

Public Document Pack



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY 18TH JANUARY 2024

AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

MEMBERS: Councillors D. J. Nicholl (Chairman), H. D. N. Rone-Clarke (Vice-Chairman), R. Bailes, S. M. Evans, D. J. A. Forsythe, D. Hopkins, B. Kumar, B. McEldowney, S. T. Nock, J. D. Stanley, D. G. Stewart and M. Worrall (Parish Councils' Representative)

AGENDA

- 1. Apologies for Absence and Named Substitutes**
- 2. Declarations of Interest and Whipping Arrangements**

To invite Councillors to declare any Disclosable Pecuniary interests or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.

- 3. To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 27th November 2023 (Pages 5 - 16)**

4. **Standards Regime - Monitoring Officer's Report** (Pages 17 - 22)
5. **Bishop Fleming - Introduction to the Council's New External Auditor**
6. **Internal Audit - Progress Report**

(Report to follow). This report will be published in a supplementary papers pack.
7. **Capital Strategy 2024-25 including Treasury Management Strategy**
(Pages 23 - 26)

Appendices A – D for this report are to follow in the supplementary agenda pack for this meeting.
8. **Accounting Policies Report including update on Council's Statements of Accounts** (Pages 27 - 36)
9. **Financial Savings Monitoring Report** (Pages 37 - 44)
10. **Risk Champion - Verbal Update Report (Councillor B. McEldowney)**
11. **Audit, Standards and Governance Committee Work Programme** (Pages 45 - 46)

Sue Hanley
Chief Executive (Interim)

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

10th January 2024

**If you have any queries on this Agenda please contact
Mat Sliwinski**

**Parkside, Market Street, Bromsgrove, B61 8DA
Tel: (01527) 64252 Ext: 3095
Email: mateusz.sliwinski@bromsgroveandredditch.gov.uk**

GUIDANCE ON FACE-TO-FACE MEETINGS

Please note that this is a public meeting.

**You are able to see the agenda papers for this meeting from the
Committee Pages of the Council's website.**

**If you have any questions regarding the agenda or attached papers,
please do not hesitate to contact the officer named above.**

GUIDANCE FOR ELECTED MEMBERS AND MEMBERS OF THE PUBLIC ATTENDING MEETINGS IN PERSON

Meeting attendees and members of the public are encouraged not to attend a Committee if they have if they have common cold symptoms or any of the following common symptoms of Covid-19 or flu on the day of the meeting; a high temperature, a new and continuous cough or a loss of smell and / or taste.

Notes:

Although this is a public meeting, there are circumstances when Council might have to move into closed session to consider exempt or confidential information. For agenda items that are exempt, the public are excluded.



INFORMATION FOR THE PUBLIC

Access to Information

The Local Government (Access to Information) Act 1985 widened the rights of press and public to attend Local Authority meetings and to see certain documents. Recently the Freedom of Information Act 2000 has further broadened these rights, and limited exemptions under the 1985 Act.

- You can inspect agenda and public reports at least five days before the date of the meeting.
- You can inspect minutes of the Council, Cabinet and its Committees/Boards for up to six years following a meeting.
- You can have access, upon request, to the background papers on which reports are based for a period of up to six years from the date of the meeting. These are listed at the end of each report.
- An electronic register stating the names and addresses and electoral areas of all Councillors with details of the membership of all Committees etc. is available on our website.
- A reasonable number of copies of agendas and reports relating to items to be considered in public will be made available to the public attending meetings of the Council, Cabinet and its Committees/Boards.
- You have access to a list specifying those powers which the Council has delegated to its Officers indicating also the titles of the Officers concerned, as detailed in the Council's Constitution, Scheme of Delegation.

You can access the following documents:

- Meeting Agendas
- Meeting Minutes
- The Council's Constitution

at www.bromsgrove.gov.uk

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

27TH NOVEMBER 2023, AT 6.00 P.M.

PRESENT: Councillors D. J. Nicholl (Chairman), H. D. N. Rone-Clarke (Vice-Chairman), R. Bailes, R. J. Hunter (substitute), D. J. A. Forsythe, D. Hopkins, B. Kumar, B. McEldowney, S. T. Nock and J. D. Stanley

Observers:

Mr. J. Murray – Key Audit Partner, Grant Thornton;
Councillor C. A. Hotham – Portfolio Holder for Finance and Enabling (on Microsoft Teams)

Officers: Mr. P. Carpenter, Ms. N. Cummings, Ms. M. Howell, Mr. A. Howe (on Microsoft Teams), Mrs. A. Khan (on Microsoft Teams) and Mr. M. Sliwinski.

37/23

APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors S. Evans, D. Stewart, and Parish Councils' Representative M. Worrall. Councillor R. Hunter attended the meeting as a substitute for Councillor S. Evans.

38/23

DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

There were no declarations of interest nor of any party whip.

39/23

TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 14TH SEPTEMBER 2023

The minutes of the meeting of Audit, Standards and Governance Committee held on Thursday 14th September 2023 were submitted for Members' consideration.

RESOLVED that the minutes of the meeting of Audit, Standards and Governance Committee held on 14th September 2023 be approved as a correct record.

40/23

ANNUAL REVIEW LETTER OF LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN

Agenda Item 3

Audit, Standards and Governance Committee
27th November 2023

[With the Chairman's agreement, item 5 on the agenda, Annual Review Letter of Local Government and Social Care Ombudsman, was considered before item 4, Standards Regime – Monitoring Officers' Report.]

The Committee considered the report on the Local Government Ombudsman's Annual Review Letter, which set out the statistics for complaints made against the Council covering the year ending 31st March 2023. It was reported that for that year, the Local Government Ombudsman made a decision on 12 complaints relating to Bromsgrove District Council. One complaint was upheld, where a finding of service failure on the Council's part was found. The Ombudsman recommended that in this case the Council provide a written apology and a payment of £150 to the complainant. This was done by the Council. It was also recommended that the Council review its practices in recovering overpayments by direct debit, which the Council was in the process of reviewing.

Following the presentation of the report, Members made comments and asked questions of Officers. More detail was requested on the one upheld complaint against the Council. Officers reported that in this case the Council was unable to provide a proof that the Council Tax bill letter had been sent to the complainant hence it could not be said with certainty that complainant was aware of the collection. The submission of this letter was on the Council's electronic records but there was no recorded proof of the letter being sent. The Council would work with the supplier to ensure that recording of letters sent could be evidenced better.

In response to a question about complaints that were deemed 'premature' by the Ombudsman, it was explained that a complaint had to go through the Council's complaints process, and only when the local resolution process failed, could the Ombudsman investigate the complaint.

Clarification was sought on why in some years there were more complaints decided than had been received, and it was explained that this was because some complaints might be received in one year but only resolved in the following year.

It was requested that future iterations of the local government ombudsman contain detail on the number of outstanding complaints and matters as of the start of the reporting period and that it is stated clearly what the reporting period is. Members also suggested that the complaints should be monitored on a more regular basis by the Committee, and that the Committee should look at the Ombudsman letter sooner after it was received. It was also asked that comparison with neighbouring authorities be provided.

It was responded that reporting on complaints would become more regular as it would form part of the Quarterly Finance and Performance

Monitoring Reports that were considered by Cabinet, and which were also scrutinised by the Finance and Budget Working Group (sub-committee of the Overview and Scrutiny Board). It was agreed as an action that the next iteration of the Finance and Performance Monitoring report would include detail the number of outstanding complaints at the start of the Ombudsman reporting period.

It was noted that the Local Government and Social Care Ombudsman did not provide direct comparison data to Councils. However, information was available on the Ombudsman's website that enabled a user to retrieve information about complaints received by local authority name and issue type.

During the discussion, it was noted by some Members that the Council's complaints procedure was relatively straightforward to follow. There were dedicated email details provided as to where direct complaints to and, the timelines for when the Council had to respond by were clearly communicated.

RESOLVED that the report be noted.

