

**BROMSGROVE DISTRICT COUNCIL**

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

**THURSDAY 20TH MARCH 2025, AT 6.00 P.M.**

PRESENT: Councillors H. D. N. Rone-Clarke (Chairman), S. T. Nock (Vice-Chairman), R. Bailes, D. J. A. Forsythe, D. Hopkins, D. J. Nicholl, J. Robinson (substituting for Councillor S. M. Evans), J. D. Stanley and M. Worrall (Parish Councils' Representative)

Observers: Councillor S. R. Colella, Cabinet Member for Finance

Officers: Mr P. Carpenter, Ms. D Goodall, Ms. N Cummings, Mr. C. Green and Mrs. P. Ross

55/24

**APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

At this stage in the meeting the Chairman announced a change in the running order of the agenda, as the Head of Internal Audit Shared Service was delayed due to traffic congestion.

Apologies for absence were received on behalf of Councillors C.A. Hotham, S. R. Peters and S. M. Evans, with Councillor J. Robinson in attendance as the substitute Member for Councillor S. M. Evans.

56/24

**DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

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

57/24

**MINUTES**

The minutes of the meeting of Audit, Standards and Governance Committee held on Thursday 16<sup>th</sup> January 2025 were submitted for Members' consideration.

**RESOLVED** that the minutes of the Audit, Standards and Governance Committee meeting held on 16<sup>th</sup> January 2025 be agreed as a true and correct record.

58/24

**STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Principal Solicitor for Governance presented the Standards Regime Monitoring Officer's report.

Since the last report, the Council had received one Member/Member complaint, which had been resolved informally and several complaints from members of the public in relation to a District Councillor which was at the initial assessment stage.

At the last meeting of the Constitution Review Working Group (CRWG) on 29<sup>th</sup> January 2025, Members had discussed Planning Site Visits, the Planning call-in process; and a number of matters that had also been referred to the CRWG by Group Leaders for consideration.

A further meeting of the CRWG was requested by Members and this was due to take place before the end of the municipal year. Any recommendations from this meeting would be reported to the Annual Council meeting being held on 14<sup>th</sup> May 2025, for consideration alongside the annual review of the Scheme of Delegations.

The Member Development Steering Group (MDSG) was responsible for co-ordinating Member training, Member induction and Member ICT support.

At the last meeting of the MDSG on 20<sup>th</sup> January 2025, Members had discussed training requirements for Councillors for the next Municipal Year 2025/2026.

Since Members were now mid-way through a 4 year term, the MDSG had concluded that it was not necessary to have a lengthy list of training sessions made available during the year. However, some mandatory had been requested for 2025/2026, as follows:-

- Code of conduct and standards regime
- Cyber security
- Planning Committee
- Local Government finance

The training sessions that had taken place since the last Monitoring Officer's report were detailed at paragraph 6.10 in the report.

Following consideration of the report, some Members commented that with regard to Member Complaints, that they were struggling to see the value of this information as very little detail was provided. Members questioned if it was possible to have some level of detail or even information on any specific trends emerging over a period of time.

The Principal Solicitor for Governance explained that she had thought about this, following comments made by some Members at the last meeting of the Committee. If it would assist Members, she was happy to produce an annual report showing the number of Member/Member and members of the public / District Councillor and if any trends were highlighted.

The Deputy Chief Executive / Section 151 Officer further explained that it was a statutory requirement for such a report to be presented to this Committee.

Following a brief discussion, Members were in agreement that a separate annual report was not required, however, Members stated that it would be useful to include any information on potential trends to the last meeting of the next municipal year for consideration.

**RESOLVED** that subject to Members comments, as detailed in the preamble above, that the report be noted.

59/24

## **FINANCIAL COMPLIANCE REPORT**

The Deputy Chief Executive / S151 Officer highlighted to Members it was important that the processes put in place, following the issuing of the Section 24 Statement continued via this quarterly Financial Compliance Report.

With the Council having provided its accounts as per “backstop legislation” up to the 2023/24 financial year, it was proposed and approved at the January Committee meeting that the frequency of Audit Committee meetings reverted to quarterly.

