



Paul Jones  
Deputy Chief Executive (Section 151 Officer)  
Cheltenham Borough Council

By email

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-Grant Thornton UK LLP  
2 Glass Wharf  
Bristol BS2 0EL

T +44 (0)117 305 7600  
F +44 (0)117 305 7784  
grantthornton.co.uk

Dear Paul

## **Cheltenham Borough Council: An update on the application of the local authority backstop**

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament](#) This confirms the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. A backstop date for 2023/24 is proposed of 28 February 2025.

In this letter, I set out more details of the approach Grant Thornton plans to take in respect of the backstop, and how this is likely to impact your authority. I should be happy to discuss this further including at the next Audit, Compliance and Governance Committee.

### **Applying the backstop for years up to 2022/23**

As you will be aware, we have not yet signed the opinion audit for 2022/23. As previously reported, our 2021/22 opinion audit was not concluded until October 2023 with the main cause of the delay due to group account disclosures being reliant on the receipt of component accounts and delays in obtaining valuation information.

For 2022/23, whilst the draft financial statements were completed on 31 May 2023 these, once again, excluded the group accounts as the figures for all the components were not available. This significantly delayed the production of a complete set out accounts and in turn our availability to resource the audit.

We have completed planning for 2022/23 and issued our joint Value for Money Report covering 2021/22 and 2022/23 in March 2024.

We consider that there will not be sufficient time to conclude our work for 2022/23 in advance of the 13 December 2024 backstop deadline. On that basis, our expectation is that we will apply the backstop for this period. Given that a number of key audit areas remain outstanding, our audit report will be issued as a disclaimer of opinion. Effectively this means that we will have been unable to gain the assurance necessary to give an audit opinion by the statutory backstop date.

In plain terms, a disclaimer means that we have been unable to form an opinion. In this instance, the reason for this will be the limitation of scope imposed by statute (not by the local authority). A disclaimer due to the backstop does not of itself indicate a local authority failing. Where however we consider that there have been weaknesses in local authority arrangements for accounts closedown, we will report these in the Audit Findings Report which we produce at the conclusion of the audit. Should we have identified any issues during the audit which ordinarily would have impacted our opinion, we will give consideration to how these should be reported in the disclaimer of opinion.

#### **Chartered Accountants**

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Before we issue a disclaimer of opinion, we will:

- Report any other matters arising from the audit which we need to share with you under the auditing standards
- Share the wording of the draft disclaimer of opinion with you.

To help us meet the backstop requirements, please ensure that you have:

- adopted the financial statements in accordance with the requirements of the CIPFA Code and the Accounts and Audit Regulations
- met the requirements under legislation in terms of the rights of local electors to inspect the accounts
- set aside a date for an Audit, Compliance and Governance Committee in advance of 13 December 2024.

Please also note that we will need a letter of representation from you in respect of the financial statements before we issue a disclaimer.

We appreciate that where a full audit has not been completed, an adjustment will be needed in terms of fees. PSAA will be making determinations on this in due course.

#### **The recovery period – 2023/24 and onwards**

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

We understand that you are already in discussion with Bishop Fleming as your new auditors. To help effect a smooth transition to your new auditor, we will be offering our full co-operation with Bishop Fleming and will provide access to any relevant information from previous year audit files where this is available and supports the incoming auditor.

#### **Looking ahead**

We recognise these are unusual and difficult times for all authorities that will be subject to the backstop. We believe that public confidence is best enabled by returning to a position of timely audit reporting and clean opinions as soon as possible. We will work actively with you and others in the sector to do our best to achieve this.

Yours sincerely



*Peter Barber, Key Audit Partner*

For Grant Thornton UK LLP

CC Chair of Audit, Compliance and Governance Committee