41/23

STANDARDS REGIME - MONITORING OFFICER'S REPORT

The Principal Solicitor introduced the Monitoring Officer's report and in doing so reported that two complaints had been received since the last meeting in relation to Parish Councils' Members. This would be reported in more detail at the next meeting.

It was noted in reference to the implementation of the hybrid leader and cabinet governance model, which was agreed by full Council on 20th September 2023, that the proposed Cabinet Advisory Groups terms of reference and the proposed Memorandum of Understanding concerning cross party working had been agreed by Cabinet subject to some amendments. These documents would now be considered by full Council on 6th December 2023.

RESOLVED that the Monitoring Officer's report be noted.

42/23

JOINT INTERIM AUDITOR'S ANNUAL REPORT 2021-22 AND 2022-23

The Key Audit Partner from Grant Thornton presented the Joint Interim Auditor's Annual Report for years 2021-22 and 2022-23 and in doing so noted that the Report covered arrangements for the period from 1st April 2021 to 31st March 2023. It was noted that the final auditor's annual report for 2021-22 and 2022-23 could not be issued as the final sets of Accounts for both these years had not been audited.

It was noted that this Joint Interim Auditor's Annual Report followed from the Section 24 Report considered by the Audit, Standards and Governance Committee on 9th November 2022. Last year's Section 24 Report set out the Statutory Recommendation issued by the External

Agenda Item 3

Audit, Standards and Governance Committee
27th November 2023

Auditor under Section 24 of the Local Audit and Accountability Act 2014. It was highlighted that the Report before Members updated on the progress against Statutory, Key and Improvement Recommendations that were issued at that meeting.

The Key Audit Partner explained that the Statutory Recommendation issued last year had been updated, and this was solely due to the Council's non-delivery to date of the 2020-21 financial statements. Subsequent financial statements also remained unaudited. It was deemed appropriate by the External Auditor to continue with the statutory recommendation due to the issues of transparency with financial reporting that still need to be fully resolved.

An update was provided on the status of the five key recommendations issued by the External Auditor in the previous year. It was noted that of the five key recommendations, four had been lifted, resolved, or downgraded to an improvement recommendation status, a lower level of recommendation that could be issued by the auditor. There were now 10 improvement recommendations. One serious weakness remained in relation to opening balances linked to the budget which would only be able to be resolved through the delivery of the Accounts. This continued to be highlighted through the one Section 24 Statutory Recommendation.

It was noted that the External Auditor's had raised one new key recommendation with regard to organisational capacity and capability. The External Auditor deemed it appropriate to raise this key recommendation due to the Council's high staff turnover and capacity constraints coupled with the task of rectifying the issues with the ledger implementation. It was noted that the Council now had a Workforce Strategy in place which was a step in the right direction to resolve this recommendation, but effort now needed to be directed towards embedding this Strategy within the Council's processes.

Improvement recommendation 7 was discussed in more detail as it related to improvements that were suggested by the auditors to the operation of the Council's audit committee processes. It was highlighted that the Council should consider the merits of appointing two appropriately qualified independent members to the Audit, Standards and Governance Committee. It was raised, however, that recruiting to these roles might be difficult unless appropriate remuneration was provided to independent members.

Following the presentation of the report, detailed questions were asked by Members which included the following:

- It was asked in the context of concerns about the slow progress when would the 2020-21 Accounts be submitted to the auditor? – It was reported by the Interim Director of Finance that data take-on balances for period 0, which had to be extracted from the legacy eFinancials ledger system, had now been provided to

Agenda Item 3

Audit, Standards and Governance Committee
27th November 2023

external auditors. This data was provided to the auditors directly from the providers of the old ledger system, Advanced, to ensure that it had not been manipulated. It was estimated that the review of this, and resolution of any questions on data that might be raised by the Grant Thornton data team, would take another two to three weeks, so it was hoped that agreement on data take on balances could be reached at some point in December. It was then hoped that the Council's draft 2020-21 Accounts could then be submitted for audit before the Christmas period, and the audit would be concluded by the end of March 2024. The Interim Director of Finance commented that he was reticent to issue the draft accounts before the data take on balances were agreed due to the high-risk that this might result in qualified accounts.

- What were the details of Government's plans for introducing backstop dates for audits of local authority accounts? – It was explained that this was a proposal for enforcing statutory deadlines for local authorities to complete outstanding audits that, if not met, would lead to an automatic issuing of qualifications and disclaimers of opinion for those sets of accounts. This meant that if the accounts for a given year were not fully audited at a backstop date the auditor would be required to stop the audit of that year's accounts, issuing a disclaimer opinion on that year's accounts, and move on to the more recent set of outstanding accounts. It was highlighted that this measure was a proposal at this stage and would require a change in legislation in order to come into effect. However, it was highlighted that if the provisional deadline of 31st March 2024 for finalising audits of 2020-21 and 2021-22 accounts would be introduced, the Council would be unable to meet the deadline for both sets of accounts.
- Some Members further enquired whether there was now an expectation that the Council would be issued with qualified opinions for at least some of its outstanding accounts. – The Interim Director of Finance responded that the key issue concerned providing the auditors with a proof of period 0 balances. At this point, the Grant Thornton data team had received the period 0 balances and had responded to the Council with 92 queries which the Council was in the process of responding to.
- What was the scale of delays across the local government audit sector? – It was noted that there were significant capacity issues, both within local government and within audit firms which impacted on the auditing of local authority and other public bodies' accounts. It was noted that there were now around 900 outstanding sets of local authority accounts which should have been closed by 30th November 2023. It was highlighted that this was a specific issue in England, and no comparable backlogs were happening in Scotland or Wales.

Agenda Item 3

Audit, Standards and Governance Committee
27th November 2023

- Some Members noted that local accountancy firms could be asked to help with the closure of accounts process and to clear the backlog of the Council's outstanding accounts. Officers responded that Bromsgrove (and Redditch with which Bromsgrove had shared staff arrangement) faced a very particular set of challenges in its closure of accounts process, the legacy of problems that emerged following the change of the Council's ledger system in 2021. It was also noted that public sector accounting differed considerably from private company standards and there were considerable difficulties in finding the right specialists for the issues that the Council faced. Nevertheless, it was noted that Council had been getting help in clearing the suspense accounts from a private sector orientated firm based in Birmingham.
- Members requested clarification with regards on the provision of period 0 balances for 2020-21 Accounts to the External Auditor. It was responded that until recently the Council could not access the data on the legacy ledger system, eFinancials, as there was no licence in place for the old system to extract the data. The Council had subsequently succeeded in reinstating their business objects licence for the eFinancials system. However, Advanced, the ledger system provider, then undertook the work in order to extract and run a period 0 report which was then submitted directly to the auditor. It was confirmed that period 0 data take on balances had now been received by the auditors. The Portfolio Holder for Finance and Enabling commented that getting the balance transfers done was an important step after such an arduous process to get to this stage.
- The Key Audit Partner from Grant Thornton, Mr. Murray, confirmed that the Section 24 Notice would be withdrawn once the Council published the draft versions of all its outstanding accounts, for years 2020-21, 2021-22 and 2022-23.
- Members enquired about staffing issues rectification and the implementation of Workforce Strategy. It was explained that reliance on agency staff had continued, but the number of agency staff had reduced in the last month from 92 to 77. This was out of around 800 full-time equivalent staff in total. In terms of implementing the Council's Workforce Strategy, it was reported that this included an action plan with 21 items for delivery by March 2024 and 80 items as longer-term actions. It was noted that these longer-term actions would need to be reduced to a more achievable number. An example of workforce actions already taken in the finance team was given, with the Committee informed that in terms of succession planning the finance team now had 3 CIPFA trainees, where previously there were none for a number of years. The Council was also trying to find ways to maximise the use of the apprenticeship levy.

