

Corporate Policy & Resources Committee



11 September 2023

Title	<i>Letter of Support for Knowle Green Estates Ltd., (KGE) as part of the 2022/23 audit process</i>
Purpose of the report	To make a decision
Report Author	<i>Paul Taylor Chief Accountant</i>
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Affordable housing Service delivery
Recommendations	<p>In respect of the KGE annual audit for the year ended 31 March 2023, as the sole shareholder’s representative, the Committee is asked to:</p> <ol style="list-style-type: none"> 1. <i>Formally minute the Council’s ongoing support for KGE, in accordance with the wording provided by the Company’s external auditors in appendix A below and financial support.</i> 2. <i>Delegate authority to the Chief Executive to sign a letter on behalf of the Council advising the auditors of KGE, that this has been agreed by the Committee and duly minuted.</i>
Reason for Recommendation	<i>The requirement by the auditors of KGE, for a letter from the Council to confirm its ongoing financial support for KGE, which is highly dependent on decisions made by the Council, is a standard request from auditors, in order to deliver an unqualified audit report.</i>

1. Summary of the report

- 1.1 This report seeks to obtain confirmation that the Council will continue to support KGE, for the 12 months period after the 2022/23 audited accounts are signed by the auditors, which is anticipated to be at the end of September 2023.
- 1.2 The request for a letter of support from KGE’s external auditors is a standard request and is part of the annual audit process and is effective from the twelve months following the date the audit report is signed.

2. Key issues

- 2.1 At the Extraordinary Council Meeting on 2nd February 2023, Council approved the financial support and a cash flow facility of up to £4.5m over the next 5 years, while the Council finalises its plans for the affordable housing projects that have been delayed since June 2021.
- 2.2 As part of the annual audit process for the KGE accounts for year ending 31 March 2023, the auditors for KGE have requested a letter from the Council to confirm its the continued financial support for KGE, covering the 12 months from the date the audit report is signed off.
- 2.3 The draft KGE annual accounts for the year ended 31 March 2023 have been prepared on a going concern basis and show a total equity of £4.366m. If the letter of financial support is not forthcoming the auditors will review the basis of preparation and it could lead to the accounts being prepared on a breakup value, which has adverse financial implications for both KGE and the Council's group accounts.
- 2.4 This request is a standard request from KGE auditors.
- 3. Financial implications**
 - 3.1 Please refer to 2.3.
- 4. Risk considerations**
 - 4.1 Please refer to 2.3 above, noting that there would also be some reputation risk if the letter was not forthcoming, due to the change in the basis of accounts preparation.
- 5. Procurement considerations**
 - 5.1 None.
- 6. Legal considerations**
 - 6.1 As a wholly owned company of the Council, there is no legal risk in issuing the letter in the form at Appendix A.
 - 6.2 To date the loans to KGE have been subject to a loan facility agreement dated 29 March 2019.
- 7. Equality and Diversity**
 - 7.1 There are none.
- 8. Sustainability/Climate Change Implications**
 - 8.1 There are none.
- 9. Timetable for implementation**
 - 9.1 The audit is due to complete by 30 September and the audited Statement of Accounts will be incorporated into the KGE Annual Report for 2022-23 which will be brought to this committee in November.
- 10. Contact**
 - 10.1 Paul Taylor p.taylor@spelthorne.gov.uk

Background papers: There are none.

Appendix A – *template for the letter of support from MGI Midgley Snelling*