



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

MONDAY 27TH NOVEMBER 2023

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 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 14th September 2023 (Pages 5 - 16)**
- 4. Standards Regime - Monitoring Officer's Report (Pages 17 - 22)**
- 5. Annual Review Letter of Local Government and Social Care Ombudsman (Pages 23 - 28)**
- 6. Joint Interim Auditor's Annual Report 2021-22 and 2022-23 (Pages 29 - 86)**

7. **Quarterly Risk Update** (Pages 87 - 104)
8. **Internal Audit - Progress Report** (Pages 105 - 146)
9. **Accounting Policies Report including update on Council's Statements of Accounts** (Pages 147 - 156)
10. **Equal Pay and Financial Vulnerabilities - Response to Members' Questions** (Pages 157 - 160)
11. **Risk Champion - Verbal Update Report (Councillor B. McEldowney)**
12. **Audit, Standards and Governance Committee Work Programme** (Pages 161 - 162)

Sue Hanley
Chief Executive (Interim)

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

17th November 2023

If you have any queries on this Agenda please contact
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Audit, Standards and Governance Committee
14th September 2023

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

14TH SEPTEMBER 2023, AT 6.00 P.M.

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

Observers: Councillor C. A. Hotham – Cabinet Member for Finance and Enabling, Councillor J.W. Robinson and Councillor S. A. Robinson

Officers: Mr. P. Carpenter, Mrs. C. Felton (on Microsoft Teams), Ms. M. Howell (on Microsoft Teams), Mr. A. Bromage (on Microsoft Teams), Ms. K. Lees (on Microsoft Teams) and Mr. M. Sliwinski

26/23

APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received from Councillors H. D. N. Rone-Clarke, D. J. A. Forsythe and D. G. Stewart.

27/23

DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

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

28/23

TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 17TH JULY 2023

The minutes of the meeting of the Audit, Standards and Governance Committee held on 17th July 2023 were submitted for Members' consideration.

RESOLVED that the minutes of the meeting of Audit, Standards and Governance Committee held on 17th July 2023 be approved as a correct record.

29/23

STANDARDS REGIME - MONITORING OFFICER'S REPORT

The Head of Legal, Democratic and Property Services presented the Monitoring Officer's report and noted that no new complaints had been received since the last meeting of the Committee. The Constitution Review Working Group (CRWG) met on 31st August 2023 and discussed a number of matters including the external review of the Council's

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Planning Committee, arrangements for considering Motions and Questions on Notice at Council meetings and arrangements for live streaming meetings. The recommendations arising from this meeting would be considered at the next ordinary meeting of Council in October 2023. It was planned in relation to training that mock meetings of planning and licensing committees would take place towards the end of the calendar year to familiarise the new Members with the operation of these committees.

It was reported that the Governance Systems Task Group had now concluded its investigation with the Overview and Scrutiny Board endorsing the recommendations of the Task Group. The Governance Systems Task Group final report recommendations would be considered at an extraordinary Council meeting on Wednesday 20th September 2023.

Following the presentation of the report, Members asked for clarification with respect to the role of CRWG and it was explained that it was a cross-party group in which Members discussed any potential changes to the Council's constitution. The Working Group could make recommendations to the full Council.

It was also raised that there were several written questions submitted by Members to Chief Council Officers in advance of the meeting, which related to questions on Equal Pay claims and the Council's arrangements about systems in place to ensure the 'single status' agreement was adhered to. It was responded that Officers would work on providing the response and that after information had been collated an item on this matter would be scheduled for the meeting agenda of the Audit, Standards and Governance Committee.

RESOLVED that the Monitoring Officer's report be noted.

30/23

DISPENSATIONS REPORT - INDIVIDUAL MEMBER DISPENSATIONS

The Monitoring Officer introduced the Dispensations Report and stated that the report included new requests for individual dispensations that had been submitted after the report on the matter at the last meeting of the Committee on 17th July 2023. It was noted that under section 33 (2) of the Localism Act 2011, an authority might, on a written request made to the Monitoring Officer, grant a dispensation relieving the member or co-opted member from either or both of the restrictions (relating to participation in discussion and/or voting at meetings of Council and its Committees) imposed by section 31(4) of the Localism Act in cases described in the dispensation.

The purpose of this report was for the Committee to make a decision on whether to grant dispensations that had been submitted in writing to the Monitoring Officer since the last meeting, as included in paragraph 3.8 of the report. It was noted that dispensation requests detailed in paragraph

3.6 were granted at the previous meeting of the Committee and were included for information.

It was explained that dispensations enabled Members to participate in discussion and voting in cases where it was considered appropriate to allow such requests, for example where Members had no pecuniary interest in the matter but one arising from being involved in a matter in another setting, for instance on an outside body or a sub-committee. It was highlighted that there would still be circumstances where Member granted a particular dispensation would not be able to participate as the nature of the issue discussed and interest concerned would be judged such as to preclude the Member concerned from participation.

It was reiterated that the formal granting of dispensations was required under the new legislation, and it was designed to enable Members to take part in political discussions, where deemed appropriate by the nature of the conflict of interest in question.

Prior to the vote taking place on the granting of individual dispensations, Members named in dispensations requests at paragraphs 3.6 and 3.8 of the report confirmed that they would refrain from voting on the matter. This was subsequently the case and as such there were five Members of the Audit, Standards and Governance Committee who took part in the vote on the report recommendations. On being put to the vote, it was

RESOLVED 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.

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The External Auditor from Grant Thornton presented a report on progress in delivering the external audit function for the Council and provided a wider audit sector update.

It was noted that the issues with respect of the 2020-21 financial statements and the transfer of data from the legacy financial ledger system, eFinancials, to the new TechnologyOne system that was undertaken in February 2021 were summarised at the last Committee meeting on 1st June 2023.

It was reported that some progress had been made 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.

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 excel file, as currently the SQL script was returning nil entries for period 0. This would enable work on verification of period 0 balances to be started.

Alongside the work to progress the audit of the data transfer, the External Auditors had undertaken work on specific areas of the 2020-21 financial statements for two weeks from 14th August 2023. This included land and building valuations, the defined benefit pension liability, payroll, senior officer remuneration and housing benefit expenditure. The External Auditor reported that on 15th August 2023 a decision was taken to redirect the audit team to other work as insufficient working papers were provided to External Auditors.

It was reported that the External Auditors would resume work on the 2020-21 financial statements audit in October 2023, with the timeline for audit completion now estimated to be March 2024. With regards to the issue of audit delays across the local government sector, it was reported that the Department for Levelling Up, Housing and Communities (DLUHC) was looking to implement backstop dates for when audits of accounts had to be completed. It was highlighted that this measure was not in place at the moment and would require a change in legislation in order to come into effect. However, the plans were highlighted as, if passed into legislation, the measure might result in a number of local authorities across the country being issued with disclaimer opinions on their accounts – this was as a result of the scale of the backlog in the audit of public bodies accounts across England.

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

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expected that this would be reported to the Audit, Standards and Governance Committee in this calendar year. It was noted that issues with respect to a lack of timely and relevant financial monitoring reporting that were identified in the interim Auditors Annual Report for 2020-21 had now been largely addressed through regular financial monitoring reports to Members. However, this would again be reported as a governance weakness in the Joint Auditors Annual Report for 2021-22 and 2022-23 because this concerned the financial year 2021-22.

It was reported that the External Auditors had certified the Authority's annual Housing Benefit Subsidy claim as in accordance with procedures agreed with the Department for Work and Pensions (DWP). The work on 2021-22 subsidy claim certification was expected to be concluded within the next month.

Members asked a number of questions of the External Auditors and Council Officers to which the following responses were provided:

- With respect to the July 2023 meeting between the External Auditors and key members of the Council's finance team, ICT, and the project manager involved in the implementation of TechnologyOne ledger system, it was questioned why representatives from the company (TechnologyOne) were not in attendance. It was explained that because the Council had a 'software as a service' contract with TechnologyOne, the company's representatives were not obliged to attend Council's internal or committee meetings.
- In respect of the possibility of the External Auditors not being able to obtain verifiable financial data for period 0 of the 2020-21 financial year, the External Auditor stated that at this point their expectation was that conclusion on data migration would be in place by the time External Auditors would resume their work on the Council's financial statements in October 2023. Officers added that the licence with the providers of legacy ledger system, eFinancials, had now been reinstated for 5 years, which was to allow the Council to regain access to business object reporting data on that system with respect of period 0 of 2020-21 financial year. Two more technical experts would also be engaged by the Council to speed up work in this area.
- With respect to the insufficient quality of data provided to External Auditors in August, it was stated that quality of information with respect to pensions, payroll, and land and buildings valuations among others was deemed of insufficient quality for External Auditors to start work in August. Officers stated that the Council was in the process of providing papers but that some data was deemed of insufficient quality by External Auditors, for example with respect to land and property valuations as the Council had the documents in a text formatting file version rather than the final portable document format (pdf) required. Members expressed concern about the fact that auditors were withdrawn from audit because of a lack of appropriate document versions. It was

clarified by the External Auditor that the lack of this document version for land and property valuations was indicative of a wider set of issues with quality. The External Auditor stated their audit work dates were planned in advance, and it was company policy to move staff to other audit work in such situations. However, this was not an indication that work on the Council's Accounts would be paused indefinitely or stopped.

- It was highlighted that delays to the audit process resulting from insufficient data would result in audit fee cost implications. It was estimated that the audit of 2020-21 Accounts could result in a cost to the Council exceeding £100,000. It was reiterated that any fee payable would need to be agreed through Public Sector Audit Appointments (PSAA) adjudication process.
- Members were reassured that there was no impact to residents, including in terms of payments, as a result of the national delays to certification work on Housing Benefit claims.
- With regards to legacy issues with financial monitoring reporting, it was stated that the auditor was required to report on any issues as soon as they come to light under the Value for Money arrangements. The financial monitoring issue, although now largely resolved, would need to be reported again in the Joint Auditors Annual Report for the 2021-22 financial year as this was the period in which the issue was occurring.
- It was underlined that significant audit delays were experienced across the local government sector with over 500 outstanding sets of local authority accounts still to be audited.

RESOLVED that the External Audit Progress Report and Sector Update be noted.

32/23

INTERNAL AUDIT - PROGRESS REPORT

The Committee received an Internal Audit Progress Report from the Head of Worcestershire Internal Audit Shared Service. The report before the Committee summarised progress made against the delivery of the Internal Audit Plan 2023/24 as to the end of July 2023. It was noted that there were residual audits to complete from the 2022/23 Plan with one review finalised since the last Committee meeting relating to Benefits and further three reviews awaiting management sign off.

Regarding the 2023-24 Internal Audit Plan there was a small delay reported in July to two areas of audit work due to a key officer on extended leave. These two areas had now been progressed (as of the date of this meeting).

It was reported that National Fraud Initiative (NFI) data set uploads were planned for December 2023 and January 2024. The results from the 2022/23 uploads were currently being investigated by the various Service areas who were investigating and taking appropriate action on the results.

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It was noted that there were several follow up audits due which would be reported to the next Committee meeting. There were no exceptions to report at this meeting.

The Head of Worcestershire Internal Audit Shared Service commented that routine meetings with the Head of Finance and Customer Services continued to provide ongoing monitoring of the situation around the financial ledger system.

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

- It was explained that the internal audit service allocated indicative time budgets for each authority it had arrangements with. As Bromsgrove and Redditch had shared service arrangements the total budget was split equally between the two authorities, however, in some cases a professional judgment would need to be made to allocate less or more days to either authority. Any adjustments to the time budget allocation were discussed with the authority's Section 151 Officer prior to implementation to ensure neither authority was adversely impacted. Within the internal audit plan, there were contingency time budgets in case such adjustments were required. It was reiterated that there were separate audit plans for Bromsgrove and Redditch.
- Members asked whether the Council had whistleblowing and anti-fraud policies in place. Officers explained that such policies were in place and that, following comments from Members, there would be an action to make these policy documents more visible and accessible on the Council's website.
- It was reported that the Council had to hire a number of agency staff due to the high staff turnover experienced across the local government sector, especially in key finance positions. It was added that with agency staff the Council did not cover pension and certain other costs associated with an employee so there was a marginal cost benefit to the Council at the moment. It was added that whenever possible the Council tried to employ staff on a permanent basis, exemplified by agency staff in the finance team who recently transferred into the Council's payroll.
- In terms of the Council's strategy to recruit and retain new staff, it was noted that the Council had recently launched a Workforce Strategy and as part of the last year's budget process the Council had created career graded posts in certain areas. It was reported that where the Council hired apprentices they could not be contractually tied to stay at the Council.
- It was noted that the Worcestershire Internal Audit Shared Service had a staff of 8 people. It was noted that in cases of a long-term sickness or absence of a staff member within the shared service team, there could be an impact on the delivery of the internal audit plans for the authorities under the arrangements. However, it was noted that any decisions on

deferral or rearrangement of internal audit reviews would only be taken based on professional judgment and consultation with key Council Officers.

RESOLVED that the report be noted.

33/23

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 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. It was now expected that the sign-off of the 2020-21 Accounts for external audit would take place in November 2023 with the audit expected for completion in spring 2024.

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. The draft Capital Outturn forms for 2020/21 through to 2022/23 had been submitted, however, the final Capital Outturn and draft Revenue Outturn returns could not be submitted until the accounts had been audited. It was noted that although the Government now allowed these returns to be completed based on estimates, the level of uncertainty due to the Cash Receipting issue meant that these returns could not be completed until the External Auditors sign off the Council's take on balances and the Council provides the draft accounts to Audit.

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 repeated that there were provisional plans for the Department for Levelling Up, Housing and Communities (DLUHC) to introduce backstop dates for when audits of accounts had to be completed with provisional deadlines for local authorities to have audits of 2020-21 statements of accounts signed-off by auditors was 31st March 2024 and September 2024 for 2021-22 statements of accounts. It was reiterated that this measure was not yet in place and would require a change in legislation in order to come into effect. However, it was a concern that, if passed into legislation, this measure might result in local authorities across the country being issued with disclaimer opinions on their accounts, including qualified or no opinions. This would have implications for local

authorities in terms of accessing credit and finding contractors. It was highlighted that there were still over 500 outstanding local authority audits and given the backlog and capacity issues across the audit sector, it was difficult to see how the deadlines proposed could be met by local authorities concerned.

In response, a suggestion was made by a Member that local accounting firms could be approached to help the Council with auditing their accounts given the scale of work still to be undertaken to catch up on the Council's accounts process. Officers commented that this suggestion would be considered.

During the discussion, Members highlighted that without audited financial statements the Council could not be certain about its financial position which was a concern. In terms of the scale of possible misstatements on the Council's Accounts as a result of the issues experienced, it was highlighted that there were public sector auditing standards with regards to materiality thresholds, which concerned the 2 per cent threshold for misstatement in the Council's financial statements in comparison to the authority's annual gross expenditure that would trigger a materiality concern. The level for Bromsgrove District Council based on this amounted to around £800,000.

During the discussion, a recommendation was proposed with regards to asking Cabinet to ascertain from the Department for Levelling Up, Housing and Communities (DLUHC) further detail on the Department's plans for speeding up the local authorities' audit process. On being put to the vote it was

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.

34/23

FINANCIAL SAVINGS MONITORING REPORT

The Interim Director of Finance introduced this report and in doing so 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. Other savings areas were highlighted. For example, savings stemming from service reviews were expected over the current medium term financial plan period, however, the implementation of the digital customer front door was a risk that would need continuing monitoring. Additionally, one-off savings were 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.

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It was reported that the full year overspend position amounted to £788,000. Around three quarters of that overspend was due to pressures within the Environmental Services. This imbalance was mainly due to the staff pay award and the fact that the majority of the staff employed by the Council were employed within Environmental Services. 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, it was proposed in the Q1 Finance and Performance Monitoring Report going to Cabinet that the assumed yearly drawdown of £351,000 from the Utilities Reserve be made, given the lower-than-expected impact of utilities inflation, to mitigate the overspend position. This would 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 budget the percentage increase anticipated for ongoing pay awards be raised to 3 per cent.

In response to a question about the risk to the Council resulting from equal pay claims, especially in the context of the situation at Birmingham City Council, it was commented that the Human Resources team at the Council had been contacted to compile a response. It was noted that in Birmingham the issue seemed to result from bonuses being paid to some categories of workers but not others.

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 additional reductions in spending/additional income, that the Council had to mitigate the present overspend position. It was also reported that in net terms the overspend position was £437,000 but in addition there was an ongoing overspend issue due to the pay award of around £800,000.

It was reported that tranche 1 report on the Medium Term Financial Plan 2024-25 to 2026-27 would be reported in December 2023 this year and this would be looking at identifying further sources of possible revenue including Council Tax and Fees and Charges.

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

35/23

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

Councillor B. McEldowney, the Council's Risk Champion, provided a risk champion update and in doing so reported that he contacted the Chief Executive Officer regarding the recent issue of a Section 114 notice at

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Birmingham City Council and, relating to this Bromsgrove District Council's arrangements for equal pay and pay disputes. The email regarding this had been acknowledged and a response to questions raised by the Risk Champion would be provided in due course. Members present asked that they be included in any communication between Officers and the Risk Champion so that they were kept up to date on this issue.

Members were asked to contact Officers in case any training on specific matters was required.

RESOLVED that the Risk Champion update be noted.

36/23

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

It was requested that a report to ascertain the scale of historic use of reinforced autoclaved aerated concrete (RAAC) in Council-owned buildings be added to the Committee's Work Programme for the meeting in November. With regards to this item, it was asked that the inspection of site drawings be followed up by site inspections to check the accuracy of the records that the Council held.

It was also requested that an item regarding the Council's Biodiversity Policy and the auditing of the Council's legal requirement under section 40 of the Natural Environment and Rural Communities Act 2006 (as updated by section 102 of the Environment Act 2022) to enhance biodiversity be added to the Committee's Work Programme be added to the Work Programme for the November meeting. It was reported that this might be outside the scope of this Committee and more appropriate for the Overview and Scrutiny Board to consider. Officers would provide clarification on this outside the meeting.

RESOLVED that the contents of the Audit, Standards and Governance Committee Work Programme be updated as per the pre-amble above.

The meeting closed at 7.58 p.m.

Chairman

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Audit, Standards & Governance Committee

27th November 2023

MONITORING OFFICER'S REPORT

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

1. RECOMMENDATIONS

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

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

2. BACKGROUND

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

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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.

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Operational Implications

Member Complaints

- 6.2 Since the last meeting of the Committee, the Monitoring Officer has not received new complaints. It will be confirmed at the meeting whether there have been any changes since the agenda was published.

Constitution Review

- 6.4 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.
- 6.5 Following the extraordinary meeting of Council, held on 20th September 2023, at which Members approved the recommendations made by the Governance Systems Task Group, the CRWG has been meeting on a regular basis to progress the group's proposals.
- 6.6 At a meeting of the group held on 28th September 2023, Members discussed the Council's approach to delivering the recommendations that were made by the Task Group. It was agreed at this meeting that the CRWG should meet approximately once a month thereafter to ensure that the proposals detailed in the report could be progressed in time for all of the recommendations to be implemented by the start of the 2024/25 municipal year.
- 6.7 A meeting of the CRWG was subsequently held on 1st November 2023 to consider the draft terms of reference for the Cabinet Advisory Groups (CAGs) and draft Memorandum of Understanding (MoU) for cross party working proposed by the Task Group. A number of changes were requested to these draft documents and the changes were subsequently discussed at an additional meeting of the CRWG held on 8th November.
- 6.8 It should be noted that progress with the implementation of the Task Group's recommendations is being monitored by the Overview and Scrutiny board, which will receive updates in respect of this matter at every meeting for the remainder of the municipal year.

Audit, Standards & Governance Committee

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Member Development

- 6.9 The Member Development Steering Group (MDSG) is responsible for co-ordinating Member training, induction and ICT support. The group meets throughout the year. The next meeting of the group is due to take place on Wednesday 29th November 2023.

Member Training

- 6.10 Following the local elections in May 2023, a comprehensive Member training programme has been arranged for both new and returning Members. This programme was organised in accordance with arrangements requested by the MDSG.

The training sessions that have recently taken place or are due to take place soon include:

- Emergency Plan Training – Wednesday 15th November
- Member Briefing – Decarbonisation of the Fleet – Monday 18th December 2023
- Member Safety Training – Tuesday 19th December 2023

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.

Audit, Standards & Governance Committee

27th November 2023

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor C. A. Hotham, Portfolio Holder for Finance and Enabling	17.11.2023
Lead Director / Head of Service	Claire Felton - Head of Legal, Democratic and Property Services	17.11.2023
Financial Services	N/A	17.11.2023
Legal Services	Claire Felton - Head of Legal, Democratic and Property Services	17.11.2023

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Audit, Standards & Governance Committee 2023

27th November

Annual Review Letter of Local Government & Social Care Ombudsman

Relevant Portfolio Holder	Councillor Charles 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: Aksa Khan	Job Title: Property Lawyer Contact email: aksa.khan@bromsgroveandredditch.gov.uk Contact Tel: 01527 64252 Extn: 2912
Wards Affected	All
Ward Councillor(s) consulted	n/a
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

The Committee is asked to RESOLVE that, subject to Members' comments, the report be noted.

2. BACKGROUND

- 2.1 The purpose of this report is to inform the committee of the Local Government Ombudsman's Annual Review Letter, which sets out the statistics for complaints made against the Council for the period ending 31st March 2023.
- 2.2 The aim of the Annual Review Letter is to provide councils with information which will help them assess their performance in handling complaints and to learn from them.
- 2.3 For the period ending on 31 March 2023, the LGO:
- Received: 10** complaints against the Council relating to:
- | | |
|-------------------------|---|
| Housing: | 1 |
| Planning & Development: | 9 |
- Decided: 12**
- | | |
|-------------------------|----|
| Benefits & Tax: | 1 |
| Planning & Development: | 10 |
| Housing: | 1 |

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27th November

Of these 12 decided cases, 3 were closed after initial enquiries, 2 complaints were not upheld, 3 were “premature”, 3 were invalid and referred back for local resolution, which is required by law before the Ombudsman will consider a matter.

One complaint was upheld.

A finding of service failure [termed ‘fault’] which adversely affected the complainant [termed ‘injustice’] was found in 1 case.

Recommendations to remedy this were as follows:

Benefits & Tax: (1 case) The Council was unable to evidence that the Council Tax bill had been sent to the complainant hence cannot say with certainty that complainant was aware of the collection. The recommended actions were to provide a written apology and make a payment of £150.00 to remedy the fault. As well as reviewing the Councils practices in recovering overpayments by direct debit, including the contents of the letters.

- 2.6 Ombudsman guidance provides that where findings of maladministration / fault in regard to routine mistakes and service failures occurs and the authority has agreed to remedy the complaints by implementing the recommendations made following the investigation, the duty to report to members is satisfactorily discharged if the Monitoring Officer makes a periodic report to members summarising the findings on upheld complaints over a specific period. In a small authority this may be adequately addressed through an annual report.

The Ombudsman’s Annual Review Letter is issued in mid-July, too late for inclusion in the July meeting of the Committee, where it was added to the work programme for inclusion in the November meeting of the Committee.