Agenda Item 3

Audit, Standards and Governance Committee
27th November 2023

- It was requested that Members be provided with an update on the current progress with fulfilling the action plan of the Workforce Strategy. Some Members also suggested that it would be useful for readability and understanding of the key finance reports to have RAG risk rating attached to key information in those reports so that Members had a better understanding of which issues were truly priorities for the Council at a given moment.
- Consultation on the 2024-25 Medium Term Financial Plan (MTFP) budget savings proposals – Some Members queried what consultation was undertaken on the budget savings proposals given that the External Auditor recommended the Council should engage the public and key stakeholders more in the budget process. It was noted that in Tranche 1 of the Budget there were no real savings proposal, and the savings proposals could only be made once the Local Government Financial Settlement had been announced, which would be on Wednesday 20th December this year. After Christmas and in Tranche 2 of the budget process, the Council was looking to consult with Parish Councils and business groups, as these would be the prime interest stakeholders for the District Council's budget. In addition, a presentation on the budget was planned to be delivered to the Bromsgrove Partnership Board.
- It was noted that outcomes of the consultation with these groups would be reported in the finance reports going for scrutiny to Finance and Budget Working Group (a sub-group of the Overview and Scrutiny Board) in late January / early February. It was agreed by Members as an action that the Finance and Budget Working Group be asked to report (through Overview and Scrutiny) to the Audit, Standards and Governance Committee on the consultation stages and progress.

During the discussion a recommendation as stated in the report was put to the vote and agreed for recommending to the Council, and an additional recommendation was proposed with regards to providing additional updates to the Audit, Standards and Governance Committee with regards to the key deliverables and progress of the Council's audit of accounts process. On being put to the vote it was:

RECOMMENDED

- 1) That the Section 24 Statutory Recommendation is accepted and that Council review the recommendation, endorse the actions included in the management responses which form the rectification process required as per legislation; and
- 2) That Audit, Standards and Governance Committee members are updated on key deliverables, where deemed applicable by the Chairman, the Cabinet Member for Finance and Enabling and the Section 151 Officer, between Committee meetings and that

appropriate governance arrangements are put in place to resolve the Council's position.

43/23

QUARTERLY RISK UPDATE

The Interim Director of Finance presented the Quarterly Risk Update and in doing so noted that this was the sixth cycle of reviewing corporate and departmental risks since the original baselining of risks in April 2022. It was noted that risk was managed centrally through the 4Risk System and the organisational risk level had moved to a moderate assurance level since May 2023.

It was noted that there were 13 Corporate Risks, the number unchanged since March 2023. The following corporate risks were highlighted for Members' attention:

- Impact from changes to partner funding arrangements – This risk had moved from green to amber in Q2 2023 due to budgetary pressures at Partner organisations that could impact service delivery and costs.
- Financial Position Rectification – This risk had moved from amber to red due to lack of clarity from the Government over Audit deadlines and the significant risk that the Council could run out of time for the 2020/21 and 2021/22 Audit processes.
- New Customer Facing Interface – This risk had moved from amber to red due to the due to the volume of work required in relation to ensuring the Council's data was up to date and could be used directly by our customers in self service interfaces.

It was noted that another potential corporate risk, where government guidance was soon to be published, could be in relation to terrorism protection.

There were 43 Departmental Risks of which 1 was a red risk related to Revenues - Performance Indicator data that was not deemed robust as it could not be system generated. This compared with the original baseline in April 2022 of 105 risks.

Following the presentation of the report, Members raised questions and made comments regarding a number of risks or potential risks as follows:

- It was noted that there was a significant increase in insurance claims due to fires in the District, which was thought to be linked to people using sub-standard or second-hand electrical equipment in their homes as more people could not afford new appliances.
- In relation to delivery of Levelling Up and UK Shared Prosperity Fund initiatives, it was noted that the risk remained red as these initiatives needed to be delivered before the funding deadlines, which was currently 31st March 2025 for both the funds. It was

noted that 1 of the Council's project out of the 3 run a significant risk of not being able to deliver within present Grant Funding timescales. This was raised by multiple authorities across the country and the possibility of extension to timescales was also discussed directly with Department of Levelling Up, Housing and Communities (DLUHC). However, as no Government guidance was in place, there remained a significant risk that Bromsgrove and Redditch Councils would have to fund projects after the grant funding closure dates.

RESOLVED that the present list of Corporate and Departmental Risks be noted.

44/23

INTERNAL AUDIT - PROGRESS REPORT

The Internal Audit Team Leader provided the Internal Audit Progress Report for Members' consideration. It was noted that pressures had affected the Worcestershire Internal Audit Shared Service (WIASS), including long-term sickness of staff and the loss of key personnel. Due to this, the report asked for approval to revisions to the 2023-24 Internal Audit Plan, in particular deferral of audits if it was prudent to do so from a risk assurance perspective. The audits to be chosen for deferral to 2024-25 financial year were in relation to the Council Tax, National Non-Domestic Rates, and Benefits.

It was noted that the Internal Audit Team Leader was currently deputising for the Head of Internal Audit post, as the recruitment for the post was ongoing.

RESOLVED that revisions to the 2023-24 Annual Internal Audit Plan are approved.

45/23

ACCOUNTING POLICIES REPORT INCLUDING UPDATE ON COUNCIL'S STATEMENTS OF ACCOUNTS

The Accounting Policies Report was presented for Members' consideration. From the report, it was highlighted that training had been taking place with staff to increase financial awareness and use of the Council's enterprise resource planning system. A mandatory budget manager training (which included the use of the TechnologyOne system) took place in September 2023 – through this training budget managers were upskilled to input their budget forecasts directly into the system, rather than on spreadsheets. Further mandatory financial awareness training for managers took place in August and September 2023.

It was reported that the current Head of Finance and Customer Services would be leaving the organisation. The Council had begun recruitment for a permanent replacement for this position.

RESOLVED that the progress on the 2020-21 Audit process be noted.

46/23

EQUAL PAY AND FINANCIAL VULNERABILITIES - RESPONSE TO MEMBERS' QUESTIONS

The Council's Risk Champion, Councillor B. McEldowney, was invited to speak and thanked the Chief Executive and Officers for providing a swift response in relation to equal pay and financial vulnerabilities, especially in the context of the recent reports of the situation at Birmingham City Council. Councillor B. McEldowney explained that he was satisfied with the answers provided by Officers.

Questions were asked regarding the answers provided in the response document, and the following responses were noted:

- Equal pay guidance and audits – It was noted that the Council last undertook Equal Pay Audit when a revised Pay Model was implemented in 2019. In the written response provided before Members it was noted that the Council was confident that its scheme ensures equality of pay. In relation to recent reports of the situation at Birmingham City Council, it was noted that provision of a Local Government Association (LGA) guidance on the issue of equal pay and pay related issues would be timely and useful to authorities.
- Task and finish roles – It was noted that the Council had such roles, specifically in Refuse Services. Members were informed that all these roles were equally accessible to male, female and trans employees. Historically these roles had been predominately undertaken by male employees but the Council currently employed both male and female waste operatives, and all roles remained equally accessible as above.
- Council's financial position - It was noted that the Council was in a reasonable financial position with around £5 million in earmarked reserves and approximately a further £5 million in general fund reserves. However, it was noted that the position stated as of the Medium Term Financial Plan (MTFP) was subject to confirmation through conclusion of external audit of opening balances for 2020-21 and subsequent outstanding accounts.
- Local Government payscales and staff at minimum wage – It was requested that information be provided on the number of Council staff paid the national minimum wage.
- Housing and temporary accommodation provision – It was explained that the Council had responsibility for homelessness services in the District and this service was currently contracted to Bromsgrove District Housing Trust (BDHT), where the Council had an agreement with BDHT for the provision properties to be used as temporary accommodation. It was noted that this option was significantly cheaper than the use of Bed & Breakfast (B&B) as temporary accommodation, as the Council could claim 80 per cent of the applicant's housing benefit, as opposed to 20 per cent with B&B accommodation. However, housing stock of the provider had to be dedicated to this purpose. Members requested

Agenda Item 3

Audit, Standards and Governance Committee
27th November 2023

that information be provided on the current number of properties within BDHT housing stock utilised for temporary accommodation.

