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## **BROMSGROVE DISTRICT COUNCIL**

### **MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**THURSDAY 7TH MARCH 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 18th January 2024 (Pages 5 - 12)**

4. **Standards Regime - Monitoring Officer's Report** (Pages 13 - 18)
5. **Dispensations Report - Individual Member Dispensations** (Pages 19 - 26)
6. **Grant Thornton - External Audit Progress Report and Sector Update**  
(Pages 27 - 34)
7. **Internal Audit - Progress Report** (Pages 35 - 50)
8. **Quarterly Risk Update** (Pages 51 - 68)
9. **Accounting Policies Report including update on Statements of Accounts**  
(Pages 69 - 80)
10. **Audit, Standards and Governance Committee - Annual Report 2023-24**  
(Pages 81 - 102)
11. **Risk Champion - Verbal Update Report (Councillor B. McEldowney)**
12. **Audit, Standards and Governance Committee Work Programme** (Pages  
103 - 104)

Sue Hanley  
Chief Executive

Parkside  
Market Street  
BROMSGROVE  
Worcestershire  
B61 8DA

28th February 2024

If you have any queries on this Agenda please contact  
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## **BROMSGROVE DISTRICT COUNCIL**

### **MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**18TH JANUARY 2024, AT 6.00 P.M.**

PRESENT: Councillors D. J. Nicholl (Chairman), R. Bailes, S. M. Evans, D. J. A. Forsythe, D. Hopkins, B. Kumar, B. McEldowney, S. T. Nock, D. G. Stewart and M. Worrall (Parish Councils' Representative)

Observers:

Councillor C. A. Hotham – Portfolio Holder for Finance and Enabling

Officers: Mr. P. Carpenter, Mr. B. Ofori-Atta and Ms. N. Cummings, Mr. A. Howe, and Mr. M. Sliwinski.

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#### **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received from the Vice-Chairman, Councillor H. D. N. Rone-Clarke, and Councillor J. D. Stanley.

50/23

#### **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest nor of any whipping arrangements.

51/23

#### **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 27TH NOVEMBER 2023**

The minutes of the meeting of Audit, Standards and Governance Committee held on Monday 27<sup>th</sup> November 2023 were submitted for Members' consideration.

**RESOLVED** that the minutes of the meeting of Audit, Standards and Governance Committee held on 27<sup>th</sup> November 2023 be approved as a correct record.

52/23

#### **STANDARDS REGIME - MONITORING OFFICER'S REPORT**

The Principal Solicitor introduced the Monitoring Officer's report and in doing so reported that no new complaints had been received since the last meeting of the Committee. In relation to the two complaints reported at the previous meeting, one was currently being investigated by the police, and the second was expected to be resolved informally. In

response to a question, the Principal Solicitor explained that she could not share more details about these complaints.

Following the presentation, Members discussed training requirements and in doing so Members noted that more training was required in respect of terms of reference of the audit committee and training on key audit reports. It was suggested that an introduction of pre-meetings might be helpful for Members, as it was reiterated that items on Audit Committee agendas were complex in nature and it was essential that Members had a clear understanding of what the substance of each of the report was before the meeting.

It was agreed as an action that two to three audit training sessions (to be held in the evenings) be arranged in each municipal year for Members of the Audit, Standards and Governance Committee.

**RESOLVED** that the Monitoring Officer's report be noted.

53/23

## **BISHOP FLEMING - INTRODUCTION TO THE COUNCIL'S NEW EXTERNAL AUDITOR**

The consideration of this item was deferred. It was explained that it was hoped that by the March meeting the Council's opening balances for 2020-21 accounts would be cleared and accounts submitted for external audit, which would allow the new auditors to provide a more meaningful introduction to elected members.

54/23

## **INTERNAL AUDIT - PROGRESS REPORT**

The Internal Audit Team Leader provided the Internal Audit Progress Report for Members' consideration. It was noted that the update provided an update on progress with the internal audit plan up to 31<sup>st</sup> December 2023, at which point 48 per cent of the plan for the year had been completed. This was an improvement on last year's progress at this point.

It was explained that critical review audits were designed to add value to an evolving service area of the Council. Depending on the transformation that a service was experiencing at the time of a scheduled review, a decision was made by the internal auditor on the audit approach. Where a significant change was taking place due to transformation, restructuring, significant legislative updates, a critical review approach was used.

Following the report presentation, the Committee discussed a number of matters relating to the report with the following comments and answers to questions noted:

- Critical Reviews – The Section 151 Officer highlighted that Accounts Receivable and General Ledger were the key internal audits from the Council's perspective as they provided a reflection

of the progress the Council was making in terms of the financial recovery programme.

- Cyber security – It was reported that with respect to cyber security, following publicised cyber attacks on other councils, there was a proposal as part of the Tranche 2 of the Medium Term Financial Plan to increase the Council’s annual funding for cyber security. It was noted that as part of the Q2 Monitoring Report, an additional £50k was requested for upgrading and replacing tape drives. The tapes provided physical back up of IT data.
- Allocation of internal audit days between Bromsgrove and Redditch – The Internal Audit Team Leader explained that the allocation of audit days was similar across the two councils but where necessary reflected the specific requirement of each council at given time. For areas such as Housing, Redditch required a greater allocation of internal audit delays as social housing was delivered in house. For other areas, such as ICT, the number of days allocated to Bromsgrove and Redditch was identical.
- National Fraud Initiative (NFI) Returns – It was explained that this was a public-sector wide data matching exercise conducted by the Government’s Cabinet Office to assist in the prevention and detection of fraud. As part of this, local authorities provided datasets on areas such as council tax and electoral register records to detect any data matches with other agencies and detect potential fraud. Members requested as an action that future iterations of the internal audit progress report include reporting of statistics on matches and frauds identified.
- Fraud data – It was noted that it might act as a deterrent if data on the number and types of cases of fraud detected were included in Council reports. In terms of data sharing, it was reported by Officers that there remained some difficulties in sharing data across various public bodies, due to factors such as GDPR legislation.
- Single person council tax discounts – It was noted that a significant number of all properties in Bromsgrove were single person homes, and single person discount on council tax applied. It was noted that the County Council had asked District Councils to be proactive in terms of investigating fraud in this area and chasing debt through capacity grid.

**RESOLVED** that the report be noted.

55/23

## **CAPITAL STRATEGY 2024-25 INCLUDING TREASURY MANAGEMENT STRATEGY**

The Committee received a report on the Capital Strategy 2024-25 including Treasury Management Strategy. The report combined 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 was being

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managed and the implications for future financial sustainability of the Council.

The Deputy Chief Executive and Section 151 Officer explained that these reports were important from a compliance point of view. Any deviation from these strategies had to be reported directly to Audit, Standards and Governance Committee and then Council.

It was explained that the Council held no long-term debt. However, it was projected that the Council would need to undertake borrowing within the next 12-18 months. The main items of capital expenditure for the Council in the short to medium-term were on the Levelling Up Fund projects and on the Council's waste vehicles fleet.

It was explained that councils were allowed to pre-fund future years' financing requirements, however, they could not exceed the authorised limit for borrowing of £60 million.

In relation to the Investment Strategy, it was explained that local authorities were able to borrow from the public sector lending facility – the National Loans Fund through the PWLB lending facility (operated by the UK Debt Management Office (DMO)) – as long as they did not invest for profit.

In relation to the capital financing and treasury management requirements, there had been a significant tightening of regulations over the last five years. It was noted that at the moment the Council only borrowed from UK banks.

In response to a question, it was confirmed that the Council held property assets that could be sold and a report on the matter would be presented to Cabinet in summer. It was noted that any Council asset had to have an energy efficiency rating of C or above by 2026, in order to be rentable. The Council was also look at the remaining parcels of unadopted land within Bromsgrove as part of the review of assets.

**RECOMMENDED** to Council that:

- 1) the Capital Strategy (Appendix A) as an appropriate overarching strategy for the Council be approved.
- 2) the Treasury Management Strategy for 2024/25 (Appendix B) and the associated MRP policy (Appendix C) be approved.
- 3) the Investment Strategy (Appendix D) be approved.

56/23

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

The Accounting Policies Report was presented for Members' consideration. In terms of legislative deliverables, it was noted that the



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Council had now delivered the revenue and capital outturn reports. It was reported that the closure of 2020/21 Accounts was dependent on the reconciliation of opening balances on the legacy and new financial systems being completed.

It was reported that local authorities had now been informed of Government proposal to introduce a backstop date of 30<sup>th</sup> September 2024 for completion of all outstanding local audits up to 2022-23 financial year. Local authorities would be a consulted on the plans to tackle local government audit delays, including on the proposed backstop date, in February 2024.

It was reported that there were still around 290 local authorities were yet to have their 2021-22 Accounts audited. As such, the proposal was of significant concern to local authorities across the country. It was noted that there also remained concerns that the backstop proposal did not address the issue of the lack of external audit resource.

It was reported that the new Head of Finance and Customer Services had been appointed and would be in post by the end of February. The Council had received a significant number of applications for the five permanent positions advertised in the finance department. It was hoped that this would result in reduced reliance on agency staff by March.

Key points on the provisional local government financial settlement were provided. It was noted that generally there would be a 4.9 per cent increase in funding for Borough and District Councils, local authorities would have the ability to increase Council Tax by up to 2.99 per cent. For planning applications, there would be a charge increase of 25 per cent (small) and 35 per cent (large) applications respectively.

Following the presentation of the report, Members discussed the implications of the Government's backstop date proposal. It was recapped that the main issue remained the validation of take on balances (proof of period 0 balances) on both the legacy and the new financial ledger systems. It was reported that originally the external auditors had been undertaking data validation of this, however, the external auditors had now asked the Council to take over this work. It was planned that data reconciliation of opening balances between the old and new financial systems should be finalised by end of January. In response to a question, it was noted that the Council's materiality level was around £400k, any misstatements amounting to more than this amount would result in qualification of the Council's accounts.

It was reported by Officers that the Government's current backstop date proposal gave the Council around 5-6 months to complete its outstanding accounts to avoid qualification on the accounts. It was commented that in April, May and June the external auditors focused on audit of health bodies and these months were not available for audit work on local authority accounts. Some Members commented that in light of the Government's announcement of the backstop date proposal,

it was probable that the Council would receive a qualified opinion on its 2020-21 Accounts.

In relation to appointment of an independent person to the audit committee, it was reported that the Constitutional Review Working Group would need to agree on the level of remuneration for the post before this matter could be considered by the Committee.

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

57/23

## **FINANCIAL SAVINGS MONITORING REPORT**

The Deputy Chief Executive and Section 151 Officer introduced this report and in doing so explained that the report looked at 2023-24 budget savings and provided monitoring of savings. It was reported that savings from both tranches of the budget process were set out at Appendix A. The following areas of Bromsgrove savings monitoring were covered in more detail:

:

- In relation to Finance Vacancies line the Council would not achieve the target saving of £100k in 2023-24.
- Service reviews – It was noted that this was concerned with identifying the establishment review as it was reported that Bromsgrove Council had £2.9 million worth of vacancies covered by £1.6 million of Agency staff covering the vacant posts. Across the shared service (Bromsgrove and Redditch), this amounted to around £5 million of vacancies and £3 million in agency staff cover (£2 million gap). The establishment review would provide an indication of how many posts were required across service areas.
- Engage Capacity Grid (one-off) – This was concerned with recovering Council Tax and Business Rates income from debtors. The Council was on track to deliver savings stated in the appendix.
- Pension Fund – The Council was on track to deliver the savings on this as resulting from the latest actuarial triennial report. The Council would need to monitor the impact at the next revaluation in 2026-27.
- Town Hall – It was explained that this concerned the recharge to Bromsgrove from the savings delivered on the renting out of space at Redditch Town Hall.

It was noted that the costs of salaries per department would be shown in appendix B of the Tranche 2 Medium Term Financial Plan report.

**RESOLVED** that progress on 2023-24 Departmental Savings be noted.

58/23

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

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The Council's Risk Champion, Councillor B. McEldowney, provided the update and in doing so raised a number of questions as follows:

- The termination of the North Worcestershire Economic Development and Regeneration (NWedR) – Officers reported that the report on the termination and the proposal for rebuilding the Council's economic development and regeneration service was due to be presented to the 14<sup>th</sup> February Cabinet meeting.
- Levelling Up Fund Deadline Extension – It was reported that the Council was in conversation with the Department for Levelling Up, Housing and Communities (DLUHC) about the Government granting a six-month Levelling Up funding deadline extension to the Council. Officers reported that the inability to complete Levelling Up projects by the original Government deadline was an issue faced by most authorities across the country.
- The number of Council Staff paid the national minimum wage – It was undertaken as an action that this data be provided to Members.

**RESOLVED** that the Risk Champion update be noted.

59/23

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Chairman reported that an item regarding the Council's Biodiversity Policy requested by the Committee was referred to the Overview and Scrutiny Board and was due to be considered by that Board in April 2024.

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

The meeting closed at 7.58 p.m.

Chairman

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#### 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: <a href="mailto:c.felton@bromsgroveandredditch.gov.uk">c.felton@bromsgroveandredditch.gov.uk</a>
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 January 2024.
- 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.

**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.

#### Operational Implications

##### Member Complaints

- 6.2 Officers will provide an update on Member complaints at the 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 20<sup>th</sup> 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 The last meeting of CRWG took place on 30<sup>th</sup> January, at which Members discussed proposed amendments to the Committee Terms of Reference and Council Procedure Rules in respect of the appointment of Members from political groups not represented on the Cabinet to the positions of Chairman of the Council, Chairman of the Audit, Standards and Governance Committee and Chairman of the Overview and Scrutiny Board. Recommendations in respect of this matter were approved at the Council meeting held on 21<sup>st</sup> February 2024.
- 6.6 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.
- 6.7 The next meetings of CRWG is due to take place on Tuesday 12<sup>th</sup> March.

##### Member Development

- 6.8 The Member Development Steering Group (MDSG) is responsible for co-ordinating Member training, induction and ICT support. The group meets throughout the year.

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- 6.9 The last meeting of the Member Development Steering Group took place on 11<sup>th</sup> January 2024. During that meeting, Members received draft guidance notes relating to the use of Microsoft Teams and the Modern.gov app respectively. The group agreed that group leaders should be consulted on the most appropriate arrangements to provide training to their Members in respect of using both Microsoft Teams and the Modern.gov app. Members can also request one-to-one training and requests should be directed to the Democratic Services team.
- 6.10 The next meeting of the MDSG is to take place on Wednesday 6<sup>th</sup> March 2024.

#### Member Training

- 6.11 Following the local elections in May 2023, a comprehensive Member training programme was arranged for both new and returning Members. This programme was organised in accordance with arrangements requested by the MDSG.
- 6.12 The training sessions that have recently taken place or are due to take place soon include:
- Planning Enforcement Training (Parish and District Councillors) – Monday 26<sup>th</sup> February.
  - Procurement Training – Tuesday 5<sup>th</sup> March
- 6.13 The Member Development Steering Group has approved the Member training programme for the 2024/25 municipal year.

### **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.

### **8. APPENDICES and BACKGROUND PAPERS**

No appendices.

Chapter 7 of the Localism Act 2011.