- 2.7 Only where an investigation has wider implications for council policy or exposes a more significant finding of maladministration, perhaps because of the scale of fault or injustice, or the number if people affected, the LGO would expect the Monitoring Officer to consider whether the implications of that investigation should be individually reported to members.
- 2.8 The Council continues to have a strong focus on providing good customer service and includes having processes in place to respond to

Audit, Standards & Governance Committee 2023

27th November

complaints from customers. A review of our complaints processes is currently underway but inevitably there will always be some cases where customers are not satisfied and refer matters to the Ombudsman. The Council cooperates fully with Ombudsman enquiries and investigations. There is a nominated link officer for the Ombudsman to manage their contact with the Council and prior to the pandemic, routinely attended conferences organised by the LGO.

3. FINANCIAL IMPLICATIONS

- 3.1 The ombudsman recommended a payment of £150.00 in one complaint which was upheld. No other direct cost implications arise from this report.

4. LEGAL IMPLICATIONS

- 4.1 The Local Government Ombudsman powers are contained in the Local Government Act 1974 as amended by the Local Government and Public Involvement in Health Act 2007.

The main activity of the LGO is the investigation of complaints, which are limited to complaints from members of the public.

5. STRATEGIC PURPOSES – IMPLICATIONS

Relevant Strategic Purpose

- 5.1 An Effective and Sustainable Council

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 Providing equitable service is of significant importance to the Council and the statistics in the review will assist officers in the monitoring of how the Council can fulfil this.

Operational Implications

Audit, Standards & Governance Committee 2023

27th November

6.2 Providing good customer service is of significant importance to the Council and the statistics in the review will assist officers in the monitoring of complaint handling and resolution.

7. RISK MANAGEMENT

7.1 The main risks associated with the details included in this report are those linked to poor standards of complaint handling. The effects of not handling complaints efficiently can include poor customer service, increased customer dissatisfaction, increased numbers of complaints and damage to the Council's reputation.

7.2.1 These risks are being managed as follows: through the Council's Customer services strategy which aims to promote good customer service throughout the Council and includes a defined procedure for responding to complaints before they reach the stage of being referred to the Ombudsman.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 Annual Review Letter 2023 (to follow)

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Cllr Chrles Hotham	17/11/2023
Lead Director / Head of Service	Claire Felton	16/11/2023
Financial Services	Michelle Howell	16/11/2023
Legal Services	Aksa Khan	16/11/2023

**Audit, Standards &
Governance Committee
2023**

27th November

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SECTION 24 REPORT

Relevant Portfolio Holder	Councillor Charlie Hotham, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Pete Carpenter
Report Author: Peter Carpenter	Job Title: Interim Director of Finance email: peter.carpenter@bromsgroveandredditch.gov.uk Contact Tel: 0152764252
Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. SUMMARY OF PROPOSALS

- 1.1 The Council has received the Interim Auditor’s Annual Report from our External Auditors Grant Thornton for 2021/22 and 2022/23. The report sets out progress since the 2020/21 Report and contains an updated Statutory Recommendation with the **key reason** being the non-delivery of the 2020/21 and subsequent financial statements. This report sets out the reason for the updated Statutory Recommendation, the progress the Council has made since last year’s report, and the process the Council now has to follow to rectify that position.

2. RECOMMENDATIONS

Audit Standards and Governance Committee are asked to Recommend to Cabinet and Council that:

- 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.

3. Background

Introduction

- 3.1 The Council received a Section 24 Statutory Recommendation, 5 Key Recommendations and 13 Improvement Recommendations in the 2020/21 Interim Auditor’s Annual Report. During the last year, Members have been updated on progress on delivering to the requirements of the Statutory Recommendation and associated financial issues through the Accounting Policies Reports that are reviewed at every Audit Standards and Governance Committee and the Financial Recovery Reports that go to Cabinet. In

addition, a Task Group was convened in Bromsgrove to identify the underlying issues for the delivery of the Section 24 Statutory Recommendation in February 2023. This Task Group's Report was reviewed, and its recommendations accepted.

- 3.2 As set out in those reports the Section 24 Statutory Recommendation is due to the issues the Council encountered in the implementation of a new financial system in February 2021 and its knock-on effect in terms of staff retention, delivery of the 2020/21 and subsequent Accounts, delivery of 2021/22 in year monitoring, delivery of Government Returns being key items.
- 3.3 As set out in the Interim Auditor's Annual Report 2021/22 and 2022/23 (attached as Appendix A):
- The Section 24 Recommendation around the delivery of the 2020/21 accounts is still in place and has been extended to the subsequent accounting periods now outstanding.
 - Of the 5 Key Recommendations in the 2020/21 report, only one serious weakness remains in relation to opening balances linked to the budget which will be resolved with the delivery of the Accounts, the remainder of those significant weaknesses have been resolved or linked to Improvement Recommendations (of which there are 10 in the report).
 - There is one new Key Recommendation linked to Organisational Capability and Capacity. The Council is mitigating this in the main through the rollout of the Workforce Strategy.
 - Of the 13 2020/21 Improvement Recommendations, 9 have been fully or partially addressed and 4 are yet to be addressed. Again, ongoing improvements are linked to the 10 new Improvement Recommendations set out in the External Auditors report.
- 3.4 The External Auditors have noted the significant progress the Council has made in all areas apart from the delivery of the Accounts. As such the existing S24 Statutory Recommendation remains outstanding in relation to the 2020/21 Accounts and they have concluded that it is appropriate for them to use their powers to make written recommendations under section 24 of the Act, with the key reason being the non-delivery of the 2020/21 and subsequent Statutory Accounts. Further details are set out in the attached report.
- 3.5 Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions:
- The Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council. This will take place at the Council meeting being scheduled for the on the 6th December 2023.
 - At that public meeting the Council must decide
 - whether the recommendations are to be accepted; and
 - what, if any, action to take in response to these recommendations.

- Schedule 7 specifies the meeting publication requirements that the Council must comply with.

- 3.6 The report must come to Audit, Standards and Governance Committee initially for their discussion, and their views to then be fed into Council in December.
- 3.7 The External Auditors Report sets out that Management state that the proposed resolution of the opening balances (Period 0) as at the 8th February have been provided on the 13th November. Once these are reviewed and agreed by the External Auditors the draft 2020/21 Accounts can be provided.
- 3.8 Pages 4 to 7 of the External Audit Report set out the main issues and the Council's Management Responses to each of those issues.

4. **IMPLICATIONS**

Financial Implications

- 4.1 Financial implications are set out in section 3.

Legal Implications

- 4.2 This is set out in section 3.5 above.

Service / Operational Implications

- 4.3 Non-Delivery of the 2020/21 and subsequent Accounts is a fundamental deficiency and this is part of the Corporate Risk Register and impacts all service areas directly and indirectly.

Customer / Equalities and Diversity Implications

- 4.4 There are none of these within this report.

5. **RISK MANAGEMENT**

- 5.1 Non-Delivery of the 2020/21 and subsequent Accounts is a fundamental deficiency and this is part of the Corporate Risk Register.

6. **APPENDICES**

Appendix 1 – Bromsgrove District Council Section 24 Statutory Recommendation – Grant Thornton.

7. BACKGROUND PAPERS

S24 Report to Audit, Standards and Governance Committee – November 2022

2020/21 Draft External Auditors Annual Report – Audit, Standards and Governance Committee – November 2022

Accounting Policies Reports to every Audit Committee in 2023

8. Key

None

Interim Auditor's Annual Report on Bromsgrove District Council

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2021/22 and 2022/23

November 2023

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Agenda Item 6

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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Bromsgrove District Council

Parkside
Market Street,
Bromsgrove
B61 8DA

27 November 2023

Dear Sirs/Madams

[Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014](#)

Our responsibilities

As well as our responsibilities to give an opinion on the financial statements and assess the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources, we have additional powers and duties under the Local Audit and Accountability Act 2014. These include powers to issue a public interest report, make written recommendations, apply to the court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have concluded that it is appropriate for us to use our powers to make written recommendations under section 24 of the Act, due to inadequate arrangements relating to issues with financial systems which further impact on key statutory returns and related financial governance and concerns around the authority's arrangements to secure financial sustainability. The continued non-delivery of the 2020/21 financial statements is a key reason for our updated S24 Recommendation. Further details are set out in the attached report.

What does the Council need to do next?

Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions:

The Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council.

At that public meeting the Council must decide

- whether the recommendations are to be accepted; and
- what, if any, action to take in response to these recommendations.

Schedule 7 specifies the meeting publication requirements that the Council must comply with.

[Jackson Murray](#)

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Executive summary






Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21, reported on the 31st October 2022, was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 because [engagement team to add explanation]. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

We have included a summary on the Council's progress against the key and statutory recommendations raised in 2020/21 to our report for 2021/22 and 2022/23. This is for the purposes of clarity to ensure that it is clear which recommendations remain outstanding and which can be closed. This summary is on pages 11 to 14. Bromsgrove District Council (BDC) also has a totally shared management team with Redditch Borough Council (RBC). RBC may also be referred to in this report.

Criteria	2021/22 Auditor Judgment	2022/23 Auditor Judgment
Financial sustainability	Significant weakness in arrangements identified resulting in one statutory recommendation (SR1) and four improvement recommendations	Significant weakness in arrangements identified resulting in one statutory recommendation (SR1) and four improvement recommendations
Governance	Significant weakness in arrangements identified resulting in one statutory recommendation (SR1), one key recommendation and five improvement recommendations	Significant weakness in arrangements identified resulting in one statutory recommendation (SR1), one key recommendation and five improvement recommendations
Improving economy, efficiency and effectiveness	No significant weakness in arrangements identified but two improvement recommendations	No significant weakness in arrangements identified but two improvement recommendations raised

-  No significant weaknesses in arrangements identified or improvement recommendation made.
-  No significant weaknesses in arrangements identified, but improvement recommendations made.
-  Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

Bromsgrove District Council (BDC)'s financial arrangements are significantly impacted by a flawed ledger implementation which occurred in February 2021. This has had pervasive consequences on all aspects of organisational operations and the Council's ability to fully prove its financial sustainability. As reported in our 2020/21 Auditor's Annual Report in October 2022 and our updates to Audit, Standards & Governance in May 2023 and September 2023, the Council is still not able to produce full draft financial statements for 2020/21. The statutory recommendation in this area remains open and we have updated the statutory recommendation to reflect changes over the last 12 months (see statutory recommendation 1).

Notwithstanding the financial ledger implementation issues and the impact on producing the accounts, the Council has been able to produce a financial monitoring report for M11 of 2021/22 and quarterly monitoring and a draft outturn report for 2022/23. The M11 monitoring report showed the Council to be reporting an estimated £367k underspend on the General Fund Revenue Budget which is a reasonably comfortable financial performance. The draft 2022/23 outturn is forecasting a £956k overspend which is set to be serviced by reserves. The majority of this overspend is linked to the nationally agreed pay award which was significantly over the 2% planned for. It is important to note that all financial information produced since February 2021 is not supported by audited financial statements, and as such could be subject to further change. This means that budget outturns could be incorrect as the budgeting process each year is based on this unvalidated information. This has the potential to change the financial position significantly and may mean inappropriate decisions are being taken.

The Council appears to be in a strong position for the medium term. Our review of the majority of savings that make up the medium term package demonstrate that the plans are based on robust assumptions. We were able to validate the majority of the Council's savings plans with third party evidence which is demonstrative of strong assumptions underpinning the plan. It is important to note, however, that these savings appear to only secure the Council's financial sustainability for the medium term. When the medium term period elapses, the Council will need to identify new and recurrent savings for the post-2026/27 period. The Council currently report a healthy level of reserves (£5.8m estimated as at 31 March 2023, which is above the 5% net revenue expenditure benchmark). The Council must note that any non-delivery of savings would increase its reliance on reserves, though based on our review of the savings plans, this is unlikely to materialise to an unsustainable degree in the medium term.

Though the Council's MTFP appears to be predicated on fairly strong ground, it is important to note that we are basing this assessment on information that is not currently supported by audited statements of accounts for the past three years – which creates a significant gap in assurance. This continues to be a weakness, identified initially in October 2022, and we address this issue in statutory recommendation 1. We raise an improvement recommendation on savings identification, development and reporting to encourage greater transparency in savings management.

The Council has reported significant underspends against its capital budgets relating to slippage, re-phasing and delays in capital projects. We have raised an improvement recommendation in this area (see improvement recommendation 2) to strengthen the Council's capital budget setting process.

The budget setting process at BDC has undergone significant changes since our reporting in October 2022. There has been a focus on greater Member engagement and regular updates on emerging budget concerns have been publicly reported on a regular basis. The 2023/24 budget process also changed significantly with the introduction of the 'two tranche' approach. While there has been improvement, we raise two improvement recommendations relating to budget setting (see improvement recommendations 3 and 4).

Similarly, the budgetary control arrangements have notably improved. During 2021/22, there was no in-year financial monitoring reporting. In 2022/23, the Council returned to in-year reporting which is extremely positive to note. Whilst there has been progress, it is important to note that the assurance in the budget monitoring arrangements continues to be severely impacted by the flawed implementation of the ledger system in February 2021.



2021/22

We are unable to complete our financial statements audit as the Council is unable to produce accounts.

2022/23

We are unable to complete our financial statements audit as the Council is unable to produce accounts.



Executive summary



Governance

We have found a significant weakness in the Council's governance arrangements relating specifically to the failure to produce full financial statements for 2020/21, 2021/22 and 2022/23 (see statutory recommendation 1). The Council is significantly behind its statutory requirement to produce financial statements. This does not allow accountability and transparency for the taxpayers of Bromsgrove. In our view, this is an unacceptable failure to comply with statutory duties. The Council has continued to report this position to Members through Audit, Standards and Governance Committee and Cabinet.

Outside of the financial ledger issues, the Council's governance arrangements have undergone significant improvement since our 2020/21 reporting. Since October 2019, there had been no formal risk reporting arrangements at the Council. This remained throughout 2021/22 and was reinforced by 'No assurance' opinions from internal audit regarding risk management. It was impossible for Members to have assurance that risks were properly being identified and appropriately managed. During 2022/23, the Council was able to introduce a Risk Strategy and Risk Management Framework and introduce formal risk reporting via the Audit, Standards & Governance Committee. Due to the significance of the deficiencies in 2021/22, we have found there to be a significant weakness in the Council's arrangements for risk management in that year. This was reported in our 2020/21 Auditors Annual Report in October 2022. As this is a combined 2021/22 and 2022/23 report, we must also comment on the arrangements for 2022/23. Due to the improvement in the position from 2021/22 to 2022/23, we do not find there to be a significant weakness in the Council's arrangements for 2022/23 but raise improvement recommendations. This demonstrates a marked improvement in the arrangements from 2021/22 to 2022/23, noting that there remains work to do.

The Council had appropriate internal audit arrangements during 2021/22 and 2022/23. The service was effective and assessed the adequacy of internal controls, reporting regularly Audit, Standards & Governance Committee. We raise one improvement recommendation relating to external assessment for compliance with PSIAS (see improvement recommendation 6). Internal audit provide the Council's arrangements for the prevention and detection of fraud. These are generally appropriate though an improvement recommendation has been raised relating to whistleblowing arrangements (see improvement recommendation 8).

There is also room for improvement with regard to Audit, Standards & Governance Committee arrangements (see improvement recommendation 7).

We have found a new significant weakness for 2022/23 relating to the Council's organisational capacity and capability. The average age of staff at the Council is 49 and approximately 10% of Council staff are interim/temporary arrangements. Two of the three statutory officer roles are currently being fulfilled by interims. High turnover of staff has led to a loss of corporate knowledge and history, and this impacted the finance team significantly along with the continuing development of the finance system implementation. The finance team currently has several staff who are interim or on long-term sick leave, and there are also vacancies.

In September 2023, we reported to Audit, Standards & Governance Committee the challenges we were experiencing in terms of obtaining sufficient, appropriate evidence to support our audit work in respect to the ledger implementation, as well as the receipt of other evidence that would allow us to undertake an audit of the 2020/21 financial statements. We decided to redirect our audit team to other work as insufficient working papers had been provided and those that had been provided were not of the expected quality. We attribute some of the difficulties experienced here to a lack of capacity in the finance team.

The combination of the turnover and capacity constraints coupled with the formidable task of rectifying the issues with the ledger implementation has lead us to conclude that there is a significant weakness in the Council's arrangements with regard to organisational capacity and capability (see key recommendation 1). The Council now have a Workforce Strategy in place which is a positive step in the right direction. Effort must now be directed toward embedding the strategy and action plan. This issue was similarly acknowledged by the LGA in the peer review. We also acknowledge that this is extremely challenging in the current local government environment and the difficulties surrounding workforce recruitment and retention. These challenges appear to be having a particularly acute impact at the Council and Redditch Borough Council (RBC), with whom all staff are shared.

Executive summary



Improving economy, efficiency and effectiveness

During 2021/22, the Council did not publish performance reports, which was a significant weakness in arrangements. The Council has returned to in-year reporting for 2022/23 and 2023/24 which is combined with financial reporting, though there is significant room for improvement in the quality of the reports (see improvement recommendation 9). The Council clearly have a lot of meaningful data but it is currently not presented in the most accessible format to be able to properly interrogate the information. There are currently limited benchmarks or targets against which to measure performance and there is therefore no standard expectation. The data shows what is happening but does not assess whether this performance is 'good' or 'bad' and therefore does not drive behaviour and actions. The Council should put effort toward determining what quality of service it would like to deliver, put arrangements in to review that regularly and then report against that position. The current performance reports demonstrate a good foundation to build on but there is room for improvement.

The Council has Contract Procedure Rules though these have not been updated since October 2016. We raise an improvement recommendation urging the Council to review the Contract Procedure Rules annually (see improvement recommendation 10). The procurement function has undergone significant change in the last year and a half and improved significantly as is demonstrated by the journey from the 'Limited assurance' internal audit report from June 2022. There is, however, room for improvement. At present, the procurement team does not report on waivers to committee level. We recommend that the Council report on waivers (in terms of numbers and values of waivers raised) to the Audit, Standards & Governance Committee at least quarterly. This can ensure that senior leadership, Members and the public are aware of the level of waiver use (see improvement recommendation 10).

The Council has notably strong partnership arrangements in place. The Council works closely with its statutory partners, commissioned providers, private businesses, community and the voluntary sector to perform its responsibilities. Partnership working is a specific area of focus for both Councils, led by the Interim Chief Executive. The Council brings together organisations from all sectors as community leaders and key members of their local strategic partnerships (LSPs), the Bromsgrove Partnership, as well as the emerging local 'Collaboratives'.

Since our report, the Council has made significant progress in their management of projects/programmes. A Project Management Framework has been created and Project Management Office (PMO) established to support project delivery. Formal reporting of all projects is undertaken on a monthly basis and feeds into the Finance and Performance Reports.

Use of auditor's powers

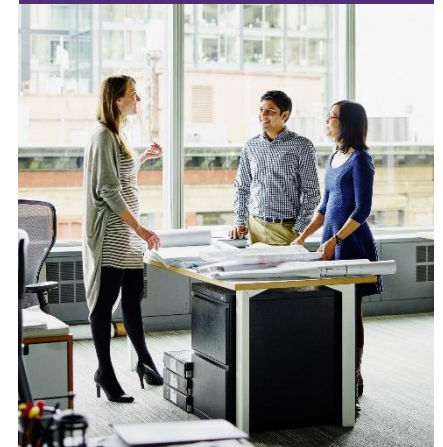
We bring the following matters to your attention:

	2021/22	2022/23
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	We have raised one statutory recommendation.	We have raised one statutory recommendation.
<p>Public Interest Report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	We did not issue	We did not issue
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	We did not apply	We did not apply
<p>Advisory notice</p> <p>Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful. 	We did not issue	We did not issue
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	We did not apply	We did not apply

Recommendation made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

Area	Recommendation (SR1)
Financial systems and governance	<p>The Council still cannot produce full draft 2020/21 accounts. Incomplete versions of the financial statements for 2020/21 were presented to Audit, Standards and Governance Committee in December 2022, however, these had material balancing figures to be resolved. We understand that these issues were subsequently resolved, however, draft financial statements have yet to be certified by the Section 151 Officer who has stated that he will not certify the financial statements until external audit assurance has been obtained on the opening balance transfer from the old to the new ledger relating to the longstanding issues stemming from the flawed ledger system implementation from February 2021. Although we are aware of this approach, we consider this to be unsatisfactory progress since our issuing of the statutory recommendation that we raised in October 2022. The failure to produce 2020/21 accounts has had the subsequent impact of a failure to produce draft accounts for 2021/22 and 2022/23 which are the audit years which are the subject of this report. The Council is significantly behind its statutory requirement to produce financial statements. This does not allow accountability and transparency for the taxpayers of Bromsgrove. In our view this is an unacceptable failure to comply with statutory duties. The Council has continued to report this position to Members through Audit, Standards and Governance Committee and Cabinet.</p> <p>We have attempted to undertake work on the opening ledger balances, however, progress to obtain information from the Council and its ledger software provider has been slow and the Council only provided transactional data for period 0 (2020/21) on the 13th November 2023 from the old system.</p> <p>Furthermore, the entire medium-term plan, including the projections surrounding the medium-term gap (the cumulative budget deficit forecast up to 31st March 2026), the forecast reserves balance and all budget monitoring information is using data that cannot be supported by audited financial statements since 2020/21. This has the compounding impact of placing a limited level of assurance on the starting figures in the medium term financial plan. The lack of assurance in the figures included in the budget monitoring reports is further demonstrated by:</p> <ul style="list-style-type: none"> • The Council's reluctance to produce a whole-year 2021/22 outturn report (only an M11 report has been produced) • The correction to the 2020/21 outturn (which was originally presented in January 2022 and then corrected and presented again in January 2023) <p>Recommendation</p> <p>The Council must produce 'true and fair' draft accounts for 2020/21, 2021/22 and 2022/23 which are signed off by its Section 151 officer. In addition, the accounts must be supported by high quality working papers. Working papers must be subject to internal quality control checks prior to being provided to external audit to avoid further delays and cost.</p> <p>To achieve this, the Council needed to prioritise gaining access to period 0 balances for 2020/21 which are essential to gaining assurance over the ledger transfer. This was only delivered on the 13th November and is therefore still subject to review. Once the Section 151 Officer is satisfied that the ledger transfer was appropriate, he must certify draft accounts for 2020/21 and publish these on the Council's website. The public inspection period must also be started. The Council must then focus on the production of 2021/22 and 2022/23 draft financial statements and their publication.</p>

The range of recommendations that external auditors can make is explained in Appendix C.



