
External audit letter – financial sustainability

Committee considering report:	Governance Committee
Date of Committee:	20 November 2023
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Joseph Holmes
Forward Plan Ref:	G4464

1 Purpose of the Report

- 1.1 The purpose of the report is to inform members that Grant Thornton (GT) have written to the Council about concerns on financial sustainability. The letter is shared with the committee to consider and provide questions to the external auditors or management of the implications of the letter.
- 1.2 Grant Thornton are the Council's external auditors until completion of their work on the 2021-22 and 2022-23 financial year's financial statements and Value for Money work.

2 Recommendation

- 2.1 To note the letter.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	There are no financial implications directly arising from the letter from Grant Thornton.
Human Resource:	None
Legal:	Grant Thornton have requirements to publish information and recommendations in line with Local Audit and Accountability Act 2014.
Risk Management:	

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Property:	None			
Policy:	None			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		None
Health Impact:		x		None
ICT Impact:		X		None
Digital Services Impact:		X		None
Council Strategy Priorities:		X		None
Core Business:		x		None

Data Impact:		X		None
Consultation and Engagement:	Grant Thornton have written the Chief Executive and this letter has been shared with the portfolio holder for finance in advance of the meeting.			

4 Executive Summary

- 4.1 The Council’s external auditors are undertaking their Value for Money (VfM) work on the 2021-22 and 2022-23 financial years. As reported at the September Governance Committee, Grant Thornton (GT) who are the Council’s external auditors, are combining their 2021-22 and 2022-23 VfM work and expect to report to the Governance Committee in January 2024. As considered at other Governance Committee meetings, the external audit report, including the VfM work is usually concluded and reported to those charged with governance by the end of September of that relevant financial year end. As part of their work, they are also looking at the current year (2023-24) financial position, though for 2023-24 the Council’s external auditors will be KPMG.
- 4.2 As part of GT’s VfM work, which will be report to the Governance committee at its January 2024 meeting, they are considering the financial sustainability of the Council. As part of the Council’s Annual Governance Statement, financial resilience is the number one item highlighted for the year ahead. The quarter 1 forecast position shows a forecast overspend of £6.3m which would significantly deplete the Council’s reserves and the quarter 1 reports which went to the Scrutiny Commission and Executive in September 2023 detail the reasons and activity taking place to address this position.
- 4.3 GT have reviewed the quarter 1 financial reports and have written to the Chief Executive. Their letter is included as an appendix to this report.

5 Other options considered

- 5.1 The Council could opt to not include the letter for the Governance committee, though this has been discounted due to the importance of the issue, GT’s ability to directly correspond with the Governance Committee, and the importance of transparency over the Council’s financial position.

6 Conclusion

- 6.1 Members are asked to consider the letter and any further information that the Committee may require from the external auditors or management.

7 Appendices

- 7.1 Appendix A – GT letter on financial sustainability

Background Papers:

GT Annual audit letter 2020-21 (September '23 Governance Committee)

<https://decisionmaking.westberks.gov.uk/ieListDocuments.aspx?CId=388&MId=7348>

WBC Q1 revenue budget monitoring report (September '23 Executive meeting)

<https://decisionmaking.westberks.gov.uk/documents/s116287/7.%20Fin%20Perf%20Report%20Revenue%20Q1%20OSMC%20Exec.pdf>

WBC Annual Governance Statement (July '23 Governance Committee)

<https://decisionmaking.westberks.gov.uk/documents/s114213/6.%20AGS%202022-23%20SCS%20revised.pdf>

Subject to Call-In:

Yes: No:

- The item is due to be referred to Council for final approval
- Delays in implementation could have serious financial implications for the Council
- Delays in implementation could compromise the Council's position
- Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

Wards affected: All

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