

Grant Thornton Report Update

Audit & Scrutiny Committee Tuesday, 2 November 2021

Report of: Chief Finance Officer (Section 151)

Purpose: To update Members on the recommendations identified in the Grant Thornton Report to Audit and Scrutiny on 30th September 2021 and the associated actions necessary to provide confidence in the underlying position for a budget to be set for 2022/23.

Publication status:

Wards affected: All

Executive summary:

At the Audit and Scrutiny Committee meeting on 30th September, Grant Thornton presented their findings from their forensic review into the £920k gap discovered as part of closing the 2020/21 accounts.

This report identified 15 recommendations for the Council to take to address the consequences of their findings. The Council has accepted these recommendations and established plans to address the necessary actions.

Following consideration of the report and findings, the Committee requested that:

- a) the Chief Finance Officer set out the urgent activities to finalise and publish the 2020/21 Outturn, sign the Accounts for 2020/21 and allow enough confidence in the underlying position for a budget to be set for 2022/23.
- b) the Executive Leadership Team prioritises the recommendations in the Action Plan set out in Annex A of the report and agrees owners and dates for these prioritised actions to be in a brief report to be presented at the 2 November Audit & Scrutiny Committee meeting.

The purpose of this report is to update Members on the timelines and owners for addressing those recommendations identified and the additional actions underway to allow the Council to set a budget for 2022/23.

The report will be supported by a presentation at the November 2nd meeting.

This report supports the Council's priorities of:

- Creating the homes, infrastructure and environment we need
- Supporting economic recovery in Tandridge
- Becoming a greener, more sustainable district

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Recommendation to Committee:

It is recommended that the Committee approve the urgent actions (with associated owners and timelines) to be addressed as Phase 1 of the response to the Grant Thornton review along with the other actions identified to allow the Council to be confident in setting a budget for 2022/23.

Reason for recommendation:

In order for Members to have confidence that the urgent actions necessary to address the issues raised in the Grant Thornton review are underway and will be completed as part of the Phase 1 response along with the other actions identified to allow the Council to be confident in setting a budget for 2022/23.

Introduction and background

1. The key activities underway are to allow for; the 2020/21 Accounts to be finalised and signed-off; the 2020/21 Outturn to be finalised and presented to the S&R Committee on 2 December 2021 and to allow enough confidence in the underlying position for a budget to be set for 2022/23. These are set out in Appendix 1, along with the key actions arising from the Grant Thornton review and report.

2020/21 Outturn and 2020/21 Accounts

2. As Members are aware, although the 2020/21 Outturn has been largely completed, it has indicated a substantial surplus for the Council, even after allowing for the unexpected pressure arising from the £920k gap identified following the Grant Thornton review.
3. In order to ensure that Members have full confidence in the 2020/21 Outturn numbers, a further in-depth review was scoped and is currently underway. This review includes a number of areas being explored in detail to ensure that Members have confidence in the underlying position. The activities which relate specifically to the 2020/21 Outturn and closure are shown under the heading of Financial due diligence activities and include:

- a review of the Balance Sheet, Reserves, Provisions and associated policies
 - a review of the control and suspense accounts
4. These activities may impact on both the 2020/21 Outturn position and also have implications for future years.

2022/23 Budget

5. In addition to the areas set out above, we are undertaking further due diligence in other areas including:
- a line-by-line review of every 2021/22 budget line, to ensure the base budget is sound
 - a review of the 2021/22 year to date Month 6 budget position
6. It is clear however that there will remain a significant budget gap in 2022/23. The size of this gap will be dependent on both the findings of the due diligence review and a number of other factors, notably the Spending Review and Local Government Finance Settlement plus additional service pressures.
7. In order to support the identification of savings opportunities and undertake the necessary validation to help address the 2022/23 gap, the Council has commissioned IMPOWER to work with all services to undertake an intensive exercise through to the end of November leading up to the setting of the draft budget on 2nd December.

Grant Thornton review actions

8. Included as Appendix 2 is an updated detailed Action Plan addressing the recommendations made by Grant Thornton in their report. This shows clearly the actions that will address each of the recommendations, target dates for completion and the responsible Officers.
9. The actions identified have been separated into three phases according to their urgency, importance and the time required to complete them. The first of these identifies key actions which need to be completed prior to setting the 2022/23 budget with a further two phases following on.
10. The high-level actions have also been shown on the roadmap in Appendix 1 to put them in the context of the other actions necessary to be able to set a budget for 2022/23. The numbers in the roadmap cross-reference to the recommendations referenced in the detailed report in Appendix 2.
11. Overall accountability for the delivery of the Action Plan will jointly rest with the Chief Finance Officer and the Chief Executive. Accountability for individual recommendations in the Action Plan are clearly identified and assigned to named Officers.
12. In considering the actions required to address the recommendations in the Action Plan, it is important to note that there needs to be a change in culture and governance behaviour, as well as changes to processes and systems.

Formal sign off and approval

13. The aim is to complete all of the above key activities to allow for confirmation of the 2020/21 Outturn position, have the 2020/21 Accounts signed (subject to external audit), and to propose a 2022/23 draft budget to the Strategy and Resources Committee on 2nd December.
14. It is likely however that further work will be required after this in advance of setting the final budget in February 2022.
15. Further verbal updates will be provided to the Committee on the progress of the work at the meeting on 2nd November.

Key implications

Comments of the Chief Finance Officer

Comments have been covered in the body of the report

Comments of the Head of Legal Services

There are no additional legal comments arising from this report. The recommendations and proposed actions by the Council are set out in the body of this report and accompanying Action Plan.

Equality

None

Climate change

None

Appendices

Appendix 1 – Roadmap of Key activities

Appendix 2 – Grant Thornton Action Plan

Background papers

Audit and Scrutiny Report – 30th September

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