as there were no acquisitions made in the year.
2(c)	Using the same selection as in procedure 2(a), we have inspected the breakdown of the expenditure declared in	Test not applicable as there were no

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified
	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 Return as 1-4-1 expenditure.	acquisitions made in the year.
3(a)	<p>For a selection of 6 property sales spread throughout the year as noted in the Local Authority's property register (or equivalent), we have:</p> <ul style="list-style-type: none"> ■ 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. 	Test Satisfied - No Exceptions noted
3(b)	<p>We enquired of the Local Authority what proportion of the figures in cells 5, 35, 65 or 95 relate to repayment of right to buy discounts and mortgages on sales made since 30 April 2012. Where the total amount of these repayments over the year from 1 April 2017 to 31 March 2018</p> <ul style="list-style-type: none"> ■ is equal to or more than £1,000, we obtained from the Responsible Finance Officer a breakdown of the repayments of right to buy discounts and mortgages included in cells 5, 35, 65 and 95 of the Return and compared a selection of four repayments chosen at random to supporting documentation such as mortgage payment records and bank statements. For each item in the selection check that the date of the corresponding receipt on the bank statements falls within the quarter in which the item was declared in the Return ■ falls below £1,000, no further work was required or performed. 	Test Satisfied - No Exceptions noted
3(c)	We obtained from the Responsible Finance Officer a list of the shared ownership sales made during the year which sets out for each sale: (i) details of the property; (ii) the date of sale; (iii) the percentage ownership share sold; and (iv) the amount of the sale proceeds received by the Local	Test not applicable as there were no shared ownership sales made in the year.

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified
	<p>Authority. We chose at random a selection of three properties from this list and performed the following tests:</p> <ul style="list-style-type: none"> ■ for each property in the selection where the percentage ownership share sold during the year 1 April 2017 to 31 March 2018 is less than or equal to 50%, we inspected the disposals recorded in the Local Authority's property register over the previous two years (1 April 2015 to 31 March 2017) to identify any previous shared ownership sales relating to that property and note the percentage ownership share sold in each sale; ■ for any properties in the selection where the total percentage ownership share sold over a two year period exceeds 50%, we checked that the sales proceeds received by the Local Authority in relation to the sale which caused the total percentage ownership share sold to exceed 50% have been declared in the Return in the quarter in which the sale proceeds of that percentage ownership sale were credited in the bank statements by agreeing the amount shown in a breakdown of the receipts declared in cells 5, 35, 65 and 95 to the amount per the bank statements and checking that the date of the receipt on the bank statements falls within the quarter in which the receipt was declared; ■ for each property in the selection where the percentage ownership share sold during the year 1 April 2017 to 31 March 2018 exceeds 50%, we checked that the sales proceeds received by the Local Authority in relation to that sale have been declared in the Return in the quarter in which the sale proceeds of that sale were credited in the bank statements by agreeing the amount shown in a breakdown of the receipts declared in cells 5, 35, 65 and 95 to the amount per the bank statements and checking that the date of the receipt on the bank statements falls within the quarter in which the receipt was declared. 	
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, we have agreed the amount</p>	<p>Test Satisfied - No Exceptions noted</p>

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified
	of the receipt declared to the Local Authority's records of receipts from mortgages awarded.	
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. We have obtained explanations for any reconciling items from the Local Authority.	Test Satisfied - No Exceptions noted
6(a)	We have agreed the calculated amount in cell D35 of the Valuation Sheet of the Local Authority's Debt Supportable Workbook to the Attributable Debt for that quarter on the Return (Cells 12, 42, 72 and 102).	Test Satisfied - No Exceptions noted
6(b)	For a selection of 9 dwellings sold in each quarter as recorded in cells 7, 37, 67 and 97 of the Return, we have 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;	Test Satisfied - No Exceptions noted
6(c)	For the same selection as in procedure 6(b), we have 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.	Test Satisfied - No Exceptions noted
6(d)	For the same selection as in procedure 6(b), we have compared the capital valuations listed in cells C50 and below of the Debt Supportable Workbook to the capital valuations attributes of the dwellings as recorded in the Local Authority's property records.	Test not applicable as the LA has no PFI contracts
7(a)	For a selection of 0 items (from a total of 0) of expenditure incurred by the Local Authority, we have checked whether the expenditure falls 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.	Test not applicable as the LA has no 1-4-1 expenditure

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified
7(b)	<p>For any items of expenditure within the selection made in procedure 7(a) which relate to the completion of a dwelling, we have obtained from the Local Authority's Section 151 Officer/Responsible Finance Officer a list of the dwellings to which they relate.</p> <p>For each of the dwellings on this list, we have inspected the Local Authority's assessment of the type of accommodation the dwelling provides and checked that the assessment purports to conclude that the dwellings are permanent low cost rental accommodation as defined in section 69 of the Housing and Regeneration Act 2008, namely:</p> <ul style="list-style-type: none"> ■ it is made available for rent; ■ the rent is below the market rate; and ■ the accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market. 	Test not applicable as the LA has no 1-4-1 expenditure
7(c)	For the same selection of items of expenditure incurred by the Local Authority as in procedure 7(a), we have agreed the amount of the expenditure to the corresponding purchase invoice and checked that the date of the invoice lies within the quarter during which the expenditure is declared on the Return.	Test not applicable as the LA has no 1-4-1 expenditure
7(d)	We have obtained written management representation from the Responsible Finance Officer that the expenditure incurred by the Local Authority and tested in procedure 7(a) above was not funded from grants or other housing receipts.	Test not applicable as the LA has no 1-4-1 expenditure
7(e)	We have obtained written management representation from the Responsible Finance Officer that they have not included in the Return any expenditure incurred by a body in which the Local Authority held a controlling interest at the time of that expenditure (see paragraph iii of Part 5 of the Agreement).	Test not applicable as the LA has no 1-4-1 expenditure

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified
7(f)	<p>Where a Local Authority has handed over 1-4-1 receipts to a housing association, and this is recorded as expenditure in cell 175 we have checked that:</p> <ul style="list-style-type: none"> ■ 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; ■ 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 Local Authority has nomination rights (see paragraph v of Part 5 of the Agreement); ■ the Local Authority has received written confirmation from the housing association that 1-4-1 receipts (as recorded in the cell specified above) have been used for the purposes intended by the contract or written agreement. 	Test not applicable as the LA has no 1-4-1 expenditure
8	For all management explanations related to the exceptions and errors noted, we have obtained representations from the Responsible Finance Officer.	No Exceptions noted, management representation later obtained.