#### **9. REPORT SIGN OFF**

<b>Department</b>	<b>Name and Job Title</b>	<b>Date</b>
Portfolio Holder	Councillor C. A. Hotham, Portfolio Holder for Finance and Enabling	28.02.2024
Lead Director / Head of Service	Claire Felton - Head of Legal, Democratic and Property Services	27.02.2024
Financial Services	N/A	
Legal Services	Claire Felton - Head of Legal, Democratic and Property Services	27.02.2024

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**LOCALISM ACT 2011 – STANDARDS REGIME – INDIVIDUAL MEMBER DISPENSATIONS AND OUTSIDE BODY DISPENSATIONS**

Relevant Portfolio Holder		Councillor C. A. Hotham, Portfolio Holder for Finance and Enabling
Portfolio Holder Consulted		Yes
Relevant Head of Service		Claire Felton, Head of Legal, Democratic and Property Services
Report Author Claire Felton	Job Title: Head of Legal, Democratic and Property Services Contact email: <a href="mailto:c.felton@bromsgroveandredditch.gov.uk">c.felton@bromsgroveandredditch.gov.uk</a> Contact Tel: (01527) 64252	
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 Committee is asked to RESOLVE that**

- 1) (any Individual Member Dispensations (IMDs) and Outside Body Appointments dispensations requested by Members up to the point of the meeting, and as advised by the Monitoring Officer at the meeting, be granted under section 33 (2) of the Localism Act 2011, to allow those Member(s) to participate in and vote at Council and Committee meetings in the individual circumstances detailed;**
  
- 2) it be noted that all dispensations granted by the Committee take effect on receipt of a written request from Members for such a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and**

- 3) it be noted that the dispensations referred to at resolution (1), will remain valid until the first meeting of the Audit, Standards and Governance Committee following the next District Council Elections in 2027 unless amended by the Committee prior to that date.

## **2. BACKGROUND**

- 2.1 To consider the granting of any new Individual Member Dispensations (IMDs) requested by Members up to the point of the meeting, and which will be detailed by the Monitoring Officer at the meeting. To also consider granting Outside Body Appointment Dispensations.
- 2.2 This item follows previous reports to the Audit, Standards and Governance Committee, considered at meetings held on 1<sup>st</sup> June, 17<sup>th</sup> July and 14<sup>th</sup> September 2023, on the subject of Member dispensations.
- 2.3 Since then, the Monitoring Officer has received two further requests in writing for outside body dispensations from Members and these are being reported to the Audit, Standards and Governance Committee for consideration.

## **3. OPERATIONAL ISSUES**

### Background

- 3.1 Under s31 (4) of the Localism Act 2011 a Member who has a DPI in a matter under consideration is not permitted to participate in the discussion or vote on the matter unless s/he has first obtained a dispensation under s33.
- 3.2 Section 33 (2) includes a number of situations where a dispensation can be considered, but should be granted "only if, after having regard to all relevant circumstances" the Committee considers that one of those situations applies. The consideration of whether to grant a dispensation under s33 was previously delegated to the former Standards Committee.

- 3.3 The statutory grounds under s33 (2) for the granting of a dispensation are where the authority –
- “(a) considers that without the dispensation the number of persons prohibited by section 31(4) from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,
  - (b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
  - (c) considers that granting the dispensation is in the interests of persons living in the authority’s area,
  - (d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without them dispensation each member of the authority’s executive would be prohibited by section 31(4) from participating in any particular business to be transacted by the authority’s executive, or
  - (e) considers that it is otherwise appropriate to grant a dispensation.”
- 3.4 Since the introduction of the current standards regime in 2012, the Audit, Standards and Governance Committee has been responsible for considering the granting of dispensations in circumstances where the Monitoring Officer feels that a dispensation may be warranted. This function was previously carried out by the former Standards Committee.
- 3.5 Dispensations, all of which require the advance approval of the Committee and a subsequent written request from the Member to the Monitoring Officer, currently fall within four categories:
- (i) General Dispensations
  - (ii) Council Tax Arrears
  - (iii) Individual Member Dispensations

(iv) Outside Body Appointment Dispensations

3.6 The table below sets out the Individual Member Dispensations and Outside Body appointment dispensations that were agreed for Members at the meetings of the Audit, Standards and Governance Committee held in July and September 2023. These dispensations will apply until the next District Council elections in 2027 unless amended by the Committee prior to that date.

<b>Councillor(s)</b>	<b>Relevant DPI</b>	<b>Reason for dispensation</b>
S Baxter	Vice President of the National Association of Local Councils.	To allow participation in debates involving Parish Councils within the district.
S Baxter and B Kumar	President and Chair respectively of the Worcestershire County Association of Local Councils.	To allow participation in debates involving Parish Councils within the district.
B McEldowney	Chair of Bromsgrove and Redditch Area County Association of Local Councils (CALC)	To allow participation in discussions related to Parish Councils within the Bromsgrove District.
B Kumar, B McEldowney and D Nicoll	The Artrix Holding Trust (Bromsgrove Arts Development Trust)	To allow participation in debates concerning the Artrix theatre generally but not in relation to funding issues.
S Colella	Employee of South Staffordshire Water	To discuss potable water issues that are related to planning policies and planning matters.
J. Robinson	Employed by National Highways	To allow participation in Planning Committee where National Highways

		are a consultee or an applicant.
J. Robinson	Spouse employed by Birmingham City Council	To allow participation in Planning Committee where Birmingham City Council are the applicant or a consultee.
S. Robinson	Employed by Birmingham City Council	To allow participation in Planning Committee where Birmingham City Council are the applicant or a consultee.
S. Robinson	Spouse employed by National Highways	To allow participation in Planning Committee where National Highways are a consultee or an applicant.

- 3.7 The new Individual Member Dispensations / Outside Body Dispensations requests received prior to the publication of the agenda for this meeting of the Audit, Standards and Governance Committee are listed in the table below. The Committee is asked to consider, and if minded to do so, agree to grant the below requests. Any further requests in writing received by the Monitoring Officer after the publication of this meeting's agenda will be reported to Members at the meeting.

<b>Councillor(s)</b>	<b>Relevant DPI</b>	<b>Reason for dispensation</b>
S Ammar and S Webb	Bromsgrove and Redditch Citizens Advice Bureau (CAB)	To allow participation in debates concerning the CAB generally but not in relation to funding issues

- 3.8 Further requests for dispensations may be made after the publication of the agenda for this meeting and will be reported by the Monitoring Officer for Members' consideration. Subject to approval by the Audit, Standards and Governance Committee, these dispensations will apply until the next District Council elections in 2027 unless amended by the Committee prior to that date.

**4. FINANCIAL IMPLICATIONS**

- 4.1 There are no specific financial implications.

**5. LEGAL IMPLICATIONS**

- 5.1 Section 33 of the Localism Act 2011 provides that dispensations can be granted in respect of Disclosable Pecuniary Interests ("DPIs").
- 5.2 Section 33 (1) requires that a Member must make a written request for a dispensation.
- 5.3 Section 33 (3) provides that a dispensation must specify the period for which it has effect, and that period may not exceed 4 years.

**6. OTHER - IMPLICATIONS**

**Relevant Strategic Purpose**

- 6.1 The issues detailed in this report help to ensure that there is an effective and sustainable Council.



**Climate Change Implications**

- 6.2 There are no specific climate change implications.

**Equalities and Diversity Implications**

- 6.3 There are no specific equalities and diversity implications.

**7. RISK MANAGEMENT**

- 7.1 The granting of dispensations by the Committee will, subject to receipt of a written request from Members for such a dispensation, clarify, for the avoidance of any doubt, Members' ability to participate in and vote at Council and Committee meetings on certain matters as part of the Council's decision-making process, where such Members have a DPI which would otherwise preclude them from so participating / voting.

**8. APPENDICES and BACKGROUND PAPERS**

Background Papers

- Section 33 of the Localism Act 2011.
- Section 106 of the Local Government Finance Act 1992.
- The report to the Audit, Standards and Governance Committee meeting held on 30<sup>th</sup> May 2023 on the subject of dispensations.
- The report to the Audit, Standards and Governance Committee held on 17<sup>th</sup> July 2023 on the subject of dispensations.
- The report to the Audit, standards and Governance Committee meeting held on 14<sup>th</sup> September 2023.

**9. REPORT SIGN OFF**

<b>Department</b>	<b>Name and Job Title</b>	<b>Date</b>
Portfolio Holder	Councillor Charles Hotham	27.02.2024
Lead Director / Head of Service	Claire Felton, Head of Legal Democratic and Property Services	23.02.2024
Financial Services	Pete Carpenter, Interim Section 151 Officer	23.02.2024
Legal Services	Claire Felton, Head of Legal Democratic and Property Services	23.02.2024

**Grant Thornton – External Audit Progress Report & Sector Update**

Relevant Portfolio Holder		Councillor C. A. Hotham
Portfolio Holder Consulted		-
Relevant Head of Service		Bernard Ofori-Atta
Report Author: Grant Thornton	Job Title: Head of Finance and Customer Services Contact email: bernard.ofori-atta@bromsgroveandredditch.gov.uk	
Wards Affected		All Wards
Ward Councillor(s) consulted		No
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 Committee is asked to NOTE the updates included at Appendix 1.**

**2. FINANCIAL IMPLICATIONS**

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

**3. LEGAL IMPLICATIONS**

3.1 The Council has a statutory responsibility to comply with financial regulations.

**4. STRATEGIC PURPOSES - IMPLICATIONS**

**Relevant Strategic Purpose**

4.1 The issues detailed in this report help to ensure that the Council is effective and sustainable.

**Climate Change Implications**

4.2 There are no Climate Change implications arising out of this report.

**5. OTHER IMPLICATIONS**

**Equalities and Diversity Implications**

- 5.1 There are no Equality and Diversity implications arising out of this report.

**Operational Implications**

- 5.2 The report attached at Appendix 1 provides Members with our external auditor's progress in delivering its responsibilities as the Council's external auditors. It sets out key audit deliverables and a sector update which includes a number of matters that are relevant to Local Government.

**6. RISK MANAGEMENT**

- 6.1 As part of all audit work, the auditors undertake a risk assessment to ensure that adequate controls are in place within the Council so reliance can be placed on internal systems.

**7. APPENDICES and BACKGROUND PAPERS**

Appendix 1 - Grant Thornton – Bromsgrove District Council Audit  
Progress Report and Sector Update

# Bromsgrove District Council Audit Progress Report and Sector Update

March 2024



# Contents

Section	Page
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Proposed interim fee variations	5

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

Your key Grant Thornton team members are:

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This paper provides the Audit, Standards and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit, Standards and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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# Progress at March 2024

## Financial statements audit

On 13 February 2024 we received updated workings from management on the transfer of balances from the Council's old ledger to the new TechnologyOne ledger. These have been shared with colleagues in our digital audit team who are providing specialist support in this area. Colleagues are currently reviewing these workings and discussing them with management.

We have previously discussed the stated intention of the Department for Levelling Up, Housing and Communities (DLUHC) to set a "backstop" date by which all outstanding Local Government audits up to and including the 2022/23 financial year must be finalised. Following discussions between DLUHC, the Financial Reporting Council (FRC) and National Audit Office (NAO), a DLUHC consultation was issued 8 February 2024 and which closes 7 March 2024. The consultation sets out a proposal that the backstop date for all financial years up to and including 2022/23 will be 30 September 2024. The consultation can be found here <https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation>. Alongside this consultation the NAO are consulting on changes to the Code of Audit Practice that auditors are required to follow, this consultation can be found here <https://www.nao.org.uk/code-of-audit-practice-consultation/>.

In January 2024 we wrote to your Section 151 Officer confirming that, in our view, it will not be possible to complete the 2020/21 to 2022/23 financial statements audits by the proposed date of 30 September 2024. As such, based upon the information currently available to us from the consultation documents, we expect that backstop disclaimer opinions will be issued for each of these three financial years.

## Value for Money

We reported our interim Auditor's Annual Report covering the 2021/22 and 2022/23 financial years to the Audit, Standards and Governance Committee on 27 November 2023. The report will remain an interim report until an opinion is issued on the financial statements for the 2021/22 and 2022/23 financial years. We do not expect any further work will be required in respect of Value for Money arrangements.



# Proposed interim fee variations

We have previously communicated the issues that we have had with respect to the 2020/21 financial statements audit. We have also issued our interim Auditor's Annual Reports for 2020/21 and a joint report for 2021/22 and 2022/23. Both reports identified significant weaknesses in arrangements, made key recommendations and also made written recommendations under the Local Audit and Accountability Act 2014. We had previously alerted the Committee to the likelihood of some significant fee variations due to the additional work required in these areas.

Given the time that has passed since commencing our audit work, we are proposing interim fee variations. These must be discussed with the Section 151 Officer, presented to the Audit, Standards and Governance Committee as Those Charged With Governance and then shared with Public Sector Audit Appointments Limited, along with supporting evidence, who will consider the proposed variations and make a determination upon them.

Based upon our work completed to date to the end of December 2023, we proposed the following interim variations:

Area	Description	Proposed variation
2020/21 Value for Money	<p>Interim Auditor's Annual Report and written recommendation reported to 9 November 2022 Audit, Standards and Governance Committee.</p> <p>We made one written recommendation under Local Audit and Accountability Act 2014 and five key recommendations in respect of significant weaknesses in arrangements.</p> <p>The Audit Plan, presented to the Committee in April 2022, proposed an additional £9,000 in respect of Value for Money work under the new National Audit Office Code of Audit Practice.</p> <p>Based upon our time and other records we propose a further £9,028 for the work required to address the significant weaknesses identified.</p>	£18,028
2021/22 and 2022/23 Value for Money	<p>We reported an interim Auditor's Annual Report covering both the 2021/22 and 2022/23 financial years to the Audit, Standards and Governance Committee in November 2023.</p> <p>We made one written recommendation under Local Audit and Accountability Act 2014 and one new key recommendation in respect of significant weaknesses in arrangements. We closed four of the previously reported key recommendations.</p> <p>We would propose £9,000 for each year in respect of the additional Value for Money work under the new NAO Code. As we produced a joint report for two years, this is discounted to £6,750 for each year.</p> <p>Based upon our time and other records we propose a further £10,187 for the work required to address the significant weaknesses identified.</p>	£23,687
2020/21 - data transfer work	<p>We have previously reported on the issues management have faced in proving that balances were correctly transferred to the new financial ledger in February 2021. Our 2020/21 Audit Plan included an estimate of £2,500 for this work. Given the significant issues faced, the proposed interim variation of £11,170 represents the time that we have spent on this area of our work to date.</p>	£11,170



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#### THE INTERNAL AUDIT PROGRESS REPORT

Relevant Portfolio Holder	Councillor C. A. Hotham
Portfolio Holder Consulted	Yes
Relevant Head of Service	Peter Carpenter, s151 Officer
Report Author	Job Title: Head of Worcestershire Internal Audit Shared Service Contact email: <a href="mailto:chris.green@worcester.gov.uk">chris.green@worcester.gov.uk</a>
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	Good Governance & Risk Management underpins all the Strategic Purposes.
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 recommend:-

1) the report is noted.

#### 2. BACKGROUND

The involvement of Member's in progress monitoring is considered an important facet of good corporate governance, contributing to the internal control assurance given in the Council's Annual Governance Statement.

This section of the report provides commentary on Internal Audit's performance for the period 1<sup>st</sup> April 2023 to 31<sup>st</sup> January 2024.

##### Summary Dashboard 2023/24:

Total reviews planned for 2023/24	12 (minimum)
Reviews finalised to date for 2023/24:	4
Assurance of 'moderate' or below:	0
Reviews awaiting final sign off:	2
Reviews ongoing:	9
Reviews to commence (Q4):	1
'High' Priority recommendations reported 2023/24:	0
Satisfied 'High' priority recommendations to date:	N/a
Plan delivery to January 2024 (days):	56%

Since the last progress report presented to the Committee, 2 reports are at clearance/draft report stage and nine 2023/24 reviews are in progress.