RESOLVED that the response be noted.

47/23

RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR B. MCELLOWNEY)

The Council's Risk Champion, Councillor B. McEldowney, thanked the Officers for providing answers requested with regard to pay policy and financial vulnerabilities as covered under the previous item.

A question was asked regarding procurement contracts that service areas entered into and whether an allowance was made in the budget for increases in the cost of these contracts through inflation and other factors. It was responded that an allowance for a 5 per cent increase in the cost of contracts had been made in the 2023-24 budget. In relation to procurement frameworks, it was explained that the Council purchased many of its goods and services through procurement frameworks, whereby the required good or service was obtained from a list of pre-approved suppliers that participated in the framework, with agreed terms and conditions and legal protections.

RESOLVED that the Risk Champion update be noted.

48/23

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

It was reported that the Council's new external auditors from 2023-24 financial year, Bishop Fleming, would be invited to attend the next meeting in order to provide introductions.

RESOLVED that the contents of the Audit, Standards and Governance Committee Work Programme be noted.

The meeting closed at 8.19 p.m.

Chairman

This page is intentionally left blank

Audit, Standards & Governance Committee

18th January 2024

MONITORING OFFICER'S REPORT

Relevant Portfolio Holder	Councillor C. A. Hotham, Portfolio Holder for Finance and Enabling
Portfolio Holder Consulted	Yes
Relevant Head of Service	Claire Felton
Report Author Claire Felton	Job Title: Head of Legal, Democratic and Property Services Contact email: c.felton@bromsgroveandredditch.gov.uk
Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	An Effective and Sustainable Council
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

The Audit, Standards and Governance Committee is asked to RESOLVE that:-

1) subject to Members' comments, the report be noted.

2. BACKGROUND

- 2.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Standards and Governance Committee since the last update provided at the ordinary meeting of the Committee in November 2023.
- 2.2 It has been proposed that a report of this nature be presented to each meeting of the Committee to ensure that Members are kept updated with any relevant standards matters.
- 2.3 Any further updates arising after publication of this report, including any relevant standards issues raised by Parish Councils, will be reported verbally by Officers at the meeting.

Audit, Standards & Governance Committee

18th January 2024

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications arising out of this report.

4. LEGAL IMPLICATIONS

4.1 Chapter 7 of Part 1 of the Localism Act 2011 ('the Act') places a requirement on authorities to promote and maintain high standards of conduct by Members and co-opted (with voting rights) Members of an authority. The Act also requires the authority to have in place arrangements under which allegations that either a district or parish councillor has breached his or her Code of Conduct can be investigated, together with arrangements under which decisions on such allegations can be made.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

5.1 It is important to ensure that the Council manages standards regime matters in an appropriate manner. The issues detailed in this report help to ensure that there is an effective and sustainable Council.

Climate Change Implications

5.2 There are no specific climate change implications.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

6.1 There are no direct implications arising out of this report. Details of the Council's arrangements for managing standards complaints under the Localism Act 2011 are available on the Council's website and from the Monitoring Officer on request.

Audit, Standards & Governance Committee

18th January 2024

Operational Implications

Member Complaints

- 6.2 At the last meeting of the Committee, it was reported that two complaints had been received in relation to Parish Councils' Members. These are due to be discussed in more detail at this meeting.

Constitution Review

- 6.3 The Constitution Review Working Group (CRWG) is responsible for reviewing the content of the Council's constitution. Any proposed changes arising from meetings of the group are reported for the consideration of Council.
- 6.4 Following the extraordinary meeting of Council, held on 20th September 2023, at which Members approved the recommendations made by the Governance Systems Task Group, the CRWG has been meeting on a regular basis to progress the group's proposals.
- 6.5 At a meeting of the group held on 28th September 2023, Members discussed the Council's approach to delivering the recommendations that were made by the Task Group. It was agreed at this meeting that the CRWG should meet approximately once a month thereafter to ensure that the proposals detailed in the report could be progressed in time for all of the recommendations to be implemented by the start of the 2024/25 municipal year.
- 6.6 The proposed terms of reference for Cabinet Advisory Groups (CAGs) and the Memorandum of Understanding concerning cross party working were agreed by Cabinet and Council in November and December 2023, following consideration by the Overview and Scrutiny Board.
- 6.7 It should be noted that progress with the implementation of the Task Group's recommendations is being monitored by the Overview and Scrutiny Board, which will receive updates in respect of this matter at every meeting for the remainder of the municipal year.

Audit, Standards & Governance Committee

18th January 2024

- 6.8 The next meetings of CRWG are due to take place on Tuesday 30th January 2024 and Wednesday 7th February 2024.

Member Development

- 6.9 The Member Development Steering Group (MDSG) is responsible for co-ordinating Member training, induction and ICT support. The group meets throughout the year.
- 6.10 A meeting of the MDSG took place on 29th November 2023. During this meeting, Members agreed and approved the draft Member Training Programme for the 2024/25 municipal year. The group also agreed the proposed dates for council and Committee meetings due to take place during the municipal year.
- 6.11 A further meeting of the MDSG took place on 11th January 2024. During this meeting Members considered the content of guides to using Microsoft Teams and to the modern.gov app.

Member Training

- 6.12 Following the local elections in May 2023, a comprehensive Member training programme has been arranged for both new and returning Members. This programme was organised in accordance with arrangements requested by the MDSG.
- 6.13 The training sessions that have recently taken place or are due to take place soon include:
- Member Safety training – Tuesday 19th December 2023
 - Carbon Literacy – Tuesday 9th January 2024
 - Member Procurement Training – Monday 22nd January 2024
 - Planning Enforcement Training (Parish and District Councillors) – Monday 26th February.

7. RISK MANAGEMENT

- 7.1 The main risks associated with the details included in this report are:
- Risk of challenge to Council decisions; and
 - Risk of complaints about elected Members.

Audit, Standards & Governance Committee

18th January 2024

8. APPENDICES and BACKGROUND PAPERS

No appendices.

Chapter 7 of the Localism Act 2011.

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor C. A. Hotham, Portfolio Holder for Finance and Enabling	10.01.2024
Lead Director / Head of Service	Claire Felton - Head of Legal, Democratic and Property Services	10.01.2024
Financial Services	N/A	
Legal Services	Claire Felton - Head of Legal, Democratic and Property Services	10.01.2024

This page is intentionally left blank

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee

18th January 2024

Capital Strategy 2024/25 Including Treasury Management Strategy

Relevant Portfolio Holder		Councillor Charlie Hotham – Portfolio Holder for Finance and Enabling
Portfolio Holder Consulted		Yes
Relevant Head of Service		Bernard Ofori-Atta
Report Author: Bernard Ofori-Atta	Job Title: Head of Finance & Customer Services Contact email: Bernard.ofori-atta@ bromsgroveandredditch.gov.uk Contact Tel:	
Wards Affected		All
Ward Councillor(s) consulted		No
Relevant Strategic Purpose(s)		All
If you have any questions about this report, please contact the report author in advance of the meeting.		

1. **Audit, Standards and Governance Committee are asked to RECOMMEND TO COUNCIL that:**
 - i) **the Capital Strategy (Appendix A) as an appropriate overarching strategy for the Council be approved.**
 - ii) **the Treasury Management Strategy for 2024/25 (Appendix B) and the associated MRP policy (Appendix C) be approved.**
 - iii) **the Investment Strategy (Appendix D) be approved.**

2. BACKGROUND

- 2.1 The report for 2024/25 is required following changes in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department of Levelling Up Communities and Housing (DLUCH) guidance. It combines an overview of how capital expenditure, capital financing, treasury and other investment activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The strategies set limits and indicators that embody the risk management approach that the Council believes to be prudent. The strategies are set against the mid-term financial strategy, the context of the UK economy and projected interest rates.
- 2.2 The Council are required to set a balanced operating budget. The role of the treasury function is to manage cash flow within the authority so that the demands of expenditure can be met. The policies included in this report set out the criteria in which the Council can manage its Treasury management function.

