

**Audit, Standards &  
Governance Committee  
2023**

19<sup>th</sup> January

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**Arrangements for a Root and Branch Investigation – Section 24 Notice**

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| Relevant Portfolio Holder  | Councillor Geoff Denaro  |
| Portfolio Holder Consulted   |  |
| Relevant Head of Service   | Claire Felton, Head of Legal<br>Democratic and Property Services   |
| Report Author<br>Claire Felton   | Job Title: Head of Legal, Democratic and<br>Property Services<br>Contact <span style="float: right;">email:</span><br><a href="mailto:c.felton@bromsgroveandredditch.gov.uk">c.felton@bromsgroveandredditch.gov.uk</a> |
| Wards Affected   | N/A  |
| Ward Councillor(s) consulted   | N/A  |
| Relevant Strategic Purpose(s)  | An Effective and Sustainable Council   |
| Non-Key Decision   |  |
| If you have any questions about this report, please contact the report author in advance of the meeting. |  |

**1. RECOMMENDATIONS**

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

- 1) An Audit Task Group be established to undertake the root and branch investigation of how the Council arrived at a section 24 notice;**
- 2) That nominations be agreed for the position of Chairman and Vice Chairman of the Audit Task Group;**
- 3) That nominations be agreed for the membership of the Audit Task Group; and**
- 4) The proposed terms of reference for the Audit Task Group, attached at Appendix 1, be approved.**
- 5) The timescales for the root and branch investigation to take place within and be completed be agreed.**

**2. BACKGROUND**

- 2.1 In 2022, the Council was issued with a Statutory Recommendation by the authority's external auditors, Grant Thornton, under Section 24 of the Local Audit and Accountability Act 2014. The key reason for this

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statutory recommendation was the non-delivery of the Council's 2020-21 accounts.

- 2.2 Reports in respect of the Section 24 Notice was considered at meetings of the Audit, Standards and Governance Committee on 9<sup>th</sup> November and full Council on 7<sup>th</sup> December 2022.
- 2.3 At both of these meetings, Members accepted the Statutory Recommendation.
- 2.4 However, at the Council meeting held on 7<sup>th</sup> December 2022, Members recommendation to the Audit, Standards and Governance Committee that the Committee should carry out a root and branch investigation on how the Council arrived at the Section 24 Notice.
- 2.5 The Audit, Standards and Governance Committee subsequently considered and approved this recommendation at a meeting held on 14<sup>th</sup> December 2022.
- 2.6 It was also agreed that further information about arrangements for a root and branch investigation should be considered at the following meeting of the Audit, Standards and Governance Committee, although there was general agreement that this review should be undertaken by a Task and Finish Group (Task Group) commissioned by the Committee.

**3. OPERATIONAL ISSUES**

- 3.1 Paragraph 13 of the Audit, Standards and Governance Committee's Procedure Rules, at Part 13 of the Council's constitution, permits the Committee to undertake investigations and enquiries. For this, Members may do "things that it reasonably considers necessary to inform the Audit, Standards and Governance Committee in its deliberations."
- 3.2 A Task Group commissioned by the Audit, Standards and Governance Committee could therefore be tasked with undertaking a root and branch investigation on how the Council arrived at a Section 24 Notice on behalf of the Committee.
- 3.3 As with Overview and Scrutiny Task Groups, it is proposed that the Audit Task Group should have specific terms of reference, to ensure that the investigation remains focused. Suggested terms of reference are attached at Appendix 1.