Follow Up outcomes are reported in Appendices 4 and 5 and by exception.

All 'limited' or below assurance reviews go before Corporate Management Team for full consideration.

#### 2022/23 AUDITS

The review at draft report or clearance stage is:

- ICT Cyber Security

As the above is classified as 'on going' the assurance and outcome of the review will be reported at Committee on completion.

#### 2023/24 AUDITS to 31<sup>st</sup> January 2024

A rolling programme of testing has taken place during quarters 1 to 3 for Debtors, Creditors and Payroll. The results will be reported during quarter 4.

Critical review audits are designed to add value to an evolving Service area. Depending on the transformation that a Service is experiencing at the time of a scheduled review a decision is made regarding the audit approach. Where there is significant change taking place due to transformation, restructuring, significant legislative updates or a comparison required a critical review approach will be used. To assist the service area to move forwards challenge areas will be identified using audit review techniques. The percentage of critical reviews will be confirmed as part of the overall outturn figure for the audit programme. The outturn from the reviews will be reported in summary format as part of the regular reporting.

Internal Audit are continuing to consider new processes emerging from the 'new norm' working arrangements that have been necessary to continue to provide Bromsgrove residents with services post pandemic. Plan flexibility is required to include and provide assurance on potential areas of change. Follow up reviews are an integral part of the audit process. There is a rolling programme of review that is undertaken to ensure that there is progress with the implementation of the agreed action plans (Appendix 4). The outcomes of the follow up reviews are reported in full (Appendix 5) so the general direction of travel and the risk exposure can be considered by Committee. An escalation process involving CMT and SMT is in place to ensure more effective use of resource regarding follow up to reduce the number of revisits necessary to confirm the recommendations have been satisfied.

### 3.4 AUDIT DAYS

Appendix 1 provides a summary of delivery. At the 31<sup>st</sup> January 2024 a total of 115 days had been delivered against an overall target of 209 days for the year. Whilst the number of days delivered is behind profile, all except one assignment is in progress and resources are being reviewed and prioritised to ensure that the audit plan is delivered and that the annual assurance opinion on the Council's

internal control, risk management and governance arrangements is provided. Delivery of days has been behind this year as a result of staff turnover in the service.

The new Head of Service is now in post and following a review of the structure recruitment will shortly commence for two senior auditor positions. An interim auditor role has been extended to support completion of the 2023/24 internal audit plan. As is common in the sector, some time will be required in April and May to complete and finalise the current year's work.

### 3.5 OTHER KEY AUDIT WORK

Much internal audit work is carried out "behind the scenes" but is not always the subject of a formal report. Productive audit time is accurately recorded against the service or function as appropriate. Examples include:

- Governance for example assisting with the Annual Government Statement
- Risk management
- Transformation review providing support as a 'critical appraisal'
- Dissemination of information regarding potential fraud cases likely to affect the Council
- Drawing managers' attention to specific audit or risk issues
- Audit advice and commentary
- Internal audit recommendations: follow up review to analyse progress
- Day to day audit support and advice for example control implications, etc.
- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative coordination of uploads.
- Investigations

#### National Fraud Initiative

- 3.6 National Fraud Initiative data was uploaded in December 2023 and January 2024. The results from the 2022/23 uploads are currently being investigated by the various Service areas who are working through them and taking appropriate action. WIASS continue to provide advice and assistance regarding the process.

#### Monitoring

- 3.7 To ensure the delivery of the 2023/24 plan and any revision required there continues to be close and continual monitoring of the plan delivery, forecasted requirements of resource – v – actual delivery, and where necessary, additional resource will be secured to assist with the overall Service demands. Changes to the plan will be discussed with the s151 Officer and reported to Committee.

#### **4. FINANCIAL IMPLICATIONS**

4.1 There are no direct financial implications arising out of this report.

#### **5. LEGAL IMPLICATIONS**

5.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2018 to “maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control”.

#### **6. STRATEGIC PURPOSES - IMPLICATIONS**

##### **Relevant Strategic Purpose**

6.1 Good governance along with risk management underpin all the Corporate strategic purposes. This report provides an independent assurance over certain aspects of the Council’s operations.

##### **Climate Change Implications**

6.2 The actions proposed do not have a direct impact on climate change implications.

#### **7. OTHER IMPLICATIONS**

##### **Equalities and Diversity Implications**

7.1 There are no implications arising out of this report.

##### **Operational Implications**

7.2 There are no new operational implications arising from this report.

#### **8. RISK MANAGEMENT**

8.1 The main risks associated with the details included in this report are to:

- Insufficiently complete the planned programme of audit work within the financial year leading to an inability to produce an annual opinion; and,
- a continuous provision of an internal audit service is not maintained.

**9. APPENDICES and BACKGROUND PAPERS**

Appendix 1 ~ 2023/24 Internal Audit Plan summary of delivery

Appendix 2 ~ 2023/24 Plan progress

Appendix 3 ~ Finalised audit reports including definitions.

Appendix 4 ~ Follow Up Programme Overview

Appendix 5 ~ Follow Up Reports recently issued

### APPENDIX 1

#### Delivery against Internal Audit Plan for 2023/24 1<sup>st</sup> April 2023 to 31<sup>st</sup> January 2024

Audit Area	2023/24 Plan Days	Days used to 31 <sup>st</sup> January 2024
Core Financial Systems (see note 1)	51	24
Corporate Audits	76	45
Other Systems Audits (see note 2)	54	32
<b>SUB TOTAL</b>	<b>181</b>	<b>101</b>
Audit Management Meetings/ Corporate Meetings / Reading/ Annual Plans, Reports and Audit Committee Support	28	14
Other chargeable (see note 3)	0	0
<b>SUB TOTAL</b>	<b>28</b>	<b>14</b>
<b>TOTAL</b>	<b>209</b>	<b>115</b>

Audit days used are rounded to the nearest whole.

Note 1: Core Financial Systems are audited predominantly in quarters 3 and 4 to maximise the assurance provided for Annual Governance Statement and Statement of Accounts but not interfere with year-end. A rolling programme continues regarding Debtors, Creditors and Payroll to maximise coverage and sample size. The overall results will be reported during Q4.

Note 2: Several budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters potentially resulting in unallocated days.

Note 3: 'Other chargeable' days equate to times where there has been, for example, significant disruption to the IT provision resulting in lost productivity.



**BROMSGROVE DISTRICT COUNCIL**

**Audit, Standards and Governance Committee**

**7<sup>th</sup> March 2024**

**APPENDIX 2**

**2023/24 Internal Audit Plan**

Audit Area	Corporate Link	Risk Register Reference		Proposed Resource 2023/24	Indicative Planned Qtr.	Progress To Date
<b>FINANCIAL</b>						
Debtors (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		14*	3 to 4	In progress Rolling programme
Main Ledger/Budget Monitor/Bank Rec (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		17*	4	In progress
Creditors (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		14*	3 to 4	In progress Rolling programme
Treasury Management	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		6*	2	In progress
Council Tax	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		-	1 to 3	Deferred to 2024/25
Benefits	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		-	1 to 3	Deferred to 2024/25
NNDR	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		-	1 to 3	Deferred to 2024/25
<b>Sub TOTAL</b>				<b>51</b>		
<b>CORPORATE</b>						

**BROMSGROVE DISTRICT COUNCIL**

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**7<sup>th</sup> March 2024**

<b>Audit Area</b>	<b>Corporate Link</b>	<b>Risk Register Reference</b>		<b>Proposed Resource 2023/24</b>	<b>Indicative Planned Qtr.</b>	<b>Progress To Date</b>
IT Audit	Fundamental to strategic purpose delivery	COR18 – Protection from Cyber Attack		15*	3 - 4	In progress
Corporate anti-fraud and corruption	Fundamental to strategic purpose delivery	COR – Cost of Living		5*	3	In progress
Procurement and Contract Management (Note 2)	Fundamental to strategic purpose delivery	COR16 – Management of Contracts & S151 request		8*	4	In progress
Corporate Data Quality and Usage (Critical Friend)	Fundamental to strategic purpose delivery	S151 request		10*	4	
Projects – Levelling Up	Fundamental to strategic purpose delivery	COR22 - Delivery of Levelling up, Towns Fund and UK Shared Prosperity Fund work & S151 request		8*	2	In progress
Grants (Various incl. Disabled Facilities Grants)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		10	1 to 4	In progress
<b>Sub TOTAL</b>				<b>76</b>		
<b>Worcester Regulatory Services</b>						
New system	Statutory and Regulatory Requirement	COR15 – Impact to changes in Partner Funding Arrangements		12	3	In progress
<b>Sub TOTAL</b>				<b>12</b>		
<b>Service Delivery</b>						
<b>Human Resources</b>						

**BROMSGROVE DISTRICT COUNCIL**

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**7<sup>th</sup> March 2024**

<b>Audit Area</b>	<b>Corporate Link</b>	<b>Risk Register Reference</b>		<b>Proposed Resource 2023/24</b>	<b>Indicative Planned Qtr.</b>	<b>Progress To Date</b>
Organisational Processes	Fundamental to strategic purpose delivery	COR19 – Adequate Workforce Planning & S151		5	3	In progress
<b>Sub TOTAL</b>				<b>5</b>		
Advisory, Consultancy & Contingency	Operational support	N/a	N/a	10	1 - 4	Ongoing
Fraud & Investigations incl. NFI	Operational support	N/a	N/a	10	1 - 4	Ongoing
Completion of prior year's audits	Operational support	N/a	N/a	8	1	Ongoing
Report Follow Up (all areas)	Operational support	N/a	N/a	10	1 - 4	Ongoing
Statement of Internal Control	Operational support	N/a	N/a	4*	1 & 4	
<b>Sub TOTAL</b>				<b>42</b>		
Audit Management Meetings	Operational support	N/a	N/a	28		Ongoing
Corporate Meetings / Reading	Operational support	N/a	N/a			
Annual Plans, Reports & Committee Support	Operational support	N/a	N/a			
<b>Sub TOTAL</b>				<b>28</b>		
<b>TOTAL CHARGEABLE</b>				<b>209</b>		

#### Explanatory Notes:

\*As part of the increasing joint and shared service working between Bromsgrove District Council and Redditch Borough Council the audit budgets and areas will feature in both internal audit plans and be consolidated to deliver a single piece of work covering both Councils. Where practically possible the days will be split equally between the plans. Weighting will, however, be applied if it is considered the focus of the work will major on one Council. The customer journey will be considered overall as part of the service audits.

Note 1: Ongoing risk with financial system therefore audit budgets maintained.

Note 2: Procurement – ensuring embedding continues.

There are no finalised audit reports since the January 2024 meeting.

**Appendices A & B** are indicated below and can be applied to all finalised reports for reference.

**Appendix A**

**Definition of Audit Opinion Levels of Assurance**

<b>Opinion</b>	<b>Definition</b>
<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

**Appendix B**

**Definition of Priority of Recommendations**

<b>Priority</b>	<b>Definition</b>
<b>H</b>	Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.
<b>M</b>	Other control weaknesses where there are some controls in place but there are issues with parts of the control that need to be addressed by Management within the area of review.
<b>L</b>	Issues of best practise where some improvement can be made.

**BROMSGROVE DISTRICT COUNCIL**

**Audit, Governance & Standards Committee**

**7<sup>th</sup> March 2024**

**Overview of 2023/24 Follow Up Programme**

**Appendix 4**

	<b>Year of Review</b>	<b>Review Area</b>	<b>Assurance</b>	<b>Follow Up Position</b>	<b>Indicative Date of Follow Up</b>		<b>Position and Conclusion</b>
BDC	21/22	Procurement	Limited	2 <sup>nd</sup>	May-23	Q1	All points implemented – Report - Appendix 5 No further action required
BDC	21/22	General Data Protection Regulation	Moderate	2 <sup>nd</sup>	Jul-23	Q2	1 recommendation implemented and 2 partially implemented. Further follow up to be arranged and linked to GIS/Gazetteer Phase 1.
BDC	22/23	GIS/Gazetteer Phase 1	Critical Review	1 <sup>st</sup>	Jul-23	Q2	To be arranged and linked to the General data Protection regulation.
BDC	22/23	Accounts Payable	Moderate	1 <sup>st</sup>	Nov-23	Q3	To be included in 23/24 Audit
BDC	22/23	IT Review	Moderate	1 <sup>st</sup>	Jan-24	Q4	To be included in 23/24 Audit
BDC	22/23	Treasury Management	Significant	1 <sup>st</sup>	Jul-23	Q2	To be included in 23/24 Audit
BDC	22/23	Accounts Receivable	Limited	1 <sup>st</sup>	Sep-24	Q2	To be included in 23/24 Audit
BDC	22/23	Council Tax	Moderate	1 <sup>st</sup>	Sep-24	Q2	To be included in 24/25 Audit
BDC	22/23	National Non-Domestic rates	Significant	1 <sup>st</sup>	Sep-24	Q2	To be included in 24/25 Audit

**BROMSGROVE DISTRICT COUNCIL**

**Audit, Governance & Standards Committee**

**7<sup>th</sup> March 2024**

	<b>Year of Review</b>	<b>Review Area</b>	<b>Assurance</b>	<b>Follow Up Position</b>	<b>Indicative Date of Follow Up</b>		<b>Position and Conclusion</b>
BDC	22/23	Benefits	Significant	1 <sup>st</sup>	Nov-23	Q3	To be included in 24/25 Audit
BDC	22/23	Workshop Licensing Compliance	Critical Friend	1 <sup>st</sup>	Dec-23	Q3	To be arranged
BDC	22/23	Fuel Usage and Efficiency	Moderate	2 <sup>nd</sup>	Aug-23	Q2	To be arranged
BDC	22/23	WRS- Animal License Activity	Critical Friend	1 <sup>st</sup>	Sept-23	Q2	To be arranged

Note:

There are no exceptions to report.

2023/24 Review areas will be added to the table when they become due for a follow up visit.



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**Follow Up Reports**

**Appendix 5**

None to report.

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## BROMSGROVE DISTRICT COUNCIL

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### Quarterly Risk Update

Relevant Portfolio Holder		Councillor C. A. Hotham
Portfolio Holder Consulted		Yes
Relevant Head of Service		Bernard Ofori-Atta, Head of Finance and Customer Services
Report Author Peter Carpenter	Job Title: Director of Resources/Deputy Chief Executive Contact Pete Carpenter email: peter.carpenter@bromsgroveandredditch.gov.uk	
Wards Affected		All
Ward Councillor(s) consulted		N/A
Relevant Strategic Purpose(s)		Aspiration, work and financial independence
Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		

#### 1. **SUMMARY**

This report sets out Council activity to identify, monitor and mitigate risk.

#### 2. **RECOMMENDATIONS**

**The Committee/Cabinet is asked to consider:**

- The present list of Corporate and Departmental Risks and request any additional risks to be considered.

#### 3. **KEY ISSUES**

##### **Background**

- 3.1 In 2018/19, an audit of Risk Management provided an assurance level of limited assurance due to weaknesses in the design and inconsistent application of controls. As a result of the audit, a review was commissioned and undertaken by Zurich Municipal to consider the Council's risk management arrangements and to advise of any recommendations. In response to the Zurich review a Risk Management Strategy was produced for both Bromsgrove District Council and Redditch Borough Council.
- 3.2 A follow-up review was carried out by Internal Audit in March 2021 (Final Report June 2021) with the purpose of identifying what progress had been made against the Risk Management Strategies. At that time there was a lack of evidence that the actions within the Risk Management Strategies had been fully completed and embedded within the Councils and therefore no assurance could be given.