- 2.3 The CIPFA Code of Practice for Treasury Management in Public services (the CIPFA TM Code) and the Prudential Code require local authorities to set the Treasury Management Strategy Statement (TMSS) and Prudential Indicators each financial year. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance. In addition the Council has to receive a report on treasury management and this is reported on a quarterly basis which is included within the Quarterly Monitoring Report.
- 2.4 CIPFA has defined Treasury Management as:
- “the management of the organisation’s investments, cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.5 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Council’s approved Treasury Management Practices and include:
- Liquidity Risk (Adequate cash resources)
 - Market or Interest Rate Risk (Fluctuations in the value of investments)
 - Inflation Risks (Exposure to inflation)
 - Credit and Counterparty Risk (Security of Investments)
 - Refinancing Risks (Impact of debt maturing in future years)
 - Legal & Regulatory Risk (Compliance with statutory and regulatory requirements)
- 2.6 The guidance requires investment strategies to comment on the use of treasury management consultants and on the investment of money borrowed in advance of spending needs.
- 2.7 In formulating the Treasury Management Strategy and the setting of the Prudential Indicators, the Council adopts the Treasury Management Framework and Policy recommended by CIPFA.
- 2.8 Given the Council is yet to formally close its 2020/21, 2021/22, and 2022/23 accounts at the present time. The Strategies will be updated, if required, once the Accounts have been closed and approved.

3. LEGAL IMPLICATIONS

3.1 This is a statutory report under the Local Government Act 2003.

4. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

4.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the borough and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

Climate Change Implications

4.2 The green thread runs through the Council Plan. This includes the Capital and Treasury Management Strategies.

5. OTHER IMPLICATIONS

Equalities and Diversity Implications

5.1 There are no direct equalities implications arising as a result of this report.

Operational Implications

5.2 None as a direct result of this report, service requirements which form the Capital Programme are the base data for this report.

6. RISK MANAGEMENT

6.1 Failure to manage the Treasury Management function effectively to ensure the delivery of maximum return within a secure environment. Controls in place to mitigate these risks are as follows:

- Regular monitoring of the status of the organisations we invest with
- Daily monitoring by internal officers of banking arrangements and cash flow implications.

7. APPENDICES and BACKGROUND PAPERS

Appendix A – Capital Strategy 2024/25

Appendix B – Treasury Management Strategy 2024/25

Appendix C – Minimum Revenue Provision Statement 2024/25

Appendix D – Investment Strategy 2024/25

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee

18th January 2024

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor Charlie Hotham	10.01.2024
Lead Director / Head of Service	Pete Carpenter	09.01.2024
Financial Services	Bernard Ofori-Atta	09.01.2024
Legal Services	Claire Felton	09.01.2024
Policy Team (if equalities implications apply)	N/A	
Climate Change Officer (if climate change implications apply)	N/A	

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 18th January 2023

Accounting Policies Report

Relevant Portfolio Holder	Councillor Charlie Hotham, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Bernard Ofori-Atta
Report Author: Bernard Ofori-Atta	Job Title: Interim Head of Finance & Customer Services Contact email: Bernard.ofori-atta@bromsgroveandredditch.gov.uk
Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

The Audit, Standards and Governance and Committee **RECOMMEND** that:

- 1) **Progress on the 2020/21 Audit process be noted.**
- 2) **Any areas of concern within this key compliance report are raised with Cabinet.**

2. BACKGROUND

2.1 From a Governance point of view, the financial frame work under which the Council works is set out in the Constitution. In addition to this there are legislative reporting requirements which set out what needs to be done and by when. The Accounting Policies report which was tabled at the Audit, Standards and Governance Committee on the 1st June set out the Financial Governance Framework, and associated references to key documentation, that the Council, it's Member and Officers work to. This are (in summary):

- **The Budget and Policy Framework Procedure Rules.** These set out: The framework for Cabinet Decisions, Decisions outside the budget or policy framework, Urgent Decisions outside of the Budget or Policy Framework, Virement rules, In-year changes to policy framework and, Call-in of decisions outside the budget or policy framework. These rules set out how decisions can be made, by whom and how they can be challenged
- **Financial Procedure Rules** which are set out in Part 15 of the Constitution. These "operational policies" run to 36 pages and set out how the organisation financially runs it's "day to day" business.
- **Finance Protocols** which set out requirements and expectations of the Finance Team and Services in terms of financial administration and demarcation of duties.

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 18th January 2023

- 2.2 One of the legislative reporting requirements the Council has not achieved is the delivery of the 2020/21 Statement of Accounts. As such, the Council was issued with a Section 24 Statement. Redditch Borough Council (RBC) were also issued with a Section 24 Statement for the same non delivery of the 2020/21 accounts which is understandable given that officers support both Councils via a shared service.
- 2.3 As reported in previous Audit, Standards and Governance Committee meetings in January, March, July, September and November draft 2020/21 accounts will be presented to the Council's External Auditors once they have completed their work on the data take on balances. An update on this work is contained in this report.
- 2.4 The 2023/4 budget was approved at Council on the 22nd February 2023. An update on the 2024/5 Medium Term Financial Plan process is contained in this report

Legislative Requirements

- 2.5 The previous section sets out how the Council works, however equally important are the Central Government Legislative Requirements to which we deliver to and are compared to other Councils across the Council. This section lists those key deliverables.
- 2.6 The following are key legislative deliverables and the Councils delivery against them to June 2023:

- **Budget**
 - Delivered by 11th March in preceding financial year – **delivered Feb 2023**
 - Council Tax Base – Yearly – **2023/24 delivered in January 2023**
 - Council Tax Resolution – **Yearly 2023/4 delivered in February 2023**
 - Council Tax Billing – Yearly (2 weeks before 1st DD is due to be taken) – **Bills distributed in March 2023**
- **Closure**
 - Draft Accounts delivered to Audit by 31st June in order for 22/23 RO forms to be delivered.
 - 2020/21 Audit **dependent on previous years and Cash Receipting Backlogs being completed (see closure section)**
- Government Returns
 - VAT – Monthly
 - **Still to be delivered for 20/21 – dependent on closure of accounts**
 - Revenue Outturn Reports – July
 - **Still to be delivered for 20/21 – dependent on closure of accounts**
 - **22/23 RO has been delivered and the Council has responded to queries on the return. Noted however that the data was not included in the CIPFA Resilience Index.**
 - Capital Outturn Reports – July
 - **Delivered for 2020/21 and 2021/22 on Friday 30th June**
 - **22/23 CO has been delivered.**
 - Quarterly Revenue Outturn Estimates

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 18th January 2023

- **Quarters 1-3 delivered (have warnings from previous year as not delivered)**
- **Quarters 1 and 2 for 23/4 have been delivered.**
- Quarterly Capital Outturn Estimates
 - **Quarters 1-3 delivered (have warnings from previous year as not delivered) Q4 delivered.**
 - **Quarters 1 and 2 for 23/4 have been delivered.**
- Quarterly Borrowing Return
 - **22/23 Quarterly Returns delivered - Q4 delivered on 11th April 2023**
 - **Quarters 1 and 2 for 23/4 have been delivered.**
- Quarterly Council Tax and Business Rates Returns
 - **22/23 Quarterly Returns delivered - Q4 due 5th May 2023**
 - **Q1 23/4 delivered on 11th August.**
- Whole of Government Accounts Returns – August
 - **Still to be delivered for 20/21 – dependent on closure of accounts**
- RA – Revenue Budgets – April
 - **2022/23 Delivered on the 5th May 2022 and 2023/24 delivered on 14th April 2023**
- Capital Estimates Return – **to be delivered by 24th March 2023**
 - **23/24 delivered by 24th March 2023**
- Public Works Loans Board Certainty Rate – April
 - **2022/3 delivered on 28th April 2022**
 - **2023/4 delivered**
- NNDR1 Return (Business Rates) – January
 - **Delivered December 2021 for 2022/23 and January 2023 for 2023/24 return**
- NNDR3 Return (Business Rates) – June and September
 - **Delivered in June 22 for 2022/23**
 - **Draft 22/23 NNDR3 provided to Worcestershire County Council for view of the pool. Final draft NNDR3 to be submitted to DLUHC by 18th May 2023.**
- Housing Benefit Subsidy Return – Yearly
 - **Sent 29th April 2022**
 - **2022/23 subsidy return delivered**
- DHP Claim – Yearly
 - **Sent 29th April 2022**
 - **22/23 return sent in May 23**
- CTB1 (Council Tax Base) – October
 - **Sent October 2022**
 - **Sent October 2023**
- CTR1 (Council Tax Requirement) – March
 - **22/23 sent 16 March 2022**
 - **23/24 sent 7 March 2023**
- **Policies**
 - Treasury and Asset Management Strategies
 - **Initial Strategies as part of the MTFP – 2023/4 Strategy Approved in March 2023**

