

**Report for:** Leader of the Council

**Title:** Appointment of new auditors – Homes for Haringey (HfH)

**Report authorised by :** David Joyce – Director Placemaking and Housing

**Lead Officer:** Marc Blowers, T. 0208 489 4382  
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**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Non key decision

**1. Describe the issue under consideration**

- 1.1 In accordance with the requirements of the Members Agreement, this reports seeks consent from the Council (as owner of the company) for Homes for Haringey to appoint new auditors .

**2. Recommendations**

- 1.1 That the Leader, acting for the Council in its role as owner of Homes for Haringey, agrees to give consent to HfH to appoint the Chartered Accountants identified in the exempt part of this report as external auditors to Homes for Haringey, as set out in appendix B of this report; and authorises the Director of Placemaking and Housing to write to HfH confirming that the Council has given its consent.

**3. Reasons for decision**

- 3.1 Homes for Haringey (HfH) is a wholly owned subsidiary company of the Council. As such it is a separate legal entity.
- 3.2 The Council is the owner of the company. The Leader and/or Cabinet are the decision makers in relation to Owner Consent matters. These are matters set out in Schedule 1 of the Members Agreement. Clause 1.1 and item number 23 of Schedule 1 of the Members Agreement specifies that, prior to appointing or changing the company's auditors, HfH must obtain prior written consent from the Council as owner of the company.
- 3.3 HfH requires an independent statutory audit on its financial statements for 2023/24. It is not possible to be included in the Councils audit process. PricewaterhouseCoopers, the previous auditors, gave their resignation on 21 December 2023.

- 3.4 Section 485(1) of the Companies Act 2006 states: “ An auditor or auditors of a private company must be appointed for each financial year of the company, unless the directors reasonably resolve otherwise on the ground that audited accounts are unlikely to be required.”
- 3.5 In order for the audit to take place for presentation to the August HfH Board and for the Company to meet its filing requirements with Companies House, the appointment of the auditor would need to take place prior to the next scheduled Board meeting, currently due on 21 May 2024.
- 3.6 A search was made on the Register of Statutory Auditors and recommendations sought. The Company Secretary HfH directly contacted small firms who specialise in auditing of small housing organisations and sought to obtain costs from several auditors. Only one submission was received as attached at Exempt Appendix A.
- 3.7 Appendix B of this report provides exempt information relating to financial costs of the award of this work by Homes for Haringey. These are funded by budgetary provision of Homes for Haringey not direct by the Council. Homes for Haringey as an independent company have their own Financial Regulations and statutory compliance regulations
- 3.8 If approved the proposed Accountants have confirmed to HfH they can meet the necessary timescales required to file the papers with Companies House and ensure the Board receives a report by August 2024 for consideration. Failure to file papers on time can incur penalty fines.
- 3.9 Although only one submission was received the Company Secretary of HfH is content that the proposed Chartered Accountants are an experienced audit company with suitable knowledge of companies similar in size and activity to Homes for Haringey. HfH is therefore content to recommend to the Council that they be appointed as external auditor.
- 3.10 Details of the costs submitted are provided in the exempt part of this report at paragraph 4.10.
- 3.11 If approval is not given to appoint the proposed Accountants a further exercise will be needed to attempt to source alternative proposals and costs from other experienced auditors by HfH. This could mean HfH not being able to meet the necessary timescales for submission to Companies House and fines being incurred.
- 3.12 This matter is not considered a key decision as it does directly impact on the communities or residents and it would not entail expenditure or savings by the Council. It is a matter in relation to the running of the company and compliance with deadlines and requirements of the Companies Act.

#### **4 Alternative options considered**

- 4.1 The Council could choose to instruct HfH to seek further submissions. This is likely to lead to HfH not being able to meet the deadline for filing papers with Companies House and incurring fines.
- 4.2 Alternatively the Council could choose not to give consent to HfH to appoint any auditors and not have the accounts audited. This would mean there would be a breach of HfH statutory requirements to have its accounts audited.