- 3.3 This is now the sixth cycle of reviewing Corporate and Departmental Risks since the original baselining of Risks in April 2022. Over this period, we have seen:
- Departmental ownership of risks and reviews at Management Teams on a monthly basis.
  - Active review, mitigation, and reduction of risks – ensuring they become managed as part of business as usual.
  - Updating of the 4Risk System – as the Authorities repository of this information.
  - That the Officer Risk Group have actively reduced risk numbers through their work and that a common approach to risk is now being embedded within the organisation.
  - That the Risk Level has moved to a **Moderate Assurance** level in May 2023.

#### The Definition of a Corporate Risk

- 3.4 The Council has existing Corporate and Departmental Risks. Members of the Risk Board were not sure of the link on how Risks on system had become Corporate in nature.
- 3.5 The following definition of a of how Risks move from being “departmental” to being “corporate” in nature was recommended by the Risk Group and approved by CMT.

“For a **Risk** to move from being **Departmental** in nature to being **Corporate** in nature that it ***must have significant impact on Councils finances, be cross departmental in nature and/or result in Serious reputational damage.*** The Officer Risk Board will vet departmental risks using this definition to move then to Corporate Risks at their quarterly meetings.”

- 3.6 At the June 2022 Officer Risk Board it was agreed that “Green” Departmental Risks should be taken off this list if they have been to two consecutive meetings and mitigating actions have been fully put into place for them. This report takes account of this requirement being 6 meetings since the original baseline was reported.

#### Corporate Risks

- 3.7 Corporate Risks are summarised in the following table. There is now an additional corporate risk linked to the new Environment Act and its links to the level of coworking required and the expense of setting up the associated infrastructure. As the table below highlights, a number of the risks have moved from due increased risk in those areas despite all the mitigations we have and are putting in place.

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Council	Pos Q1	Pos Q2	Pos Q3	Corporate Risk Description
Both	COR 9	COR 9	COR 9	Non Compliance with Health and Safety Legislation
Both	COR 10	COR 10	COR 10	Decisions made to address financial pressures and implement new projects that are not informed by robust data and evidence
Both	COR 14	COR 14	COR 14	Non adherence with Statutory Inspection Policy
Both	COR 15	COR 15	COR 15	Impact from Changes to Partner Funding Arrangements
Both	COR 16	COR 16	COR 16	Management of Contracts
Both	COR 17	COR 17	COR 17	Resolution of the Approved Budget Position
Both	COR 18	COR 18	COR 18	Protection from Cyber Attack
Both	COR 19	COR 19	COR 19	Adequate Workforce Planning
Both	COR 20	COR 20	COR 20	Financial Position Rectification
Brom	COR 21	COR 21	COR 21	BROMSGROVE DC Being placed into special measures due to quality of planning application decisions
Both	COR 22	COR 22	COR 22	Delivery of Levelling Up, UK SPF Initiatives
Both	COR 23	COR 23	COR 23	Cost of Living Crisis
Both	COR 24	COR 24	COR 24	New Customer Facing Interface
Both			COR25	Environment Bill

Note, Appendix A sets out the complete listing of Departmental Risks. These have been linked to Corporate Risks where relevant.

#### 3.8 Mitigating factors for the Corporate Risks are:

**Non-Compliance of Health and Safety Data Standard Operating Procedures - SOP** (H&S etc) Health and Safety Committee meets regularly H & S training for staff Health checks DSE assessment and reporting software First Aid training in place Safeguarding Policy and procedures Risk Assessments Updated inspection policy Regular review of policies Continued updates to Health and Safety Committee Data on intranet. There are 4 departmental risks linked to this corporate risk.

#### **Projects being informed by robust data and evidence –**

Cabinet have now approved an updated Project Management Process and extra resource, based on work initially highlighted by the Audit Task Group work in February 2023. Due to this risk level has reduced from Amber to Green. Once the new structure is in steady running it will come off this register as those risks will be dealt with locally as that framework will be in place.

**Non Adherence with the statutory inspection policy** - Specialist resource in place to support delivery actions.

- Further review of monitoring arrangements
- Further implementation of insurance recommendations
- Contracts reviewed to ensure suppliers undertake roles
- Training plan developed to ensure staff clear of responsibilities
- Development of robust action plan

There are 8 departmental risks linked to this corporate risk. Should this not be delivered the consequences are significant, including threat to life.

**Impact from changes to partner funding arrangements** - Council Members are on WRS Board and S151 Officer is the S151 Officer for the WRS therefore will know of issues well before they happen. There is a reserve, which required approval for use from all partners. This remains a Corporate Risk as the impact of a partner leaving or stopping services might make delivery unviable for others. This had been increased to an amber rating due to budgetary pressures at Partner organisations however agreement has now been reached and the level is again green.

**Management of contracts** - Procurement Strategy was updated by C Young and training provided. Service Protocols, setting out expectations of service user and procurement went live 1st Jan 23 and now being monitored. No PO No Pay Policy went live on the 1<sup>st</sup> April 2023 and reports are going to Cabinet quarterly setting out new requirements in terms of contracting and transparency for the upcoming year as part of the quarterly Finance and Performance Report. There will be changes to procurement legislation on the 1<sup>st</sup> April 2024 and processes will be updated accordingly. This remains a key Corporate Risk due to the magnitude of contracts under management.

There are 4 departmental risks linked to this corporate risk.

**Resolution of the approved budget position** - MTFP process now 2 stages. 2023/4 budget was approved in February 2023. The final MTFP contains the S151 Officer's robustness statement which is key to sign off of a sustainable budget. Finance and Budget Working Group scrutinise proposals before Cabinet. The same process has been used for the 2024/5 budget process. Certainty of medium term government support means this remains a significant risk for the authority.

**Protection from cyber attack** – weekly penetration test, annual PSN Security Audit, regular internal audits, occasional LGA audit, Cyber Insurance requirements. In addition, we are also implementing KnowBe4, a new software tool for both officers and Members. Cyber Insurance has also been extended for a further year but importance and risks in this area have moved this risk to red despite all the mitigations in place. A recent Internal Audit has highlighted possible risk areas across a number of systems which will now require mitigating.

There are 2 departmental risks linked to this corporate risk.

**Adequate workforce planning** - Workforce plan was launched in the summer and services now know their high risk areas and the wider scheme is there to help mitigate risk through loss of staff. The challenges remain on delivering to these high risk areas. Three departmental risks are linked to Workforce Planning. There is now a specific workstream, linked to Projects risk, on the implementation of this initiative.

There are 2 departmental risks linked to this corporate risk.

**Financial position rectification** - External Audit reports financial recovery process Reporting to Cabinet, Audit & Council. Risk has now been updated to Red due to lack of clarity from the Government over Audit deadlines, the updated S24 Statement issues in November, and the significant risk that the Council will run out of time for the 20/21 and 2021/22 Audit processes. Quarterly reporting is taking place and Council is delivering to the Key Recommendations of the 2020/21 and 2021/2& 2022/3 Draft External Audit Reports. There are still issues in relation to debt management which will remain until the suspense accounts are cleared which is programmed to take place by the end of the Calendar year.

**Bromsgrove Planning Issues** - Decisions which could influence statistics are discussed at management level. Principal officers aware of risk. Statistics are monitored quarterly. External advice re good practice and member training provided. This issue is still not resolved and additional work is being undertaken to establish present quality thresholds, however a decision is understood to be imminent.

**Delivery of Levelling Up, and UKSPF Projects** – There is a monthly project Board overseeing all projects and formal governance structures for Levelling Up and projects. The biggest issue in all these workstreams remains delivery before the funding deadlines and present cash flow show 1 project out of the 3 not being able to deliver within present Grant Funding timescales. This was raised by multiple Councils at the Towns Fund Conference in Manchester and again during the “Deep Dive” review of Redditch Towns Fund processes in the Summer which validate our overall Governance processes. However, there is limited guidance, and the Council carries the significant risk of having to

fund any projects after the grant funding closure dates. On 10<sup>th</sup> January for Levelling up Councils were asked if they required an extension. There has now been confirmation that 6 months will be available and final approval will move the colour of this risk down to amber.

**Cost of Living Crisis** - Housing Register Access to Housing Benefit and Universal Credit Council budget. We are also noting an increase in insurance claims due to fires which are linked to this. Our Partnership Boards also guide people to alternate providers of support.

**New Customer facing interface** - Presently delivered by a number of systems that are not linked together and require manual intervention for internal reporting. This has increased in risk to Red due to the volume of work required in relation to the ensuring the Council's data is up to date and can be used directly by our customers in self service interfaces.

**The Environment Bill** - New Statutory Requirements for delivery of a dedicated Food Waste Service, and changes to materials requiring collection by both Domestic & Commercial Waste Services. Financial impact on Councils to deliver new services. Primarily increased revenue costs on staff and vehicle operation and maintenance. Offset by Capital funding from Central Government to support assets related to "new burdens".

Mitigation is partnership working with Worcestershire Waste Board and Members Task group to review requirements and future service delivery direction. Jointly funded partnership role by all Worcestershire LA's to support this work, alongside support from WRAP (Environmental NGO specialising in the Waste Industry)

It should be noted that another potential corporate risk, where government guidance is just about to come out, in relation to terrorism protection.

### Departmental Risks

- 3.9 The Council procured the 4Risk system to manage its risks. Risks are subdivided into Corporate Risks and then Departmental Risks. Each risk has an individual record applied to it to ensure all the pertinent information is captured.

The original Risk Baseline in April 2022 was (as shown in Appendix B):

- 105 Departmental Risks – 15 Red, 35 Amber, 55 Green.  
This reduced through the first set of reviews in June 2022 to:
- 82 Departmental Risks – 2 Red, 29 Amber, 51 Green.  
The next set of reviews in December reduced this number further to



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- 55 Departmental Risks – 2 Red, 21 Amber, 32 Green.  
The third Set of reviews in March 23 reduced this number to
- 51 Departmental Risks – 1 Red, 25 Amber, 25 Green.  
The fourth set of reviews in June 23 reduced the number to
- 43 Departmental Risks - 1 Red, 26 Amber, 16 Green  
The fifth set of returns in September 23 the number remained at 43
- 43 Departmental Risks - 1 Red, 26 Amber, 16 Green

#### 3.10 Position as at the 30<sup>th</sup> September 2023

Service Area	Red	Amber	Green	Total
<b>Customer Access and Financial Support</b>	1	6	6	<b>13</b>
<b>Finance</b>	0	2	0	<b>2</b>
<b>Environmental Services</b>	0	5	1	<b>6</b>
<b>Leisure &amp; Cultural Services</b>	0	1	0	<b>1</b>
<b>Legal, Equalities, Democratic Services &amp; Property</b>	0	3	2	<b>5</b>
<b>ICT</b>	0	2	1	<b>3</b>
<b>Planning Services</b>	0	1	0	<b>1</b>
<b>Housing</b>	0	6	2	<b>8</b>
<b>Community Services</b>	0	0	3	<b>4</b>
<b>HR</b>	0	0	1	<b>1</b>
<b>Total</b>	<b>1</b>	<b>26</b>	<b>16</b>	<b>43</b>

**Red Risks – 1 in total**

REV7 - Revenues - Performance Indicator data is not robust

#### 3.11 Position as at the 31<sup>st</sup> December 2023

Service Area	Red	Amber	Green	Total
<b>Customer Access and Financial Support</b>	1	6	4	<b>11</b>
<b>Finance</b>	0	1	0	<b>1</b>
<b>Environmental Services</b>	0	5	1	<b>6</b>
<b>Leisure &amp; Cultural Services</b>	0	1	0	<b>1</b>
<b>Legal, Equalities, Democratic Services &amp; Property</b>	0	3	2	<b>5</b>
<b>ICT</b>	0	2	0	<b>2</b>
<b>Planning Services</b>	0	1	0	<b>1</b>
<b>Housing</b>	0	6	2	<b>8</b>

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<b>Community Services</b>	0	0	3	3
<b>HR</b>	0	0	1	1
<b>Total</b>	<b>1</b>	<b>25</b>	<b>13</b>	<b>39</b>

3.12 The table at Appendix A sets out the detail of these departmental Risks and links them where relevant to Corporate Risks.

The Red Risk continues to be REV7 - Revenues - Performance Indicator data is not robust.

WRS risks, as per their Board Pack for June 2023 are attached at Appendix C.

3.13 There is a reduction of 4 risks since the last report.

3.14 This report sets out the position a year following the initial baselining of council risks. This is the sixth review, following the implementation of the Action Plan due to the “No Assurance” internal Audit reports. The key point a year in is to ensure that risk management is embedded within the organisations:

- Officer Risk Board continues to take place quarterly to embed processes and validate Risks on the register.
- Each department has nominated a representative to a Risk Board. These report back to management teams who ensure Departmental Risk Registers are updated at least quarterly and discussed at management teams monthly.
- The Audit Committee’s of both Councils reviewed Risk Registers on a quarterly basis. These reports have also been presented to Cabinet although this has stopped after June 2023 as this should be a function of the Audit Committees.
- CMT are updated on risk management issues in their monthly “assurance” meeting, which is a week after the Risk Board meets on a quarterly basis.
- The Corporate Risk Register is now discussed as an early item on the agenda at meetings of the Audit, Standards and Governance Committee, as per the Audit Task Group’s recommendation.
- The Risk Level has moved from a Limited Assurance in March 2022 to a Moderate Assurance in May 2023.

**In terms of departmental lists:**

3.14 Community risks, even though many are green, are still all relevant as departmental and cannot be moved to the lower level of “business as usual”. The most significant risk is now the Safeguarding Risk which affects all service areas. It was noted that the movement of CCTV service to the 4th Floor of the Redditch Town Hall has been successful, although the risk here is the works carried out in upgrading networks under streets and how these changes can affect the lifeline system.

- 3.15 The majority of Housing risks are compliance led.
- 3.16 The Building Control risk will become more focused towards the end of the financial year as if Building Control staff are not accredited, we cannot use them. This will also possibly limit the number of staff available in the agency market.
- 3.17 It should be noted that the Members Data Protection risk in ICT clearly depends on Members undertaking the training. Given the significant cyber risks faced by Council's, as noted in the Corporate Risks section, it is important Members engage to mitigate this risk. Using KnowBe4 will assist in mitigating this risk. As noted earlier, the Council have successfully renewed their cyber insurance policy and are investing significant capital sums in this area in the 2024/5 budget.
- 3.18 We are reviewing all our assets as there is a significant impact on EPC (Energy) ratings and what will be allowable after 2026. This could have significant cost impacts for the Council.

#### Insurance

- 3.19 We have successfully renewed our Cyber insurance. It seems that the markets have settled down following the issues we had in renewing in 2022 and the premium has only increased marginally.
- 3.20 The Council are in their final year of the present insurance contracts, These will be renewed next year – this process is a joint process delivered across all districts in Worcestershire. An issue remains Property values, as there are now significant differences between asset values and insurance re-instatement values.

#### The Risk Management Framework

- 3.21 Risk Management Training. Given the active management of risks by service departments, we have seen numbers of departmental risks reduced by over 50% although Corporate Risks have increased by 20%. There is the requirement for Corporate Risk training (Members and Officers) and existing processes need further embedded in the organisations to increase assurance.

#### 4. Legal Implications

- 4.1 No Legal implications have been identified.