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 18th January 2023

- Half Yearly Report
 - **Update provided in Q1 Revenue Return**
 - **23/4 Report delivered in November 23.**
- Yearly Outturn Report
 - **2022/23 Draft Report delivered in September 23**
- Council Tax Support Scheme – Yearly –
 - **23/4 Approved in Jan 2023 after consultation.**
 - **24/5 Will be approval in Cabinet January 2024.**
- Minimum Revenue Provision – yearly – **Approved as part of the 2023/4 to 2025/6 Medium Term Financial Plan**

In addition to this list there are other ad-hoc returns required (which was especially the case during C-19)

2.7 At this point, it is also important to include key Council deliverables (financially and risk based)

- Financial Monitoring – **delivered quarterly to Cabinet – due to Summer Holidays Q1 23/4 went to Cabinet in October, Q2 went in November 2023.**
- Risk Management – **delivered quarterly to this Committee.**
- Financial Controls (still in development)
 - Clearance of suspense accounts – See the chart at the end of this Report for progress.
 - Bank Reconciliation - **linked to above point although a separate stream assessing/clearing 2023/4 items.**
- Over £500 spending.
 - **Updated to July 2023.**

2.8 The key returns that have still not been delivered are the Revenue and Capital Outturn forms for 2020/21 and 2021/22 and the VAT returns. We delivered the draft RO/CO forms for 2022/23 and responding to queries on the RO return however previous years have still not been able to be completed. Although the Government now allow these returns to be completed based on estimates, the level of uncertainty due to the Cash Receipting means these cannot be completed until the External Auditors sign off the Councils take on balances and the Council provides the draft accounts to Audit for each Council. We expect to move forward on these in January (2020/21).

Update on the Statement of Accounts

2.9 The key Closure deliverables for each financial year are set out below:

- Closure 2020/21
 - Agreement of Treatment of Take on Balances – This was expected to be completed by July, but joint work is still being undertaken by the Council and External Auditors to validate these balances. The Council has supplied all data

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 18th January 2023

except Period 0 and the External Auditors have input this data into a model to verify full transfer of balances has taken place. However, this cannot be completed until the period 0 balances are provided. The Period 0 balances have been supplied by the Council's previous financial systems providers Advanced to the External Auditors on the 13th November. Additional list of Queries sent by Auditors and response provided on 15th December. Only outstanding amounts now link to Capital and have been identified as Assets Under Construction. Auditors will resume work on take on balances following the Christmas break.

- Provision of Draft 2020/21 Accounts to Audit. This is dependent on the External Auditors confirmation that they have approved both Council's take-on balances work. To date only limited high level testing has taken place although significant work has been undertaken.
- Sign Off of 20/21 Accounts – to be confirmed with the External Auditors
- Closure 2021/22
 - Updated Outturn position – still to be provided (cash receipting backlog to be cleared by 31 December 2023)
 - Draft Accounts ready for Auditors (without any 2020/21 Audit Adjustments) estimated March 2024.
 - Audit of Accounts following Audit of 2020/21 Accounts.
 - Sign off of the Accounts – to be confirmed with External Auditors.
- Closure 2022/23
 - Budget Manager Closure Training tool place in late March with 83 staff attended closure training.
 - Draft Provisional Outturn Report – Cabinet Report delivered in October 2023.
 - 2022/23 draft Revenue Outturn and Capital Outturn Reports presented to DLUHC.
 - Draft 2022/23 Accounts to Audit – TBC (following External Auditors sign off 21/22 Accounts)
 - Sign off of the Accounts – to be confirmed with External Auditors but estimated November 2024.
- Value for Money Opinions for 2021/22 and 2022/23. External Auditors delivered their joint Value for Money Opinions in November 2023:
 - S24 Recommendation still in place and extended for 2021/2 and 2022/3 Accounts.
 - 5 of the 6 2020/21 Key Recommendations either delivered or now linked to Improvement Recommendations.
 - 9 of 13 2020/21 Improvement Recommendations either fully or partially Delivered
 - One new Key Recommendation – linked to Workforce Strategy
 - Ten updated Improvement Recommendations

2.10 As reported in the July and September Reports, DLUHC have stated that they are moving to rectify these backlogs by changing how audits are performed over the medium term. DLUHC are concerned that the most time should be spent on auditing more recent accounts, so scopes of audits will be reduced (still to be confirmed) however Auditors will still be expected to serve S114 and other Statutory Recommendations. The

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 18th January 2023

governments' view is that Audits will be given statutory deadlines for completion as follows:

- 2015/16 through to 2019/20 must be signed off by the 30th December 2023 – **although this date has now passed.**
- 2020/21 and 2021/22 by the 31st March 2024.
- 2022/23 by the 30th September 2024.

- 2.11 There is still no official update on when these timetables will be enacted. Once this is known there might be the requirement for the Council to changes its delivery timetables
- 2.12 The Council is now on the latest version of TechOne although because Redditch and Bromsgrove are still the only Council's on Cash Receipting, when the weekly updates come in they have do additional checks to ensure the functionality is working as expected. The Council will now update to the latest version of TechOne every summer.
- 2.13 Once the External Auditors sign off the data take on balances the draft 2020/21 Accounts will be submitted. The Council has not submitted them yet as if the External Auditors have issues with the data take on balances and the draft accounts had been submitted then this could lead to qualified accounts.
- 2.14 Work is under way on the 2021/22 Accounts although they cannot be finalised until the audit of the 2020/21 Accounts is complete. The key driver is the clearance of the cash receipting suspense accounts which is expected to be delivered by end of December.

Update On 2023/24 Budget

- 2.15 The Councils 2023/24 Budget was approved in February. Budgets are loaded onto TechOne.
- 2.16 The 2024/5 draft MTFP will be presented to Cabinet for consultation on the 22nd November. The budget is again being delivered on a two Tranche basis. The Chancellors Statement was delivered on the 22nd November and the Provisional Local Government Settlement on Monday 18th December. The initial Tranche just includes:
- Known Pressures (including inflation).
 - Suggested increases to Fees and Charges.
 - Base assumptions on tax collection.
 - Present Capital Programme
 - Impact on General Fund and Earmarked Reserves.
- 2.17 The Provisional Local Government Settlement included the following items:
- Generally, a 4.9% increase in funding for Borough and District Councils – the detail in now being worked through.

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 18th January 2023

- The ability to increase Council Tax by 2.99%
- Increases of up to 25% and 35% respectively for different types of planning application.

These, alongside a revised Capital Programme based on need and deliverability, will be included in Tranche 2 of the Budget which will need to be approved by Council in February.