As per the table at 2.7 and the deliverables underneath it, the Council were complying with National requirements. Many of the more local requirements were delivered when the budget was approved on the 19<sup>th</sup> February – especially in relation to Treasury Indicators.

The key returns that had still not been delivered were the VAT returns. Significant work has been undertaken by the Council’s Tax advisors PS Tax in liaison with HMRC, in order for the Council to return to normal VAT reporting, and the final version working papers were provided to HMRC on the 19<sup>th</sup> December 2024. Monthly returns were being made from December 2024 onwards.

The Council’s position on these key Closure deliverables were as follows:

- Closure 2020/21
  - Reported as per the 5<sup>th</sup> December Audit Committee and Disclaimer Opinion received and approved.
- Closure 2021/22
  - Reported as per the 5<sup>th</sup> December Audit Committee and Disclaimer Opinion received and approved.
- Closure 2022/23
  - Reported as per the 5<sup>th</sup> December Audit Committee and “Disclaimer Opinion” received and approved following the completion of the public consultation period on the 7<sup>th</sup> January 2025.
- Closure 2023/24

- Draft Accounts were made available for public consultation since the 14<sup>th</sup> January. This closed on the 27<sup>th</sup> February, one day before the Backstop requirement.
- Accounting Opinion cannot be made until Ernst and Young had been onboarded.

Key Deliverables hit since the last meeting of the Committee, included:

- This Accounting Policies Report goes to every Audit Committee and Cabinet twice a year.
- TechOne was upgraded to version 24B in February 2025.
- The 2025/6 MTFP process had been completed.
- More Budget Consultation was addressed in Tranche 1 of the budget.
- Wider savings monitoring was being undertaken by this Committee quarterly.
- Procurement and contract rules would be updated by the end of the financial year (to reflect changes to legislation happening in February 2025).
- Performance Indicators had been reviewed and updated following the Strategic Priority and business plan sessions. Q3 monitoring saw the first version of these.

Ernst and Young note that the challenging part of the onboarding process, and where they have had difficulties elsewhere, would be the need to obtain returns from all elected Members. The typical time taken to obtain responses from all elected Members elsewhere had ranged from 6-12 months, we had delivered in 4 months.

The Assistant Director Finance and Customer Services further informed Members that a number of questions had been received from HMRC on systems and processes with regards to TechOne. Members were reassured that other Councils and Education Departments used TechOne. TechOne was not an off the shelf package and there were several questions to be asked / checked which Officers were keen to pick up with TechOne. Officers had answered a lot of questions on VAT and HMRC were looking at our competence in terms of our returns.

Members then raised a number of questions on the Council's recent Council Tax Bill discrepancy.

The Deputy Chief Executive / S151 Officer explained that there had been an error with the electronic Council Tax bills sent out this year, in that Worcestershire County Council's Band D council tax increase (including the adult social care component, which was no longer billed separately) had been incorrectly shown as 17.9% and not 4.99%. This was a misprint due to a technical system problem. The Council's Communications Team had put information on the Council's website and via the Councils' social media platforms. Members were reassured that the Deputy Chief Executive / S151 Officer would check with Officers to

see how much information had been cascaded to residents and if further information needed to be sent out.

The Deputy Chief Executive / S151 Officer briefly responded to a question on the recent VAT issues encountered with TechOne, in that there should have been three back offices for Bromsgrove District Council, Redditch Borough Council (RBC) and Rubicon Leisure, which generated a lot of income. It was also explained that the recharges to RBC from November 2022 were incorrect, which had been resolved by TechOne, however, it had taken 14 months to be resolved.

Members commented that the report was a joy to read, as the Council had progressed somewhat considering where the Council had been 18 months ago. Members expressed their sincere thanks to the Officers involved.

**RESOLVED** that the Audit, Standards and Governance Committee

- 1) note that the 2022/23 Accounts, following delegated approval, had been signed off.
- 2) note the position in relation to the delivery of the 2023/4 Accounts.
- 3) note the ongoing process for inducting the Council's new External Auditors, Ernst and Young; and
- 4) that the progress on other financial indicators, be noted.