Progress from prior year significant weaknesses

Type of recommendation	Recommendation	Progress to date	Impact on 2021/22 and 2022/23 reporting
Statutory	<p>The Council cannot yet produce its 2020/21 draft statement of accounts with long-standing issues with its new ledger system in relation to cash receipting requiring resolution. The Council must ensure that arrangements allow for the successful implementation of cash receipting within its ERP system to allow key elements of financial governance and compliance to be undertaken routinely and in a timely manner. In order to achieve this the Council should:</p> <ul style="list-style-type: none"> ensure the Council has access to the necessary knowledge and expertise to resolve the remaining key issues with the ERP system in a timely manner to provide management with sufficient assurance over the completeness and veracity of the data included within the system; undertake appropriate testing of the fixes and ensure that appropriate sign-off of these is received prior to running them on live system data; and ensure budget holders and other relevant officers possess the skills and knowledge to appropriately use the ERP system as intended, including relevant training and updates to key documentation and process manuals. <p>Once system issues are properly resolved, the Council must:</p> <ul style="list-style-type: none"> undertake key control activities such as bank and control account reconciliations on a monthly basis and ensure that these are kept up to date; produce the 2020/21 and 2021/22 draft financial statements, along with high quality supporting working papers; conclude the 2020/21 and 2021/22 RO and CO submissions, and other key Government returns including Whole of Government Accounts; and ensure timely reporting of budget outturns and report publicly on in-year financial monitoring, including updates on the capital programme and savings scheme achievement. 	<p>In October 2022, we issued a statutory recommendation relating to Redditch Borough Council and Bromsgrove District Council's flawed finance system implementation (which occurred in February 2021). The implementation had resulted in the Councils being unable to produce 2020/21 accounts for external audit.</p> <p>We acknowledge that progress has been made since this date. We received an early draft version of the 2020/21 accounts in December 2022 and have been able to perform some procedures relating to data migration and testing. There remains to be significant work required, this is documented in our report to Audit, Standards & Governance from June 2023.</p> <p>We presented a further update on progress to Audit, Standards & Governance in September 2023 and highlighted that we were still experiencing significant difficulties in obtaining sufficient appropriate evidence to support the work on the data transfer to enable us to begin the 2020/21 audit of the financial statements in earnest</p> <p>The Council has made significant progress in a number of areas (e.g. cash receipting, providing data take on for all periods excluding period 0, return to financial monitoring). Period 0 data was finally received on the 13th November 2023. This progress has been documented in this report.</p>	<p>Though there has been improvement, the Council is still not able to produce full 2020/21 accounts. This has had the subsequent impact of a failure to produce accounts for 2021/22 and 2022/23. For this reason, the statutory recommendation remains open until the Council is able to produce comprehensive 2020/21, 2021/22 and 2022/23 accounts.</p> <p>The statutory recommendation remains outstanding.</p>

Progress from prior year significant weaknesses

Type of recommendation	Recommendation	Progress to date	Impact on 2021/22 and 2022/23 reporting
Key	The Council needs to ensure that the Medium-Term Financial Plan presented to Members is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.	The Council has made significant progress in its medium term financial planning and budget setting arrangements. This is documented on pages 16 to 19.	<p>The Council's medium term position is now predicated on much stronger assumptions than our prior year reporting. The significant weakness no longer applies and this key recommendation is resolved. There continues to be uncertainty in the financial information supporting the medium term plan, though this is addressed in statutory recommendation 1.</p> <p>The significant weakness in the medium term position remains due to the issues surrounding the ledger implementation. This is addressed in statutory recommendation 1. We have raised improvement recommendations relating to savings identification, management and monitoring and the budget setting process (see improvement recommendation 1, 3 and 4).</p>
Key	The Council needs to improve management of key projects, such as the financial ledger implementation, to ensure that expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure lessons are learned for future key projects.	Since our 2020/21 report, the Council has made significant progress in management of projects/programmes. This is documented on page 41. In summary, a Project Management Framework has been created and Project Management Office (PMO) established to support project delivery. Formal reporting of all projects is undertaken on a monthly basis and feeds into the Finance and Performance Reports.	<p>Although the finance ledger system issue remains, we have addressed this in our statutory recommendation which remains on the Council. We, however, lift the significant weakness relating to poor project management to recognise the progress the Council has made in this area.</p> <p>The significant weakness has been removed and key recommendation resolved. No further action.</p>

Progress from prior year significant weaknesses

Type of recommendation	Recommendation	Progress to date	Impact on 2021/22 and 2022/23 reporting
Key	The Council should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. In order to achieve this the Council should reinstate public reporting on performance, linking this to the Council Plan and the related strategic objectives, allowing Members to scrutinise performance. This should be done at least twice per year.	The Council's performance management arrangements are covered in detail on pages 38 to 39. As documented in our report for 2020/21, there was no performance reporting for 2021/22. The significant weakness for 2021/22 therefore remains. In 2022/23, the Council returned to in-year reporting though the reports are in need of significant work to be of an appropriate standard.	We lift the significant weakness for 2022/23 due to the return to in-year reporting but we would like to emphasise that the quality of the Council's performance reports is inadequate and needs significant improvement. We raise an improvement recommendation (see improvement recommendation 9). The significant weakness is lifted and key recommendation resolved. However, see improvement recommendation 9.
Key	The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this the Council should make risk management reporting a standing item on the Audit, Standards & Governance Committee agenda, with Members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.	The Council has made visible improvements to risk management arrangements since our 2020/21 report. This is documented in detail on pages 29 to 30. To summarise, the Council did not have sufficient risk management arrangements during 2021/22. From our review of Audit, Standards & Governance Committee meetings and risk management reports, it is clear to see the progress the authority has made with regard to the Corporate Risk Register and the engagement with risk management at the organisation. The improvement in the quality of the reports from April 2021 to July 2023 is worth noting.	Due to the significance of the deficiencies in 2021/22, we have found there to be a significant weakness in the Council's arrangements for risk management in that year. Due to the improvement in the position from 2021/22 to 2022/23, we do not find there to be a significant weakness in the Council's arrangements for 2022/23 but raise an improvement recommendation (see improvement recommendation 6). The significant weakness has been removed and key recommendation resolved. An improvement recommendation has been raised (see improvement recommendation 6).

Progress from prior year significant weaknesses

Type of recommendation	Recommendation	Progress to date	Impact on 2021/22 and 2022/23 reporting
Key	The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.	The Council's budgetary control arrangements are covered in detail on pages 17 to 19. In sum, there was no in-year financial monitoring reporting for the whole of 2021/22. The Council has made progress and managed to re-introduce in-year budget monitoring reporting in 2022/23. While there has been improvement, it is important to note that the budget monitoring arrangements are severely impacted by the flawed implementation of the ledger system in February 2021.	<p>Due to the fact that the Council did not have budget monitoring arrangements in place for 2021/22, our significant weakness remains for that year. However, as we are providing a dual report and are also covering 2022/23 and as the Council has returned to in-year budget monitoring, we have removed the significant weakness in arrangements for 2022/23. Nevertheless, we include in our statutory recommendation that the reliability and accuracy of the budget monitoring reports hinges on the successful rectification of the ledger implementation.</p> <p>The significant weakness is lifted and key recommendation resolved. However, see improvement recommendation 3.</p>

Key recommendations



Key Recommendation 1

Organisational capability and capacity

The Council should direct effort toward embedding and stepping up the Workforce Strategy objectives. In line with the recommendations of the LGA Peer Review (March 2023), the Council should ensure that there is commitment at all levels of the organisation to enact succession planning, creative recruitment and development of the workforce. The Council should also ensure that existing staff are utilised in the most effective way possible to ensure delivery of key Council programmes (such as the finance recovery programme) and the strategic priorities.

Audit year

2022/23

Why/impact

At present, approximately 10% of the Council's workforce is temporary/interim arrangements. Furthermore, two out of three of the statutory officers are interim. This impacts on the organisation's ability to deliver business as usual as well as strategic extraordinary projects such as the finance recovery programme. (Note, without interim staff there would be no finance recovery programme in its present format.) Moreover, it impacts the bottom line as temporary staff are a greater cost to the organisation than substantive arrangements. Bromsgrove District Council is an authority with a significant improvement journey ahead and the organisational capacity issues could hinder the Council's ability to develop and improve.

Management Comments

The Council are implementing its Workforce Strategy which was launched in June. £150k has been made available to ensure that there is appropriate HR resources to implement the initial action points of the plan. This plan includes the requirement of services ensuring that they properly plan their resources for the short, medium and long term resilience of the Council in delivering its services to stakeholders. As an example of this the finance team that is in the process of being rebuilt now has three officers undertaking CIPFA training in order to develop accountants and capacity in-house. However, given present employment conditions across the Country, part of this workforce plan needs to take account of the requirement to use temporary resource.

The two Statutory Officers who are presently interim are having formalised arrangements being put in place for the next year to ensure stability and continuity pending the restarting and completion of both recruitment processes. Both officers have extensive local authority experience, including organisational intelligence, member and staff support which significantly mitigates the risk.

The Council, as part of the Tranche Two of the 2023/4 budget, are reviewing the overall establishment to ensure it reflects its and the HRA's needs and links properly to the workforce strategy.

The range of recommendations that external auditors can make is explained in Appendix C.



Securing economy, efficiency and effectiveness in the local authority's use of resources

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The local authority's responsibilities are set out in Appendix A.

Local authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the local authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the local authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the local authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the local authority makes decisions based on appropriate information.

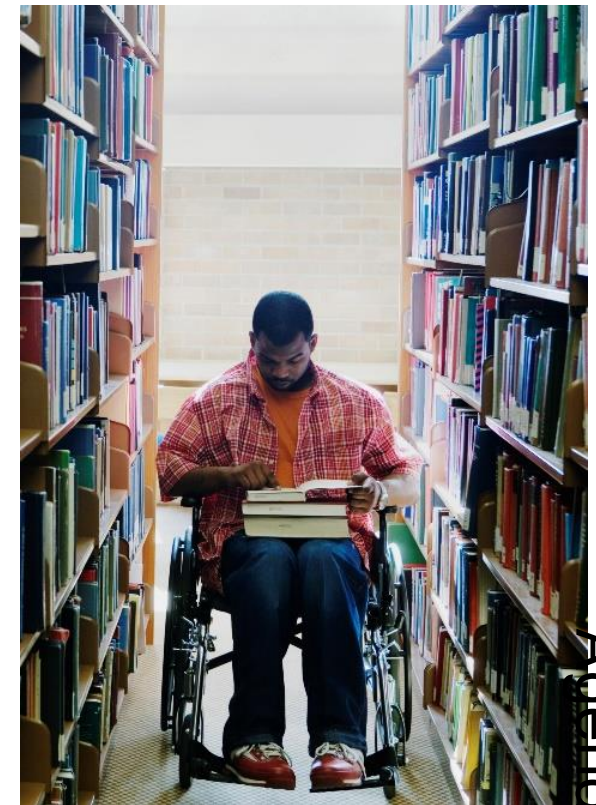


Improving economy, efficiency and effectiveness

Arrangements for improving the way the local authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the local authority's arrangements in each of these three areas, is set out on pages 16 to 43. Further detail on how we approached our work is included in Appendix B.



Financial sustainability



We considered how the local authority:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Budget setting

A local authority's budget provides the financial basis for the allocation of resources, the delivery of services and the management of the organisation over the period of one financial year. Authorities are required by statute to set and agree an income and expenditure prior to the beginning of the financial year to which the budget relates.

The Council sets a three-year medium term plan every year with the Council Tax resolution being approved by Full Council in the February prior to the start of the financial year. The MTFP is updated annually.

The 2021/22 budget was approved by Full Council in February 2021.

For the 2022/23 budget, the Council incorporated an extraordinary element to the process in response to expressed appetite on the behalf of members to understand more about the underlying issues within the budget and MTFP, and to allow greater involvement of Members in advance of the formal report being received by Full Council in February each year. Officers therefore created a Member engagement plan for the 2022/23 Budget and MTFP report. The plan involved presenting reconciliations between the original approved budgets and any further updates. Officers also highlighted additional engagement opportunities through the Finance and Budget Working Group and workshops open to all Members. The Council also aimed to engage Members earlier on in the process and provide reasonable opportunity for suggestions to be considered. This demonstrates a positive step forward from our 2020/21 reporting where we noted that the Council had limited evidence of internal involvement in the budget setting process.

In 2021/22, the Cabinet was presented with an update on the preparation of the MTFP for 2022/23 to 2024/25 in December 2021. In this meeting, the Executive Director of Resources provided an update on emerging budget concerns and expressed the opportunity for further Member engagement. There was a distinct emphasis on the fragility of the Council's financial position and the increasing focus on rebuilding the General Fund reserves balance. This also represents a strengthening of arrangements.

The draft budget for 2022/23 was noted by the Cabinet in February 2022, having been pre-scrutinised by the Finance and Budget Working Group. The final budget was approved by Full Council later in the month.

The Council made further changes to the budget setting process for 2023/24.

In October 2022, the Cabinet was advised that the budget setting process for 2023/24 and the accompanying MTFP 2023/24 to 2025/26 would run in two 'tranches.' Due to the difficulties facing the Council (and the local government sector as a whole), officers considered it prudent to split the budget setting process into two. The initial tranche would seek to close as much of the deficit as possible using information known as at the end of September 2022 and seek approval for those savings to be implemented at Council in January 2023. The second tranche would be considered after the Christmas break which would be approved in February 2023. This would take into account the Local Government Settlement, the final detail for which was not due to be known until early January 2023.

In November 2022, the Cabinet received a further update on changes to the MTFP following announcements from the Chancellor in November 2022 and again in January 2023 following confirmation of the Local Government Settlement in December 2022.

Financial sustainability

The initial Tranche 1 savings were presented for Cabinet approval in January 2023. Tranche 2 was reviewed by the Cabinet in early February and approved by Full Council in February 2023. There has clearly been a concerted effort to develop the budget setting process at Bromsgrove District Council from 2020/21 to 2023/24. There is a notable increase in the level of engagement of senior officers from our reporting for 2020/21.

The Council included in the budget report a table demonstrating the changes in the financial projections and budget gap for 2021/22 based on the original estimation of the budget gap from February 2020. The Council included explanations of the reasons for changes

The report also demonstrates the impact on the medium-term financial plan. The budget report contains estimates and assumptions such as inflation, interest rates, government grants, council tax base and collection rates which are updated annually. This serves as evidence of the Council considering trends and the impact on the final outturn and, in this case, the forecast budget gap.

There is evidence that the budget setting process is linked with the annual business planning process as the report directly links the MTFP to the Council's Strategic Purposes. The Purposes that drive financial considerations are noted to be:

- Run and grow successful business
- Work and financial independence
- Living independent, active and healthy lives
- Affordable and sustainable homes
- Communities which are safe, well maintained and green

There is evidence of internal engagement in the 2021/22, 2022/23 and 2023/24 budget setting process. The Finance and Budget Working Group met regularly in the 12 months preceding the February budget approval to review costs, fees and charges and the capital programme.

These meetings often resulted in recommendations to the Cabinet. There is significant officer engagement in the budget setting process and Member to officer engagement in the devising of the savings proposals or income generation opportunities. In response to the LGA Peer Review from March 2023, the Council noted that the budget setting process has 'improved significantly from a democratic perspective.'

There continues to be limited evidence of external engagement in the budget setting process. There is no mention of external consultations feeding into the 2021/22, 2022/23 or 2023/24 budgets (see improvement recommendation 4).

There also continues to be limited evidence of trend analysis and extrapolation, sensitivity analysis or alternative proposals and scenarios being considered in the budget setting process. While this is not a significant weakness, the Council could enhance the budget setting process by including scenario modelling and presenting to Members to support their decision-making process (see improvement recommendation 3).

Budgetary control

In our report for 2020/21, we found a significant weakness in the Council's arrangements surrounding budgetary control. This was relating to the fact that budget monitoring reporting essentially ceased with the flawed implementation of the new ledger system in February 2021. There was therefore no in-year reporting for the whole of 2021/22.

The Council has made progress since our key recommendation and managed to re-introduce in-year budget monitoring reporting in 2022/23. In 2021/22, there were two reports presented to the Cabinet relating to the outturn of 2020/21. In 2022/23, the Council presented the Financial Monitoring Report for M11 2021/22 and began in-year reporting for 2022/23 with the presentation of the period 1 2022/23 in July 2022.

With regard to budgetary control for the 2022/23 financial year, the Cabinet received budget monitoring reports for period 1 in July 2022, Quarter 1 in September 2022, Quarter 2 in December 2022 and Quarter 3 in March 2023.

However, it is important to note that in January 2023 the Cabinet also received a second report relating to the financial outturn for 2020/21. Members were originally presented with the 2020/21 outturn in January 2022, a whole year earlier. Officers were presenting this report again as the original report contained inaccurate information regarding the outturn position and the latest report served as a correction.

In 2023/24, the Council has presented monitoring reports for Quarter 4 of 2022/23, the draft outturn position for 2022/23 and quarter 1 of 2023/24.

Financial sustainability

The Council has put significant effort toward ensuring processes and systems are in place to ensure budgetary control. There has been progress toward communicating relevant management information to Members. It is, however, important to note that this communication has not always been accurate or timely.

There is evidence of engagement with budget holders to review performance and identify actions to resolve variances. Financial reports are sent to budget holders on a monthly basis. As part of this process a detailed review is undertaken with support from the finance team to ensure that all issues are considered and significant savings or cost pressures are addressed.

There is evidence of reporting to Cabinet in-year and at outturn. The reports include appropriate treasury management activity, including borrowing and investment activity. For example, the Revenue Outturn report for 2020/21 (updated in January 2023) showed £4.75m of short-term borrowing and investments of £2m.

The reports include summaries providing clear understandings of drivers of cost pressures and action being taken. There are also explanations for variances to budget and outturn and actions being taken to mitigate the variances. The reports include relevant non-financial information, for example, capacity constraints within the finance team is mentioned in the budget monitoring reports to provide explanations for delays to timely reporting. There is clear effort in the reports to provide sufficient information for key decisions to be made.

While there has been progress, it is important to note that the budget monitoring arrangements are severely impacted by the flawed implementation of the ledger system in February 2021. For example, the Council is not comfortable producing a final outturn position for 2021/22 (which is why an M11 position was reported) due to the lack of assurance in the cash receipting related figures for the 2021/22 position.

We also do not have assurance in the accuracy or reliability of the information reported in the budget monitoring and outturn reports for the same reason, as the data is being driven by a system that has had unaudited accounts for 2020/21, 2021/22 and 2022/23. Officers and Members could therefore be making decisions that are misled due to the lack of assurance in the financial information reported. The consequence of this is a lack of assurance in the medium-term plan and medium-term position.

The accuracy concerns are further evidenced by the fact that the 2020/21 outturn was reported twice, one year apart, due to inaccuracies in the initial reporting.

Internal audit reports have also continued to highlight risk in certain financial areas such as budget monitoring and reconciliations. 'Limited' assurance opinions were reported in 2022/23 against debtors and the main ledger reflecting ongoing risks.

We also cannot place assurance on a budget monitoring audit performed by internal audit as they opted not to perform a review in 2021/22 and 2022/23 as they recognised that an audit would be of limited value as the risks and required actions were already known.

The fact that the Council has returned to in-year reporting demonstrates significant progress since our determination of a significant weakness in arrangements for 2021/22. Due to the fact that the Council did not have budget monitoring arrangements in place for 2021/22, our significant weakness remains for that year.

This is further corroborated by a 'limited' assurance internal audit into budget monitoring published in June 2022.

However, as we are providing a dual report and are also covering 2022/23 and as the Council has returned to in-year budget monitoring, we have removed the significant weakness in arrangements for 2022/23. Nevertheless, we include in our statutory recommendation (see statutory recommendation 1) that the reliability and accuracy of the budget monitoring reports hinges on the successful rectification of the ledger implementation.

The Council was able to provide evidence of increased efforts to ensure that non-finance colleagues are involved in the budget monitoring process. We viewed a copy of a training pack that was rolled out to budget managers to demonstrate effective budget management. This is an improvement from the 2020/21 reporting where we found limited evidence of this.

Discussions with officers show that the finance recovery programme is definitely of importance to the whole organisation which demonstrates an improvement from our reporting for 2020/21 where we noted limited engagement from officers with the financial position.

2021/22 planning and performance

The 2021/22 budget was set against the backdrop of COVID-19 and the resulting financial pressures that had a fundamental impact on local economies, nationwide uncertainty surrounding the financial impact of Brexit negotiations, the prospect of a potential new funding formula (that was eventually delayed) and general uncertainty on the future funding arrangements with central government.

Toward the end of 2020/21 and start of 2021/22, to add to these challenges, Bromsgrove also experienced a flawed implementation of their new finance ledger system in February 2021. This ledger system implementation has resulted in the Council being unable to produce accounts for 2021/22 and 2022/23. This was addressed in our statutory recommendation which was issued to the Council in October 2022, relating to the 2020/21 financial year.

In February 2021, the Council set an original General Fund revenue budget of £11.99m.

Financial sustainability

As per the budget report for 2021/22 presented in February 2021, the Council forecast identified savings and additional income of £426k for 2021/22.

Due to the flawed ledger implementation and the failure to produce audited statements of accounts, the Council the Council has not produced a 2021/22 final outturn report. The Council has produced an M11 estimated outturn of £367k underspend on the General Fund revenue budget.

The Council did not report on savings progress during 2021/22. This is addressed in our improvement recommendation 1. In reviewing the budgets for 2022/23, it was evident that £477k of savings were not delivered for 2021/22. We queried the Council to understand how £477k of savings were undelivered yet the target was £426k (meaning the Council did not deliver over £51k above its original target) and the Council was unable to highlight why this was the case. The issues surrounding this relate primarily to the account ledger implementation which has resulted in confusion and uncertainty surrounding figures for 2021/22.

The Council noted, however, that in 2022/23, the savings for 2021/22 were delivered via staff savings as is evident in the Quarter 2 Finance and Performance Report, though £57k was still not delivered.

The General Fund unearmarked reserves were reported as £4.613m at 31 March 2021 and the council used £0.218m of reserves during the year. The Council ended 2021/22 with reserves of £4.485m of General Fund unearmarked reserves.

2022/23 planning and performance

In 2022/23, the Council was still feeling the impacts of COVID-19 although the funding from government to meet the costs ceased. We note that there were additional pressures in budget costs, inflation levels not seen in over 20 years, interest rates at pre banking crash levels, Brexit and due to supply chain issues and it is clear that councils were facing a difficult national backdrop against which to make decisions to ensure future financial sustainability.

During 2022/23, the Council were issued with the statutory recommendations previously mentioned.

In February 2022, the Council set an original General Fund revenue budget of £12.069m (a small increase on the previous year). The Council aimed to deliver savings of £0.176m. As per the January 2023 financial monitoring report (which is the latest available report due to the ledger issues), the Council is expecting to fully deliver these savings.

As per the 2022/23 provisional outturn report presented to the Cabinet in October 2023, the Council is projecting a revenue budget overspend of £956k (7.9% of the original budget).

The overspend is primarily being driven by the larger than forecast pay award and increased fuel and fleet maintenance costs affecting a number of directorates across the Council. As with the 2021/22 outturn, the Council will not produce a final 2022/23 outturn position until the ledger implementation issues are fully resolved.

The Council provide the caveat in the 2022/23 outturn report that due to the issues relating to the flawed ledger implementation, and in particular issues with entries in suspense and miscoding, the report is subject to change. The budget monitoring and outturn reports are all potentially subject to change and will continue to be until the Council is able to finalise accounts for 2020/21, 2021/22 and 2022/23. The Council was able to contribute £1.315m to General Fund reserves during 2022/23, bringing the reported balance to £5.8m as at 31 March 2023. This was due to a re-allocation of earmarked reserves.

2023/24 performance

The Local Government Finance Settlement 2023/24 was challenging but more generous than most authorities were expecting. The Spending Review total for local government increased by £1.6 billion in 2022/23 and in 2023/24 the Review stated that this would be the same 'cash' level as 2022/23. Though the impact of COVID on Council finances has reduced significantly, the current predicted high inflation rates and cost of living crisis has increased pressure on Council budgets. Inflation, in particular, is presenting as a considerable cost pressure in 2023/24 budgets impacting Council costs.