#### 5. Financial Implications

- 5.1 The Council spend significant sums insuring itself and must also hold Reserves to mitigate the costs of risks should they happen. A comprehensive Risk Management approach ensures risk and its consequences, including financial ones, are minimised.

#### **6. Strategic Purpose Implications**

##### **Relevant Strategic Purpose**

- 6.1 A comprehensive Risk Management approach ensures **Risk and its Consequences** is minimised for the Council.

##### **Climate Change Implications**

- 6.2 The green thread runs through the Council plan. This includes risks linked to activities and actions that link to our climate.

#### **7. Other Implications**

##### **Customer / Equalities and Diversity Implications**

- 7.1 If risks are not mitigated it can lead to events that have Customer/Equalities and Diversity implications for the Council.

##### **Operational Implications**

- 7.2 Risks are inherent in almost all the Councils operational activities and therefore significant risks need to be identified, monitored and mitigated.

#### **8. RISK MANAGEMENT**

- 8.1 This report is about Risk Management.

#### **9. APPENDENCES**

Appendix A – Present Departmental Risks

Appendix B – Previous Risk Management Reports

Appendix B – WRS Risk Report

#### **AUTHOR OF REPORT**

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### Appendix A - Present Departmental Risks

Council	Q1	Q2	Q3	Risk Description	Corp Risk
Both	BEN 1	BEN 1	BEN 1	Fail to effectively resource the service to meet demand	COR 9
Both	BEN 3	BEN 3	BEN 3	Impact of Welfare Reform Act	
Both	BEN 6	BEN 6	BEN 6	Impact of ELF scheme	
Both	BEN 7	BEN 7	BEN 7	Benefits subsidy	
Both	BEN 9	BEN 9		Failure to meet Audit requirements	
Both	CUS 3	CUS 3	CUS 3	Failure to deal with complaints to customers satisfaction	
Both	CUS 7	CUS 7	CUS 7	RBC/BDC Fail to ensure the adequate security arrangements for Customer Service Centres	COR 9
Both	REV 4	REV 4	REV 4	Failure to effectively manage change	
Both	REV 7	REV 7	REV 7	Performance Information data is not robust	
Both	REV 11	REV 11	REV 11	Reduced collection rates	
Both	REV 12	REV 12		Failure to meet Audit requirements	
Both	REV 16	REV 16	REV 16	Maintenance and Recovery of Collection Performance Post Covid	
Both	REV 17	REV 17	REV 17	Failure of corporate Fraud and Compliance team	
Both	FIN 1	FIN 1	FIN 1	Fail to provide adequate support to managers to manage their budgets	COR10
Both	FIN 4	FIN 4		Fail to effectively manage high value procurements resulting in breach of EU procurement rules.	COR16

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Both	ENV 7	ENV 7	ENV 7	Fail to adequately maintain and manage car parking and On Street enforcement	
Both	ENV 9	ENV 9	ENV 9	Avoidable damage to fleet arising from staff behaviour and none compliance	
Both	ENV 10	ENV 10	ENV 10	Fail to ensure adequate Health & Safety across the service	COR 9
Both	ENV 11	ENV 11	ENV 11	Fail to engage with the WCC regarding land associated with highway maintenance	
Both	ENV 20	ENV 20	ENV 20	Workforce planning	COR19
Both	ENV 22	ENV 22	ENV 22	PDMS - New Environmental database	
Both	L&C 2	L&C 2	L&C 2	Fail to ensure the health & safety of the Public / Staff and visitors using services (meeting regulatory requirements)	COR 9
Both	LED 9	LED 9	LED 9	Failure to ensure that Council Owned buildings, Property Assets and Facilities remain fit for purpose now and for the future.	
Both	LED 10	LED 10	LED 10	Fail to optimise the income from Commercial properties	
Both	LED 11	LED 11	LED 11	Fail to effectively manage property assets	
Both	LED 12	LED 12	LED 12	Fail to effectively manage the disposal of assets as part of asset disposal programme	
Both	LED 13	LED 13	LED 13	Bromsgrove Leisure Contract	COR16
Both	ICT 4	ICT 4		Breach of Data Protection – disclosure of data / staff not aware of guidelines	COR18
Both	ICT 7	ICT 7	ICT 7	Failure to identify, maintain and test adequate disaster recovery arrangements	COR18

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Both	ICT 15	ICT 15	ICT 15	Members and Data protection Training	
Both	PLA 11	PLA 11	PLA 11	Loss of effective Building Control service due to changes in legislation / Hackett / Grenfell	COR19
Both	HOU 7	HOU 7	HOU 7	Fail to manage impact of increasing homelessness cases and Recruitment challenges	COR19
Both	HOU 10	HOU 10	HOU 10	Fail to effectively manage capital projects (also the right contracts are put in place, internal and external)	
Both	HOU 14	HOU 14	HOU 14	Failure to complete annual gas Safety Inspections	COR14
Both	HOU 19	HOU 19	HOU 19	Failure to comply with Charter for Social Housing and the Regulator	COR14
Both	HOU 21	HOU 21	HOU 21	Non compliance with Asbestos Regulations	COR14
Both	HOU 22	HOU 22	HOU 22	Non compliance with Regulatory Reform (Fire Safety) Order 2005 - Blocks of flats and communal entrances	COR14
Both	HOU 27	HOU 27	HOU 27	Failure to comply with IEE regulations	COR14
Both	HOU 28	HOU 28	HOU 28	Damp and Mould In Council Housing	COR14
Both	COM 3	COM 3	COM 3	Safeguarding - Inadequate child and adult protection systems/process.	COR14
Both	COM 17	COM 17	COM 17	Starting Well Partnership – underperformance of contract	COR16
Both	COM 18	COM 18	COM 18	Social Prescribing – underperformance of contract	COR16
Both	HR 2	HR 2	HR 2	Fail to monitor and respond to changes in employment legislation	COR14

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### Appendix B - Previous Quarters Risk Reports

The baseline risks April 2022 are included in the following table – this is prior to any Risk Board meetings.

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Customer Access and Financial Support	12	20	13	45
Finance	0	0	4	4
Environmental Services	0	2	11	13
Leisure & Cultural Services	0	3	3	6
Legal, Equalities and Democratic Services	0	0	7	7
ICT	2	4	5	11
Planning Services	0	1	1	2
Housing	0	4	5	9
Community Services	1	1	5	7
HR	0	0	1	1
<b>Total</b>	<b>15</b>	<b>35</b>	<b>55</b>	<b>105</b>

After the Risk Board on the 22<sup>nd</sup> June, the following changes have been made which saw the number of risks reduce as follows to 82 Risks

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Customer Access and Financial Support	0	6	12	18
Finance	0	2	2	4
Environmental Services	0	2	11	13
Leisure & Cultural Services	0	3	3	6
Legal, Equalities, Democratic Services & Property	0	3	9	12
ICT	2	6	2	10
Planning Services	0	2	1	3
Housing	0	3	4	7
Community Services	0	2	6	8
HR	0	0	1	1
<b>Total</b>	<b>2</b>	<b>29</b>	<b>51</b>	<b>82</b>

The two departmental red risks are:

- ICT 7 - Failure to identify, maintain and test adequate disaster recovery arrangements
- ICT 11 - System functionality to manage records



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After the Risk Board on in December 22, the following changes have been made which saw the number of risks reduce as follows to 55 Risks:

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Customer Access and Financial Support	1	5	10	<b>16</b>
Finance	0	2	2	<b>4</b>
Environmental Services	0	5	3	<b>8</b>
Leisure & Cultural Services	0	1	0	<b>1</b>
Legal, Equalities, Democratic Services & Property	1	1	5	<b>7</b>
ICT	0	2	2	<b>4</b>
Planning Services	0	1	0	<b>1</b>
Housing	0	3	4	<b>7</b>
Community Services	0	1	5	<b>6</b>
HR	0	0	1	<b>1</b>
<b>Total</b>	<b>2</b>	<b>21</b>	<b>32</b>	<b>55</b>

#### **Red Risks – 2 in total**

- REV7 - Revenues - Performance Indicator data is not robust.
- LED13 - Legal – Bromsgrove Leisure Contracts.

The previous two ICT Risks have been mitigated.

After the Risk Board on in March 23, the following changes have been made which saw the number of risks reduce as follows to 51 Risks:

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
<b>Customer Access and Financial Support</b>	1	6	9	<b>16</b>
<b>Finance</b>	0	2	0	<b>2</b>
<b>Environmental Services</b>	0	5	3	<b>8</b>
<b>Leisure &amp; Cultural Services</b>	0	1	0	<b>1</b>
<b>Legal, Equalities, Democratic Services &amp; Property</b>	0	3	2	<b>5</b>
<b>ICT</b>	0	2	1	<b>3</b>
<b>Planning Services</b>	0	1	0	<b>1</b>
<b>Housing</b>	0	4	4	<b>8</b>
<b>Community Services</b>	0	1	5	<b>6</b>
<b>HR</b>	0	0	1	<b>1</b>
<b>Total</b>	<b>1</b>	<b>25</b>	<b>25</b>	<b>51</b>

#### **Red Risks – 1 in total**

REV7 - Revenues - Performance Indicator data is not robust

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**Position as at the 22<sup>nd</sup> June 2023**

<b>Service Area</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
<b>Customer Access and Financial Support</b>	1	6	6	13
<b>Finance</b>	0	2	0	2
<b>Environmental Services</b>	0	5	1	6
<b>Leisure &amp; Cultural Services</b>	0	1	0	1
<b>Legal, Equalities, Democratic Services &amp; Property</b>	0	3	2	5
<b>ICT</b>	0	2	1	3
<b>Planning Services</b>	0	1	0	1
<b>Housing</b>	0	6	2	8
<b>Community Services</b>	0	0	3	4
<b>HR</b>	0	0	1	1
<b>Total</b>	<b>1</b>	<b>26</b>	<b>16</b>	<b>43</b>

**Red Risks – 1 in total**

REV7 - Revenues - Performance Indicator data is not robust

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### Appendix C - Worcester Regulatory Services Risks

Risk Description	Consequences	When is this likely to happen	Current Position			Control measures
			Likelihood	Impact	Matrix RAG Status	
Loss of Data through IT failures	Disruption to Service Provision.  Inability to produce records and data.	On-going	Low	High	Green	Wyre Forest ICT has effective processes and business continuity plans in place. WFDC upgraded relevant systems including Windows. The service moved to Office 365 during 2021/22, which provides better access to a range of provisions including Microsoft Teams and Power BI.
Issues with the WRS database system	Impact on work planning.  Self-help may not enable savings required  Hidden costs with add-on features	On-going	Low	High	Amber	Current contract due to be re-negotiated in February 2023. Work has commenced on negotiating new contract. The cost of moving systems is prohibitive currently and, whilst the system has its faults, it provides the necessary functionality and will allow the enablement of data transfer from electronic forms.
Effective and efficient Business Continuity arrangements in place	Disruption to service if e.g., Major Power failures or other reasons that access to Wyre Forest House is not possible.	On-going	Very Low	Medium	Amber	The pandemic has shown that we were well prepared for the need to maximise working from home and now all staff, including some previously regarded as office based can do this. Touchdown stations remain available in partner council locations. WRS Managers do need to redraft contingency plans in the event of a prolonged IT failure or cyber-attack that will allow services to be maintained. Existing BC Plans need updating and reviewing.
Maintain our capacity to achieve service delivery	Disruption to service e.g., Major staff sickness (e.g., flu pandemic) or  Unable to recruit or retain suitably qualified staff.	On-going	Low	Medium	Amber	The pandemic response has shown that the service was well-placed to respond to what was required.. Consultants are available to provide short term cover and, whilst this worked well in peacetime to cover peak demand periods, the pandemic has revealed the
					Amber	limits to this type of capacity. These pressures will only be resolved in the longer term by local and central government investing in additional capacity and additional training to bring more people into the regulatory professions.  Having taken on contracts with additional authorities the demand has increased, and neighbouring authorities have lost the ability to assist with some technical specialisms. This is the double-edged sword of effectively operating as a centre of excellence. Whilst we have good resource of our own, in event of an issue, there are limits to who we can ask for help.  Regional and sub-regional groups are in place so can provide shared resources for local authorities if required.  Effective training and development processes are in place to ensure recruitment and retention of staff. There is increased training budget pressure, reduced technical knowledge in neighbouring authorities and increased importance in maintaining heightened skills for contractual obligations and commercial edge.  Regular inventory and maintenance of equipment is undertaken. In the future, budget for replace may be an issue but would be a relatively small amount for partners to share.
Pest contractors cease operations.	Disruption to service.  Negative media coverage.  Increased public health risks	On-going	Low	High	Green	The Pest control framework contract has multiple pest control suppliers so the loss of one allows work to be moved to the others. This should limit or eliminate risk, although the unlikely loss of multiple companies might create capacity issues.

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Effective and efficient contract arrangement for dog control	Disruption to service if no kennels available. Negative media coverage.  Increased public health risks	On-going	Low	High	<b>Amber</b>	The Out of Hours and Kennelling contracts were re-tendered to enhance the existing arrangements and provide resilience however there are increases in numbers of stray dogs, dog disease and contracts are restricted by geographical location. Retendering for additional kennels remains difficult and consideration may be given to creating our own capacity.
Hosting support does not deliver necessary financial and HR support to ensure efficient management	Efficiency of management reduced; staffing issues remain unaddressed, and performance suffers	On-going	Low	High	<b>Amber</b>	Issues with the new BDC finance system have mainly been resolved, however some workarounds remain in place due to some unforeseen issues. Development of a self serve recruitment platform has improved recruitment systems.
One or more partners continue to be under great financial pressure and may consider alternatives to the partnership to deliver their service	Creates reputational issues for remaining partners and increases the need to manage overheads. Difficulties in delivering highly varied levels of service	On-going	Medium	High	<b>Amber</b>	New legal agreement limits variations in contribution before partners must move to contractual relationship but this is quite high before it kicks in (20%.) Leanness of organisation minimises overheads and focuses resource at the front line. Growth strategy should generate income to support partners in the future but there are limits to this without additional capacity being added to the system. Invest to save capacity has been committed by partners to see if this achieves the necessary outcomes but even this is now fully occupied.
Robust arrangements in place in relation to obtaining legal advice and monitoring legislative changes.	Loss of cases is costly and damages reputation.	On-going	Low	Medium	<b>Green</b>	Continued close working with BDC legal team and other partners who don't use BDC for advocacy. Technical and legal training days for staff. Difficulty in keeping informed of Case Law developments. Membership and attendance of Officer Technical Groups outside the County does assist.
Service provision complies with Government requirements	Adverse comments following audits e.g., FSA	On-going	Low	High	<b>Amber</b>	Limited detail of what is required for statutory minima can make decision making difficult around what is required in law as a minimum.
	Intervention by Government bodies i.e., FSA, whilst highly unlikely, is damaging to reputation.				<b>Amber</b>	The LGA is clearly aware of impact of budget reductions on regulation and has made it clear Government cannot expect what it had previously. Fewer interventions/ audits by government.  The Service has developed systems that follow the principles of the requirements of bodies like FSA so can show some level of compliance, but service isn't operating to the letter of the current Code. The Code is however currently going through major changes and likely to move to a point where it is closer to the WRS model of operation.  Environmental reporting for Local Air Quality Management, Pollution Prevention and Control and Private Water Supply Inspection reports to Defra and DWI have received positive responses with no issues of concern raised by these bodies.
Failure to deliver external contract work at the level expected by the business or local authority with whom we have the contract	Damage to reputation, loss of future income streams, financial impact of paying damages  Loss of key staff or skills	On-going	Low	High	<b>Green</b>	Ensure contract negotiations are clear on performance criteria and these are clearly recorded in the final documentation. Monthly reviews against performance criteria. Select staff to ensure competence of those undertaking work outside Worcestershire. Maintain strong links with the customer's monitoring staff. Intervene early with corrective action. Ensure contingency plans in place if key staff leave to enable contract delivery, to include contractors, staff development and apprenticeship

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### **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	Job Title: Interim 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
Key Decision / 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 framework 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 1<sup>st</sup> 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.