It was noted that there were no recommendations to Cabinet with no area of concern within this key compliance report for consideration.

60/24

### **INTERNAL AUDIT PROGRESS REPORT**

The Head of Internal Audit presented the Internal Audit Progress report to Members as follows:

- The purpose of the report was to provide an update of the Internal Audit's progress towards meeting its objectives in the audit plan for 2024/25, as approved by the Audit Standards and Governance Committee on 23rd May 2024.

The position at the time of writing the report was as follows:-

- 3 assignments had been completed.
- 5 draft reports had been issued.
- 8 assignments were in progress and fieldwork was progressing well.
- Remaining work was expected to be completed by the end of March for 5 of these assignments, and by the end of April for the remaining 3 assignments.

Currently 203 productive days had been delivered against the full year plan of 230 days. At this stage it was anticipated that the objective of

hitting 90% of the full year plan by 31<sup>st</sup> March 2025 would be achieved, this compared favourably to last year, with productivity improving to 80%.

Table 4 in the report detailed the Summary of Internal Audit progress and findings, year to date. Members were reassured that there was no cause for concern.

The Head of Internal Audit requested that Committee Members contacted him directly on areas they would like Internal Audit to look at in 2025/26.

In response to questions from Members, the Head of Internal Audit briefly explained what qualified as a 'productive day.'

As highlighted in the report, the service was implementing a suite of indicators which aimed to demonstrate and enhance performance. Each individual member of staff had an agreed target to deliver 90% of their own work plan by the end of March each year. The team had embraced the new 80% team productivity target; which could be stretched even further to 81% when closing up the number of delivery days and productivity.

Members referred to The Chartered Institute of Public Finance and Accountancy (CIPFA) new Internal Audit Standards in the UK Public Sector as of 1<sup>st</sup> April 2025. In response the Head of Internal Audit informed Members that a report would be presented to the next meeting of the Committee showing the differences, the main difference was around risk which would be mapped around the Council's risk framework. The report would highlight the full implications of the new Risk Based Internal Audit requirements. Officers needed to set a formal strategy document under the new standards, but currently there was the need to get the audit plans delivered.

Members commented that the productivity increase was no small feat, and that the improvement was really impressive.

**RESOLVED** that the Internal Audit Progress Report 2024/25 be noted.

61/24

## **RISK MANAGEMENT REPORT / CORPORATE RISK REGISTER**

The Deputy Chief Executive / S151 Officer presented the Quarterly Risk Update Quarter 3, 2024/25.

Members' attention was drawn to page 52 of the main agenda pack, which detailed the ninth cycle of reviewing Corporate and Departmental Risks since the original baselining of Risks in April 2022. Over this period, we had seen:-

- Departmental ownership of risks and reviews at Management Teams on a monthly basis.

- Active review, mitigation, and reduction of risks – ensuring they became managed as part of business as usual.
- Updating of the 4Risk System – as the Authorities repository of this information.
- That the Officer Risk Group had actively reduced risk numbers through their work and that a common approach to risk was now being embedded within the organisation.
- That the Risk Level had moved to a **Moderate Assurance** level in May 2023.

Corporate Risks were summarised in the table on page 53 of the main agenda pack. There had been two additions in relation to the upcoming Devolution/Local Government Reorganisation and also the embedding of a new Chief Executive and Deputy Chief Executive, both of whom were due to commence on 31<sup>st</sup> March 2025. In addition to this, there had been a number of changes with Financial Pressures (COR10), Resolution of the Approved Budget Position (COR17), Financial Position Rectification (COR20), Delivery of Levelling Up and Towns Fund Initiatives (COR22) reducing in RAG rating. There were five of these Corporate Risks classed as RED.

Members' attention was further drawn to the section on 'Devolution and Local Government Reorganisation', as the new risk was significant and would impact on all facets of Council operations. Within this parliament, all Councils within Worcestershire would be disbanded and replaced by Unitary Authorities. Councils within Worcestershire had been invited to give high level "agreed" solutions/options by the 21<sup>st</sup> March 2025, with detailed solutions by November 2025. The Council would need to deliver business as usual until vesting day and there were significant risks linked to operations, relationships with other Councils within the County, finances and potential loss of staff that needed to be managed.

