

<b>Report to:</b>	<b>Audit and Standards Committee</b>
<b>Date:</b>	<b>16 July 2019</b>
<b>Title:</b>	<b>Independent Review of New Homes Project</b>
<b>Report of:</b>	<b>Chief Executive</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To present the Committee with an independent report on the Council's management of the New Homes Project, including, but not limited to, the handling of litigation following termination of the project in February 2016.</b>
<b>Officer recommendations:</b>	<p>(1) To note the report and those measures implemented following conclusion of the New Homes project.</p> <p>(2) To approve the recommendations set out in paragraphs 22, 30 and 31 of the report at Appendix 1.</p>
<b>Reasons for recommendations:</b>	<b>To note and endorse project management improvements already put in place and to approve further recommendations to assist best practice.</b>
<b>Contact Officer(s):</b>	<b>Name:</b> Robert Cottrill <b>Post title:</b> Chief Executive <b>E-mail:</b> <a href="mailto:robert.cottrill@lewes.gov.uk">robert.cottrill@lewes.gov.uk</a> <b>Telephone number:</b> 01323 415002

---

## **1 Introduction**

- 1.1 In July 2015 the Council entered into development agreements with Karis Developments, its subsidiary, and Southern Housing Group Ltd. The agreements anticipated the building of housing (private and affordable) on a significant number of council-owned sites.
- 1.2 In February 2016 the Council, being satisfied that the project was not sufficiently commercially viable, terminated the development agreements.
- 1.3 In March 2017 Karis issued court proceedings against the Council. Karis subsequently instigated proceedings against 3 councillors in their individual capacities. All claims were robustly defended by the Council and following the exchange of witness statement evidence Karis withdrew all its claims and the litigation came to an end in March 2019.
- 1.4 The contract award to Karis in 2015 and the period leading up to termination of the project in February 2016 have already been the subject of investigation and

public report, both by the Council's then external auditors BDO and by a cross-party Working Group of members, which group was chaired by one of the Council's two Independent Persons.

1.5 The period of activity between termination of the project in February 2016 and the withdrawal of Karis' claims in March 2019, including the way in which the Council conducted the litigation, has not been the subject of scrutiny or independent investigation.

1.6 In order to provide a review of the entire span of the project Sandra Prail was commissioned:-  
"to provide an independent strategic overview of the way in which the Council handled the New Homes Project property development scheme with Karis Developments Ltd (and its subsidiary). Such overview will focus in the main, although not exclusively, on the period following the contract award including, but not limited to commentary on the handling of litigation, communications with and support to members and generally lessons to be learned to inform future ways of working".

Ms Prail is a former Chief Officer, solicitor and Monitoring Officer in local government, senior manager at the Audit Commission and now manages a consultancy portfolio.

1.7 Ms Prail was provided with a volume of documentation, including the BDO report and the cross-party Working Group's report. She was invited to comment on the findings of these two reviews and to add to them and/or reinforce them. Her report, which she will present to the Committee, is at Appendix 1.

## **2 Financial appraisal**

In the interests of providing a strategic overview of the lifetime of this significant abortive project, and in the interests of identifying how the Council can improve its working practices to ensure no recurrence, Ms Prail has been requested to provide a strategic overview report at an estimated cost of £4,500.

## **3 Risk management implications**

None arising from this report.

## **4 Equality analysis**

None arising from this report.

## **5 Appendices**

- Appendix 1 – Report by Sandra Prail to be presented at this meeting.