- 2.18 Quarter One 2023/4 financial and performance monitoring went to Cabinet in October and the Quarter Two Monitoring went to Cabinet on the 22nd November. The financial monitoring for Quarter 2 will be delivered for the first time directly from the TechOne system with budget managers data input onto it and not into spreadsheets.
- 2.19 A report went to Cabinet in June which set out new arrangements to managing projects as per the recommendation in the Audit Task Group Report that came to this Committee in March. Project updates will now be part of the quarterly finance and performance reporting. There are four main programmes, ICT, Workforce and Change, Public Realm, and Housing. This change is referenced in the External Auditors “Value for Monay” Report.
- 2.20 To increase capacity, a number of the finance posts presently covered by Agency have been advertised internally and externally. Interviews for these posts will take place on the 25th and 26th January.

Compliance Items

- 2.21 There are a number of areas where compliance will be measured going forwards. Compliance to process and timetable is a key underlying theme of the Draft External Audit Report 2020/21. These items are being measured to improve how we work and change behaviours. This will lead to an improved financial health/knowledge across both Councils. Not all these measures can be put in place instantly but there should be the full suite by the middle of the summer (Debt indicators depend on the clearing of suspense and the updating of the bank reconciliations).

Training:

- Closure Training took place in March with 83 attending.
- Mandatory Budget Manager Training (including the use of TechOne) took place in September 2023 – upskilling budget managers with the tools to input their forecasts directly onto TechOne.
- Mandatory Financial Awareness Training for managers took place in August and September.
- Payments Purchase Order Training takes place monthly.

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 18th January 2023

Treasury Management

- The Half Yearly Treasury Management Report was presented to Cabinet on the 22nd November.

Audit VFM Report Requirements

- Budget Consultation will take place with Stakeholders in late January/ early February.
- Wider savings monitoring will be undertaken by this Committee quarterly.
- Capital and its deliverability will be reviewed as part of the Budget Tranche 2.
- Benchmarking is now incorporated into the budget process (using LG Futures data).
- The Internal Audit Service will be externally assessed in early 2024.
- The Council will seek an independent Audit Committee member and ensure the Committee remains apolitical in nature.
- The whistleblowing policy will be updated before the end of the financial year.
- Procurement and contract rules will be updated by the end of the financial year (to reflect changes to legislation happening in April 2024).
- Performance Indicators will be reviewed and updated following Strategic Priority setting sessions.

The Council is still to run sessions to assess its “risk appetite”.

Errors:

- Non delivery of GPC Card Data (monthly basis) – still to be started.
- Mis-coding on TechOne per month – by Service Area - will begin once the cash receipting suspense has been cleared.

Procurement:

- The new ‘No Compliance No Order’ process has been live since April 2023.
- Many departments are now proactively getting quotations for lower value works. A lot of the issues we have are now training issues that are being resolved.
- The number of contracts in place is growing regularly and we are confident that this process is having a positive effect. We hope that eventually we get to the place where the number of orders coming to procurement for approval as contracts are not in place are minimal.
- A report went to Cabinet in July setting out new government procurement requirements that the Council are addressing, many of which come into force on the 1st April 2024. The Q1 and upcoming Q2 Finance and Performance Monitoring Reports now set out:
 - All contracts requiring renewal over the next year that are over the present £50k threshold and these are placed on the forward plan.
 - All contracts that are being procured by Redditch over this period that relate to Bromsgrove Services.

Agenda Item 8

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 18th January 2023

2.22 Work is ongoing on the clearance of the Cash Receipting suspense accounts. These figures are updated every 2 weeks. The position as at early December is summarised in the table below. As reported to this committee, the Council are working to have cleared the backlog by the end of this calendar year. Present progress indicates that there will be small, non-material balances in 2020/21 still to clear at the 31st December but the overall position will mean that the 21/22 and 22/23 accounts closure processes can be run.

Row Lables	Number of Items under £1,000	Value	Number of Items over £1000	Value	Reconciled Items	Reconciled Value	Overall Total	Overall Amount
20/21 Items	5,347	-150,807.64	107	-494,640.00	24,954	11,693,050.58	30,408	11,047,602.94
21/22 Items	27,207	214,783.54	261	4,723,679.65	6,814	-46,132,548.83	34,282	-41,194,085.64
22/23 Items	6,520	-82,541.29	550	140,124,905.14	18,693	-43,885,713.17	25,763	96,156,650.68
23/24 Items	10,501	86,782.18	594	-55,864,203.73	6,032	78,325,213.32	17,127	22,547,791.77
Totals	49,575	68,216.79	1,512	88,489,741.06	56,493	1.90	107,580	88,557,959.75

Summary

2.23 This report sets out the policies (local and national) that underpins the Council finances and the key deliverables. The significant change highlighted in July and September in proposed the new Government timescales to catch up on Audit delivery has still not been confirmed. Once this takes place the Council and its External Auditors will need to speed up their joint timetable as appropriate. This report is now updated for data as at the end of October and is delivered to each Audit, Standards and Governance Committee at Bromsgrove to updates it on progress against targets and also alert them to any issues and risks.

3. FINANCIAL IMPLICATIONS

3.1 This paper sets out the financial frameworks within which the Council works.

4. LEGAL IMPLICATIONS

4.1 There are no direct legal implications arising as a result of this report, however the frameworks are generally linked to statute or the Council's Constitution.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

5.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 18th January 2023

important for the District and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

Climate Change Implications

5.2 There are no direct climate change implications arising as a result of this report.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

6.1 There are no direct equalities implications arising as a result of this report.

Operational Implications

6.2 Operational implications have been dealt with as part of the 2023/24 MTFP, quarterly monitoring and the Closedown process.

7. RISK MANAGEMENT

7.1 The financial stability and sustainability of the Council is a core underlying theme of the Council's Risk Management Strategy.

8. BACKGROUND PAPERS

Interim Auditors Annual Report on Redditch Borough Council 2021/22 & 2/22/23 – Audit Standards and Governance Committee November 2023, Council December 2023.
Section 24 Report to Audit and Council – November/December 2022.
Accounting Policies Report – March, July, September and November 2023 – Audit, Standards and Governance Committee
Finance Recovery Report – July 2023, October 2023 – Cabinet
Programme Management Office Requirements – June 2023 – Cabinet
Approvals to Spend Report - July 2023 – Cabinet

Financial Savings Monitoring Report

Relevant Portfolio Holder		Councillor Hotham – Portfolio Holder for Finance and Governance
Portfolio Holder Consulted		Yes
Relevant Head of Service		Bernard Ofori-Atta
Report Author: Bernard Ofori-Atta	Job Title: Interim Head of Finance & Customer Services Contact email: Bernard.ofori-atta@ bromsgroveandredditch.gov.uk	
Wards Affected		All
Ward Councillor(s) consulted		No
Relevant Strategic Purpose(s)		All
Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		

1. RECOMMENDATIONS

The Audit, Standards and Governance is asked to RESOLVE that:

1) Progress on 2023/24 Departmental Savings be noted.

2. BACKGROUND

- 2.1 As part of the 2023/24 budget, which was agreed at Council in February 2023, there were a number of savings options approved through the two tranche process to deliver the balanced budget for the year. Savings from both tranches of the budget process have been combined in Appendix A.
- 2.2 Additionally, an Improvement Recommendation in the Interim Auditors Annual Report on Bromsgrove District Council 2021/22 and 2022/23 was that “savings delivery is monitored independently of basic budget monitoring at a Corporate level. As such savings monitoring will be part of the Audit, Governance and Standards Committee on a quarterly basis.
- 2.3 The Quarter 2 2023/24 Finance and Performance Monitoring report was reviewed by Cabinet on the 22nd November 2023.
- 2.4 The financial section of the report sets out progress against budget. The £11.9m original revenue budget that was approved by Council in March 2022 has been adjusted to £13.8m. The difference to Q1 is the movement of Corporate Budgets from Corporate Financing where they were originally located. The projected outturn figure at Q2 is £815k,

which is a £37k increase on the £788k overspend reported at Q1. Overall, the Council is currently forecasting a revenue overspend for 2023/24 in the region of £815k, before the application of £351k from the Utilities Reserve as approved at Quarter 1. This forecast overspend is predominantly due to:

- the implications of the 2023/24 pay award - £1,925 level per pay point plus on costs has been offered by the Employers and was agreed on 1st November 2023. This will be paid in the December payroll and backdated to 1st April 2023.
- temporary and interim staff requirements - whilst there are a number of vacancies within teams across the Council, some posts are being covered by temporary staff and this has therefore resulted in some cost pressures.
- additional fuel and fleet hire costs within the Place and Waste Teams.
- the impact of homelessness and the cost of temporary accommodation costs.

