

## **AUDIT BOARD**

**20<sup>TH</sup> MARCH 2014**

### **GRANT THORNTON – REVIEW OF FINANCIAL RESILIENCE**

Relevant Portfolio Holder	Councillor Mike Webb
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering – Executive Director, Finance and Resources
Wards Affected	All

#### **1. SUMMARY OF PROPOSALS**

- 1.1 The attached report is from the Councils External Auditors, Grant Thornton and presents their review of the financial resilience of the Council.

#### **2. RECOMMENDATIONS**

**Members are requested to consider the review of Financial Resilience and note the actions to be undertaken by the Council.**

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

- 3.1. The work undertaken by Grant Thornton in their Value for Money (VfM) conclusion includes a review to determine if the Council has proper arrangements in place for securing financial resilience. The review is attached at Appendix 1 and considers the following aspects of financial resilience with a judgement made in relation to each element:

<b>Area</b>	<b>Judgement</b>
Key indicators of financial performance	Arrangements meet or exceed adequate standards
Approach to strategic financial planning	Arrangements meet or exceed adequate standards
Approach to financial governance	Potential risks and/or weaknesses.
Approach to financial control.	Arrangements meet or exceed adequate standards

- 3.2 It is considered that the majority of the financial framework that the Council has in place is robust. The approach to financial governance has been reviewed and there are a number of improvements that have been identified. The report highlights some areas where arrangements can be improved as detailed at 3.4; however the External Auditors overall opinion is that the Council has made considerable changes in recent years, with the aim to focus on delivering Council priorities whilst seeking to minimise underlying costs. In addition it is considered that the Council

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currently has a relatively good level of general fund balances which have increased year on year, providing a buffer which is important with reducing central government grants.

3.3 There were 2 main concerns from Grant Thornton within the report that relate to the following:

- Significant variation to budget in the last quarter of the year
- Lack of monitoring of savings identified

The finance team is working with officers and budget holders with the aim to improve financial forecasting to ensure that a more accurate financial position is estimated for 2013/14. In addition the financial monitoring reports are more detailed than in previous years.

3.4 The action points are included in the table below and are being addressed by the Management Team;

<b>Area</b>	<b>Action</b>
Key indicators of financial performance	None Specified
Approach to strategic financial planning	Ensure that the plans for the 14/15 budget make explicit links between the new strategic purposes and decisions over budget allocation and savings. This has been undertaken in 2014/15.  Clearer forward plans should be in place around assets and workforce to underpin the MTFP – review as to the best way of providing this during 2014/15.
Approach to financial governance	Improve managers' budget management skills to enable more effective forecasting of the projected financial position – training plans currently being developed.
Approach to financial control.	Ensure that in year reporting includes review of savings plans – to be in place for 2014/15 budget monitoring.  Risk management to be embedded in day to day procedures and corporate risks should be routinely reported.

**Financial Implications**

3.5 The Council has significant financial pressures to face in the future. By ensuring a sound and robust financial framework is in place these

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pressures can be managed and addressed in a considered and planned manner.

### **Legal Implications**

- 3.6 The robust financial management of the organisation enables the Council to meet its legal responsibilities in relation to statutory compliance with accounting policies and procedures.

### **Service / Operational Implications**

- 3.7 The financial framework ensures that managers can deliver services with appropriate financial budgets and regular and accurate financial monitoring prevents any unknown variances to budget.

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

- 3.8. No direct implications.

## **4. RISK MANAGEMENT**

The financial framework and associated risks are included in the corporate risk register and are managed by the Executive Director of Finance and Resources on a regular basis.

## **5. APPENDICES**

Appendix 1 – Grant Thornton Review of Financial Resilience

## **AUTHORS OF REPORT**

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