For Bromsgrove, the settlement resulted in additional income in the form of a New Homes Bonus (£127k), Services Grant (£68k) and Funding Guarantee (£1,027k). However, also resulted in a reduction in the Council Tax base creating a £24k cost pressure.

The Council pursued a more strategic approach to 2023/24 budget setting, this is covered in pages 18 to 20. The Council set a net General Fund revenue budget of £14.7m in February 2023.

The Council is currently forecasting an overspend of £788k on the General Fund revenue budget.

Financial sustainability

At 2023/24 budget setting, the Council agreed to set up an earmarked reserve which can be used to mitigate overspends. The Council are planning to use £351k of this to mitigate the £788k overspend position, leaving £437k unmitigated. The assumption is therefore that the General Fund unearmarked reserves will be used to mitigate the rest of the overspend, depleting reserves to £5.363m if the overspend is not mitigated in-year.

The medium term position

The Council has acknowledged in the medium-term financial plan that the outlook beyond 2023/24 remains uncertain. In an atmosphere of political and international uncertainty, economic challenges such as inflation, increased interest rates, lack of clarity on future finance settlements and the long-term impact of greater service demand, authorities are tasked with the difficult task of demonstrating a resilient and sustainable position from which to weather shocks.

The Council is forecasting a £5.9m cumulative budget gap for the medium term. The Council is planning to meet this budget gap through a combination of savings and reserves usage, see Table 1.

	2023/24	2024/25	2025/26
Total Expenditure	14,711	14,604	14,840
Total Income	(12,806)	(12,771)	(12,631)
Budget Gap	1,905	1,833	2,209
Savings	1,655	1,877	1,778
Reserves	250	(44)	431

Source: Budget report for 2023/24

Table 1: The medium term budget gap

As is demonstrated by Table 1, if the Council does not deliver 100% of its savings plan, this increases the reliance on the reserves balance to bridge the gap. The Council's General Fund reserves balance as at 31 March 2023 is forecast to be £5.8m.

It is generally accepted that councils seek to maintain a General Fund reserves balance that is at minimum 5% of net expenditure (excluding housing benefits and HRA). 5% of net revenue expenditure for Bromsgrove for 2023/24 would be £0.7m. The Council is therefore well above the minimum recommended level of General Fund reserves which is positive to note.

The Council has decided to plan to build a level of General Fund reserves which are 10% of gross expenditure less housing benefits in order to provide some further resilience. This would mean General Fund reserves should be at a level of at least £2.8m. As is demonstrated in Table 2, the Council is forecasting to maintain well above this threshold throughout the medium term period, though it is important to note that this is predicated on full and timely delivery of savings plans.

	Reserves (as at 31 March) £'m	Contributions to/usage from reserves in year £'m	
2019/20	4.502	0.111	Actual
2020/21	4.613	-0.128	Estimate
2021/22	4.485	1.315	Estimate
2022/23	5.8	-0.150	Estimate
2023/24	5.65	0.244	Forecast
2024/25	5.894	-0.231	Forecast
2025/26	5.663		Forecast

Table 2: Unearmarked General Fund Reserves Balance

Source: Budget Report for 2023/24

Financial sustainability

As a slight caveat, the figures in Table 1 and 2 are slightly different as in between the February 2023 budget report and the October 2023 budget monitoring report, the Council was able to identify additional savings. Table 4 below highlights the change in reserves balances:

Forecast reserves contribution/usage	Table 1	Table 2	Variances
2023/24 usage	250	150	100
2024/25 contribution	44	244	200
2025/26 usage	431	231	200

Table 4: Movement in Reserves from 2023/24 budget report to Q1 budget monitoring report
Source: Budget Report for 2023/24 and Q1 2023/23 budget monitoring report

Essentially, the Council is forecasting to either increase the contribution to the reserves or reduce the need to use their reserves. The Council have attributed this to an allocation into the General Fund from Business Rates and various S31 contributions during the medium term period.

Local authorities across the country are dealing with issues of over-reliance on reserves to meet budget gaps, with no headroom or contingencies to mitigate the risks of not delivering wholly on savings plans. As mentioned in the 2023/24 budget report, the reserves are all the Council has to fund transformative initiatives, redundancies and any service overspends.

In order to test the stage of development of the savings included in the MTFP, we reviewed the supporting documentation for two selected savings, namely:

	2023/24 £'000	2024/25 £'000	2025/26 £'000
Pension Savings	1,019	1,019	1,019
Capacity Grid	200	200	0

Table 3: Savings Proposals in 2023/24 Budget
Source: Budget Report for 2023/24

Pension contributions are reviewed on a three-yearly basis by the County Council's actuaries. The Council's pension contributions are made up of two elements, the Council's employer contribution in service accounts and a central contribution which sits in the Chief Executive's budgets. We asked the Council to provide supporting documentation to validate the assumptions used to derive the forecast savings included in the plan and we could see that this was supported by strong assumptions including third party verification from the actuary showing that the saving was actually forecast to materialise to more than had been input into the MTFP in February 2023. The Council was also able to provide downloads of the ledger which demonstrated the change in the existing budget to the revised budget which showed the cost decrease and therefore the forecast saving. This saving makes up approximately a third of the cumulative medium term gap so to see that is supported by credible assumptions adds robustness to the medium term position.

The second saving relates to uncollected Council Tax/Business Rates. The Council should have been writing off this debt on a periodic basis but lacked the resource to do so. In 2022/23, the Council made the decision to engage Capacity Grid by Liberata to collect the debt. As the debt is not accounted for in the budget, the debt collected by Liberata will appear as additional income which reduces the savings requirement during the medium term. We were able to view projections produced by Liberata and therefore able to see that the saving is based on information produced by a third party. As well as a saving, collection of this uncollected debt will result in a decrease in the debt on the balance sheet when it materialises.

Financial sustainability

The review of these three savings demonstrates that a significant proportion of the Council's medium term savings plan is based on robust assumptions supported by third party documentation. The pensions saving alone makes up £1m of the Council's £1.6m savings plan for 2023/24.

The real risk surrounds the post 2025/26 environment. The pensions saving makes up the largest proportion of the Council's medium term savings plan and the fund is due to be re-assessed in three years. The reassessment will have a definitive impact on whether the Council will be able to make similar size savings after 2025/26.

The review of savings therefore demonstrates a level of strength in the Council's current medium term plan. We can see significant progress in the budget setting process in terms of increased engagement and progress in terms of presentation of the medium term plan.

However, we still note issues with transparency surrounding savings identification and development. This was noted in our prior year report. The Council had no savings monitoring arrangements in place during 2021/22. In 2022/23, the Council reported savings updates to the Audit, Governance & Standards Committee though there is limited evidence of meaningful engagement with the savings progress from Members.

We raise an improvement recommendation (see improvement recommendation 1) urging the Council to ensure that savings delivery is monitored independently of basic budget monitoring at a corporate level, variances are adequately managed and challenged and the quality impact of proposed savings is assessed and monitored during and after implementation to assess whether any quality risks have occurred. Savings should also be supported with a clear delivery plan.

The importance of clarity surrounding savings is greater emphasised by the fact that the Council is relying heavily on savings to close its medium term budget gap. Any lack of delivery on savings increases the Council's reliance on its reserves balance as is demonstrated in Table 1. The Council, however, is in a strong position as the largest of its savings is based on robust assumptions. If the Council were only to deliver the pensions saving and Capacity Grid saving, it would still be financially sustainable in the medium term period – this is a much more promising position than many other authorities are in.

Though the Council's MTFP appears to be predicated on fairly strong ground, it is important to note that we are basing this assessment on information that is not currently supported by audited statements of accounts for the past three years – which creates a significant gap in assurance.

The entire medium term plan, including the projections surrounding the medium-term gap, the forecast reserves balance and all budget monitoring information is using data that cannot be supported by audited financial statements from 2020/21. The issue highlighted in Statutory Recommendation 1 has the compounding impact of placing a limited level of assurance on the figures in the medium-term financial plan. The lack of assurance in the figures included in the budget monitoring reports is further demonstrated by:

- the Council's reluctance to produce a whole-year 2021/22 outturn report (only an M11 report has been produced); and
- the correction to the 2020/21 outturn (which was originally presented in January 2022 and then corrected and presented again in January 2023).

It is for this reason that we find a significant weakness in the Council's medium term position and have included this in the statutory recommendation raised (see statutory recommendation 1). We cannot place assurance on the Council's stated level of reserves which links to the budgetary information included in the MTFP meaning we cannot determine that a significant weakness in arrangements does not exist in regards to the medium term plan. Once the Council has resolved statutory recommendation 1, the weakness in the medium term position will gain the validity of audited statements of accounts, therefore providing the medium term plan with much necessary backing and assurance.

Capital

At 2021/22 budget setting, the Council budgeted to spend £13.323m on capital expenditure for the year. As noted in the M11 outturn report, there was a significant underspend on the 2020/21 capital programme leading to a request of £4.3m slippage of schemes from 2020/21 to 2021/22. Further schemes were agreed resulting in a total capital budget for 2021/22 of £15.3m. At M11 of 2021/22, the Council reported £2.7m expenditure against this budget, giving rise to an £12.6m underspend (which is 82% of the budget).

The 2022/23 budget showed the intention to spend £2.410m on capital. An updated capital programme was approved in the budget for 2022/23 in February 2023. This increased the capital programme by £8.126m, which is £5.7m higher than the original budget set in February 2022. This is due to a number of schemes coming on during the year and a full review of the MTFP in December 2022 using actual data. The provisional outturn report shows capital expenditure of £10.256m against the new budget of £13.099m (which is a £2.843m underspend or 22% of the budget).

Financial sustainability

The reports provide significant explanations for the variances which are reasonable (slippage, re-phasing etc.) but there appears to be weaknesses in the Council's capital budget setting process given the level of slippage. The Council have noted that a significant part of its capital expenditure is related to the fleet which the Council are taking stop gap measures of refurbishment rather than purchasing pending the Government's environment paper being produced and the focus required on Levelling Up Fund projects to ensure compliance with Government requirements. There was also significant slippage due to COVID-19 which is starting to be caught up in 2023/24.

Page 55 Although there is monitoring of the capital programme alongside the revenue budget monitoring, indications are that focus should be on setting realistic capital budgets that allow for sufficient lead time before expenditure is likely to be incurred. Inability to set a realistic capital budget undermines the Council's perceived capability to manage its capital budget and deliver its growth plans.

The difficulty in management of the capital programme will become increasingly challenging given the current high level of inflation. We have raised an improvement recommendation (see improvement recommendation 2) in this area. We acknowledge that capital programmes are complex and affected by procurement, public consultation, funding and financing considerations, and potentially planning permissions. The Council must consider the realism in its original budget and consider the prior year outturn when setting the successive year's budget.

Conclusion

The Council's M11 forecast for 2021/22 noted an estimated underspend position on the General Fund Revenue Budget. The draft 2022/23 outturn reported noted an estimated overspend driven by a higher than expected pay award.

The medium term position appears to be reasonably comfortable as the majority of the savings driving the medium term plan are predicted on robust assumptions that can be supported by third party evidence.

It is, however, important to note that all financial information being used to assess the Council's financial sustainability are based on figures that are not supported by audited financial statements since 2019/20. It is for this reason that we find a significant weakness in the Council's medium term position and have included this in the statutory recommendation raised (see statutory recommendation 1). We cannot place assurance on the Council's stated level of reserves which links to the budgetary information included in the MTFP meaning we cannot determine that a significant weakness in arrangements does not exist in regards to the medium term plan. Once the Council has resolved statutory recommendation 1, the weakness in the medium term position will gain the validity of audited statements of accounts, therefore providing the medium term plan with much necessary backing and assurance.

We raise four improvement recommendations relating to savings, capital management and the budget setting process.

Improvement recommendations



Financial sustainability

Improvement Recommendation 1

Savings

The Council should ensure that:

- stakeholders are consulted during the development of savings plans (depending on the nature of the saving, stakeholders could include local residents, service users or local businesses);
- savings delivery is monitored independently of basic budget monitoring at a corporate level;
- variances from plans are adequately challenged and mitigated;
- the quality impact of proposed savings is assessed and monitored during and after implementation to assess whether any quality risks have occurred.

Audit year

2021/22 and 2022/23

Why/impact

At present, there is no evidence of external stakeholder consultation for savings included in the medium term financial plan Liberate although there has been a feedback form in the Savings Proposal Document. At present, there is no way to tell that the savings agreed at budget setting are the same savings delivered at outturn. Members and residents therefore do not have assurance that the Council has managed to achieve the saving in the area highlighted at budget setting. There is currently no project management arrangements supporting the savings programme and no independent monitoring of savings outside of budget monitoring arrangements. Without the appropriate supporting architecture, the Council risks mismanaging the savings programme and therefore risks potentially failing to deliver the savings.

Management Comments

The Council runs a two Tranche budget process. Given the expected lateness of the Provisional Local Government Settlement, there are no service based savings in Tranche 1 of the 2024/5 budget process. Consultation will be taking place with Stakeholders in late January/early February once the final budget position is known.

Wider savings monitoring will be undertaken by the Audit, Standards and Governance Committee on a quarterly basis, rather than half yearly, to ensure plans are being delivered as agreed.

The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Improvement Recommendation 2

Capital

The Council should review and evaluate how it sets its capital budget. Consideration of this will enable it to set more realistic budgets going forward.

Audit year

2021/22 and 2022/23

Why/impact

The Council has a track record of significant under-delivery of its annual capital budgets. Although there is monitoring of the capital programme alongside the revenue budget monitoring, indications are that focus should be turned to setting realistic capital budgets that allow for sufficient lead time before expenditure is likely to be incurred. Inability to set a realistic capital budget undermines the authority's perceived capability to manage its capital budget and deliver its growth plans. The Council must consider the realism in its original budget and consider the prior year outturn when setting the successive year's budget.

Management Comments

The Council is setting up an internal support network to ensure the delivery of the Levelling Up Fund budgets which amount to £16m over the next 2 years (the vast majority of the Capital Programme).

Wider Capital Programme budgets will be reviewed for deliverability as Tranche 2 of the Budget and where possible will link to strategic priorities.

A Governance Group, linked to the new Programme Management arrangements, will monitor and challenge internal delivery. Quarterly monitoring will give wider narrative on capital programme delivery than is presently the case to aid understanding.

It is important to note that there has also been slippage in capital schemes due to the impact of C-19 on materials/contractors during the period referenced in this report. Another significant factor is the awaited Government paper (Environment Act) that impacts the refuse fleet.

The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Improvement Recommendation 3

The Council should include trend analysis and extrapolation, risk and sensitivity analysis and evidence of alternative proposals and scenarios considered and the corresponding impact in the budget setting process.

Audit year

2021/22 and 2022/23

Why/impact

There also continues to be limited evidence of trend analysis and extrapolation, sensitivity analysis or alternative proposals and scenarios being considered in the budget setting process. While this is not a significant weakness, the Council could enhance the budget setting process by including scenario modelling and presenting to Members to support their decision-making process.

Management Comments

The Council has purchased the LG Futures Benchmarking tool to identify areas where service costs are higher/significantly higher than their "Audit" Families. This data is being used as the starting point for savings analysis required to balance the budget in Tranche 2 following the Local Government Financial Settlement. Part of the ongoing work will be, linked to performance data, alternative delivery methods.

The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Improvement Recommendation 4

The Council should include greater evidence of external consultation in the budget setting process.

Audit year

2021/22 and 2022/23

Why/impact

There continues to be limited evidence of external engagement in the budget setting process. There is no mention of external consultations feeding into the 2021/22, 2022/23 or 2023/24 budgets.

Management Comments

The Council runs a two Tranche budget process. Given the expected lateness of the Provisional Local Government Settlement, there are no service based savings in Tranche 1 of the budget. Consultation will be taking place with Stakeholders in late January/early February for the 2024/25 budget and MTFP once the final budget position is known.

A feedback form was included in the 2023/4 “savings proposal” document. This is the first time in recent years that feedback has been sought.

The range of recommendations that external auditors can make is explained in Appendix C

Governance



We considered how the local authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Audit, Standards & Governance Committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk management

The Council has made significant progress in risk management arrangements since our 2020/21 report. In this report, we had documented insufficient arrangements in terms of a lack of formal update reports or presentation of risk registers to Members until July 2022. We found a significant weakness in the Council's arrangements surrounding risk management for 2020/21.

In our 2020/21 report, we noted limited progress since the review performed by Zurich Municipal which had been commissioned in response to a 'Limited Assurance' internal audit opinion into risk management arrangements from 2018/19. 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 a no assurance opinion was issued.

The lack of appropriate arrangements for risk management is evident in the Audit, Standards and Governance committee meeting minutes and papers during 2021/22. Our review showed that Members were typically only receiving verbal updates on the Corporate Risk Register (CRR) with very little information on how risks were being managed. It was impossible for Members to have assurance that risks were properly being identified and appropriately managed. For example, at the October 2021 meeting, a verbal update was provided in respect of the CRR but there was no mention of the actual risks on the CRR or any evidence of engagement with the risks from the minutes. At this point, work was ongoing with Zurich Municipal.

In March 2022 a further follow up review was carried out by internal audit which concluded 'no assurance' regarding the Council's risk management arrangements. This means that no assurance could be given on the system of internal control as significant weaknesses in the design and/or operation of the key controls could result in failure to achieve the organisation's objectives in the area of review. The basis of this opinion was due to the failure to produce an action plan. Internal audit acknowledged that a risk management system was in place and that there were areas of good practice but that this was not uniform across the Council and effective risk management needed to be embedded and driven by senior leadership.

The new 'Overall Risk and Corporate Governance Report' format was presented to Audit, Standards & Governance Committee members at the April 2022 meeting. Officers announced that a plan had been agreed with CMT and implementation had already commenced. Quarterly officer Risk boards were established with each department nominating a representative to attend these boards. There was an acknowledgement that some of the momentum in terms of risks had been lost over 2021/22 and this was partially ascribed to capacity constraints in the finance team. However, there was hope that a more embedded risk management approach would be taken forward at the organisation.

The Council's new formal 'Risk Management Framework' was presented to the July 2022 Audit, Standards & Governance Committee. This framework outlines how the organisation identifies strategic risks, understands them, records them within the risk management system.

Governance

Risks are assessed using a 3x3 impact assessment matrix and then the scores determine whether a risk is 'Red', 'Amber' or 'Green' (RAG). Members also approved the definition of how risks move from being 'departmental' or 'corporate' in nature. To escalate the risk 'must have significant impact on Councils finances, be cross-departmental in nature and/or result in serious reputational damage.'

From our review of Audit, Standards & Governance committee meetings and risk management reports, it is clear to see the progress the authority has made with regard to the Corporate Risk Register and the engagement with risk management at the organisation. The improvement in the quality of the reports from April 2021 to July 2023 is noteworthy. There is also demonstrable improvement in the level of Member and officer engagement with the Corporate Risk Registers.

This improvement has also been recognised by internal audit. In April 2023, internal audit issued a 'moderate assurance' opinion which indicates that the system of control is generally sound, however, some of the expected controls are not in place and/or not operating effectively.

The latest publicly available Corporate Risk Register showed 13 risks. This is an appropriate number to allow for meaningful engagement with each risk. Councils must be cautious on reporting too many risks and therefore disincentivizing substantive scrutiny of each risk.

The register also included RAG ratings, a description of each risk and the mitigating factors in place to manage each risk. This is a significant improvement from the April 2021 where the Council was providing purely verbal updates of the risk register with no meaningful descriptions or any mention of mitigating factors.

Due to the significance of the deficiencies in 2021/22, we have found there to be a significant weakness in the Council's arrangements for risk management in that year. As this is a combined 2021/22 and 2022/23 report, we must also comment on the arrangements for 2022/23. Due to the improvement in the position from 2021/22 to 2022/23, we do not find there to be a significant weakness in the Council's arrangements for 2022/23 but raise improvement recommendations. This demonstrates a marked improvement in the arrangements from 2021/22 to 2022/23 which is worth noting. There is, however, room for improvement (see improvement recommendation 5).

Internal audit

The internal audit service at Bromsgrove District Council is provided by Worcestershire Internal Audit Shared Service (WIASS). This is hosted by Worcester City Council and provides internal audit to a number of local authorities in Worcestershire. The service was effective during 2021/22 and 2022/23 and assesses the effectiveness of internal controls, reporting regularly to Audit, Standards & Governance Committee.

The Internal Audit Plan for 2021/22 was presented to the July 2021 Audit, Standards & Governance Committee. Operational progress against the plan is closely monitored by the Head of the Internal Shared Service and is reported to the Shared Service's Client Officer Group which comprises of the Section 151 officers from the client organisations and to the Audit, Standards & Governance Committee on a quarterly basis. Regular reporting to Audit, Standards & Governance Committee provides sufficient assurance for Members to be able to assess whether internal controls are effective.

The Internal Audit Annual Opinion for 2021/22 was presented in July 2022 alongside the 2022/23 Internal Audit Plan. Internal audit does not give an allocated assurance opinion but provides a commentary.

For 2021/22, internal audit concluded that 'the internal control arrangements during 2021/22 managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main'. 71% of audits undertaken for 2021/22 received an assurance allocation of 'moderate' or above. Internal audit delivered a sufficient amount of its annual plan, delivering 93% of planned audits.

The Internal Audit Opinion for 2022/23 concluded that 27% of the audits undertaken which received an assurance allocated returned a 'moderate' assurance or above but there remain several assurances to be confirmed. Indications are that the remaining will fall into these categories. This is a significant drop from 2021/22 but it is due to a few reviews waiting final sign off or still ongoing rather than indicative of weaknesses in the control environment. Internal audit delivered a sufficient amount of its annual plan, again delivering 88% of planned audits.

Internal audit are required to be externally assessed at least once every five years to ensure compliance with Public Sector Internal Audit Standards (PSIAS). The Worcestershire Internal Audit Shared Service (WIASS) was last externally assessed six years ago. It was due to be assessed in 2022 but was deferred due to potential changes to the shared services arrangements with the County Council. The partnership therefore decided to pause the external assessment until there was greater certainty surrounding the arrangements. The partnership have set a date in January 2024 for an external assessment.

Governance

We include an improvement recommendation emphasizing the importance of undergoing the external assessment (see improvement recommendation 6). When this is complete, the improvement recommendation can be resolved.

Internal audit provide the Council's arrangements for the prevention and detection of fraud. Undertaking independent investigations into allegations of fraud and irregularity forms part of the key aims and objectives of internal audit's annual plans. Through the internal audit service, the Council is part of the National Fraud Initiative (NFI) which is a data matching exercise conducted by the Cabinet Office to assist in the prevention and detection of fraud.

The Council have a whistleblowing policy in place but this was last updated in 2017. We raise an improvement recommendation (see improvement recommendation 8) to recommend that this is regularly reviewed and updated as appropriate.

Audit committee effectiveness

The purpose of the Audit, Standards & Governance Committee is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements at the Council. The Committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance that those arrangements are effective. We recognise that since the May 2023 elections the make-up of the Committee has changed. We make these comments irrespective of specific make-up and rather of the Audit, Standards & Governance Committee in theory.

There are no statutory requirements that determine the composition of the Audit, Standards & Governance Committee.