It was also important that the current Chief Executive and Deputy Chief Executive passed on their knowledge to the new Chief Executive and Deputy Chief Executive.

The table at Appendix A to the report, set out the detail of these departmental Risks and linked them where relevant to Corporate Risks. The table also set out the RAG rating for each of these risks for Quarters 4 2023/24 and Quarters 1-3 2024/25. Those risks that had been mitigated had a "black" colour in the quarter showing it was no longer a Departmental Risk. There were now no Red Risks.

It was important when fighting claims that we maintained the correct records and the new CIVICA Housing system was helping with this.

Our insurers had highlighted 2 major risks for the sector:

- Under-Insurance of Council assets due to incomplete assets. Insurers were now starting to intimate that they would only insure

to a certain level and not the full value, if the data were not fully updated.

- The use of Artificial Intelligence – as it was not clear on what decisions were being made with this data and what the risks implications were because of this.

The Deputy Chief Executive / S151 Officer referred to security in meetings / Teams meetings and the potential use of AI generated avatars.

Following on from the presentation Members discussed cyber security in some detail and the following areas of concern were included in the discussions:-

- The number of Members who had undertaken cyber security KnowBe4 training
- Cyber security training KnowBe4, was this mandatory for all Members
- 'People' in Teams meetings potentially using AI avatars
- How safe were we on Teams meetings
- How Members could protect themselves from a cyber-attack
- The use of ChatGPT, was a good tool to use, but where was information stored
- Exempt sessions during meetings / Teams meetings, meetings being Live Streamed, how secure were exempt sessions. Where were 'people' located whilst participating in exempt sessions during Teams meetings, be aware of your surroundings/environment

Members further requested a simple guide on what to look for in order to protect themselves from a potential cyber-attack.

In response the Deputy Chief Executive / S151 Officer stated that everyone needed to be vigilant. Officers could not mandate Members to attend the cyber security KnowBe4 training. However, liaison with the Council's ICT Transformation Manager with regard to producing a simple guide for Members would be carried out (as referred to in the preamble above); and a useful link on 'AI Unpacked' from the Local Government Association (LGA) would be forwarded to all Committee Members.

The Deputy Chief Executive / S151 Officer reassured Members that he would raise their concerns on exempt sessions with the relevant senior officers.

It was agreed by Members that cyber security KnowBe4 training should be made mandatory for all Members.

Members then focused on Devolution and the restructuring that would be required, with the following questions / concerns being raised:-

- The use of consultancy experts and cost implications
- The tight timescale in which to achieve certain milestones, other authorities that had undergone devolution were given a longer period
- Be clear on what officers were expected to do, separate the functions from the devolution restructuring
- Have a clear forward plan, which sets out our key deliverables and measure delivery against it

However, the Deputy Chief Executive / S151 Officer stated that it was certainly seen as a positive that the new Chief Executive had been through devolution and would certainly bring his knowledge and some ideas.

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

**RECOMMENDATION** that cyber security KnowBe4 training be made mandatory for all Members.

62/24

### **FINANCIAL SAVINGS MONITORING REPORT - Q3**

The Deputy Chief Executive / S151 Officer presented the Financial Savings Monitoring Report Quarter 3 to Members.

As part of the 2024/25 budget, which was agreed at Council in February 2024, there were several savings options approved through the two-tranche process to deliver the balanced budget for the year. Savings from both tranches of the budget process had been combined in Appendix A to the report with savings items relating to future years being added.

Overall, the Council was currently forecasting a full year revenue underspend of £53k at Quarter 3, which compared to an overspend figure of £344k reported at Quarter 2 – a £397k improvement of the Council's position. The underspend was mainly due to the additional grants received. This position would continue to be reviewed, particularly given the impact of the increasing costs linked to inflation, and further updates would be provided to Councillors throughout 2024/25.