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- 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, November and January 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 2024/5 budget was approved at Council on the 21<sup>st</sup> February 2024.

### **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, which were circulated by the Government in December 2023 for the period December 2023, through the 2024/5 financial year. Delivery against these requirements will be set out in the final column of the table.

Form	Code	Description	Proposed Dispatch	Deadline	Proposed Publication	Position
Capital Payments & Receipts - Q3	CPR3	Cumulative capital expenditure and receipts for Q1, Q2 and Q3 2023-24	15-Dec-23	19-Jan-24	15-Feb-24	Delivered 26/1/24
Non Domestic Rates Forecast	NNDR1	Billing authority forecasts of the amount of non-domestic rates to be collected in the 2024-25	15-Dec-23	31-Jan-24	21-Feb-24	Delivered 9/2/24 (Civica issue)
Council Tax & NDR Collection - Q3	QRC3	Quarterly return of how much council tax and non-domestic rates are collected in Q3 2023-24	15-Dec-23	12-Jan-24	14-Feb-24	Delivered 15/2/24 (Civica issue)
Quarterly Borrowing & Lending - Q3	QB3	Local authority borrowing and investments from all local authorities to the end of Q3 2023-24	15-Dec-23	08-Jan-24	15-Feb-24	Delivered 17/1/24
Quarterly Revenue Update - Quarters 3 & 4	QRU3	Quarter 1 to 3 2023-24 data and forecast end year local authority revenue expenditure update.	15-Dec-23	26-Jan-24	07-Mar-24	Delivered 19/2/24
Council Tax Requirement/ Parish Council Tax	CTR1/2/3/4	Information on council tax levels set by local authorities in 2024-25 and Council tax levels for 2024-25 set by parishes.	02/02/2024 (tbc)	11-Mar-24	21-Mar-24	Delivered 26/2/24

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of which: Parish council tax	-	-	-	11-Mar-24	08-May-24	Delivered 26/2/24
Revenue Account Budget	RA	Local authority revenue expenditure and financing for 2024-25 Budget	16-Feb-24	05-Apr-24	20-Jun-24	
Capital Estimates Return	CER	Capital forecast for 2024-25	23-Feb-24	22-Mar-24	13-Jun-24	
Non Domestic Rates Outturn-unaudited	NNDR3	Collects information from all billing authority on the amount of non-domestic rates collected in 2023-24-provisional data	28-Mar-24	30-Apr-24	10-Jul-24	
Non Domestic Rates Outturn-audited	NNDR3	Collects information from all billing authority on the amount of non-domestic rates collected in 2023-24-final data	n/a	30-Sep-24	15-Nov-24	
Quarterly Borrowing & Lending - Q4	QB4	Local authority borrowing and investments from all local authorities to the end of Q4 2023-24	22-Mar-24	05-Apr-24	13-Jun-24	
Capital payments & receipts Q4 and provisional outturn	CPR4	Cumulative capital expenditure and receipts for Q1, Q2, Q3, and Q4 2023-24. Expanded collection, used as provisional outturn.	22-Mar-24	19-Apr-24	13-Jun-24	
Council Tax & NDR Collection - Q4	QRC4	Annual data of levels of council tax and non-domestic rates collected by local authorities in 2023-24 and Q4 2023-24	12-Apr-24	03-May-24	19-Jun-24	
Capital Outturn Return	COR	Final capital outturn figures for 2023-24	26-Apr-24	26-Jul-24	10-Oct-24	
Revenue Outturn suite - provisional	RO	Local authority revenue expenditure and financing for 2023-24 Outturn (provisional)	26-Apr-24	28-Jun-24	29-Aug-24	
Revenue Outturn suite - certified	RO	Local authority revenue expenditure and financing for 2023-24 Outturn (final)	n/a	11-Oct-24	12-Dec-24	
Exit payments	-	Local authority exit payments 2023-24	03-May-24	07-Jun-24	18-Jul-24	
Quarterly Borrowing & Lending - Q1	QB1	Local authority borrowing and investments from all local authorities to the end of Q1 2024-25	24-Jun-24	05-Jul-24	08-Aug-24	
Quarterly Revenue Update - Q1	QRU1	Q1 2024-25 data and forecast end year local authority revenue expenditure update	28-Jun-24	02-Aug-24	12-Sep-24	
Capital Payments & Receipts - Q1	CPR1	Cumulative capital expenditure and receipts for Q1 2024-25	21-Jun-24	19-Jul-24	08-Aug-24	
Council Tax & NDR Collection - Q1	QRC1	Quarterly return of how much council tax and non-	21-Jun-24	05-Jul-24	14-Aug-24	

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		domestic rates are collected in Q1 2024-25				
Local Government Pension Funds	SF3	Collect information on income and expenditure on local government pension schemes for 2023-24	05-Jul-24	13-Sep-24	23-Oct-24	
Council Tax Base/ Supplementary	CTB	Information about the 2024 council tax base for each billing authority.	20-Sep-24	11-Oct-24	06-Nov-24	
Quarterly Borrowing & Lending - Q2	QB2	Local authority borrowing and investments from all local authorities to the end of Q2 2024-25	23-Sep-24	04-Oct-24	14-Nov-24	
Quarterly Revenue Update - Q2	QRU2	Quarter 1 & 2 2024-25 data and forecast end year local authority revenue expenditure update	20-Sep-24	25-Oct-24	05-Dec-24	
Capital Payments & Receipts - Q2	CPR2	Cumulative capital expenditure and receipts for Q1 and Q2 2024-25	20-Sep-24	20-Oct-24	14-Nov-24	
Council Tax & NDR Collection - Q2	QRC2	Quarterly return of how much council tax and non-domestic rates are collected in Q2 2024-25	20-Sep-24	04-Oct-24	20-Nov-24	
Capital Payments & Receipts - Q3	CPR3	Cumulative capital expenditure and receipts for Q1, Q2 and Q3 2024-25	13-Dec-24	17-Jan-25	13-Feb-25	
Non Domestic Rates Forecast	NNDR1	Billing authority forecasts of the amount of non-domestic rates to be collected in the 2025-26	13-Dec-24	31-Jan-25	19-Feb-25	
Quarterly Revenue Update - Quarters 3 & 4	QRU3	Quarter 1 to 3 2024-25 data and forecast end year local authority revenue expenditure update.	13-Dec-24	24-Jan-25	06-Mar-25	
Quarterly Borrowing & Lending - Q3	QB3	Local authority borrowing and investments from all local authorities to the end of Q3 2024-25	13-Dec-24	06-Jan-25	13-Feb-25	
Council Tax & NDR Collection - Q3	QRC3	Quarterly return of how much council tax and non-domestic rates are collected in Q3 2024-25	13-Dec-24	10-Jan-25	12-Feb-25	
Council Tax Requirement/ Parish Council Tax	CTR1/2/3/4	Information on council tax levels set by local authorities in 2025-26. Council tax levels for 2025-26 set by parishes	Early Feb 2025	12-Mar-25	20-Mar-25	
of which: Parish council tax	-	-	Early Feb 2025	12-Mar-25	07-May-25	
Revenue Account Budget	RA	Local authority revenue expenditure and financing for 2025-26 Budget	14-Feb-25	04-Apr-25	19-Jun-25	
Capital Estimates Return	CER	Capital forecast for 2025-26	21-Feb-25	21-Mar-25	12-Jun-25	



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Monthly Borrowing & Lending	MB	Monthly sample used to provide an estimate of the level of net borrowing by local authorities to go into the ONS/HMT monthly publication Public Sector Finance Statistics	5 working days before 1st working day of the month	Day 5 of each month	for quarter months only, see QB1, QB2, QB3, QB4 dates	
Local Government Finance Statistics	LGFS33	Annual compilation of finance data collected from local authorities covering out-turn data for 2022-23	N/A	N/A	Spring 2024	

2.7 In wider sets of deliverables (outside the 2024/5 DLUHC Listing) we have the following returns that have been delivered:

- **Budget**
  - Delivered by 11<sup>th</sup> March in preceding financial year – **2024/5 Budget and MTFP delivered 21<sup>st</sup> Feb 2024**
  - Council Tax Base – Yearly – **2024/25 delivered in 17<sup>th</sup> January 2024**
  - Council Tax Resolution – **Yearly 2024/5 delivered in 21<sup>st</sup> February 2024**
  - Council Tax Billing – Yearly (2 weeks before 1<sup>st</sup> DD is due to be taken) – **Bills distributed in March 2024**
- **Policies**
  - Treasury and Asset Management Strategies
    - Strategies are part of the MTFP – **2024/5 Strategy Approved 21<sup>st</sup> Feb 2024**
    - Half Yearly Report
      - **23/4 Report delivered in November 23.**
    - Yearly Outturn Report
      - **2022/23 Draft Report delivered in September 23**
  - Council Tax Support Scheme – Yearly –
    - **24/5 Approved on 24<sup>th</sup> January 2024.**
  - Minimum Revenue Provision – yearly – **Approved as part of the 2024/5 to 2026/7 Medium Term Financial Plan in February 2024.**
  - Financial Monitoring – **delivered quarterly to Cabinet – Q1 23/4 went to Cabinet in October, Q2 went in November 2023. Q3 will be presented in March.**
  - Risk Management – **Delivered quarterly to this Committee (Q3 delivered today)**
  - Savings Report – **Delivered quarterly to this Committee (Q3 delivered Jan23)**
  - 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 and prior year items.**
  - Over £500 spending.
    - **Updated to January 2024.**

The following deliverables, prior to December 2023 are still to be delivered:

- **Closure**
  - Draft Accounts for 2020/21, 2021/22 and 2022/23.
  - 2020/21 Audit **dependent on clearance of opening eFin to TechOne balances.**
- Government Returns
  - VAT – Monthly
    - **Still to be delivered for 20/21 – dependent on closure of accounts, discussions ongoing with HMRC.**
  - Revenue Outturn Reports – July
    - **Still to be delivered for 20/21 and 21/22 – dependent on closure of accounts**
  - Whole of Government Accounts Returns – August
    - **Still to be delivered for 20/21, 21/22 and 22/23 – dependent on closure of accounts**

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. 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.

#### **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 – The Council has supplied a reconciliation of the Closing Balances on eFin to the Opening Balances on TechOne (this was originally to be delivered by the Auditors independently but changed following review in January as reported to this Committee in January). The Auditors confirmed receipt in February and the Council are awaiting feedback.
  - 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.
  - Draft Accounts ready for Auditors (without any 2020/21 Audit Adjustments) estimated April 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.
- 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 2021/22 and 2022/23 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 governments' view is that Audits will be given statutory deadlines for completion as follows:

- All accounts up to 2022/23 to be completed by the 30<sup>th</sup> September 2024.
- Year ended 31 March 2024: 31 May 2025.
- Year ended 31 March 2025: 31 March 2026.
- Year ended 31 March 2026: 31 January 2027.
- Year ended 31 March 2027: 30 November 2027.
- Year ended 31 March 2028: 30 November 2028.

2.11 There are three consultations that came out with the Governments updated guidance, which was released on the 8<sup>th</sup> February, that need to be completed by early March. These consultations are for DLUHC, the National Audit Office, and the Financial Reporting Council (FRC). Following a seminar on the 12<sup>th</sup> February which set out that Auditors needed to set out real issues with a Councils Accounts against “running out of time” to deliver an Audit, it is still far from clear on sanctions that will be used against Councils if all accounts up to 2022/3 are not audited by the 30<sup>th</sup> September and the impact this will have on reputation of the sector and future years audits.

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- 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 to 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 2024/25 Budget**

- 2.15 The Council's 2024/25 Budget was approved on the 21<sup>st</sup> February 2024 at Council. Budgets will be loaded onto TechOne in March.
- 2.16 Quarter One 2023/4 financial and performance monitoring went to Cabinet in October and the Quarter Two Monitoring went to Cabinet on the 22<sup>nd</sup> November. The financial monitoring for Quarter 2 was delivered for the first time directly from the TechOne system with budget managers data input onto it and not into spreadsheets. Quarter Three Monitoring will be delivered to Cabinet in March.
- 2.17 To increase capacity, a number of the finance posts presently covered by Agency have been advertised internally and externally. Interviews for these posts took place on the 25<sup>th</sup> and 26<sup>th</sup> of January and 6 offers have been accepted.

#### **Compliance Items**

- 2.18 In their meeting in January 2024, Members requested further training to ensure they were informed in their decision making in this committee. The first of these training sessions has been set up in advance of the May Audit, Standards and Governance Meeting at 5pm on Thursday 23<sup>rd</sup> May.
- 2.19 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.

#### **Treasury Management**

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

#### **Audit VFM Report Requirements**

- More Budget Consultation.
- 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.
- 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.
- Council in February approved an increase of the Key Decision Level from £50k to £200k. The Q1 and upcoming Q2 Finance and Performance Monitoring Reports now set out:

## BROMSGROVE DISTRICT COUNCIL

### Audit, Standards and Governance Committee

7<sup>th</sup> March 2024

- All contracts requiring renewal over the next year that are over the present £200k threshold and these are placed on the forward plan.
- All contracts requiring renewal over the next year that are between £50k and £200k for reference.
- All contracts that are being procured by Redditch over this period that relate to Bromsgrove Services.

2.20 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, as at the 31<sup>st</sup> December, indicates that there will be small, non-material balances in 2020/21. Note, significant numbers of large items on values over £1,000 are treasury transactions which are undertaken manually.

Row Labels	Number of Items under £1000	Value	Number of Items over £1,000	Value	Reconciled Items	Reconciled value	Total Items to Resolve	Total Value to Resolve
20/21 items	5,346	-150,197.64	102	-244,999.61	24,954	11,693,050.58	30,402	11,297,853.33
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
Grand Total	49,574	68,826.79	1,507	88,739,381.45	56,493	1.90	107,574	88,808,210.14

### Summary

2.21 This report sets out the policies (local and national) that underpins the Council finances and the key deliverables. The significant change highlighted in the summer of 2023 were confirmed in February 2024 and there are presently 3 consultations out on that process. Now this has happened 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 January 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 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 and 2024/25 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, January 2024 – 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

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Bromsgrove District Council



Audit, Standards and  
Governance Committee

# ANNUAL REPORT

2023-2024



**Bromsgrove**  
District Council

[www.bromsgrove.gov.uk](http://www.bromsgrove.gov.uk)

## **CHAIRMAN'S FOREWORD**

On behalf of the Committee, I would like to thank Councillor Steven Collella for his Chairmanship prior to the May local elections. I am particularly grateful to all the Members of the Committee for their diligence and attention given the breadth of work that the Committee undertakes.

My particular thanks go to Democratic Services Officers for their support, and to Mr Carpenter for dealing with the ongoing issues of non-delivery of the 2020-2021 accounts - issues, as highlighted, that are facing many local councils in the current economic climate. I am grateful for Councillor McEldowney, as Risk Champion, inquiring, amongst other topics, into the concerns over RAAC concrete.