The Audit, Standards & Governance Committee at Bromsgrove District Council comprises twelve members. CIPFA's recommendation in *Audit, Standards & Governance Committees: Practical Guidance for Local Authorities and Police (2022)* is authorities should strive to have no more than eight members, the Council is therefore above the recommendation. We raise an improvement recommendation (see improvement recommendation 7) encouraging the Council to reconsider the number of members on the Audit, Standards & Governance Committee. CIPFA recognises that committees of this size should allow for sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

CIPFA guidance emphasises the importance of the separation of executive roles and the membership of the Audit, Standards & Governance Committee. Where an authority has a cabinet system of governance, as at Bromsgrove District Council, including a member of the cabinet on the committee is discouraged. We have compared the membership of the Audit, Standards & Governance Committee with the members of the Cabinet to ensure a clear separation. We can confirm that no members of the Cabinet are also members of the Audit, Standards & Governance Committee, in line with the guidance.

There are currently no independent members on Bromsgrove District Council's Audit, Standards & Governance Committee. CIPFA guidance and the Redmond Review (2020) recommend the committee includes two co-opted independent members. We recommend that the Council considers the merits of appointing appropriately qualified independent members to the Audit, Standards & Governance Committee (see improvement recommendation 7) noting that there has been discussion of this at Audit, Standards & Governance Committee and the challenges of the availability of suitably qualified individuals and questions over remuneration.

The injection of an external view can often bring a new approach to committee discussions and provides an element of continuity outside the political cycle (though this would be more salient at an authority that had annual changes/elections).

To discharge its responsibilities effectively, CIPFA guidance recommends the committee meet at least four times a year. Bromsgrove District Council reiterate this by including in the Constitution that the Committee will meet at least four times a year. Bromsgrove District Council's Audit, Standards & Governance Committee met three times in 2021/22 and seven times in 2022/23. We include the failure to meet four times in our improvement recommendation 8 but recognise that the Council have actioned this recommendation for 2022/23. The Council should continue to ensure that the Audit, Standards & Governance Committee meets at least four times every year.

It is important for Audit, Standards & Governance Committee members to maintain an apolitical approach. During our review, we noted that it was customary for Audit, Standards & Governance Committee members to be asked if whipping arrangements were in place for Audit, Standards & Governance Committee meetings. This is considered to be unusual for Audit, Standards & Governance Committees as members are encouraged to view the Audit, Standards & Governance Committee as a non-political non-scrutiny committee that is concerned with the operations of the authority. It is important that a political culture is not fostered at Audit, Standards & Governance Committee meetings (see improvement recommendation 7).

Governance

Organisational capacity and capability

There is evidence of a lack of capacity in the organisation having a detrimental impact on operational delivery. In the February 2022 budget, the Section 25 Statement noted the impact of COVID-19 on the capacity of the management team to deliver change, efficiencies and associated savings as a key risk.

Turnover of staff at the Council remained high during 2021/22 and 2022/23. As commented in internal audit's annual report for 2022/23, this has created challenges within services especially in finance. The loss of staff and experience has impacted the finance team significantly along with the continuing development of the finance system implementation.

Internal audit commented in their Annual Report that 2022/23 was a demanding year due to staff turnover and difficulties encountered recruiting to vacant posts.

In September 2023, we reported to Audit, Standards & Governance Committee the challenges we were continuing to experience in terms of obtaining sufficient appropriate evidence to support our audit. We decided to redirect our audit team to other work as insufficient working papers had been provided and those that had been provided were not of the expected quality. We attribute some of the difficulties experienced here to a lack of capacity in the finance team.

There is high turnover of senior staff. Two of the three statutory officer roles are currently being fulfilled by interim arrangements. In January 2021, Full Council appointed a new Section 151 officer (Chief Finance Officer). After 18 months in post, that officer left the Council and a new Interim Section 151 officer was appointed in June 2022 for a period of 12 months. In June 2023, the Council voted to extend the Interim Officer's appointment for a further six months until 22 December 2023.

In September 2023, following the retirement of the Chief Executive (Head of Paid Service), the Council appointed the Deputy Chief Executive to the Interim Chief Executive position in an acting up arrangement until the new Chief Executive was recruited and in post.

To backfill the Deputy Chief Executive role, there is an internally appointed Interim Deputy Chief Executive in post currently as well.

The prevalence of interim and acting up arrangements has resulted in capacity challenges. The Council are aware of this. In the 2023/24 budget, loss of key personnel was identified as one of the core risks in the MTFP. The average age of staff at the Council is 49 and approximately 10% of Council staff are interim/temporary arrangements.

There is evidence of the Council putting effort toward this with the development of the Workforce Strategy. It is, however, important to note that the Council is operating in an extremely difficult environment. There is an acute recruitment issue across Gloucestershire/Worcestershire and succession planning is a necessity for key roles. Staff retention and recruitment remained an area of concern for local government in the West Midlands, including for Bromsgrove District Council. The Council have recognised the need to review how best to attract and retain skilled and qualified staff moving forward.

Bromsgrove District Council is also a Council that has serious and pervasive weaknesses in its financial accounts processes due to the flawed ledger implementation. This has also led to a failure to meet statutory reporting deadlines and a failure to produce accounts and therefore close external audit opinions. The combination of the turnover and capacity constraints coupled with the formidable task of rectifying the issues with the ledger implementation has led us to conclude that there is a significant weakness in the Council's arrangements with regard to organisational capacity and capability.

We are concerned that the Council will find improvement extremely difficult given the high turnover of individuals at all levels of the organisation and over-reliance on specific individuals resulting in low retention. The fact that two of the statutory officers are interim arrangements also leaves a gap at the top of the organisation. Without effective long-term leadership in Councils with shared service arrangements, the improvement to the statutory reporting position is likely to be extremely difficult. High turnover and lack of capability and capacity in the finance team is only exacerbating this issue.

We have therefore identified a significant weakness in arrangements with regard to organisational capacity and capability (see key recommendation 1). The Council now have a Workforce Strategy in place which is a positive step in the right direction. Effort must now be directed toward embedding the strategy and action plan. This was similarly acknowledged by the LGA in the peer review. We also acknowledge that this is extremely challenging in the current local government environment and the difficulties surrounding workforce recruitment and retention. These challenges appear to be having a particularly acute impact at the Council.

Leadership and decision-making

Bromsgrove District Council is a district council that operates with a Cabinet system. The Council's governance arrangements are explained in the Annual Governance Statement (AGS) and the Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that it is efficient, transparent and accountable to local residents.

Governance

There is evidence of senior officer demonstrating transparency and openness in decision-making and no evidence of inappropriate tone from the top. Throughout our interview process for this report, we noted that officers were engaged and extremely helpful in terms of providing evidence and documentation.

This was noted in the LGA peer review where it noted that 'the organisational culture is one where the staff feel supported and empowered to bring forward improvements. They are happy and want to help the council to respond to the needs of the different communities.'

Conclusion

We have found a significant weakness in the Council's governance arrangements giving rise to a statutory recommendation (see statutory recommendation 1). This is relating specifically to the failure to produce full financial statements for 2020/21, 2021/22 and 2022/23. The Council is significantly behind its statutory requirement to produce financial statements. This does not allow accountability and transparency for the taxpayers of Bromsgrove. In our view, this is an unacceptable failure to comply with statutory duties.

We have also found a new significant weakness giving rise to a key recommendation relating to organisational capacity and capability (see key recommendation 1). There is evidence of a lack of capacity in the organisation having a detrimental impact on operational delivery. The average age of staff at the Council is 49 and approximately 10% of Council staff are interim/temporary arrangements. Two of the three statutory officer roles are currently being fulfilled by interims. We are concerned that the Council will find improvement extremely difficult given the high turnover of individuals at all levels of the organisation and over-reliance on specific individuals resulting in low retention. Without effective long-term leadership, the improvement to the statutory reporting position is likely to be extremely difficult. High turnover and lack of capability and capacity in the finance team is only exacerbating this issue.

Outside of the financial ledger issues, the Council's governance arrangements have undergone significant improvement since our 2020/21 reporting. We have seen improvement in risk management arrangements with the return to in-year reporting, though we raise an improvement recommendation (see improvement recommendation 5).

The Council has an effective internal audit service in place (though see improvement recommendation 6). There is also room for improvement in Audit, Standards & Governance Committee arrangements (see improvement recommendation 7) and counter fraud (see improvement recommendation 8).

Improvement recommendations



Governance

Improvement Recommendation 5

Risk management

- a) The Council should clearly define its risk appetite in the Risk Management Framework;
- b) We recommend that for each risk reported to Audit, Standards & Governance or Cabinet for each risk reported:
 - relevant key controls and sources of assurance are set out
 - they are RAG-rated, including impact and likelihood
 - they are mapped to corporate objectives
 - they are allocated to a named senior officer
 - direction of travel for each key risk.
- c) Internal audit have highlighted important weaknesses in the Council's risk management framework in their latest report from April 2023. We include in our recommendation that the Council direct effort toward working with internal audit to resolve their recommendations.

Audit year

2022/23

Why/impact

At present, the Council's Risk Management Framework does not define the Council's risk appetite. Greater definition can enhance the quality of the framework. The Council's Corporate Risk Register (CRR) is not clearly accessible to Members. Greater clarity would enhance Members' ability to gain assurance that risk at the organisation is being appropriately managed.

Management Comments

The high risk Recommendation actions of the Internal Audit Update Report have been actioned apart from understanding Risk appetites of the Councils. Following the Strategic Priority setting sessions have taken place at both Councils, Risk Appetite sessions will be run for the Executive to link then risk appetites in the delivery of those priorities. These sessions will be externally facilitated and will be delivered before the end of the financial year. The Corporate and Departmental Risk Register is reported to and available in Audit Governance and Standards Committee papers. The background documentation is available on the 4Risk system. A specific location will be sourced for the wider Member community to access the Risk Register.

The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Governance

Improvement Recommendation 6

The internal audit service should be externally assessed to ensure the it is compliant with PSIAS.

Audit year

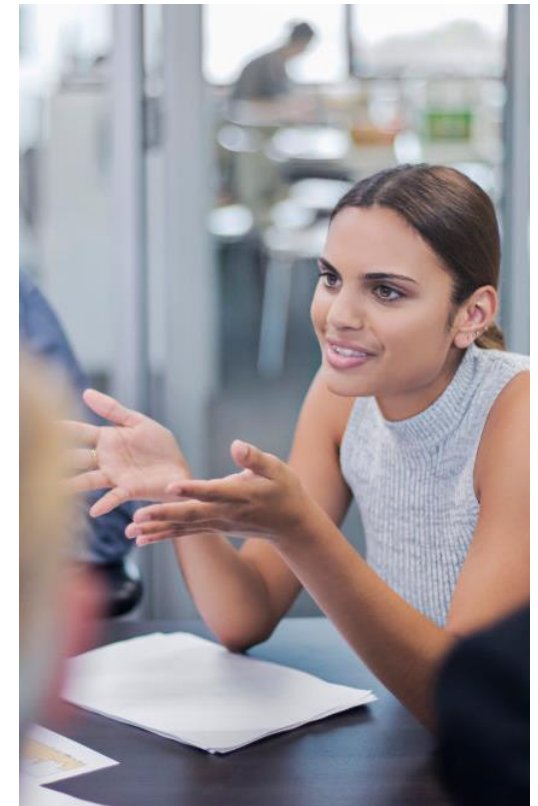
2022/23

Why/impact

Internal audit are required to be externally assessed at least once every five years to ensure compliance with Public Sector Internal Audit Standards (PSIAS). The Worcestershire Internal Audit Shared Service (WAIASS) was last externally assessed six years ago. It was due to be assessed in 2022 but was deferred due potential changes to the shared services arrangements with the County Council. The partnership therefore decided to pause the external assessment until there was greater certainty surrounding the arrangements. The partnership have set a date in January 2024 for an external assessment. When this is complete, the improvement recommendation can be resolved.

Management Comments

This assessment is due to take place in January 2024 and the results will be fed back via the Internal Audit reports.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Improvement Recommendation 7

Audit Committee

- The Council should consider the merits of appointing two appropriately qualified independent members to the Audit, Standards & Governance Committee.
- Members must ensure that the Audit, Standards & Governance Committee maintains its apolitical nature.
- The Council should consider the number of members on the Audit, Standards & Governance Committee. CIPFA recommends eight members and BDC's currently stands at twelve.
- The Council must ensure that the Audit, Standards & Governance committee meets at least four times per year.

Audit year

2021/22 and 2022/23

Why/impact

There are currently no independent members on Bromsgrove District Council's Audit, Standards & Governance Committee. CIPFA guidance and the Redmond Review (2020) recommend the committee includes two-coopted independent members. We recommend that the Council considers the merits of appointing appropriately qualified independent members to the Audit, Governance & Standards Committee. The injection of an external view can often bring a new approach to committee discussions and provides an element of continuity outside the political cycle (though this would be more salient at an authority that had annual changes/elections). It is important for audit committee members to maintain an apolitical approach.

During our review, we noted that it was customary for Audit, Standards & Governance Committee members to be asked if whipping arrangements were in place for Audit, Standards & Governance Committee meetings. This is considered to be unusual for audit committees as members are encouraged to view the audit committee as a non-political non-scrutiny committee that is concerned with the operations of the authority. It is important that a political culture is not fostered at audit committee meetings.

CIPFA guidance recommends audit committees be made up of eight members. Bromsgrove currently has twelve members.

In 2021/22, the Audit, Standards & Governance committee met 3 times. CIPFA recommends meeting at least four times a year.

Management Comments

The Council did have an independent Audit Committee Member, but this has not been recently. This will be reviewed, and an Independent Member sought.

We understand the point that is being made on the apolitical nature of the committee in relation to whipping arrangements and will take advice on the appropriate solution.

The number of members on the committee was increased to 12 due to quorum not being reached. This has not been the case since the May 2023 elections and the numbers will be reviewed.

Until the Accounts issues are resolved, the Committee meets 6 times a year.

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Improvement Recommendation 8

Counter fraud

The Council should update its whistleblowing policy every one to three years.

Audit year

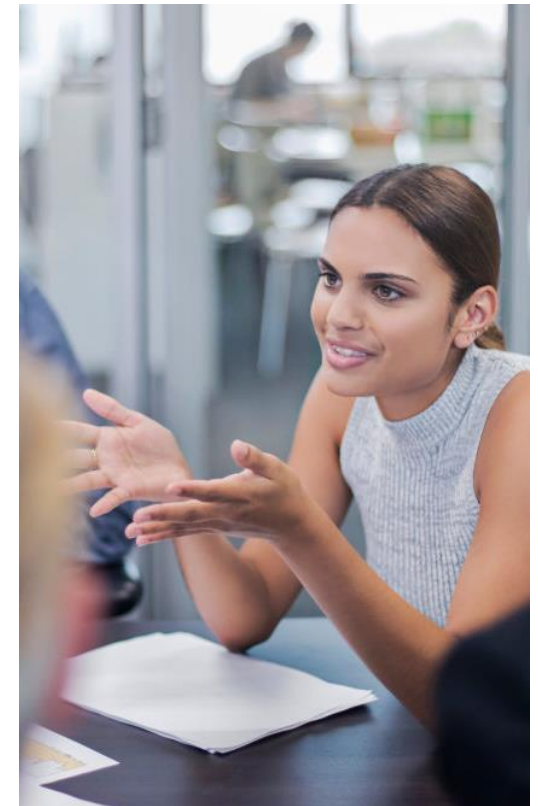
2021/22 and 2022/23

Why/impact

The Council have a whistleblowing policy in place though this was last updated in November 2010. This means the policy is unlikely to be consistent with legislative changes regarding whistleblowing arrangements since 2010. The Council is encouraged to review its whistleblowing policy to ensure it reflects the letter and spirit of the law.

Management Comments

The Whistleblowing policy will be updated before the end of the financial year.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the local authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance

The Council Plan 2019-23 was built around five long term strategic purposes underpinned by a set of key priorities. The strategic purposes are:

- Run and grow a successful business
- Work & financial independence
- Affordable & sustainable homes
- Living independent, active and healthy Lives
- Communities which are safe, well maintained and green

The priorities set out in the Council Plan 2019-23 are:

- Economic development and regeneration
- Skills for the future
- Improved health and wellbeing
- A balanced housing market
- Reducing crime & disorder
- Financial Stability
- Sustainability
- High Quality Services
- Green Thread

In June 2022, the Cabinet agreed the Council Plan Addendum 2022/23. The aim of the Council Plan Addendum was to incorporate the impacts of COVID-19 into the old Council Plan 2019-23 and write it such that it would work alongside the original Council Plan.

The Council Plan Addendum priorities are the same but is designed to provide an intermediary position ahead of a full review of the Council's long term priorities in 2024.

As documented in our report for 2020/21, there was no performance reporting for 2021/22. The significant weakness for 2021/22 therefore remains.

In 2022/23, the first 'Finance and Performance Report' for Quarter 1 was presented to 6th October 2022 Cabinet. Appendix E of the report presented the Strategic Priorities and Performance Measures. The report was rudimentary in nature, containing no information on how performance indicators were derived and inconsistent comparator data for Members to be able to assess whether the Council's performance against a target, compared to previous years or against other authorities.

The second performance report for 2022/23 went to November 2022 Cabinet. The report improved marginally in terms of numbers of measures presented but there continued to be significant gaps in terms of detail which hinders Members' ability to have assurance that the Council is performing in line with expectation. The Quarter 3 report was presented in March 2023 and Quarter 4 report in June 2023. The Council was able to present a Quarter 1 performance report for 2023/24 to September 2023 Cabinet.

In March 2023, the LGA performed a peer review of Bromsgrove concluded that there was "a disconnect between what the Council wants to deliver and achieve and the activities the organisation is pursuing.

Improving economy, efficiency and effectiveness

A lack of specific clarity about the desired outcomes from the delivery of the priorities means that priorities are open to interpretation. Clearer communication to staff on the priorities and the expected outcomes backed up with a robust performance management framework to track progress should help to ensure that organisational effort is invested in the right places.”

Ultimately, the Council has returned to in-year performance reporting. This is a significant improvement from the 2021/22 position where no performance reporting had taken place since 2018. There is still, however, significant room for improvement in the quality of the performance reports.

We lift the significant weakness for 2022/23 due to the return to in-year reporting but we would like to emphasise that the quality of the Council’s performance reports is low and needs significant improvement. We raise an improvement recommendation (see improvement recommendation 11). The Council clearly has a lot of meaningful data but it is currently not presented in the most accessible format to be able to properly interpret the information and therefore does not drive behaviour and actions. There is also no standard expectation. The data shows what is happening but does not assess whether this performance is ‘good’ or ‘bad.’ The Council should put effort toward determining what quality of service it would like to deliver, put arrangements in place to review that regularly and then report against that position. The current performance reports demonstrate a good foundation to build on but there is room for improvement.

Procurement

Robust and compliant procurement is key in the delivery of public services as organisations need to meet statutory obligations and deliver value for money for taxpayers.

Part 6 of the Council’s Constitution details the Officer Scheme of Delegations. The Council’s Constitution clarifies that key decisions with significant financial implications for the authority are Cabinet level decisions with a combined financial spend (either as a single item or for the length of the contract) of £50,000 or more.

The Council has Contract Procedure Rules though these have not been updated since October 2016. We raise an improvement recommendation urging the Council to review the Contract Procedure Rules annually (see improvement recommendation 12).

In June 2022, internal audit issued a ‘Limited’ assurance opinion surrounding the procurement service at Bromsgrove District Council. The review found multiple areas within the procurement rules which were not being complied with and there was limited communication with the procurement service for support and advice – although it was acknowledged that there had been a lot of effort on the side of the procurement team to communicate with the service areas through training and other means. The subsequent follow up reports tracking implementation of the recommendations raised showed good progress from procurement and by June 2023 all recommendations had been implemented.

In spring 2024, the new Procurement Bill is expected to be introduced. The Bill aims to deliver better value for UK public procurement by driving value for money decision-making and innovation.

In July 2023, the Bromsgrove District Cabinet was provided

with assurance by officers that the Council had already put measures in place to meet the majority of the requirements of the new legislation. Some of the measures already in place include the “No Contract, No Order” procurement regime which was implemented on the TechOne system on 1 April 2023. This requires a purchase order to be linked to a contract in order to be raised therefore mitigating the risk that the Council is spending money with suppliers without having appropriate contracts in place. Other measures include requiring all suppliers to be approved by procurement and payments teams, all monthly spending above £500 to be published on the Council’s website and public reporting of the Contracts Register. The Procurement team are also available for monthly meetings with Heads of Service to ensure monitoring of what services are procuring so they can check compliance with the “No Contract, No Order” regime. Procurement training is also already provided to teams on request and there is a dedicated Procurement team page on the Council’s website.

The Council also maintain a Procurement Pipeline based on the contracts register which provides a forward look of potential contract opportunities and highlights when existing contracts are due to expire.

The pipeline enables proper planning of procurement processes to ensure the Council is maximising on contract opportunities.

The Council received feedback from local businesses in 2023 that the Council’s high procurement requirements acted as a barrier for them to bid for work directly. The Council recognised this and acknowledged that it would investigate ways to encourage bids within a risk-managed framework.

Improving economy, efficiency and effectiveness

This is particularly important given one of the goals of the new Procurement Bill is to open up Council procurements to new entrants such as small businesses and social enterprises so that they could compete for and win more public contracts.

The procurement function has undergone significant change in the last year and a half and improved significantly as is demonstrated by the journey from the internal audit report from June 2022.

There is, however, room for improvement. At present, the procurement team does not report on waivers to committee level. We recommend that the Council report on waivers (in terms of numbers and value of waivers raised) to the Audit, Governance & Standards Committee at least quarterly. This can ensure that senior leadership, Members and the public are aware of the level of waiver use (see improvement recommendation 12).

The Contracts Register is managed on the Proactis system and mirrored on the TechOne system where spend on contracts is visible. Both systems provide alerts to procurement and contract managers when contracts are nearing expiry, typically three to six months before, and the procurement team contact the department to see what they are planning to do. The Council therefore have a reasonable level of assurance that the Contracts Register is kept up to date as it is automatically flagged by the system.

Partnerships

Partnership working is central to the delivery of many local authority services. The Council maintains strong partnership arrangements with key stakeholders and has continued to do so during 2021/22 and 2022/23.

The Council works closely with its statutory partners, commissioned providers, private businesses, community and the voluntary sector to perform its responsibilities.

The most obvious partnership-type arrangement in place at Bromsgrove is the shared services arrangement with Redditch Borough Council. This has been in place for a number of years and continues to serve both authorities well. This was commented on in the LGA Peer Review from March 2023 which noted that the shared service arrangement was “*working well across both councils. It is commendable that whilst each council retains political and democratic sovereignty, people see themselves as working for one organisation and are committed to serving the residents of both Councils.*”

At the request of the Member Support Steering Group a lot of the training is taking place jointly in 2023/24 with Redditch Borough Council. The aim is to achieve efficiency savings and provides opportunities for Members to network with Councillors from another authority. However, where Members did not feel joint training was appropriate, separate sessions are being held (e.g. the Council’s Overview and Scrutiny training session is being delivered to Redditch Members only). This indicates there is a positive contribution to engagement and collaboration across both authorities in the shared services structure.

In the Council Plan 2019-23 addendum, the Council acknowledges that it cannot deliver all of its priorities on its

own, considerable support and input from partner organisations is needed if priorities are to be successfully delivered. The Council categorizes its role in delivery of its priorities as either:

- Lead – to be the lead organisation in the delivery of the activity/project that delivers the priority
- Participant – to be involved with partner agencies who will be leading the activity/project that delivers the priority
- Influence – to work collaboratively with partner agencies to persuade them to take a particular course of action

This delineation is helpful for demarcating the Council’s responsibilities in particular projects/activities and therefore clearly defining the limitations of their accountability.