#### **5 Background information**

- 5.1 HfH is a separate wholly owned subsidiary company of the Council. The Council is the owner (i.e. sole member) of the Company. Accordingly, HfH is a separate legal entity to the Council. The key purpose and objective of the company is to (a) to provide private sector leases to the Owner for the provision of short term tenancies; and (b) to provide such other housing services as may be required by the Owner from time to time. The Council has 100% nominations rights to these dwellings to house residents requiring temporary accommodation.
- 5.2 This assists the Council in reducing temporary accommodation costs through reduced use of bed and breakfast or hotel accommodation.
- 5.3 This model was set up when HfH operated as the Council's ALMO, and it was retained when management of the Council's own housing stock reverted to the Council on 1 June 2022.
- 5.4 As part of the governance arrangements there is a Members Agreement in place, dated 9 June 2022. This is a legal agreement between the Council and HfH. The agreement sets out the terms upon which the Owner (the Council) will participate in the Company, as its sole owner, and how it will retain decisive influence over both the strategic objectives and significant decisions of the company.
- 5.5 One of these strategic decisions is the appointment or changing of new auditors.
- 5.6 The submission of the proposal of the appointment of new auditors by HfH complies with this requirement to seek approval.
- 5.7 Governance of HfH is managed and maintained through attendance at Board Meetings and regular liaison meetings with the Company Secretary and Senior Officer meetings. These include monitoring of compliance of the Members Agreement.
- 5.8 As a result Officers requested the proposal from HfH before the Board formally instructs the proposed new Chartered Accountants (Auditors), subject to approval by the Council.
- 5.9 The audit is needed to be completed by August 2024 for the Board to consider the report of the outcome. This will be within the necessary timeframe to allow filing of papers to Companies House on time. Late filing penalties were introduced in 1992

to encourage directors to file their accounts and reports on time. This information is required for the public record.

- 5.10 Subject to approval Officers will work in partnership with the Board and Company Secretary to ensure the statutory audit is completed on time to avoid late filing of papers and ultimately fines.

## **6 Contribution to the Corporate Delivery Plan 2022-2024 High level Strategic outcomes’?**

- 6.1 This model assists the Council specifically in relation to theme 5 of the current Corporate Plan – Homes for the future - by assisting those residents facing homelessness and providing temporary accommodation, which is safe, secure and well maintained.
- 6.2 The model also aims to support the Haringey Deal by supporting residents through the cost of living crisis and making sure everyone can live a secure, healthy and fulfilling life.

## **7 Carbon and Climate Change**

- 7.1 The proposal to appoint new Auditors does not have a direct impact on Carbon or Climate change.

## **8 Statutory Officers comments (Director of Finance ( procurement), Head of Legal and Governance, Equalities)**

### **8.1 Finance**

HfH require an audit to comply with the Companies Act 2006 (CA 2006), which requires a ‘small’ subsidiary to be audited, if it is part of a ‘large’ group at any time during the financial year.

Being a subsidiary, the company accounts will be included in the Council’s group accounts.

The independent audit will provide external validation and assurance on the true and fair view of company's assets, liabilities, and financial position.

The cost of the audit will be borne by HfH.

### **8.2 Procurement**

Strategic Procurement confirms the value of the proposed contract award as stated in Part B (exempt) is below the threshold requiring compliance with the Public Contract Regulations 2015.

### **8.3 Assistant Director of Legal & Governance**

The Head of Legal Services has been consulted in the preparation of the report.

The Council owns HfH and is its sole Member. The exercise of functions as owner of HfH is an Executive function. As such, the proposed decisions can be taken by the Leader. The rationale for those decisions and legal implications are set out in the body of the report.

HfH is required to comply with its duties under the Companies Act 2006. So far as is pertinent to this decision, under section 485(1) of that Act, HfH is required to appoint auditors for each financial year. Accordingly, it is important that HfH are able to appoint auditors as has been recommended, because a failure to do so will mean that HfH is in breach of its statutory duties.

The reason that HfH is required to obtain prior written consent from the Council approving that HfH may appoint new auditors, is that this is a requirement of Clause 1.1 and Schedule 1 of the Members Agreement (which was entered into by the Council and HfH on 9 June 2022).

Further, it should be noted that the proposed decision is not a unilateral decision for the Council. Accordingly, once the Council has provided written consent to HfH, it will be a matter for the HfH Board of Directors to appoint the auditors. It is anticipated that HfH will do so at its next Board meeting, which is currently scheduled to take place on 21 May 2024.

### **8.4 Equality**

The council has a Public Sector Equality Duty (PSED) under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not

The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

The decision in this report relates to the appointment of new auditors for Homes for Haringey. This decision is not expected to have any positive or negative impacts on those with protected characteristics and as such will have a neutral impact on equalities in the borough.

As an organisation carrying out a public function on behalf of a public body, the auditors appointed will be obliged to have due regard for the need to achieve the three aims of the Public Sector Equality Duty as stated above.

## **9 Use of Appendices**

Appendix A (Exempt) – Proposal from Chartered Accountants.  
Appendix B – Exempt Report

## **10 Background papers**

- i) Members Agreement dated 9 June 2022

## **11 Local Government (Access to Information) Act 1985**

Appendix A and B are NOT FOR PUBLICATION by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 in that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information).