This overspend is offset in part by:

- a forecast underspend against the utilities budget provision due to utilities inflation running at 70%. In the 2023/24 budget was assumed a 100% increase in budget and also set up a reserve for the same amount.
- anticipated additional income across various Waste Services.

2.5 The full year effect of a £815k overspend will be mitigated, as approved in the Q1 Monitoring Report by the application of the 2023/4 portion of the Utilities Reserve of £1,053k which amounted to £351k a year to mitigate increased costs. **This leaves a £464k overspend position.** The ongoing 2023/24 pay increases position, once it is finalised and ratified later this year, would then need to be resolved as part of the 2024/25 MTFP process.

	2023/24 Approved Budget	2023/24 Forecast Outturn	2023/24 Forecast Variance to Budget
Business Transformation and Organisational Development	1,745,422	1,720,614	(24,808)
Community and Housing GF Services	1,058,122	1,094,576	36,454
Corporate Budgets	1,455,265	1,455,265	-
Corporate Services	1,378,418	1,496,668	118,250
Environmental Services	3,598,710	4,023,426	424,716
Financial and Customer Services	1,214,717	1,559,175	344,458
Legal, Democratic and Property Services	1,727,443	1,681,696	(45,747)
Planning, Regeneration and Leisure Services	1,384,644	1,373,713	(10,931)
Regulatory Client	259,337	231,981	(27,356)
Net Budget	13,822,078	14,637,114	815,036
Corporate Financing	(13,822,078)	(13,822,078)	-
Overall Total	-	815,036	815,036
Utilities Reserve		(351,000)	(351,000)
Overall Total	-	464,036	464,036

- 2.6 During August and September 2023, budget managers were invited to budget monitoring training which focused on how to predict their financial position for the 2023/24 financial year, as well as how to input that forecast into the TechOne financial system. This is the first time that budget managers had been asked to directly input their forecast financial positions into the system since the implementation of TechOne, and budget managers have been supported by the Finance Team throughout this process.
- 2.7 This is the start of a journey for budget managers, but one that we hope in time will form part of regular financial monitoring reported to Members. A detailed review of the financial position input to TechOne has been undertaken by the Finance management team with some adjustments to assumptions reflected. This has included updating forecasts where they have been inadvertently omitted, updating signage, reviewing the forecast position per nominal code and verifying the salary costs including pay award included in the financial position.
- 2.5 Departmental Savings are shown to be on track for delivery as per the data contained in Appendix A. There are two items highlighted in yellow which require careful monitoring and one in red for 23/4.
- Service Reviews (£140k in 23/4).
 - Finance Vacancies (£100k in 23/4).
 - Capacity Grid old debt recoupment (£200k in 23/4).

3. FINANCIAL IMPLICATIONS

- 3.1 The savings have significant financial implications if not delivered.
- 3.2 The Council presently has an estimated £5.226m in General Fund Reserves to cover one off issues, and £5.502m in Earmarked Reserves for specific purposes. These are the only recourse, apart from additional reductions in spending/additional income, that the Council has to mitigate the present overspend position. The £5.226m General Fund figure includes accounting for the additional £437k overspend.
- 3.3 There should be clarity by the Q3 Finance and Performance Monitoring report, which will be reported to Cabinet in February, on the actual impact of the 2023/24 Pay Award, which is paid to staff in December.

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising as a result of this report.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the borough and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

Climate Change Implications

- 5.2 The green thread runs through the Council Plan. 2023/24 savings options which had implications on climate change would have been addressed at that time.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 There are no direct equalities implications arising as a result of this report. Any implications will have been dealt with as part of the 2023/24 Budget process.

Operational Implications

- 6.2 Operational implications will have been dealt with as part of the 2023/24 Budget process.

7. RISK MANAGEMENT

- 7.1 Non delivery of savings options, depending on their financial magnitude can have either a small or significant affect on the Council's finances. As such mitigations need to be in place to deal changes to what was agreed by Council in February 2023.

8. APPENDICES and BACKGROUND PAPERS

Appendix A – Bromsgrove Savings Monitoring 2023/24

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Cllr Charlie Hotham	10.01.2024
Lead Director / Head of Service	Pete Carpenter	09.01.2024
Financial Services	Bernard Ofori-Atta	09.01.2024
Legal Services	Claire Felton	09.01.2024
Policy Team (if equalities implications apply)		
Climate Change Officer (if climate change implications apply)		

BROMSGROVE DISTRICT COUNCIL

Audit, Standards & Governance Committee

18th January 2024

Appendix A – Bromsgrove Savings Monitoring 2023/24

	2023/24 £000	2024/25 £000	2025/26 £000	RAG Status	Narrative
Phase 1 Savings					
Environmental Services Partnership	0	-25	-50		Future year savings
Service Reviews	-140	-330	-405		Establishment review being carried out as part of Tranche 2 of the 24/5 budget. At December, there are £2.9m of vacancies covered by £1.6m of Agency staff. This is being evaluated for the savings required.
Town Hall	-70	-70	-70		On track at Redditch for savings delivery
Finance Vacancies	-100	-100	-100		Linked to Service review point above for future years but overspending in 23/4 due to Agency cover.
MRP	-100	-100	-100		On Track for Delivery
Pension Fund	-663	-663	-663		On track as per actuarial triennial report
Engage Capacity Grid (One Off)	-200	-200	0		Presently levels for 2023/4 are £104k of Council Tax and £1k of Business Rates. £77k of this amount is at Special Arrangement Stage.
10% Increase in Fees and Charges	-382	-389	-390		On Track - all implemented and being monitored
Tranche 1 Total	-1,655	-1,877	-1,778		
Phase 2 Savings					
Additional Pensions Savings	-356	-356	-356		On track as per updated actuarial triennial report
Conversion of 50% of Utilities to a Reserve	-351	-351	-351		Reserve change done as part of 23/4 budget process
Tranche 2 Total	-707	-707	-707		
Total Departmental Savings	-2,362	-2,584	-2,485		
Government Funding					
New Homes Bonus	-127	-237			One Year additional funding in 24/5 LGFS
Services Grant	-68				4.9% increase in overall Government Support in 2024/.5
Funding Guarantee	-1,027				4.9% increase in overall Government Support in 2024/.5
C Tax Base Reduction	24				4.9% increase in overall Government Support in 2024/.5
Business Rates/Investment Inc Re-baseline	-300	-200	-200		Business Rates Pool meeting on the 12 th January to confirm position

BROMSGROVE DISTRICT COUNCIL

Audit, Standards & Governance Committee

18th January 2024

Future Years Settlements - assumption		-1,000	-1,000		4.9% increase in overall Government Support in 2024/.5
Total Government Funding	-1,498	-1,200	-1,200		

This page is intentionally left blank

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE – WORK PROGRAMME 2023/24

18th January 2024

Standing items:

- Standards Regime – Monitoring Officer's Report
- Financial Savings Monitoring Report
- Capital Strategy 2024-25 including Treasury Management Strategy
- Submission of Statements of Accounts (Verbal Update)
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

Other items:

- Introduction to the Council's External Auditor – Bishop Fleming

7th March 2024

Standing items:

- Standards Regime – Monitoring Officer's Report
- Risk Management Report / Corporate Risk Register
- External Audit (Grant Thornton) – Progress Update
- Submission of Statements of Accounts (Verbal Update)
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

Other items:

- Audit, Standards and Governance Annual Report – 2023-24

Date to be confirmed

None

This page is intentionally left blank