With regard to Corporate Services £365k underspend, there were a number of variances within Corporate Services, as follows:-

- A saving of £678k following the release of a pay award provision offset by an overspend of £33k on external audit fees within Corporate Expenses
- An underspend of £49k on professional fees and charges in Treasury Management and Bank Fees
- An overspend of £269k due to council pension costs.

- An overspend of £20k on recruitment costs for the positions of Chief Executive and Executive Director Finance and Resources
- A £40k reduction of shared service income for Redditch Partnership (LSP)

The Red item (Finance Vacancies) in relation to finance would not be delivered. Additional resources had been bought in, and all accounts up to the 2023/24 financial year were now closed, with the task completed in January 2025. In 2025/26 we would be able to move back to the correct establishment.

The 2024/25 position was shown in Appendix A to the report. The vast majority of savings items linked either to increases in grant, agreed increases in Tax or items that would not be delivered until future financial years.

As stated in previous reports, the largest savings in recent years had been on Pension costs which linked to the 2023 triennial revaluation. These revised figures ran for 3 years and as such were a risk from the 2026/27 year if they changed. Initial advice from actuaries in December was that it was highly likely that these would not change from present levels in the next revaluation.

**RESOLVED** that the Q3 position on the 2024/25 Departmental Savings Programme, including any potential implications for future years be noted.

63/24

### **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE ANNUAL REPORT 2024/25**

The Chairman introduced the Annual Report 2024/25, and in doing so took the opportunity to thank both Members and Officers for hard work and support.

The Chairman asked Members if they had anything to add or amend in the report. There were no amendments or changes.

Members raised questions with regard to appointing a 'lay' Member onto the Committee. This had been raised a several times recently as recruitment into the role had not been successful.

The Deputy Chief Executive / S151 Officer suggested that this was something that Members should they be minded to, could raise at the next meeting of the Constitution Review Working Group (CRWG), as there was a need for such a person to be paid. Council would need to determine and agree the level of pay to be awarded. Members were in agreement that this should be raised at the next CRWG meeting.

With this being the Deputy Chief Executive / S155 Officer's last meeting, the Chairman took the opportunity to express his sincere thanks for all

the excellent hard work he had undertaken and delivered during some turbulent times.

**RESOLVED** that the Audit, Standards and Governance Committee Annual Report 2024/25 be agreed.

64/24

### **RISK CHAMPION UPDATE**

The Council's Risk Champion, Councillor R. Bailes presented the report to Members.

Members further discussed Devolution and in doing so raised the following areas of concern:-

- The importance of retaining staff
- How we continued to make the Council an attractive place to work for
- The challenges ahead
- No clarity on the devolution package in what it takes away from our core day to day business and legislative requirements
- Legislation on a Shadow authority being voted in
- The importance of keeping staff informed and engaged
- Restructuring - the capacity of officers and the importance of keeping the day to day business and functions of the Council going up to vesting day, separate from the devolution process
- Member capacity and commitments, especially with additional Cabinet / Council meetings on devolution
- Difficulties in remaining focused and positive

The Deputy Chief Executive / S151 Officer reassured Members that going forward, Risk Management information would now go back to being presented at future meetings of the Cabinet Working Group.

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

65/24

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

The Audit, Standards and Governance Committee Work Programme 2024/25 was considered by Members.

The Deputy Chief Executive / S151 Officer informed Members that the Draft Accounts would be presented in June 2025 and audited in July 2025.

As discussed during the Quarterly Risk Update Quarter 3 (Minute No. 61/24) Councillor J. Robinson referred to Members having suggested that a clear Forward Plan which sets out our key deliverables (and measuring delivery against), to make sure we are delivering day to day, be included on the Committee's Work Programme for 2025/26.

Members referred to English Devolution White Paper and forthcoming changes, and asked if Officers could scope producing a 2 year calendar of meetings.

**RESOLVED** that the Audit, Standards and Governance Committee Work Programme for 2024/25, be noted; and that following the comments made in the preamble above that the Audit, Standards and Governance Committee Work Programme for 2025/26, be updated accordingly.

The meeting closed at 7.45 p.m.

Chairman