

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

27TH NOVEMBER 2023, AT 6.00 P.M.

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

Observers:

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

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

37/23

APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

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

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DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

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

39/23

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

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

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

40/23

ANNUAL REVIEW LETTER OF LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN

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

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

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

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

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

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

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

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

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

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

RESOLVED that the report be noted.

41/23

STANDARDS REGIME - MONITORING OFFICER'S REPORT

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

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

RESOLVED that the Monitoring Officer's report be noted.

42/23

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RECOMMENDED

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

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

43/23

QUARTERLY RISK UPDATE

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

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

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

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

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

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

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

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

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

44/23

INTERNAL AUDIT - PROGRESS REPORT

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

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

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

45/23

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

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

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

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

EQUAL PAY AND FINANCIAL VULNERABILITIES - RESPONSE TO MEMBERS' QUESTIONS

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

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

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

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

RESOLVED that the response be noted.

47/23

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

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

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

RESOLVED that the Risk Champion update be noted.

48/23

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

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

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

The meeting closed at 8.19 p.m.

Chairman