Partnership working is a specific area of focus for both Councils, led by the Chief Executive. Both councils bring together organisations from all sectors as community leaders and key members of their local strategic partnerships (LSPs), the Bromsgrove Partnership and the Redditch Partnership, as well as the emerging local ‘Collaboratives’.

The LSPs each act as a single body that brings together organisations from the public, private and voluntary and community sectors to improve the quality of life for people in their area. Each provides a forum capable of collaborative leadership and co-ordination to enable the sharing of information, resources, and effort to better understand and meet the needs and aspirations of local communities. The LSPs enable local organisations to come together and address issues that are important to people living, working, and visiting in the areas.

Improving economy, efficiency and effectiveness

Benefits realisation

In our report for 2020/21, we found a significant weakness in the Council's arrangements for managing major projects and ensuring the intended benefits from major projects are realised. Since our report, the Council has made significant progress in their management of projects/programmes.

In October 2022, the Council produced a Project Management Framework. The Framework creates the expectation for each project to have a sponsor, project manager, business case, risk assessment and project reporting. The move came as part of the Council's efforts to reorganize appropriate governance arrangements in order to address the financial challenges and ensure all projects are securing value for money through appropriate management and organisation.

In early 2023, an Audit Task Group was established at Bromsgrove District Council to investigate the reasons behind the issuing of our Statutory Recommendation in October 2022. The Task Group provided recommendations on lessons learned to Bromsgrove District Council. At its Cabinet in June 2023, Bromsgrove gave approval to implement the recommendations of the Bromsgrove Audit Task Group.

One of the recommendations was that a permanent Project Management Office (PMO) be set up at BDC to support the full range of projects at both Councils. The Cabinet resolved that formal reporting of all projects is undertaken on a monthly basis by officers and the information fed into the Quarterly Finance and Performance Reports for Members.

The Cabinet also resolved that a programme office be established to provide oversight and validation of the

delivery of projects across the organisation. The roles of a programme manager and programme officer were established to provide support for the delivery of oversight for ICT and Organisational Change projects across the organisation and a compliance structure was put in place to ensure delivery of projects and management of multiple independencies across projects.

The creation of the Programme Management Office is certainly a step in the right direction due to the fact that the LGA was sceptical of the Council's ability to deliver on its key ambitions (economy, regeneration and skills) considering its lack of capacity in programme and project management. The creation of the Project Management Framework and the Programme Management Office is a clear demonstration of the Council's efforts to invest in this area and address the deficiencies highlighted by the LGA.

Although the finance ledger system issue remains, we have addressed this in our statutory recommendation which remains on the Council. We, however, lift the significant weakness relating to poor project management to recognise the progress the Council has made in this area.

Conclusion

No significant weakness in arrangements identified. The Council's performance management processes have improved though there is room for improvement (see improvement recommendation 9). Procurement has also improved though an improvement recommendation has been raised (see improvement recommendation 10).

Improvement recommendations



Improving economy, efficiency and effectiveness

Improvement Recommendation 9 Performance

The Council must put effort toward improving the presentation and accessibility of the performance monitoring reports and maintaining timely reporting.

The Council should:

- define a suite of key performance indicators against which to measure performance aligned to the strategic objectives;
- explain how those indicators are derived (e.g. statutory obligation)
- for each KPI, outline a performance target which meets the service quality the Council wishes to deliver;
- for each KPI, state performance against this target, how the performance has changed over time and consider benchmarking against NNs as appropriate.

Audit year

2021/22 and 2022/23

Why/impact

The Council clearly have a lot of meaningful data but it is currently not presented in the most accessible format to be able to properly interrogate the information. There are currently limited benchmarks or targets against which to measure performance. The data shows what is happening but does not assess whether this performance is 'good' or 'bad.' The Council should put effort toward determining what quality of service it would like to deliver, put arrangements in to review that regularly and then report against that position. The current performance reports demonstrate a good foundation to build on but there is room for improvement.

Management Comments

Following the Strategic Priority sessions, performance monitoring information will be revised to ensure it relates to the measurement of these priorities. Delivery of indicators is already being developed with the use of Power BI templates, however those tools are only as good as the information being used which will also have its collection processes redefined.

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Improvement Recommendation 10

Procurement

The Council should update its Contract Procedure Rules annually.
The Council should report on the number and value of waivers to Audit, Standards & Governance quarterly.

Audit year

2021/22 and 2022/23

Why/impact

The Council has Contract Procedure Rules though these have not been updated since October 2016. At present, the procurement team does not report on waivers to committee level. This can ensure that senior leadership are aware of the level of waiver use.

Management Comments

The procurement and contract rules will be updated by the end of the financial year in order to take account of the changes to procurement rules which need to be implemented on the 1st April 2024.



The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Management view of progress to date	Auditor view: Addressed?	Further action?
<p>1 The Council cannot yet produce its 2020/21 draft statement of accounts with long-standing issues with its new ledger system in relation to cash receipting requiring resolution. The Council must ensure that arrangements allow for the successful implementation of cash receipting within its ERP system to allow key elements of financial governance and compliance to be undertaken routinely and in a timely manner. In order to achieve this the Council should:</p> <p>ensure the Council has access to the necessary knowledge and expertise to resolve the remaining key issues with the ERP system in a timely manner to provide management with sufficient assurance over the completeness and veracity of the data included within the system;</p> <p>undertake appropriate testing of the fixes and ensure that appropriate sign-off of these is received prior to running them on live system data; and</p> <p>ensure budget holders and other relevant officers possess the skills and knowledge to appropriately use the ERP system as intended, including relevant training and updates to key documentation and process manuals. Once system issues are properly resolved, the Council must:</p> <p>undertake key control activities such as bank and control account reconciliations on a monthly basis and ensure that these are kept up to date;</p> <p>produce the 2020/21 and 2021/22 draft financial statements, along with high quality supporting working papers;</p> <p>conclude the 2020/21 and 2021/22 RO and CO submissions, and other key Government returns including Whole of Government Accounts; and</p> <p>ensure timely reporting of budget outturns and report publicly on in-year financial monitoring, including updates on the capital programme and savings scheme achievement.</p>	Statutory	Oct 2022	<p>The following Progress has been made:</p> <ul style="list-style-type: none"> • Cash Receipting system issues were corrected by TechOne in November 2022. • Backlog in reconciliations due to the cash receipting timetables to be completed and the Council being up to date by end of the 2023 calendar year • Bromsgrove Audit Task Group ran a review of why the Council was issued with a S24 Statement in February 2023 and came up with a number of recommendations which were accepted by Bromsgrove District Council Audit, Standards & Governance Committee and Cabinet. • The Council were able to upgrade its TechOne System from the version it was on at Go Live to the latest version 23A (which was a5 version upgrade) in July 2023. • Internal Back Office protocols documented and circulated. • Data take on balances for all periods except Period 0 provided to external auditors for review. Council working with previous IT supplier to provide Period 0. Accounts will be provided (as per Audit, Standards & Governance Committee and Cabinet minutes) once Auditors have approved Data Take on Balances. • All key financial returns except RO's/CO's 20/21 and 21/22 (draft 22/23 provided) and WGA now have been provided • Updated finance training provided to Services including the roll out of a new Budget Manager module for inputting forecasts directly on TechOne in September 2023. This will be used for the first time in Q2 monitoring 2023/4 financial year. • Audit, Standards & Governance Committee reviews progress on movement of key financial issues at every meeting (this updated reporting requirement started in January 2023). The same report goes to Cabinet twice a year. • 2022/23 Initial Outturn report delivered in September 2023. 	Partially	Statutory recommendation remains open

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Management view of progress to date	Auditor view: Addressed?	Further action?
1 The Council needs to ensure that the Medium-Term Financial Plan presented to Members is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.	Key	Oct 22	<ul style="list-style-type: none"> New Two Phase process followed for the 2023/4 MTFP. Initial proposals were reviewed by Finance and Budget Working Group and comments fed into Cabinet in October. Proposals were contained in an appendix which set out the savings proposals. Included in the Savings Proposals Document was a feedback form. Proposals were then agreed by Cabinet in December before being approved by Council in January. Phase 2 of the process had a far more limited time for review but still went through the Finance and Budget Working Group review process with comments fed through to Cabinet and then approval in February. A Robustness statement set out the Risks of the budget, including the present financial crisis the Country is working through. Overall budget moved to a sustainable position over the three year lifecycle. Previous years unallocated savings budgets dealt with in Q1 and Q2 2023/4 Finance and Performance Monitoring reports. Same process is being run for the 2024/25 MTFP Process. 	Partially	MTFP is robust though issues remain surrounding validity of information. These are addressed in Statutory Recommendation 1

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Management view of progress to date	Auditor view: Addressed?	Further action?
<p>2 The Council needs to improve management of key projects, such as the financial ledger implementation, to ensure that expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure lessons are learned for future key projects.</p>	Key	Oct 22	<ul style="list-style-type: none"> Projects Report was approved by Cabinet in July 2023 which approved the formation of a Programme office. The recommendations of that report were that: <ul style="list-style-type: none"> Formal reporting of all projects is undertaken on a monthly basis by Officers and this information feeds into the Quarterly Finance and Performance Reports for Members. 2) That a compliance structure is put in place to ensure delivery of projects and management of the multiple interdependencies across projects. This includes: <ul style="list-style-type: none"> A council programme office be established to provide oversight and validation of the delivery of projects across the organisation. The roles of a programme manager and a programme officer be established to provide support for the delivery of this oversight, especially for ICT and Organisational Change projects across the organisation. In addition, Bromsgrove Audit Task Group ran a review of why the Council was issued with a S24 Statement in February 2023 and came up with a number of recommendations which were accepted Audit, Standards & Governance Committee and Cabinet at Bromsgrove. These recommendations have fed into the above report. Internally there has been a Back Office Working Group which has met since July 2022 which reviews cross back-office pressures linked to the implementation of projects to prioritise Council needs. The 4th Tier cross Council working Group, which has been meeting since August 2022, and has representation of all Council departments also forward scans to identify cross cutting projects that require resourcing. 	Yes	Improvement recommendation raised

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Management view of progress to date	Auditor view: Addressed?	Further action?
3 The Council should review and implement effective governance arrangements in respect of performance monitoring to allow Members to make informed decisions. In order to achieve this the Council should reinstate public reporting on performance, linking this to the Council Plan and the related strategic objectives, allowing Members to scrutinise performance. This should be done at least twice per year.	Key	Oct 22	<ul style="list-style-type: none"> Quarterly combined Finance and Performance monitoring Reports for Cabinet were relaunched in Q1 2022/23 Financial year. Q1, Q2 and Q3 have all been to Cabinet. The Q4 and Financial outturn reports were separate reports due to timing of Outturn information. The Same process is being followed in the 2023/4 Financial year. 	Yes	Improvement recommendation raised
4 The Council should review and implement effective governance arrangements in respect of risk monitoring to allow Members to make informed decisions. In order to achieve this the Council should make risk management reporting a standing item on the Audit, Standards & Governance Committee agenda, with Members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.	Key	Oct 22	<ul style="list-style-type: none"> Risk Monitoring Arrangements were updated following adverse Internal Audit Reports. . Quarterly officer Risk boards were established in April 2022 with each department nominating a representative to attend these boards. Information from those boards feeds into an Overall Quarterly Risk Report to CMT and then this Report being reported to Audit, Standards & Governance Committee. Up to June 2023, for the first year, the report was also reported to Cabinet. As part of this process the definitions of Corporate and Departmental Risks were redefined and a common way of reporting risks used by the whole Council. Assurance rating of Risk Management has now improved to Moderate Assurance 	Yes	Improvement recommendation raised

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Management view of progress to date	Auditor view: Addressed?	Further action?
5 The Council should ensure timely and relevant financial monitoring reporting is undertaken and presented to the appropriate public forum.	Key	Oct 22	Quarterly combined Finance and Performance monitoring Reports for Cabinet were relaunched in Q1 2022/23 Financial year. Q1, Q2 and Q3 have all been to Cabinet (and initially Challenged by the Finance and Budget Working Group). The Q4 and Financial outturn reports were separate reports due to timing of Outturn information. The Same process is being followed in the 2023/4 Financial year.	Yes	Issues surrounding financial monitoring reports highlighted in statutory recommendation 2
The Medium-Term Financial Plan / Budget setting report should be linked to specific actions which are set out in the Council Plan to make it clearer how investments in services will help to achieve the eight key priorities as set out in the Council Plan.	Improvement	Oct 22	Council Priorities were reviewed in August and September 2023 and will form a report to Cabinet in October 2023. Present 2 Stage MTFP Process, implemented for the 2023/4 MTFP. sets out these links. 2022/3 Plan linked to the existing Priorities.	Yes	No
2 The Council needs to improve capital budgeting and ensure that the capital programme is delivered as planned.	Improvement	Oct 22	Capital monitoring integrated with the Quarterly Monitoring Process. Separate Governance Group (Officer led) feeds into Levelling Up Board meetings for the significant spending required to be delivered (from Government Grant) over the next 2 years. Large Projects included in the process set out in Key Recommendation 2 on Project Management, of which the Governance Group is one strand.	No	Improvement recommendation raised
3 The Council should develop a workforce plan / strategy and ensure that this aligns to its financial plans.	Improvement	Oct 22	The new Council workforce Strategy Action Plan was launched in the summer of 2023.	Yes, although capacity constraints remain	Key recommendation raised

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Management view of progress to date	Auditor view: Addressed?	Further action?	
4	Financial plans presented to Members should include better explanation around the key risks and assumptions as well as sensitivity analysis and modelling different scenarios.	Improvement	Oct 22	This is covered in the 2 Tranche MTFP Process as explained in Key Recommendation 1.	No	Improvement recommendation raised
5	The Council should work with Internal Audit to ensure that proactive fraud prevention work is included in the audit plan, and the work and outcomes are reported to the Audit, Standards & Governance Committee.	Improvement	Oct 22	This is an ongoing item. The Council, through the Internal Audit Service, is part of the National Fraud Initiative scheme and provides yearly data. Matches are then followed up. 15 days of Audit time are allocated to this task. A further 5 days are allocated in 2023/4 to Corporate Anti-Fraud and Corruption work.	No	Improvement recommendation raised
6	The Council needs to ensure that internal and external stakeholders, including service users, are engaged and consulted in the budget setting processes, and that this is documented and reported.	Improvement	Oct 22	This is covered in the 2 Tranche MTFP Process as explained in Key Recommendation 1. There was a consultation feedback form as part of the 2023/4 savings proposals document although a more proactive stakeholder Engagement will happen in the 2024/5 Process. Staff were updated via the Chief Executives Briefings where the Section 151 Officer gave regular Updates. Unions were also updated at the appropriate times at the regular Union Meetings.	Partially	Improvement recommendation raised
7	The Council needs to develop quarterly financial monitoring reports so that performance information is included in order to better explain variances and the financial impact of service decisions.	Improvement	Oct 22	Joint Finance and Performance Reports have been delivered to Members since Q1 of the 2022/23 Financial Year.	Yes	No
8	The Council needs to ensure that budget holders are actively involved in budget monitoring and are aware that it is a key part of their role.	Improvement	Oct 22	For Q2 of the 2023/4 financial year budget managers will move to using TechOne to deliver their quarterly forecasts. To facilitate finance Awareness Training and also specific TechOne training has been provided to budget managers to enable this to work. In 2022/23 Forecasts were delivered via spreadsheets and consolidated into the Quarterly reports that went to Members.	Partially	Improvement recommendation raised

Follow-up of previous recommendations

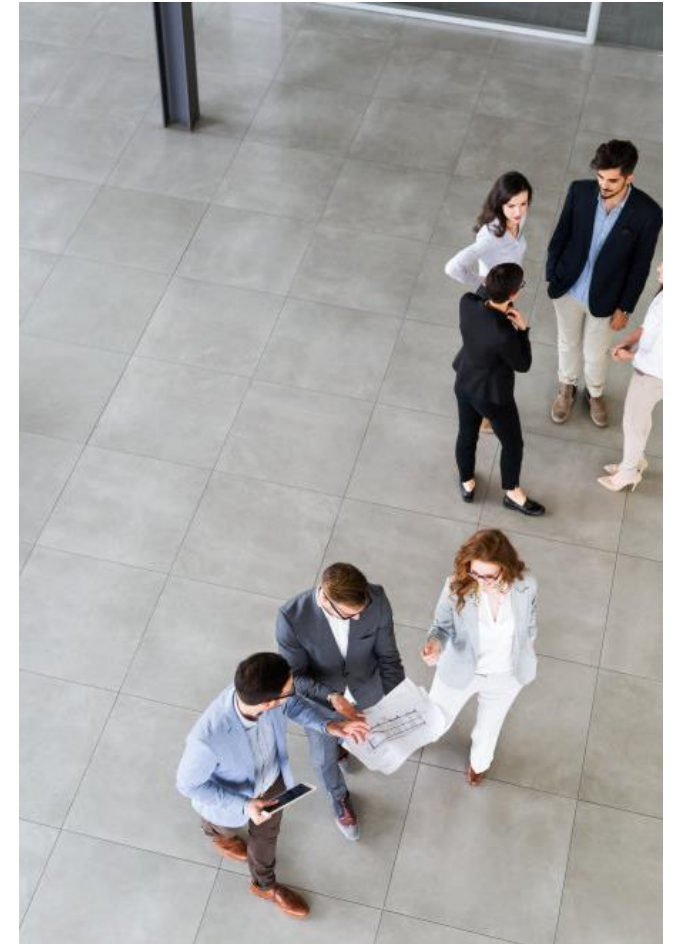
	Recommendation	Type of recommendation	Date raised	Management view of progress to date	Auditor view: Addressed?	Further action?
	9 The Council need to put in place arrangements to provide independent assurance over the accuracy on in-year financial reporting and performance information.	Improvement	Oct 22	Audit, Standards & Governance Committee Review the in year savings proposals twice a year, assessing deliverability in year and risk. There are 10 days allocated in 2023/4 for an audit on Corporate Data Quality and Usage.	Yes	Accuracy issue addressed in statutory recommendation
	10 The Council needs to significantly enhance the use of benchmarking costs and performance against other similar bodies.	Improvement	Oct 22	The Council are using LG Futures Benchmarking data (RA 2023) to inform decisions on the 2024/5 MTFP Process. The Council has measured its own Corporate Performance through an LGA Peer Review that took place in March 2023.	Partially	Improvement recommendation raised
Page 81	11 The Council needs to ensure that the recommendations made by the LGA Corporate Peer Challenge in January 2018 and February 2020 are addressed and that it then further improves by learning from exemplar councils across the country.	Improvement	Oct 22	The Council has produced its response to the Peer Review that took place in March 2023 (which took on points from the previous Peer Reviews) in a Report to Cabinet on the 13th June. This contained actions plans around: The Council Plan, Governance and Engagement, Workforce Strategy, Agile Working and Finance Recovery. The Peer Team are returning for a light touch review at the end of the calendar year.	Yes	No
	12 The Council should ensure that it has an up-to-date procurement strategy and that this, and any other key policies and strategies, are routinely reviewed and updated.	Improvement	Oct 22	Significant training has been undertaken with Service users in order to ensure they understand procurement compliance requirements. "No Compliance No Order" was implemented in April 2023 on the TechOne systems, meaning that payments will only now be made if they are linked to a requisition.	No	Improvement recommendations raised
	13 The Council needs to engage and consult with key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings.	Improvement	Oct 22	Although a brief Stakeholder questionnaire was included in the 2023/4 Savings Proposals document, more will be done in the 2024/5 MTFP Process.	Yes	No

Opinion on the financial statements for 2021/22 and 2022/23



As noted in our statutory recommendation, the Council has been unable to produce draft financial statements for 2020/21, 2021/22 and 2022/23 and therefore our audit work is outstanding. The Council is now significantly behind its statutory financial reporting responsibilities.

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Appendices

Appendix A – Responsibilities of the local authority

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

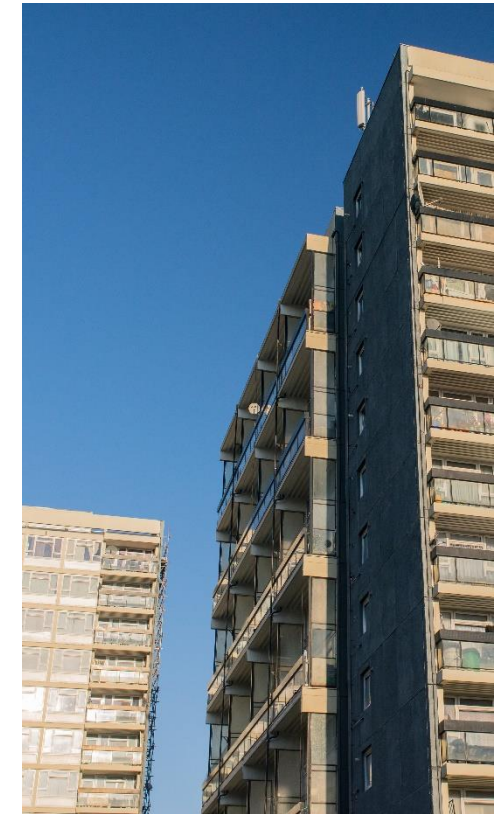
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the local authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the local authority will no longer be provided.

The local authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the local authority's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 and / or 2022/23	Financial sustainability was not identified as a potential significant weakness.	See pages 17 to 28 for more detail.	We have found a significant weakness in the Council's arrangements to secure financial sustainability.	Appropriate arrangements not in place, one statutory recommendation raised and five improvement recommendations raised.
2021/22 and / or 2022/23	Governance was identified as a potential significant weakness due to the previous statutory recommendation.	See pages 29 to 38 for more detail.	We have found a significant weakness in the Council's governance arrangements relating to the flawed ledger implementation.	Appropriate arrangements not in place, one statutory recommendation raised, one key recommendation and five improvement recommendation
2021/22 and / or 2022/23	Improving economy, efficiency and effectiveness was not identified as a significant weakness.	See pages 39 to 44 for more detail.	No significant weakness in arrangements identified but two improvement recommendations raised	Appropriate arrangements in place two improvement recommendations raised.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the local authority’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the local authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	Yes	9 to 10
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the local authority. We have defined these recommendations as ‘key recommendations’.	Yes	15
Improvement	These recommendations, if implemented should improve the arrangements in place at the local authority, but are not a result of identifying significant weaknesses in the local authority’s arrangements.	Yes	24 to 28, 34 to 38 and 43 to 44

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Quarterly Risk Update

Relevant Portfolio Holder		Councillor C. A. Hotham, Portfolio Holder for Finance and Enabling
Portfolio Holder Consulted		Yes
Relevant Head of Service		Michelle Howell, Head of Finance and Customer Services
Report Author Peter Carpenter	Job Title: Interim S151 Officer Contact 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.

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- 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** 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 5 meetings since the original baseline was reported.