Looking forward, there are two aspects this Committee should look to ensure happen. The first is the appointment of an independent lay member of the Committee. This is both a national recommendation and something that was highlighted in Councillor Collella's previous report to Council. Finally, as our Committee's role covers whistle-blowing strategies, this should be made more explicit to the public via the Bromsgrove District Council website.

I believe that the Audit, Standards and Governance Committee has provided and continues to provide a valuable contribution to the development of standards and protocols across the Council's governance in an effective and compliant way.

**Councillor David Nicholl**

**Chairman of the Audit, Standards and Governance Committee**

## MEMBERSHIP



David Nicholl (Chairman)



Harrison Rone Clarke (Vice-Chairman)



Rachael Bailes



Samuel Evans



Derek Forsythe



David Hopkins



Bakul Kumar



Bernard McEldowney



Simon Nock



Justin Stanley



David Stewart



Marc Worrall (Parish  
Councils' Representative)

## **INTRODUCTION**

This report provides an overview of the Audit, Standards and Governance Committee's activities during the municipal year 2023-24.

The ultimate responsibility for Audit rests with the Portfolio Holder with responsibility for Finance and the Section 151 Officer. The Portfolio Holder is expected to attend each meeting as determined in the Council's Constitution.

During the year the Committee has considered reports and updates on the following subjects:

- Monitoring Officer's Report – which details complaints and training which has taken place during the period between meetings.
- Updates from the External Auditors, Grant Thornton in respect of their work.
- Updates on the work of the Internal Audit Team.
- Joint Interim Auditor's Annual Report 2021-22 and 2022-23
- Quarterly Risk Update
- Annual Review from the Local Government Ombudsman
- Financial Compliance Report (including updates on Statements of Accounts)
- Financial Savings Monitoring Report
- Regulation of Investigatory Powers Act 2000 (RIPA) Report.

Further information about some of the key responsibilities of the Committee are detailed within this report.

Meeting dates and minutes of the Audit, Standards and Governance Committee meetings can be found on the Bromsgrove District Council website, link detailed below:

[Meeting dates and minutes of the Audit, Standards and Governance Committee meetings 2023-24](#)

## The Role of The Audit, Standards And Governance Committee

### Scope and Responsibility

The Audit, Standards and Governance Committee provides independent assurance to the Council in respect of:

- The effectiveness of the Council's governance arrangements
- The Annual Governance Statement
- The Review of the Annual Statement of Accounts
- Risk Management Framework and strategies
- The effectiveness of the Council's financial and non-financial performance
- Anti-Fraud arrangements
- Whistle-blowing strategies
- Internal and external audit activity
- Democratic governance

The Committee is also responsible for the Council's Standards Regime which covers both District and Parish Councils. Areas encompassed within the Standards Regime include:

- Promoting high standards of conduct by Councillors and co-opted members of Council bodies.
- Assisting Councillors and co-opted members to observe the Members' Code of Conduct.
- Advising and training Members and co-opted members in respect of the Code of Conduct.
- Formulating advice to members and officers in declarations of gifts and hospitality.
- Granting dispensations to Councillors and co-opted members from requirements relating to interests as set out in the Code of Conduct.
- Considering reports from the Monitoring Officer following investigation into complaints about elected Members.

### Meetings of the Committee – 2023-2024

The Council's constitution requires the Audit, Standards and Governance Committee to hold quarterly meetings. At its meeting on 9<sup>th</sup> March 2023, the Committee agreed that it should hold six meetings per municipal year (meet bi-monthly) until issues with the submission of the outstanding Statements of Accounts have been resolved.

## Standards Regime

There are two main areas which are considered regularly in terms of the Committee's responsibility for Standards.

### Monitoring Officer's Report

This covers Member Training, Member Complaints and Parish Council matters.

If the elected Member was found to have breached the Authority's Code of Conduct, the powers available to the authority include a formal letter of warning to the Member and formal censure by motion, of a committee, for the removal of the Member from a committee (which does not legally prevent the Councillor in question from attending), in addition to adverse publicity.

The Council's Code of Conduct is designed primarily with the view of maintaining standards through a conciliatory approach and there was a high reliance on the Monitoring Officer working in cooperation with political Group Leaders when finding resolutions to Member complaints.

It was reported through the Monitoring Officer's report that Members received training throughout the 2023-2024 municipal year. The training included the following sessions:

- Code of Conduct training
- Modern.gov
- Safeguarding
- Data Protection
- Member Safety Training
- Carbon Literacy Training
- Decarbonisation of the Vehicle Fleet
- Procurement Training

The Member Development Steering Group (MDSG) has met a number of times throughout this municipal year. MDSG discussed the needs and adaptations required to make training relevant to Members. In addition, discussions took place regarding the Member Induction and training for the next municipal year.

The Constitution Review Working Group (CRWG) is a cross-party group where any potential changes to the Council's constitution are discussed. CRWG has continued to meet during 2023-2024 and had been considering issues relating to constitutional changes that follow the Council's approval on 20<sup>th</sup> September 2023 of the hybrid Leader and Cabinet governance model. This is due to be implemented from the start of 2024-25 municipal year. Among the items of business that the Group discussed are various constitutional updates deemed necessary to enact the hybrid Leader and Cabinet arrangements including updates to terms of reference for the Cabinet Advisory Group (CAG), Memorandum of Understanding (MoU) for cross party working.

# Agenda Item 10

Topics such as behaviour at meetings and the rules for remote participation in meetings have also been considered.

## Member Complaints

An update on Member complaints has been provided in all Monitoring Officer's reports. It is noted that several Member complaints had been received to date in 2023-24, most of which have been resolved locally. There had also been a number of complaints received in respect of Parish Councillors. It was noted that these were most appropriately dealt with by Parish Councils and not by the District Council's Monitoring Officer.

## Dispensation Report

The Audit, Standards and Governance Committee received a number of dispensations reports this year.

On 1<sup>st</sup> June 2023, the General Dispensations Report was considered and through this the Committee agreed to grant General Dispensations (including Budget and Council Tax discussions) and Outside Body Appointment Dispensations.

The reports on Individual Member Dispensations were considered 17<sup>th</sup> July 2023 and 14<sup>th</sup> September respectively. The requests for individual member dispensations detailed in those reports were granted by the Committee. The dispensations agreed at these meetings remain valid until the first meeting of the Audit, Governance and Standards Committee following the next District Council Elections in May 2027 unless amended by the Committee prior to that date.

A further Individual Member Dispensations Report would be considered at the meeting on 7<sup>th</sup> March 2024.

## Parish Council Involvement

The Parish Councils representative is able to add any item on to the agenda as required as outlined in the Committee Terms of Reference. Whilst Parish Councils have the opportunity to appoint two representatives on to the Committee, only one of these places was taken up. The Parish Councils Representative for the municipal year 2023-2024 is Mr M. Worrall.

## Investigations and Enquiries

There have been a number of complaints this year at both Parish and District levels. These continue to be investigated locally by the Monitoring Officer.

There have been no investigations about Members which required a Hearings Sub-Committee to be convened.

The current Independent Person, Mr. Mel Nock, has continued to support the Monitoring Officer in the management of Member to Member complaints where necessary. The Council has considered joining the other District Councils in Worcestershire that had a retained pool of Independent Persons – any proposals for this would be considered by the Committee. In the meantime, Mr. Nock, remains the Independent Person on an interim basis.

## **INTERNAL AUDIT REPORTS**

During the year the Committee has continued to receive updates on the work of the Internal Audit team including details of the following completed audit reports:

- Internal Audit Plan 2023-2024 (1<sup>st</sup> June 2023 meeting)
- Internal Audit Annual Report and Audit Opinion 2022-23 (1<sup>st</sup> June 2023 meeting)
- Internal Audit - Progress Report (every meeting).

## **EXTERNAL AUDITORS**

During the year the Committee received reports from the current External Auditors, Grant Thornton on the following subjects:

- Grant Thornton - Sector Update (quarterly)
- Joint Interim Auditor's Annual Report 2021-22 and 2022-23 (27<sup>th</sup> November 2023)

The Progress Reports were considered at each meeting of the Committee and covered a range of issues including the following:

- Value for Money
- Significant Risks
- Financial Statements
- Housing Benefits

## **SECTION 24 NOTICE**

In November 2022, Bromsgrove District Council was issued with a Section 24 Notice with the key reason being the non-delivery of the 2020-2021 Statement of Accounts. This year due to continued non-delivery of Statements of Accounts for 2020-2021, the Section 24 Notice was reissued by the External Auditor in November 2023. The Audit, Standards and Governance Committee recommended that this is accepted at the meeting of 27<sup>th</sup> November 2023, and this was subsequently approved at full Council on 6<sup>th</sup> December 2023.



At the 27<sup>th</sup> November 2023 meeting, it was noted that the Council continued to make progress in respect of addressing the key and improvement recommendations issued by External Auditors. It was restated that the sole reason for the reissuing of the statutory recommendation (Section 24 Notice) was the non-delivery of 2020-21 Statement of Accounts.

The Council has continued to implement the recommendations of the Bromsgrove Audit Task Group that carried out a root and branch review of how the Council arrived at the Section 24 Notice (these recommendations were approved for implementation by Cabinet on 15<sup>th</sup> March 2023).

## **Risk Champion Updates**

The Risk Champion for the Council, Councillor B. M. McEldowney, has provided comprehensive updates on risk at all meetings of Audit, Standards and Governance Committee. The risk updates spurred a number of significant discussions among Members and a number of issues were followed up in detail. At the request of the Risk Champion, a detailed discussion and a response from senior officers was provided on equal pay and financial vulnerabilities of the Council. This followed concerns raised by the Risk Champion, the Chairman, and all Members of the Committee, about the situation at Birmingham City Council with regard to equal pay. Members were reassured about the Council's reasonable financial position, and officers explained that the Council last carried an equal pay audit in 2019 and was confident that its scheme ensures equality of pay.

Below is a summary of the main matters discussed at Audit, Standards and Governance Committee in this municipal year:

**1<sup>st</sup> June 2023**

## Regulation of Investigatory Powers Act 2000 (RIPA) Report 2023-24

This report is considered annually by the Audit, Standards and Governance Committee as the legislation it relates to is required to be reviewed each year.

As part of the presentation Members were informed that the regime was overseen by the Investigatory Powers Commissioner's Office and included inspections of organisations by an Inspector appointed by the Commissioner.

## General Dispensations Report

A number of general dispensations for all Councillors were granted. This includes a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to address Council and Committees in circumstances where a member of the public may elect to speak, and a dispensations under the above legislation to allow all Members to participate in and vote at Council and Committee meetings when considering the setting of the Budget, Council Tax, Members' Allowances, and non-Domestic Rates – discretionary rate relief policy and guidance affecting properties within the District.

It was noted that these dispensations remain valid until the first meeting of the Audit, Standards and Governance Committee following the next District Council Elections in 2027 unless amended by the Committee prior to that date.

## Grant Thornton – External Audit Progress Report and Sector Update

The Committee was updated on the Council's submission of 2020-21 Accounts. It was recapped that a draft version of the Council's 2020-21 financial statements was presented to Members of the Audit, Standards and Governance Committee in December 2022, however, the Account had not yet been signed-off and submitted to the External Auditor. It was acknowledged that this was due to the Section 151 Officer awaiting the conclusion of the External Auditor's work on opening balances before signing the draft 2020-21 financial statements.

The External Auditor reported that testing had been performed on the data migration event from the Council's legacy financial ledger, eFinancials, to the new financial ledger supplied by TechnologyOne. Testing involved the selection of 25 transactions from the eFinancials reports to the TechnologyOne system and 25 transactions from the equivalent TechnologyOne transactional reports to the eFinancials system and checking that they had been migrated appropriately. No issues had been identified

during this testing.

It was explained, however, that the number of transactions tested represented a negligible volume of total transactions processed in the data migration event and the External Auditor had been unable to gain sufficient assurance on the basis of this testing that the whole data migration event was performed correctly. As a result automated solutions for gaining assurance over the data transfer were being considered by the External Auditor.

It was noted that 31<sup>st</sup> May 2023 was the statutory deadline for local authorities to submit the draft 2022-23 financial statements to their external auditors. The Council was significantly behind in terms of completion of its Accounts audits, and the Committee was reminded the Council was issued with statutory recommendations under Section 24 of the Local Audit and Accountability Act 2014 primarily for non-delivery of its 2020-21 Statement of Accounts.

## Quarterly Risk Update

It was noted that this was the fourth cycle of reviewing Corporate and Departmental Risks since the original baselining of risks in April 2022.

The number of Corporate Risks stood at 13, including a risk related to the Cost of Living Crisis. Since last reporting, a new Corporate Risk had been added which related to the replacement of the Council's existing Customer interface, which was also linked to significant budgetary savings in the 2025/26 financial year.

The number of Departmental Risks continued to reduce and in this reporting period stood at 51. There was 1 red risk related to Revenues - Performance Indicator data which was not deemed robust as it could not be system generated. It was reported that it was unlikely the number of departmental risks could now be further reduced as most of the remaining risks were linked to compliance.

## Financial Compliance Report including progress update on Statements of Accounts

Members were informed that the Accounting Policies Report before the Committee provided details of the financial governance framework under which the Council operated and the legislative reporting requirements for reporting to central government in respect of financial compliance.

It was noted that the Council's 2023/24 Budget was approved in February. Budgets were now loaded and a draft budget book was being prepared to assist in Members understanding the Budget. In terms of the budget process, Members were informed that a provisional outturn report would be presented to Cabinet at its July meeting.

It was agreed that this report would come to each Audit, Standards and Governance

Committee meeting to alert Members to possible no compliance issues.

## Internal Audit Plan 2023-2024

At this meeting it was outlined that this was a risk-based plan which considered the adequacy of the Council's risk management, performance management and other assurance processes, as well as organisational objectives and priorities. Included in the report was the following:

- The adequacy of the internal audit resource allocation.
- The changing internal environment and ongoing transformational work being undertaken.
- Internal and external audit findings in respect of the financial systems and their inclusion as audit areas, as it is considered certain risks remain in these areas.
- The flexibility of the plan and the balanced approach taken, with progress being monitored and reviewed regularly.
- If the plan were to be amended in the future this would be done in consultation with the Section 151 Officer and brought back to this Committee.

It was explained that the coverage of the Plan had been based upon the Council's risk priorities as per the Corporate and Departmental risk registers. Areas of large budgetary spend areas had also been considered, along with areas that had direct association to the Council Plan.

## Internal Audit Annual Report & Audit Opinion 2022-23

This report was a summary of looking back over the last year's internal audit work and provided commentary on Internal Audit's delivery for the period 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023, against the performance indicators agreed for the service and further information on other aspects of service delivery.

It was noted that Debtors and Main Ledger audits received limited assurance and this was linked to issues with the cash receipting module of the new ledger system. It was highlighted that the implementation of the new finance system had created significant risks for the Council, however, the Council was undertaking significant work to rectify the issues (including clear outstanding sets of unaudited accounts).

It was the opinion of the Internal Auditor that enough coverage in terms of internal audit had been provided in 2022-23.

## Annual Appointment of Risk Champion

The Committee appointed Councillor B. M. McEldowney as the Council's Risk Champion for 2023-24.

**17<sup>th</sup> July 2023**

## Dispensations Report – Individual Member Dispensations

This report considered specific dispensations that Members had applied for in advance of this meeting. The Individual Member Dispensations (IMDs) and Outside Body Appointments dispensations that were requested by Members up to the point of the meeting were granted under section 33 (2) of the Localism Act 2011. This enables those Members who applied for specific dispensations to participate in and vote at Council and Committee meetings in the individual circumstances detailed.