**BROMSGROVE DISTRICT COUNCIL**

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- 3.4 As with Overview and Scrutiny Task Groups, there is no requirement for the membership of the Audit Task Group to be politically balanced. However, to ensure that a range of perspectives are considered, it would be good practice to ensure that all political groups are provided with an opportunity to nominate Members to sit on the Audit Task Group.
- 3.5 To ensure that there is no delay to the launch of the investigation, the Audit Standards and Governance Committee may wish to appoint members of the Committee who volunteer at the meeting on 19<sup>th</sup> January 2023 to serve on the Audit Task Group.
- 3.6 The Committee Terms of Reference, at Part 5 of the Council's constitution, stipulate that Members of the Cabinet and Chairman of the Council may not act as Members of nor serve as substitutes at meetings of the Audit, Standards and Governance Committee. It is suggested that the same restrictions to membership should apply in respect of the membership of the Audit Task Group.
- 3.7 Currently, a member of the Overview and Scrutiny Board is required to be appointed as Chairman of a Scrutiny Task Group, although the rest of the membership can be derived from the scrutiny "pool" of members (i.e. those Members who do not serve on the Cabinet). This arrangement ensure that the Chairman of the Task Group can provide regular updates to the Board on the work of the group and the Board can amend arrangements based on these updates if this is considered to be appropriate. It is suggested that a similar arrangement would be preferable for the Audit Task Group to ensure that the Audit, Standards and Governance Committee retains oversight of the work of the group.
- 3.8 Officers are proposing that, in order to ensure that lessons are learned from this investigation in a timely manner, the deadline for this review should be the end of February 2023. In order to meet this deadline, meetings will need to be held on a regular basis in January and February 2023.
- 3.9 As with Scrutiny Task Groups, an Audit Task Group is an informal body which could meet remotely and in private. This would make it easier to convene regular meetings in the tight timescales available. To ensure transparency in the process, the findings of the group will be reported back in the public domain at meetings of the Audit, Standards and Governance Committee.

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**4. FINANCIAL IMPLICATIONS**

- 4.1 The purpose of the Audit Task Group would be to undertake a root and branch investigation of the reasons for the Council receiving a Section 24 Notice. The Council should learn lessons from this investigation which will help to improve the budget setting and accounts preparation process in the future.
- 4.2 There are no specific financial implications arising from convening meetings of an Audit Task Group, beyond officer time.

**5. LEGAL IMPLICATIONS**

- 5.1 The Council's external auditors, Grant Thornton, issued written recommendations under Section 24 of the Local Audit and Accountability Act 2014 to Council in 2022. The key reason for the Statutory Recommendation was the non-delivery of the Council's Statutory Accounts for 2020/21.
- 5.2 Schedule 7 of the Local Audit and Accountability Act 2014 required the Council to 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 occurred at the meeting of Council held on 7<sup>th</sup> December 2022.
- 5.3 At that meeting of Council, This will take place at the Council meeting on the 7<sup>th</sup> December, Members agreed to accept the Statutory Recommendation, thereby addressing the legal duty to determine whether to accept the recommendation.
- 5.4 Schedule 7 of the Local Audit and Accountability Act 2014 also requires Members to determine what action, if any, to take in response to the statutory recommendation. The action proposed by Members, to undertake a root and branch investigation of how the Council ultimately received a Section 24 Notice, corresponds with this legal duty.

**6. OTHER - IMPLICATIONS**

**Relevant Strategic Purpose**

- 6.1 The root and branch review of the causes of the Section 24 Notice issued to the Council will help the Council to learn lessons for the future. This should support the strategic purpose to be an Effective and Sustainable Council.

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**Climate Change Implications**

- 6.2 There are no specific climate change implications.

**Equalities and Diversity Implications**

- 6.3 There are no specific equalities and diversity implications.

**7. RISK MANAGEMENT**

- 7.1 There is a risk that if a robust investigation is not carried out by an Audit Task Group then lessons may not be learned for the future.
- 7.2 There is a risk that if Members wanted to hold all meetings of the Audit Task Group in public then this could delay progress with the investigation. Meetings could only take place where statutory deadlines have been met in terms of agenda publication. The same rules do not apply to private and informal meetings, which provides greater flexibility.

**8. APPENDICES and BACKGROUND PAPERS**

Appendix

Appendix 1 – Proposed terms of reference for the Audit Task Group

Appendix 2 - An extract from the minutes of the Council meeting held on 7<sup>th</sup> December 2022.

Background Papers:

Section 24 Report – considered at the Audit, Standards and Governance Committee meeting held on 9<sup>th</sup> November 2022: [Agenda for the Audit, Standards and Governance Committee, 09/11/2022 18:00 \(bromsgrove.gov.uk\)](#)

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**9. REPORT SIGN OFF**

| <b>Department</b>               | <b>Name and Job Title</b>                                      | <b>Date</b>  |
|---------------------------------|--|--------------|
| Portfolio Holder                | Councillor Geoff Denaro  |              |
| Lead Director / Head of Service | Claire Felton, Head of Legal, Democratic and Property Services |              |
| Financial Services              | Pete Carpenter, Interim Section 151 Officer                    | January 2023 |
| Legal Services                  | Claire Felton, Head of Legal, Democratic and Property Services |              |