Corporate Risks

- 3.7 Corporate Risks are summarised in the following table. There have been no changes in their number since the meeting in March. 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 Q2	Pos Q1	Corporate Risk Description
Both	COR 9	COR 9	Non Compliance with Health and Safety Legislation
Both	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	Non adherence with Statutory Inspection Policy
Both	COR 15	COR 15	Impact from Changes to Partner Funding Arrangements
Both	COR 16	COR 16	Management of Contracts
Both	COR 17	COR 17	Resolution of the Approved Budget Position
Both	COR 18	COR 18	Protection from Cyber Attack
Both	COR 19	COR 19	Adequate Workforce Planning
Both	COR 20	COR 20	Financial Position Rectification
Brom	COR 21	COR 21	BROMSGROVE DC Being placed into special measures due to quality of planning application decisions
Both	COR 22	COR 22	Delivery of Levelling Up, UK SPF Initiatives
Both	COR 23	COR 23	Cost of Living Crisis
Both	COR 24	COR 24	New Customer Facing Interface

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.

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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.

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.

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 has been increased to an amber rating due to budgetary pressures at Partner organisations that could impact service delivery and costs.

Management of contracts - Procurement Strategy 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 1st April 2023 and a report went to Cabinet in July setting out new requirements in terms of contracting and transparency for the upcoming year as part of the quarterly Finance and Performance Report.

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. Final MTFP contains S151 Officer's robustness statement which is key to sign off of a robust sustainable budget. Budget Working Group scrutinises proposals before Cabinet. The same process will be used for the 2024/5 budget process.

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.

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There are 2 departmental risks linked to this corporate risk.

Adequate workforce planning - Workforce plan was launched in the summer and service who now know their high risk areas and the wider scheme. 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 3 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 uprated to Red due to lack of clarity from the Government over Audit deadlines 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 Draft External Audit Report. 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 (December 2023).

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 - Monthly Project Board overseeing all projects Formal governance structures for levelling up 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 on the 20th June and with DLUHC directly in October. However, there is still no guidance and both Council carry the significant risk of having to fund projects after the grant funding closure dates.

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.

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.

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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
- 55 Departmental Risks – 2 Red, 21 Amber, 32 Green.
The third Set of reviews in March reduced this number to
- 51 Departmental Risks – 1 Red, 25 Amber, 25 Green.
- 43 Departmental Risks - 1 Red, 26 Amber, 16 Green.

3.10 **Position as at the 22nd June 2023**

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

Red Risks – 1 in total

REV7 - Revenues - Performance Indicator data is not robust

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3.11 Position as at the 30th September 2023

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

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 no change to ratings of the number of departmental risks since the last quarter. These are being managed by departmental Risk meetings.

3.14 This report sets out the position a year following the initial baselining of council risks. This is the fifth 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 (8th April 2022, the 22nd June, the 21st September, the 21st December, 22nd March, 22nd June, 20th October) 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 reviews the Risk Registers on a quarterly basis. These reports have also been presented to Cabinet although this will stop 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.

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- 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 and at the next quarters meeting will need to be reviewed to assess if it moves to a Corporate Risk.
- 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.
- 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.
- 3.21 We are seeing significant increases in fires, which are mostly linked to electrical equipment. This will affect the Property renewal figures.

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The Risk Management Framework

- 3.22 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.

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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	Q2	Q1	Risk Description	Corp Risk
Both		BEN 1	Fail to effectively resource the service to meet demand	COR 9
Both		BEN 3	Impact of Welfare Reform Act	
Both		BEN 6	Impact of ELF scheme	
Both		BEN 7	Benefits subsidy	
Both		BEN 9	Failure to meet Audit requirements	
Both		CUS 3	Failure to deal with complaints to customers satisfaction	
Both		CUS 7	RBC/BDC Fail to ensure the adequate security arrangements for Customer Service Centres	COR 9
Both		REV 4	Failure to effectively manage change	
Both		REV 7	Performance Information data is not robust	
Both		REV 11	Reduced collection rates	
Both		REV 12	Failure to meet Audit requirements	
Both		REV 16	Maintenance and Recovery of Collection Performance Post Covid	
Both		REV 17	Failure of corporate Fraud and Compliance team	
Both		FIN 1	Fail to provide adequate support to managers to manage their budgets	COR10
Both		FIN 4	Fail to effectively manage high value procurements resulting in breach of EU procurement rules.	COR16
Both		ENV 7	Fail to adequately maintain and manage car parking and On Street enforcement	
Both		ENV 9	Avoidable damage to fleet arising from staff behaviour and none compliance	

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Both	ENV 10	Fail to ensure adequate Health & Safety across the service	COR 9
Both	ENV 11	Fail to engage with the WCC regarding land associated with highway maintenance	
Both	ENV 20	Workforce planning	COR19
Both	ENV 22	PDMS - New Environmental database	
Both	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	Failure to ensure that Council Owned buildings, Property Assets and Facilities remain fit for purpose now and for the future.	
Both	LED 10	Fail to optimise the income from Commercial properties	
Both	LED 11	Fail to effectively manage property assets	
Both	LED 12	Fail to effectively manage the disposal of assets as part of asset disposal programme	
Both	LED 13	Bromsgrove Leisure Contract	COR16
Both	ICT 4	Breach of Data Protection – disclosure of data / staff not aware of guidelines	COR18
Both	ICT 7	Failure to identify, maintain and test adequate disaster recovery arrangements	COR18
Both	ICT 15	Members and Data protection Training	
Both	PLA 11	Loss of effective Building Control service due to changes in legislation / Hackett / Grenfell	COR19
Both	HOU 7	Fail to manage impact of increasing homelessness cases and Recruitment challenges	COR19
Both	HOU 10	Fail to effectively manage capital projects (also the right contracts are put in place, internal and external)	
Both	HOU 14	Failure to complete annual gas Safety Inspections	COR14

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Both	HOU 19	Failure to comply with Charter for Social Housing and the Regulator	COR14
Both	HOU 21	Non compliance with Asbestos Regulations	COR14
Both	HOU 22	Non compliance with Regulatory Reform (Fire Safety) Order 2005 - Blocks of flats and communal entrances	COR14
Both	HOU 27	Failure to comply with IEE regulations	COR14
Both	HOU 28	Damp and Mould In Council Housing	COR14
Both	COM 3	Safeguarding - Inadequate child and adult protection systems/process.	COR14
Both	COM 17	Starting Well Partnership – underperformance of contract	COR16
Both	COM 18	Social Prescribing – underperformance of contract	COR16
Both	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.

Service Area	Red	Amber	Green	Total
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
Total	15	35	55	105

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

Service Area	Red	Amber	Green	Total
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
Total	2	29	51	82

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, the following changes have been made which saw the number of risks reduce as follows to 55 Risks:

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

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:

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

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	Amber	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	Amber	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	Amber	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	Green	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	Amber	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.					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	Green	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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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: Adrian Howe	Job Title: Interim Audit Team Leader Worcestershire Internal Audit Shared Service Contact email: adrian.howe@worcester.gov.uk
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 is asked to RESOLVE that:-

- 1) the report is noted.**
- 2) revisions to the 2023/24 Annual Plan are approved by the Committee.**

2. BACKGROUND

The involvement of Members 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 1st April 2023 to 30th September 2023.

Summary Dashboard 2023/24:

Total reviews planned for 2023/24	12 (minimum)
Reviews finalised to date for 2023/24:	0
Assurance of 'moderate' or below:	0
Reviews awaiting final sign off:	0
Reviews ongoing:	7
Reviews to commence (Q3):	3
'High' Priority recommendations reported 2023/24:	0
Satisfied 'High' priority recommendations to date:	N/a
Plan delivery to September 2023:	26%

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Since the last progress report presented to the Committee, three 2022/23 reports have been finalised, one 2022/23 report is at clearance/draft report stage and six 2023/24 reviews have commenced.

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.

2.1 2022/23 AUDITS

The reviews that have been finalised since the last committee update:

- Benefits (Significant)
- Council Tax (Moderate)
- National Non-Domestic Rates (Significant)

The reviews at draft report or clearance stage are:

- ICT (Moderate)

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

2.2 2023/24 AUDITS TO 30th SEPTEMBER 2023

A rolling programme of testing is due to take 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

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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.

2.3 REVISIONS TO 2023/24 AUDIT PLAN

The Internal Audit Plan for 2023/24 approved by this committee was based upon a resource allocation of 235 productive days, a resource allocation which was agreed with the Council's section 151 officer. Since this time, several pressures have been placed upon the service that have affected and will affect its ability to complete the annual audit plan. These include multiple long-term sicknesses and the loss of key personnel (Head of Service and Audit Team Leader). The Interim Audit Team Leader and S151 officer have reviewed the current status of the plan and reduced or deferred audits if it is prudent to do so from a risk assurance perspective. Productive days have been reduced by 26 days from 235 to 209.

The following audits have been deferred to 2024/25 on the basis that the 2023/34 audits have only just been finalised and a historically robust control environment exists:

- i) Council Tax (8 days)
- ii) National Non-Domestic Rates (8 days)
- iii) Benefits (10 days)

2.4 AUDIT DAYS

Appendix 1 provides a summary of delivery. At the 30th September 2023 a total of 65 days had been delivered against an overall target of 235 days for the year.

2.5 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.

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- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative coordination of uploads.
- Investigations

National Fraud Initiative

- 2.6 National Fraud Initiative data set uploads are planned for 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

- 2.7 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. The Head of Internal Audit Shared Service had previously stated that he remained confident his team will be able to provide the required coverage for the year to ensure an internal audit opinion can be reached using reviews from the authority's core financial systems, as well as other systems which have taken place. Changes to the plan will be discussed with the s151 Officer and reported to Committee.

3. FINANCIAL IMPLICATIONS

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

4. LEGAL IMPLICATIONS

- 4.1 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".

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

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- 5.1 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

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

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 There are no implications arising out of this report.

Operational Implications

- 6.2 There are no new operational implications arising from this report.

7. RISK MANAGEMENT

- 7.1 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.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 ~ 2023/24 Internal Audit Plan summary of delivery
Appendix 2 ~ 2023/24 Plan progress
Appendix 3 ~ 2022/23 Finalised audit reports including definitions.
Appendix 4 ~ Follow Up Programme Overview
Appendix 5 ~ Follow Up Reports recently issued

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APPENDIX 1

Delivery against Internal Audit Plan for 2023/24 1st April 2023 to 30th September 2023

Audit Area	2023/24 Plan Days	Days used to 30 th September 2023
Core Financial Systems (see note 1)	77	9
Corporate Audits	71	16
Other Systems Audits (see note 2)	59	29
SUB TOTAL	207	54
Audit Management Meetings/ Corporate Meetings / Reading/ Annual Plans, Reports and Audit Committee Support	28	11
Other chargeable (see note 3)	0	0
SUB TOTAL	28	11
TOTAL	235	65

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.

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APPENDIX 2

2023/24 Internal Audit Plan

Audit Area	Corporate Link	Risk Register Reference		Proposed Resource 2023/24	Indicative Planned Qtr.	Progress To Date
FINANCIAL						
Debtors (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		14*	3 to 4	Commenced Rolling programme
Main Ledger/Budget Monitor/Bank Rec (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		17*	3 to 4	
Creditors (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		14*	3 to 4	Commenced Rolling programme
Treasury Management	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		6*	2	Commenced
Council Tax	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		8*	1 to 3	
Benefits	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		10*	1 to 3	
NNDR	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		8*	1 to 3	
Sub TOTAL				77		

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Audit Area	Corporate Link	Risk Register Reference		Proposed Resource 2023/24	Indicative Planned Qtr.	Progress To Date
CORPORATE						
IT Audit	Fundamental to strategic purpose delivery	COR18 – Protection from Cyber Attack		15*	3 - 4	Commenced
Risk Management Embedding (note 2)	Fundamental to strategic purpose delivery	S151 request		10*	3 - 4	
Corporate anti-fraud and corruption	Fundamental to strategic purpose delivery	COR – Cost of Living		5*	3	Commenced
Procurement and Contract Management (Note 3)	Fundamental to strategic purpose delivery	COR16 – Management of Contracts & S151 request		8*	4	
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	Commenced
Grants (Various incl. Disabled Facilities Grants)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		10	1 to 4	Not required during Q1
Sub TOTAL				71		

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Audit Area	Corporate Link	Risk Register Reference		Proposed Resource 2023/24	Indicative Planned Qtr.	Progress To Date
Worcester Regulatory Services						
Focus to be confirmed	Statutory and Regulatory Requirement	COR15 – Impact to changes in Partner Funding Arrangements		12	3	Commenced
Sub TOTAL				12		
Service Delivery						
Human Resources						
Organisational Processes	Fundamental to strategic purpose delivery	COR19 – Adequate Workforce Planning & S151		5	3	Commenced
Sub TOTAL				5		
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	
Sub TOTAL				42		
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			
Sub TOTAL				28		
TOTAL CHARGEABLE				235		

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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: Risk management relaunched 2022/23 reviewing ongoing progress against action plan and reporting.

Note 3: Procurement – ensuring embedding continues.

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APPENDIX 3

Appendices A & B are indicated below and can be applied to all reports.

Appendix A
Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively. No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.
Significant Assurance	There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk. Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
Moderate Assurance	The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system. Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
Limited Assurance	Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively. Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
No Assurance	No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed. Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.

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Appendix B
Definition of Priority of Recommendations

Priority	Definition
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
Medium	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
Low	Control weakness that has a low impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

2022/23 Audit Reports.

Recently Finalised reports.

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

Final Internal Audit Report

**National Non-Domestic Rates
2022/23**

03rd July 2023



AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Distribution:

Head of Finance and Customer Services
Executive Director – Finance & Resources

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1. Introduction

1.1 The audit of National Non-Domestic Rates was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council 2022/23 approved by the Audit, Governance and Standards Committee on 28th July 2022 and for Bromsgrove District Council approved by the Audit, Standards and Governance Committee on 21st July 2022. The audit was a risk-based systems audit of the NNDR as operated by Redditch Borough Council and Bromsgrove District Council.



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1.2 This review relates to most strategic purposes for both authorities due to its nature as a primary funding source. However, the review can be linked with the specific strategic purpose “run and grow a successful business”. Furthermore, it relates to the community priorities specifically “economic development and regeneration”.

1.3 The following Service risks were relevant to this review:

- REV3 – Failure of support/availability of key systems Finance and Resources relies upon
- REV11 – Reduced collection rates
- REV16 – Maintenance and recovery of collection performance post covid

1.4 This review was undertaken during the month March & April 2023.

1.5 Recovery of Prior Debt (follow up) - The action to address this finding within the 2020/21 audit remains outstanding due to other priorities during the pandemic. A review of resources for recovery of Council Tax and Non-Domestic rates was due to be completed within the first 6 months of 2022 but did not happen. Now that the economy is recovering from the pandemic, the recommendation to incorporate into the service business plan a clear policy as to how the Council will deal with aged debt and the way it is to be managed going forward to maximise income and take timely action is still ongoing.

2 Audit Scope and objective

2.1 This review has been undertaken to provide assurance on the process of collecting NNDR income for the two authorities via the billing process, and the application and monitoring of reliefs and exemptions on units.

2.2 The review was to provide assurance based on:

- A review of the updated position in relation to the 2021/22 audit recommendations.
- Procedures for capturing and processing NNDR information, including the setting up of new customer accounts and timely and accurate billing is taking place.
- Exemptions, reliefs, and discounts are appropriately evidenced, applied, and monitored.



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- Processing of payments and refunds follows the adopted procedures.
- The correct protocol is being followed with regards to the reminder process and appropriate suppression is being managed.
- User profiling is managed to provide only relevant access to data.

2.3 This reviewed covered the period from 01st April 2023 to date of the audit.

2.4 This review did not cover.

- Recovery for non-payment i.e., summons onwards.
- Legislation relating to Covid-19
- Write offs and associated procedures.
- Performance monitoring

3 Audit Opinion and Executive Summary

3.1 From the audit work carried out we have given an opinion of **Significant Assurance** over the control environment in this area. There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.

3.2 We have given an opinion of **Significant Assurance** in this area because the system of internal control meets the organisation's objectives; all the expected system controls tested are in place and are operating effectively.

3.3 The review found the following areas of the system were working well:



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- Overall processes for current year NNDR are followed in an accurate and timely manner, correctly administered and all the appropriate procedures are being followed ensuring that income is maximised.

3.4 Although discussion points arose from the review there were no formal recommendations required.

4. Independence and Ethics:

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.
- WIASS conforms with the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and confirms that we are independent and able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

Head of Internal Audit Shared Services

APPENDIX A

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively. No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.

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Significant Assurance	<p>There is a generally sound system of internal control in place designed to meet the organisation’s objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Moderate Assurance	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it’s objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 3 to 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation’s objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 3 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation’s objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 3 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX B

Definition of Priority of Recommendations

Priority	Definition
H	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
M	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
L	Control weakness that has a low impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Worcestershire Internal Audit Shared Service



Final Internal Audit Report

Council Tax 2022/23

03rd July 2023

Distribution:

To: Head of Finance and Customer Services
Executive Director – Finance & Resources



AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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2. Introduction

1.1 The audit of Council Tax was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2022/23 approved before the Audit, Governance and Standards Committee on 28th July 2022 and for Bromsgrove District Council approved before the Audit, Standards and Governance Committee on 21st July 2022. The audit was a risk based systems audit of the Council Tax as operated by Redditch Borough Council and Bromsgrove District Council.



AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

- 1.2 This review relates to most of the Strategic Purposes for both authorities due to its nature as a primary funding source. Elements of the Strategic Purposes can be closely linked with the Council Tax Service e.g. funding to ensure "Communities which are safe, well maintained & green"
- 1.3 The following Service risks were relevant to this review:
- REV3 – Failure of support/availability of key systems Finance and Resources relies upon
 - REV6 – Failure to make a timely decision (political direction) to manage changes to the Council Tax Support Scheme
 - REV11 – Reduced collection rates
- 1.4 This review was undertaken during March & April 2023.
- 1.5 Recovery of Prior Debt (follow up) - The action to address this finding within the 2020/21 audit remains outstanding due to other priorities during the pandemic. A review of resources for recovery of Council Tax and Non-Domestic Rates was due to take place within the first 6 months of 2022 but did not happen. Now that the economy is recovering from the pandemic, the recommendation to incorporate into the service business plan a clear policy as to how the Council will deal with aged debt is being managed by Capacity Grid to chase outstanding debt from previous years, helping to maximise income and take timely action when necessary.

2 Audit Scope and objective

- 3.4 This review has been undertaken to provide assurance that:
- A review of the updated position in relation to the 2021/22 audit recommendations.
 - Procedures for capturing and processing Council Tax information, including the setting up of new customer accounts and timely and accurate billing is taking place.
 - The application of discounts and exemptions on properties, and the respective billing amounts – including the 2022 Energy Rebate Scheme are being evidenced, applied, and monitored.
 - Processing of payments and refunds follows the adopted procedures.
 - The correct protocol being used for the reminder process and appropriate suppression is being managed.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

- User profiling is managed to provide only relevant access to data.

3.5 This reviewed covered the period from 1st April 2023 to the date of the audit.

3.6 This review did not cover.

- Recovery for non-payment i.e., summons onwards.
- Write offs and associated procedures.
- Performance monitoring

4 Audit Opinion and Executive Summary

4.1 From the audit work carried out we have given an opinion of **Moderate Assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the “Definition of Audit Opinion Levels of Assurance” table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.

4.2 We have given an opinion of **Moderate Assurance** in this area because there is a generally sound system however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.

4.3 The review found the following areas of the system were working well:



AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

- Management and application of Energy Rebate Scheme
- Overall, processing is managed effectively and within a timely fashion.

4.4 The review found the following areas of the system where controls could be strengthened:

	Priority (see Appendix B)	Section 4 Recommendation number
Daily bereavement notes for other customers are uploading on to an account not relating to the account	Medium	1

5 Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the “Definition of Priority of Recommendations” table in Appendix B.

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
New matters arising					
1	M	Daily Bereavement notes for customers are uploading onto an account not relating to the account.	GDPR – irrelevant and inappropriate information is being held against an account creating a potential risk if customer was to ask for a copy of their file details other customer personal details would be declared contravening current regulations	Manager is to review account with System Admin to resolve the issue and check relevant accounts for correct note inclusion.	<p>Responsible Manager:</p> <p>Action:</p> <p>The relevant documents are not indexed to the identified account but are displayed when accessing documents from workflow. This has been raised with systems admin as the cause is likely to be a database lock, which when cleared will correct the issue.</p> <p>Implementation date:</p> <p>July 2023</p>

5. Independence and Ethics:



AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.
- WIASS conforms with the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and confirms that we are independent and able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

Head of Internal Audit Shared Services

APPENDIX A

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively. No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.
Significant Assurance	There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk. Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.



AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Moderate Assurance	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 3 to 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 3 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 3 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

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APPENDIX B

Definition of Priority of Recommendations

Priority	Definition
H	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>



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M	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
L	Control weakness that has a low impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Worcestershire Internal Audit Shared Service



Final Internal Audit Report

Benefits 2022-23

Date 23rd August 2023

Distribution:

To: Customer Support Manager

CC: Head of Finance and Customer Services
Interim Section 151 Officer



AUDIT, STANDARDS AND GOVERNANCE COMMITTEE



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1. Introduction

- 1.1 The audit of the Benefit process was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2022/23 approved before the Audit, Governance and Standards Committee on 28th July 2022 and for Bromsgrove District Council to the Audit, Standards and Governance Committee on 21st July 2022. The audit was a risk-based systems audit of the Benefits System as operated by Redditch Borough Council and Bromsgrove District Council.
- 1.2 This review relates to the strategic purposes of:
- BDC Plan 2019-23: Strategic Purpose - Work and Financial Independence. Priorities - Financial Stability.
 - RBC: Plan 2020-24: Strategic Purposes - Aspiration, Work & Financial independence



- 1.3 There are no Corporate Risks relevant to this review. There were 2 Service Risks relevant to this review.

- BEN 1 Fail to effectively resource the service to meet demands
- BEN 7 Benefit Subsidy

1.4 This review was undertaken during the month(s) of November 2022 through to May 2023.

2. Audit Scope and objective

- a. This review has been undertaken to provide assurance that progress has been made in response to the 2021/22 audit recommendations and assurance on the processing of new and change of circumstance Housing Benefit & Council Tax Support claims for working age and pension age claimants.
- b. The scope covered:
- A review of the updated position in relation to the 2021/22 audit recommendations.
 - A review of new and change of circumstance Housing Benefit & Council Tax Support claims for working age and pension age claimants to ensure that backdated claims have been applied correctly, relevant evidence recorded and that processing days are within reasonable timescales.
 - Compliance with internal processes and external legislation to allow accurate processing of new claims and changes of circumstance focusing on rent allowances, income/allowance information and disregards.
 - Awards are being made in line with the Council Tax Reduction Scheme.
 - Access controls to the system are appropriate and are effective - including remote working arrangements. (Access controls will be reviewed in more detail within the ICT Audit 2023/24).
- c. This reviewed covered the period from 1st April 2022 to the 18th May 2023.

d. This review did not cover:

- The process of recovery, including the classification of overpayments and its effect on subsidy.
- Payments made under the discretionary hardship scheme.
- Reconciliations as this will be carried out within the Core Financial Audits.