It was noted that the dispensations granted would remain valid until the first meeting of the Audit, Standards and Governance Committee following the next District Council Elections in 2027 unless amended by the Committee prior to that date.

It was agreed that the Monitoring Officer write to each political Group Leader asking that they remind all Members of their obligation to request appropriate dispensations, if this was required.

## Quarterly Risk Update

The Committee considered a risk update which set out corporate and departmental risks changes since the report to Committee in June 2023. It was reported that there had been no changes to the number of corporate risks since the last report. The cyber risk had moved from amber to red due to the increased risk in this area despite all the mitigations put in place. The total number of Departmental Risks also remained unchanged from last report.

## Internal Audit - Progress Report

The Committee received the Internal Audit Progress Report that summarised progress made against the delivery of the Internal Audit Plan 2023-24 up to 30<sup>th</sup> June 2023. It was reported that the outstanding pieces of work with respect to the 2022-23 Internal Audit Plan were now nearing completion.

## Financial Compliance Report including update on Statements of Accounts

The Committee considered the Accounting Policies Report which noted, as at the end of June, progress with the 2020/21 Statement of Accounts, the 'budget book' for 2023/24 and key reporting deliverables that were required by legislation to be submitted to the Government.

Dispensations Report – Individual Member Dispensations

A further report on individual member dispensations was considered as more requests for individual dispensations were received after the meeting of the Committee on 17<sup>th</sup> July 2023. The new requests were detailed and those dispensations were granted under section 33 (2) of the Localism Act 2011. This enables those Members named in the dispensations to participate in and vote at Council and Committee meetings in the individual circumstances detailed.

It was noted that the dispensations granted would remain valid until the first meeting of the Audit, Standards and Governance Committee following the next District Council Elections in 2027 unless amended by the Committee prior to that date.

Grant Thornton – External Audit Progress Report and Sector Update

It was reported that some progress had been made with regard to the work on the Council's 2020-21 Statement of Accounts since that meeting. The External Auditors were able to verify and gain assurance that data reports from the legacy eFinancials system for periods 1 to 11 of the 2020-21 financial year provided real financial data. The data for periods 1 to 11 was now available in the format appropriate for its audit.

However, it was not possible to date for the Council to provide auditors with data included in period 0 of 2020-21 financial year. As a result, External Auditors had not yet been able to undertake any work on the balance sheet as period 0 transactions were critical for understanding the balance sheet position (the opening position). The Council continued attempts to reinstate their business objects licence for the eFinancials system in order to run a period 0 report and export it into an appropriate file. This would enable work on verification of period 0 balances to be started.

The External Auditor reported that on 15<sup>th</sup> August 2023 a decision was taken to redirect the audit team to other work as there were insufficient working papers were available. It was reported that the External Auditors would resume work on the 2020-21 Accounts audit in October 2023, with the timeline for audit completion of the Council's 2020-21 Accounts estimated to be March 2024.

It was stated that a joint Auditors Value for Money Annual Report for 2021-22 and 2022-23 financial years would be prepared and it was expected that this would be reported to the Audit, Standards and Governance Committee in this calendar year.

The Committee was updated in respect of the work undertaken each year in the certification of the Council's Housing Benefit subsidy claim to the Department for Work and Pensions (DWP). It was reported that the External Auditor had certified the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed by DWP. The work on 2021-22 subsidy claim certification was expected to be

concluded within the next month. Members were reassured that there was no impact to residents, including in terms of payments of benefits, as a result of the national delays to certification work on Housing Benefit claims.

## Internal Audit - Progress Report

The Committee received the Internal Audit Progress Report that summarised progress made against the delivery of the Internal Audit Plan 2023-24 up to 31<sup>st</sup> July 2023.

## Financial Compliance Report including update on Statements of Accounts

The Committee considered the Financial Compliance Report which noted, as at the end of June, progress with the 2020/21 Statement of Accounts, the 'budget book' for 2023/24 and key deliverables as required by legislation and government.

It was noted that a number of key legislative deliverables had recently been submitted to Central Government, however, the key returns that remained outstanding for the Council were the Revenue Outturn forms for 2020/21 and 2021/22 and the VAT returns.

It was reported that measures were in place to improve procurement processes including the 'No Compliance No Order' process that had been live since April 2023, and all contracts requiring renewal over the existing £50,000 key decision threshold being reported to Cabinet through quarterly Finance and Performance Monitoring Report.

It was highlighted that the key issue remained the closure process for 2020-21 Statement of Accounts with work still undertaken by the Council and the External Auditors to validate the take on balances. The audit of the 2020-21 accounts was expected to be finalised in spring 2024.

The Committee made a Recommendation to Cabinet in respect of the concerns over provisional plans for the Department for Levelling Up, Housing and Communities (DLUHC) to introduce backstop dates for when the auditing of accounts had to be completed. The provisional deadlines for local authorities were as follows: 2020-21 Statements of Accounts to be signed-off by auditors by 31<sup>st</sup> March 2024 and the 2021-22 Statements of Accounts to be signed off by auditors by September 2024. The Recommendation to Cabinet read as follows:

*RECOMMENDED that Cabinet ascertain from the Department for Levelling Up, Housing and Communities (DLUHC) the mechanism for audit of local authorities' accounts to be caught up as per their press release.*

This recommendation was considered by Cabinet on 18<sup>th</sup> October 2023 (Minute No 39/23). A number of amendments to the wording of the recommendation were made and the Cabinet passed the following resolution:

*RESOLVED that The Leader of the Council writes to the Department for Levelling Up, Housing and Communities (DLUHC) regarding the mechanism for auditing of local authorities' accounts to be caught up as per their press release and that a copy of the letter be forwarded to the Local Government Association (LGA).*

## Financial Savings Monitoring Report

This report outlined the areas of savings for the Council. It was explained that the Council was able to make additional savings of circa £1 million accounted for over the 2023-24, 2024-25 and 2025-26 financial years as a result of the favourable outcome of the triennial pension fund valuation. The next valuation was to be undertaken in the 2026-27 financial year. Another saving are highlighted was the one-off savings expected from recovering old debt (engaged capacity grid). The Council had around £6 million in uncollected debt, and it was expected that around 10 per cent of that figure might be recovered.

It was reported that at Q1 the projected full year overspend position on the 2023-24 revenue budget was £788,000. The overspend position was due to two main factors and these were the Local Government Pay Award, which at circa 6% is significantly more than the 2 per cent budget assumption, and the additional costs of maintaining the fleet.

Officers commented that a pay award offer for the local government sector was 6.8 per cent for the current financial year. It was commented that following last year's pay award of over 6 per cent, if confirmed, this offer would represent another year of pay awards in excess of 2 per cent, which was unprecedented.

To offset the impact of this, the Q1 Finance and Performance Monitoring Report going to Cabinet proposed that the assumed yearly drawdown of £351,000 be made from the Utilities Reserve, given the lower-than-anticipated utilities inflation. This would mitigate some of the overspend position and leave a £437,000 overspend position. The ongoing 2023/24 pay increases position, once finalised and ratified later this year, would then need to be resolved as part of the 2024/25 Medium Term Financial Plan (MTFP) process. It was proposed that in the following year's budget the percentage increase anticipated for ongoing pay awards be raised to 3 per cent.

It was clarified that the Council presently had an estimated £5.226 million in General Fund Reserves to cover one off issues, and a further £5.502 million in Earmarked Reserves for specific purposes. Accessing these was the only recourse available to the Council, apart from making reductions in spending, that the Council had to mitigate the present overspend position.



Annual Review Letter of The Local Government and Social Care Ombudsman

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 31<sup>st</sup> March 2023.

During consideration of this report, it was noted that the Monitoring Officer was required to report this to Members, including to summarise the findings on upheld complaints over a specific period. It was reported that there was a cost implication of £150 arising from an upheld complaint that had been met from existing budgets. It was noted that in relation to this complaint, the Ombudsman also recommended that the Council review its practices in terms of recovering overpayments.

Members requested that this report be brought forward to the Committee earlier in the municipal year, in line with when the Annual Review Letter was issued by the Ombudsman (usually in summer each year). It was noted that reporting on complaints would become more regular as it would form part of the Quarterly Finance and Performance Monitoring Reports that would be presented to Cabinet and scrutinised on request by the Finance and Budget Working Group (sub-committee of the Overview and Scrutiny Board).

Members asked that the next iteration of reporting on complaints include detail on the number of outstanding complaints at the start of the Ombudsman reporting period.

Joint Interim Auditor's Annual Report 2021-22 and 2022-23

The Joint Interim Auditor's Annual Report, covering the period from 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2023, followed from the Section 24 Report considered by Audit, Standards and Governance Committee on 9<sup>th</sup> November 2022. Last year's Section 24 Report set out the Statutory Recommendation issued by the External Auditor under Section 24 of the Local Audit and Accountability Act 2014. It was highlighted that the Report before Members at this meeting updated on the progress against Statutory, Key and Improvement Recommendations that were issued in November 2022.

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 resolved through the delivery of the Accounts. This continued to be highlighted in that the Section 24 Statutory Recommendation remained.

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.

This report proposed two recommendations to the Committee, which were accepted. These are as follows:

## *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.*

These recommendations were subsequently considered, and approved, by full Council on 6<sup>th</sup> December 2023.

## Quarterly Risk Update

It was noted that this was the sixth cycle of reviewing Corporate and Departmental Risks since the original baselining of risks in April 2022. The organisational risk level had moved to a moderate assurance level from May 2023.

There were 13 Corporate Risks, a number unchanged since March 2023. It was highlighted that risks relating to financial position rectification and new customer facing interface had moved from amber to red due respectively to lack of clarity from

the Government on audit deadlines (backstop dates) and the volume of work required in ensuring Council's customer interfaces data was up-to-date.

The number of Departmental Risks continued to reduce and now stood at 43 (compared to 51 at the previous report). There was 1 red risk related to Revenues - Performance Indicator data which was not deemed robust as it could not be system generated. It was reported that it was unlikely the number of departmental risks could now be further reduced as most of the remaining risks were linked to compliance.

## Internal Audit – Progress Report

The Internal Audit Progress Report was presented. This report requested that revisions be approved to the 2023-24 Internal Audit Plan. This was due to pressures that affected the Worcestershire Internal Audit Shared Service (WIASS), including long-term sickness of staff and the loss of key personnel.

As a result, the report asked for approval of revisions to the 2023-24 Internal Audit Plan, in particular deferral of audits where this was prudent to do 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. The Committee agreed to the revisions proposed in the report.

## Accounting Polices Report including update on Council's Statements of Accounts

An update on training that had taken place to increase financial awareness and skills of staff was provided. Training had been taking place on the use of the Council's enterprise resource planning (ERP) system. A mandatory budget manager training (which included the use of the TechnologyOne system) took place in September 2023 – through this training budget managers have been 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.

## Equal Pay and Financial Vulnerabilities – Response to Members' Questions

A written response was provided by the Chief Executive Officer in relation to Members' questions on equal pay and financial vulnerabilities. The Council's Risk Champion thanked the Chief Executive and Council Officers for the swift response on this matter, especially in the context of recent reports about the situation at Birmingham City Council.

**18<sup>th</sup> January 2024**Internal Audit Progress Report

The Committee received the Internal Audit Progress Report that summarised progress made against the delivery of the Internal Audit Plan 2023-24 up to 31<sup>st</sup> December 2023. It was explained that as of this date, 48 per cent of the plan for the year had been completed. This was an improvement on last year's progress at this point.

In terms of critical audit reviews, it was noted that Accounts Receivable and General Ledger were the key internal audits from the Council's perspective as they provided a reflection of the progress the Council has made in terms of the financial recovery programme.

It was reported that with respect to cyber security that following publicised cyber-attacks on other councils, there was a proposal as part of the Tranche 2 of the Medium Term Financial Plan to increase the Council's annual funding for cyber security. It was also noted that as part of the Q2 Monitoring Report, an additional £50k was requested for upgrading and replacing tape drives. The tapes provided physical back up of IT data.

Capital Strategy 2024-25 including Treasury Management Strategy

The Committee received a report on the Capital Strategy 2024-25 including Treasury Management Strategy. The report combined 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 was being managed and the implications for future financial sustainability of the Council.

The Deputy Chief Executive and Section 151 Officer explained that these reports were important from a compliance point of view. Any deviation from these strategies had to be reported directly to Audit, Standards and Governance Committee and then Council.

The Committee recommended that the Council approve the Capital Strategy as an overarching strategy for the Council in addition to the Treasury Management Strategy, the associated Minimum Revenue Provision (MRP) policy, and the Investment Strategy.

This was considered by full Council, and all strategies were approved, on 21<sup>st</sup> February 2024.

## Accounting Policies Report including update on Council's Statements of Accounts

It was reported that local authorities have now been informed of Government proposal to introduce a backstop date of 30th September 2024 for completion of all outstanding local audits up to 2022-23 financial year. Local authorities would be consulted on the plans to tackle local government audit delays, including on the proposed backstop date, in February 2024.

It was reported that around 290 local authorities had yet to have their 2021-22 Accounts audited. As such, the proposal was a significant concern across the local government sector. There also remained concerns that the backstop proposal has not addressed the issue of lack of external audit resource.

Key points arising from the Provisional Local Government Finance Settlement were also presented. It was noted that generally there would be a 4.9 per cent increase in funding for Borough and District Councils, local authorities would have the ability to increase Council Tax by up to 2.99 per cent. For planning applications, there would be a charge increase of 25 per cent (small) and 35 per cent (large) applications respectively.

## Financial Savings Monitoring Report

The report looked at 2023-24 budget savings and provided monitoring of savings. It was reported that savings from both tranches of the budget process were set out at Appendix A. The areas of savings that were covered in more detail included:

- Finance Vacancies - The Council would not achieve the target saving of £100k in 2023-24.
- Service reviews – It was reported that Bromsgrove Council had £2.9 million worth of vacancies covered by £1.6 million of Agency staff covering vacant posts. Across the shared service (Bromsgrove and Redditch), this amounted to around £5 million of vacancies and £3 million in agency staff cover (£2 million gap). An establishment review was taking place to provide an indication of the number of posts that were required across the Council.
- Engage Capacity Grid (one-off) – This was concerned with recovering Council Tax and Business Rates income from debtors. The Council was on track to deliver target savings.
- Pension Fund – The Council was on track to deliver the savings on this as resulting from the latest actuarial triennial report. The Council would need to monitor the impact at the next revaluation in 2026-27.

**7<sup>th</sup> March 2024**

The last meeting of Audit, Standards and Governance Committee in the 2023-24 municipal year at which this Annual Report will be presented. Items to be considered at this meeting include:

- Introduction to Council's new External Auditors (to begin from 2023-24 financial year audit)
- Standards Regime – Monitoring Officer's Report
- Dispensations Report – Individual Member Dispensations Update
- Internal Audit – Progress Report
- Grant Thornton – External Audit Progress Report and Sector Update
- Financial Compliance / Accounting Policies Report
- Quarterly Risk Update

**Legal, Democratic and Property Services**

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

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### **7<sup>th</sup> March 2024**

#### Standing items:

- Standards Regime – Monitoring Officer’s Report
- Individual Member Dispensations Report
- Quarterly Risk Report / Corporate Risk Register
- External Audit (Grant Thornton) – Progress Update
- Financial Compliance / Accounting Policies report including update on submission of Statements of Accounts
- Internal Audit Progress Report
- Risk Champion Update
- Committee Work Programme

#### Other items:

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

### **Next Meeting:**

Dates to be confirmed for meetings in the municipal year.

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