3. Audit Opinion and Executive Summary

- a. From the audit work carried out we have given an opinion of **significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the “Definition of Audit Opinion Levels of Assurance” table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.
- b. We have given an opinion of **significant assurance** in this area because generally there is a sound system of internal control in place but that our testing has identified isolated weaknesses in the design of controls and / or inconsistent application of controls in a small number of areas.
- c. The review found the following areas of the system were working well:
- Processing of the Council Tax Reduction Scheme claims with good meaningful file notes.
 - The processing of new claims and changes of circumstance focusing on rent allowances, income/allowance information and disregards
 - The speed of processing during Quarter 3 2022/23 (DWP published figures)
- 3.4 The Benefits team are still waiting the outcome from the proposed re-structure that has taken over 3 years to complete. This has left certain staff in secondment roles and carrying out duties that are not within their current job role description. This has led to ongoing pressures within the quality assurance team.

The service does not have specific key performance indicators regarding the speed of processing of new Housing Benefit and change of circumstances claims. However, the number of days taken to process claims is tracked on the dashboard and published nationally. The review found that the allocation of work was being monitored but there were some processing times that have taken longer than would have liked due to the volume of work received.

The review did identify a potential for a break down in controls when granting officers access to the OpenRevs system due to the current process which excludes approval from the revenues and benefits team for staff outside of their service that require access to the system. Therefore, this will be looked at in more details within the ICT audit planned for quarter 2 2023/24

3.5. The review found the following areas of the system where controls could be strengthened:

	Priority (see Appendix B)	Section 4 Recommendation number
Previous Audit 2021/22 Follow Up		
Ref 1 Outstanding Work Queue/Backlogs Ref 3 Dashboard – Performance Measures	Medium	1
New Matters Arising 2022/23		
Backdating New Housing Benefit Claims	Medium	2

4. Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium, and low priority are set out in the “Definition of Priority of Recommendations” table in Appendix B.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Issues brought forward from previous audit 2021/22					
1	M (Based on 2021/22 Audit)	<p>Follow Up 2021/22 - Update</p> <p>Ref 1 Outstanding Work Queue/Backlogs</p> <p>At the time of review the outstanding work is manageable and not considered to be a backlog. However, there were a handful of cases that are older than desired for Bromsgrove District Council (The bulk of the items within the work queue dated back 6 weeks for both Redditch Borough Council and Bromsgrove District Council).</p>	<p>This has the potential to increase the average processing times which are reported to Department Work & Pensions and published in the public domain which could lead to reputational damage and Department Working & Pensions intervention.</p>	<p>Follow up action completed. As per the previous management response. Continue to monitor workloads, identifying any cause for delays in processing to see if any further controls can be put in place to reduce times.</p> <p>Previous management action in progress As per the previous management response. Ensure</p>	<p>Responsible Manager: We consistently monitor workloads alongside performance and accuracy. By doing this we are aware of natural annual peaks of work; annual upratings for example.</p> <p>We hold quarterly engagement calls with the DWP and they are pleased with our performance and all of their indicators show us as “green” meaning they have no concerns.</p> <p>The measures dashboard is updated and current, there can be some delay due to the</p>

		<p>Ref 3 Dashboard – Performance Measures</p> <p>A review of the Speed of processing for New Claims measure has not been updated with commentary since November 2022 for Bromsgrove and January 2023 for Redditch. There is no commentary against the Change of Circumstance speed of processing for both Authorities.</p>	<p>Lack of transparency and context which could lead to inaccurate assumptions by senior managers and Members that review this information and Service performance.</p>	<p>there is commentary against the Change of Circumstance and New Claims speed of processing for both councils to ensure the measures are meaningful.</p>	<p>publishing of DWP performance stats.</p> <p>Implementation date:</p> <p>Ongoing action.</p>
New matters arising 2022/23 Audit					
2	M	<p>Backdating New Housing Benefit Claims</p> <p>Out of a sample of 25 claims for each authority, testing identified 2 New Claims for Bromsgrove District Council & 1 for Redditch Borough Council that were not backdated correctly.</p>	<p>Failure to apply the backdate correctly can result in an inaccurate award and subsidy loss to the Councils. Also, inaccuracies can increase external audit sampling and increase external audit costs to the Authorities for benefit work.</p>	<p>Feedback and provide training to agency workers on backdating claims. Check a sample of claims to ensure quality assure the accuracy.</p>	<p>Responsible Manager:</p> <p>There are different rules for HB and LCTS, and there are also different rules for working and none working age claimants meaning this is a complex area of work.</p> <p>We will undertake additional accuracy checks of new claims to make sure they are awarded from the correct date.</p> <p>We will also sample check from the subsidy claim of claims that have been</p>

				<p>processed as backdated to ensure these have been done correctly.</p> <p>From these checks we will be able to establish if the issue is isolated or a wider team issue.</p> <p>We will look to hold a quiz/workshop in a future team meeting as a training exercise.</p> <p>Implementation date:</p> <p>July 2023 - Ongoing</p>
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5. Independence and Ethics:

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.
- WIASS conforms with the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and confirms that we are independent and able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

Head of Internal Audit Shared Services



APPENDIX A

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
Significant Assurance	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Moderate Assurance	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 3 to 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 3 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p>

Follow up of high and medium priority recommendations only will be undertaken after 3 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.

APPENDIX B

Definition of Priority of Recommendations

Priority	Definition
H	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function, or process objectives. Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
M	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function, or process objectives. Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
L	Control weakness that has a low impact upon the achievement of key system, function, or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

Overview of 2023/24 Follow Up Programme

Appendix 4

	Year of Review	Review Area	Assurance	Follow Up Position	Indicative Date of Follow Up		Position and Conclusion
BDC	21/22	Procurement	Limited	2 nd	May-23	Q1	All points implemented – Report - Appendix 5 No further action required
BDC	21/22	General Data Protection Regulation	Moderate	2 nd	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 st	Jul-23	Q2	To be arranged and linked to the General data Protection regulation.
BDC	22/23	Accounts Payable	Moderate	1 st	Nov-23	Q3	To be included in 23/24 Audit
BDC	22/23	IT Review	Moderate	1 st	Jan-24	Q4	To be included in 23/24 Audit
BDC	22/23	Treasury Management	Significant	1 st	Jul-23	Q2	To be included in 23/24 Audit
BDC	22/23	Accounts Receivable	Limited	1 st	Dec-23	Q3	To be included in 23/24 Audit

Audit, Governance & Standards Committee

27th November 2023

	Year of Review	Review Area	Assurance	Follow Up Position	Indicative Date of Follow Up		Position and Conclusion
BDC	22/23	Council Tax	Moderate	1 st	Nov-23	Q3	To be included in 23/24 Audit
BDC	22/23	National Non-Domestic rates	Significant	1 st	Nov-23	Q3	To be included in 23/24 Audit
BDC	22/23	Benefits	Significant	1 st	Nov-23	Q3	To be included in 23/24 Audit
BDC	22/23	Workshop Licensing Compliance	Critical Friend	1 st	Dec-23	Q3	To be arranged
BDC	22/23	Fuel Usage and Efficiency	Moderate	2 nd	Aug-23	Q2	To be arranged
BDC	22/23	WRS- Animal License Activity	Critical Friend	1 st	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.



Follow Up Reports

Appendix 5

None to report

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee

27th November 2023

Accounting Policies Report

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

1. RECOMMENDATIONS

The Audit, Standards and Governance and Committee RECOMMEND that:

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

2. BACKGROUND

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

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

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee

27th November 2023

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

Legislative Requirements

- 2.5 The previous section sets out how the Council works, however equally important are the Central Government Legislative Requirements to which we deliver to and are compared to other Councils across the Council. This section lists those key deliverables.
- 2.6 The following are key legislative deliverables and the Councils delivery against them to June 2023:
- **Budget**
 - Delivered by 11th March in preceding financial year – ***delivered Feb 2023***
 - Council Tax Base – Yearly – ***2023/24 delivered in January 2023***
 - Council Tax Resolution – ***Yearly 2023/4 delivered in February 2023***
 - Council Tax Billing – Yearly (2 weeks before 1st DD is due to be taken) – ***Bills distributed in March 2023***
 - **Closure**
 - Draft Accounts delivered to Audit by 31st June in order for 22/23 RO forms to be delivered.
 - 2020/21 Audit ***dependent on previous years and Cash Receipting Backlogs being completed (see closure section)***
 - Government Returns
 - VAT – Monthly
 - ***Still to be delivered for 20/21 – dependent on closure of accounts***
 - Revenue Outturn Reports – July
 - ***Still to be delivered for 20/21 – dependent on closure of accounts***
 - ***22/23 RO has been delivered and the Council are responding to queries on the return.***
 - Capital Outturn Reports – July
 - ***Delivered for 2020/21 and 2021/22 on Friday 30th June***
 - ***22/23 CO has been delivered.***
 -

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee

27th November 2023

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

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- **Update provided in Q1 Revenue Return**
 - Yearly Outturn Report
 - **To be produced in September**
- Council Tax Support Scheme – Yearly – **Approved in Jan 2023 after consultation**
- Minimum Revenue Provision – yearly – **Approved as part of the 2023/4 to 2025/6 Medium Term Financial Plan**

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

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

- Financial Monitoring – **delivered quarterly to Cabinet – due to Summer Holidays Q1 23/4 went to Cabinet in October, Q2 will go to Cabinet in November.**
- Risk Management – **delivered quarterly to this Committee.**
- Financial Controls (still in development)
 - Clearance of suspense accounts - **return to being up to date expected by end of this calendar year**
 - Bank Reconciliation - **linked to above point although a separate stream assessing/clearing 2023/4 items**
- Over £500 spending.
 - **Updated to July 2023**

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

Update on the Statement of Accounts

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

- Closure 2020/21
 - Agreement of Treatment of Take on Balances – This was expected to be completed by July, but joint work is still being undertaken by the Council and External Auditors to validate these balances. The Council has supplied all data except Period 0 and the External Auditors have input this data into a model to verify full transfer of balances has taken place. However, this cannot be completed until the period 0 balances are provided. The Period 0

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- balances have been supplied by the Council's previous financial systems providers Advanced to the External Auditors on the 13th November.
 - Provision of Draft 2020/21 Accounts to Audit. This is dependent on the External Auditors confirmation that they have approved both Council's take-on balances work. To date only limited high level testing has taken place although significant work has been undertaken.
 - Sign Off of 20/21 Accounts – to be confirmed with the External Auditors
 - Closure 2021/22
 - Updated Outturn position – still to be provided (cash receipting backlog to be cleared by 31 December 2023)
 - Draft Accounts ready for Auditors (without any 2020/21 Audit Adjustments) estimated February 2024.
 - Audit of Accounts February to April 2024
 - 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 – June 24 (following External Auditors sign off 21/22 Accounts)
 - Sign off of the Accounts – November 2024.
 - Value for Money Opinions for 2021/22 and 2022/23. Work has been underway with the External Auditors on a joint Value for Money Opinion for both years. This is on the Agenda for today's meeting.
- 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:
- 2015/16 through to 2019/20 must be signed off by the 30th December 2023.
 - 2020/21 and 2021/22 by the 31st March 2024.
 - 2022/23 by the 30th September 2024.
- 2.11 Looking at these proposed timescales there will be the requirement to speed up slightly the agreed timetable we have agreed with our External Auditor by circa 2 months to deliver to these new statutory timetables.
- 2.12 There is an article in the 1st November 2023 Municipal Journal from Lee Rowley MP which sets out that the speeding up of the overall Local Government Audit Process

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must take place and the present backlog rectified. The view of Ministers is that Auditors should be focussed on more recent activities. However, confirmation on these revised timescales and how audit requirements will be changed is yet to be received.

- 2.13 We have upgraded the TechOne system, moving from the present version which is 20b to 23a over the weekend in July 2023. This upgrade has given access to more functionality. This means 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.
- 2.14 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.
- 2.15 Work is under way on the 2021/22 Accounts although they cannot be finalised until the audit of the 2020/21 Accounts is complete. The key driver is the clearance of the cash receipting suspense accounts which is expected to be delivered by end of December.

Update On 2023/24 Budget

- 2.16 The Councils 2023/24 Budget was approved in February. Budgets are loaded onto TechOne.
- 2.17 The 2024/5 draft MTFP will be presented to Cabinet for consultation on the 22nd November. The budget is again being delivered on a two Tranche basis. Given the Chancellors Statement is not until the 22nd November and the Provisional Local Government Settlement is not expected until the week before Christmas, this initial Tranche just includes:
- Known Pressures (including inflation).
 - Suggested increases to Fees and Charges.
 - Base assumptions on tax collection.
 - Present Capital Programme
 - Impact on General Fund and Earmarked Reserves.
- 2.18 Quarter One 2023/4 financial and performance monitoring went to Cabinet in October and the Quarter Two Monitoring will be delivered to Cabinet on the 22nd November. The financial monitoring for Quarter 2 will be delivered for the first time directly from the TechOne system with budget managers data input onto it and not into spreadsheets.
- 2.19 A report went to Cabinet in June which set out new arrangements to managing projects as per the recommendation in the Audit Task Group Report that came to this

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Committee in March. Project updates will now be part of the quarterly finance and performance reporting. There are four main programmes, ICT, Workforce and Change, Public Realm, and Housing

Compliance Items

- 2.20 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.
- Number on Payments Purchase Order Training (Monthly) by Service Area.

Treasury Management

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

Errors:

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

Procurement:

- The new 'No Compliance No Order' process has been live since April 2023.
- Many departments are now proactively getting quotations for lower value works. A lot of the issues we have are now training issues that are being resolved.
- The number of contracts in place is growing regularly and we are confident that this process is having a positive effect. We hope that eventually we get to the place where the number of orders coming to procurement for approval as contracts are not in place are minimal.
- A report went to Cabinet in July setting out new government procurement requirements that the Council are addressing, many of which come into force on the 1st April 2024. The Q1 and upcoming Q2 Finance and Performance Monitoring Reports now set out:

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

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

31/10/2023

Column Labels									
Row Labels	NA < 1000		NA >1000		Reconciled		Total Count of Ledger	Total Sum of	
	Count of Ledger		Count of Ledger		Count of Ledger		Name	Amount	
	Name	Sum of Amount	Name	Sum of Amount	Name	Sum of Amount			
20GLACT	24,543.00	-140,133.50	385.00	-4,497,810.64	5,616.00	11,695,151.32	30,544.00	7,057,207.18	
21GLACT	27,223.00	209,206.08	500.00	-102,316,498.28	6,815.00	-46,135,290.95	34,538.00	-148,242,583.15	
22GLACT	6,502.00	-83,392.03	572.00	139,088,379.76	18,654.00	-43,860,978.16	25,728.00	95,144,009.57	
23GLACT	8,431.00	86,610.16	569.00	-40,136,802.75	5,123.00	78,301,113.87	14,123.00	38,250,921.28	
Grand Total	66,699.00	72,290.71	2,026.00	-7,862,731.91	36,208.00	-3.92	104,933.00	-7,790,445.12	

Summary

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

3. FINANCIAL IMPLICATIONS

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

4. LEGAL IMPLICATIONS

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

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

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

Climate Change Implications

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

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

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

Operational Implications

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

7. RISK MANAGEMENT

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

8. BACKGROUND PAPERS

Section 24 Report to Audit and Council – November/December 2022.
Accounting Policies Report – March, July and September 2023 – Audit, Standards and Governance Committee
Finance Recovery Report – July 2023, October 2023 – Cabinet
Programme Management Office Requirements – June 2023 – Cabinet
Approvals to Spend Report - July 2023 – Cabinet

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Bromsgrove District Council – Response to Members’ questions on the Council’s Equal Pay Arrangements and Financial Pressures

1). What systems does BDC have in place to ensure that the principles of the ‘single status’ agreement are in place to ensure equal pay between male and female staff?

Bromsgrove implemented the NJC scheme back in April 2008. All evaluations are carried out using the Local Government Single Status Job Evaluation scheme developed by the National Joint Council for Local Government Services, also known as the NJC Scheme (Gauge).

In 2019 Bromsgrove implemented a revised Pay Model. The introduction of the new National Pay Spine resulted in the requirement to review our existing Pay Model to ensure it continued to be fit for purpose and that the Council continues to meet its legal obligation in terms of equality.

2). Does BDC regularly undertake Equal Pay Audits?

The Council undertook pay Equal Pay Audits as part of both the initial introduction of the NJC scheme and the Pay model review in 2019.

3). When in 2012, Birmingham City Council effectively lost the Equal Pay claims made against them and was required to pay more than £1 billion to settle those equal pay claims, did BDC instigate a review of their own internal pay structures to ensure that there were no direct or indirect pay inequalities between their male and female staff?

At that time BDC had recently undertaken the implementation of the NJC scheme and was satisfied that a further full review was not required at this time.

4). Has BDC recently, or in the past, been subject of any equal pay related litigation? If so, are you able to indicate how these claim(s) have been resolved?

No.

5). Has BDC ever been notified by any of the major staff Trade Unions, that they are considering class action type Equal Pay claims against BDC?

No.

6). Do any BDC staff regularly get paid bonuses, based on the role they hold? If so, what roles are these, and are they equally accessible to male, female and trans staff?

No.

7). Has BDC ever implemented a job evaluation scheme?

Yes, the NJC scheme was implemented in 2008 as outline above and reviewed in 2019 as part of the pay model review.

Bromsgrove District Council – Response to Members’ questions on the Council’s Equal Pay Arrangements and Financial Pressures

8). Does BDC have any ‘task and finish practices’, where workers can go home early after completing all their work? If so, what roles do they relate to and are they equally accessible to male, female and trans staff?

Consistent with most local authorities in England, BDC has roles that are task and finish, specifically Refuse Services. All roles are equally accessible; however, we know that historically the roles in refuse have been predominately undertaken by male employees but not exclusively. We currently employ both male and female waste operatives, and all roles remain equally accessible to male, female and trans staff.

Any future service reviews will establish any alternatives/ potential solutions regarding task and finish.

9). It was claimed the pay differential between the men and the women employed by Birmingham City Council was unusually high. Can you confirm that no such similar pay differentials exist in BDC?

We are confident that there are not the pay differentials cited at Birmingham and that our scheme ensures equality of pay.

The Council ensures there is no pay discrimination within the pay structures and that all pay differentials can be objectively justified through the use of the Job Evaluation mechanisms. These directly relate salaries to the requirements, demands and responsibilities of the role.

Other Potential Vulnerabilities:

Over the last few months, there have been many reports in the media about more Councils effectively either being declared bankrupt or being perilously close to being declared bankrupt. There are many and varied reasons for these Councils finding themselves in this position.

Some Councils have said, that the most common cause of financial pressures was demand for children’s social care services, following requests from Government to treat these services as an equal priority with adult social care, and allocate additional funding. I accept that BDC does not have responsibility for childcare social services, but I believe that BDC does have responsibility for adult social care.

10). If this is the case, is demand for this service likely to have a significant financial impact on BDC in the near future? Other significant factors cited were inflation costs and wage increases, with warnings an imminent increase in the cost of borrowing is set to add further financial pressure.

These factors are impacting all Councils. The recent Peer Review carried out in March this year set out that: “the council is financially stable with a balanced budget, which in the current financial climate is positive. The task now is to ensure that plans

Bromsgrove District Council – Response to Members’ questions on the Council’s Equal Pay Arrangements and Financial Pressures

for ensuring financial sustainability over the medium to longer term are in place and supported by robust delivery arrangements. The council must also ensure the recommendations made by the external auditor in the Section 24 Notice and 2020/21 Interim Annual Audit Report are fully implemented”.

Key financial indicators are reviewed at each Audit, Standards and Governance Meeting, savings plans are part of the quarterly monitoring process and reviewed twice a year at Audit Committee and the Finance and Budget Working Group scrutinise any spending proposals before they are approved. Overall, the Council does carry over £5m in both its earmarked and general fund reserves which is “middle of the pack” for a Council our size.

However, the TechOne issues and the review by the Audit, Standards and Governance Task Group has meant that the Council is now especially vigilant in terms of its controls and will identify early if there are negative impacts on budgets – which then will be taken through the right Governance processes.

11). Is BDC able to adequately budget for rising inflation costs, wage rises, and increased borrowing costs?

One of the vulnerable Councils cited its growing cumulative overspend on special educational needs and disability services, which has risen to nearly £130m and which is projected to increase to £153m by March next year – more than the county council has in its financial reserves.

Bromsgrove does not have Social Care or Childrens Services, which have their own specific resource issues. As part of the 2023/4 budget the Council budgeted for significantly higher utilities inflation in budget and reserves and was moving to a balanced budget. The recent pay award (still pending) will need mitigation. In the 24/5 budget process which is happening at the moment. The Council presently does not have any long term debt – which is very rare within Local Authorities.

12). Does BDC have any financial responsibility for special educational needs and disability services expenditure? If so, are there any potential emerging financial problems in this area of Council spending?

The Council as the local housing authority has responsibility of administrating and providing disabled facilities grants (DFG) to help eligible older and disabled people (including children) to make changes to their home so they can access and use all essential facilities. The Council receives funding from the Government for DFG’s & administration and this financial year the Council has received £1,126,698 funding.

The Council utilises in partnership with the other local authorities in Worcestershire a Home Improvement Agency (HIA) to manage this process and delivery. The Promoting Independence Living strategic performance board has not identified a risk of overspend for Bromsgrove in this year.

The County Council has responsibility for Education.

Bromsgrove District Council – Response to Members’ questions on the Council’s Equal Pay Arrangements and Financial Pressures

13). Another Council said that the rise in a requirement for temporary accommodation for homeless people, in addition to a rise in other housing costs, had pushed the council into an “incredibly precarious” financial position.

The Council monitors its Temporary Accommodation costs and indicators to manage any additional costs.

14). Does BDC have a financial responsibility to provide housing and emergency temporary accommodation? Is this an area of business which has seen a significant increase in demand in recent times?

The Council as the local housing authority has the responsibility for homelessness services in the district. This service is currently contracted to BDHT. The Council has an agreement with BDHT for the provision properties to be used as temporary accommodation and this provision was increased with the closure of the homeless hostel. The majority of applicants that require temporary accommodation utilise this provision. There are instances where temporary accommodation is provided through the use of B&B accommodation which is a more expensive form of temporary accommodation. Temporary accommodation is not provided free of charge and the applicant is required to pay towards the costs of accommodation. The financial year 22/23 was under budget. There has been an increase in applications for homelessness assistance and this is monitored with BDHT on a regular basis.

You will be aware of the recently highlighted problem of RAAC, especially in relation to school buildings. However, it is known that this material has been used in other public buildings.

15). Are there any potential risks to BDC from RAAC, and if so, what, if any mitigations have been considered to address this problem? Will it have any potential significant financial implications for BDC?

We are not aware of any buildings containing RAAC but are conducting a desk top exercise and will report in due course.

16). Are there any other services provided by BDC, which I have not referred to, which are experiencing a significant increased cost, which could potentially cause financial difficulties, in terms of affordability, for BDC?

50% of the Councils costs relate to staffing and so any staff shortages or prolonged vacancies can lead to overspends as replacements or agency costs can be higher than existing budgets or reductions in service quality.

BROMSGROVE DISTRICT COUNCIL

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

27th November 2023

Standing items:

- Standards Regime – Monitoring Officer's Report
- Risk Management Report / Q2 Risk Register
- Joint Auditor's Annual Report 2021-22 and 2022-23
- Submission of Statements of Accounts (Verbal Update)
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

Other items:

- Annual Review from the Local Government Ombudsman
- Council Policy on Equal Pay – Chief Executive's response to Risk Champion's questions

18th January 2024

Standing items:

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

7th March 2024

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

Other items:

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

Date to be confirmed

- Use of Reinforced Autoclaved Aerated Concrete (RAAC) report

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