

BROMSGROVE DISTRICT COUNCIL

Cabinet 12th July 2023

Financial Recovery Plan

Relevant Portfolio Holder	Councillor Charlie Hotham, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
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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

The purpose of this report is to set out the processes the Council has been following to rectify a deterioration in its financial position and processes due to the impact of the implementation of a new financial system in February 2021 during the C-19 pandemic period. This follows on from a report presented on the 14th September 2022 and also the discussions over the S24 Statutory Recommendations that took place in Audit, Standards & Governance Committee, Cabinet and Council in November and December 2022.

2. RECOMMENDATIONS

Cabinet are asked to Resolve that:

- Progress made on the financial recovery be noted including:
 - Delivery of the Statutory Accounts
 - Delivery of Statutory Financial Returns
 - Improvements in the Control Environment
- The work still under way to move back to a best practice operation and the associated timetable for completion of this work, as contained in this Report, be noted.

3. KEY ISSUES

Financial Position

- 3.1 The Council implemented a new financial system in February 2021. The existing financial system was at the end of its useful life and would not deliver process improvements required to move the Council forward. This implementation has not been

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smooth and has led to a deterioration of the Councils financial position. This has included:

- Non completion of the 2020/21, and 2021/22 Accounts.
- Non delivery of monitoring information during the 2021/22 financial year.
- Non delivery of Government financial returns.
- Incomplete take-up of the new system by both Finance and Service Users.
- Loss of key financial staff.

- 3.2 A finance recovery programme was put in place from April 2022 to start to rectify the situation. This was reported through to Cabinet in September 2022.
- 3.3 These issues build on comments from the External Auditors relating to 2019/20 accounts, which were only approved in the fall of 2021 and the subsequent issuing of the S24 Recommendation on the 31st October 2022 due to non-delivery of the 2020/21 Statement of Accounts. Comments on the 2019/20 accounts highlighted issues on working papers were highlighted as a significant issue.
- 3.4 Audit, Standards and Governance Committee, Cabinet and then Council debated the S24 Recommendation and the Draft 2020/21 External Audit Report in November and December 2022. The outcome of Council was that:
- the Section 24 Statutory Recommendation be accepted, and that Council review the recommendation, endorse the actions included in the management responses which form the rectification process required as per legislation and
 - the Council, through the Leader, commission a Corporate Peer Review by the Local Government Association (LGA) to look into Corporate Governance linked to the Section 24 Notice report and the draft External Audit Report for 2020/21. The review would then be reported back to the Chief Executive and the Leader of the Council, who in turn would discuss the outcomes with other Group Leaders
 - the Audit, Standards and Governance Committee carry out a root and branch investigation on how the Council arrived at the Section 24 Notice.
- 3.5 And in terms of the 5 Key Recommendations and 13 Performance recommendations in the draft External Audit Report for 2020/21 that
- the 5 Key Recommendations and 13 Improvement Recommendations within this report be agreed.
 - Council agree that the Management Actions contained within this report will rectify these issues
- 3.6 The Council continue to move forward with the rectification processes and in particular:
- A Peer Challenge did take place in early March, which was a joint review with Redditch, and another report on this agenda sets out actions plans, including a “finance action plan”, to meet the Peer Challenge’s recommendations.

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- A Task Group of Audit, Standards and Governance Committee did meet to carry out the root and branch review on how the Council arrived at the Section 24 recommendations. This Task Group met in February and presented its findings to Audit, Standard and Governance Committee on the 9th March.
- That Audit, Standards and Governance Committee as a standing agenda agenda item review progress against the Audit recommendations, and national and local deadlines.

Rectification Process

- 3.7 The Reports presented to Council in December set out the Management Action Plans in place to rectify the issues set out in the S24 Recommendations and the draft 2020/21 External Audit Report. These are also set out in the Peer Review report Appendix G. This report now concentrated on movement since those formal responses.
- 3.8 Interactions with Members since the 7th December 2022 have included:
- An Emergency Audit, Standards and Governance Committee convened on the 14th December to review the draft Accounts for comment (minutes available).
 - Audit Standards and Governance Committee on the 19th January, reviewed progress on tasks to date.
 - Auditors reporting they were on site from Wednesday 25th January. They have started their work by reviewing the data transfer balances (old to new system) and it has been agreed between the Auditors and the Council that draft 20/21 Accounts will be provided to Auditors after both sides have signed off the data take on balances.
 - The Task and Finish Group membership and Remit was agreed and meetings took place on the 1st Feb, 9th Feb, 14th Feb, 20th Feb, 21st Feb, 28th Feb, 2nd March and 6th March. The Final Report was taken to Audit, Standards and Governance Committee on the 9th March for approval. The recommendations of the Task Group are included in this report as Appendix A.
 - Audit, Standards and Governance Committee on the 9th March also had an update on progress on the Statement of Accounts, the Internal Audit Progress Report and the yearly Audit, Standards and Governance Committee Annual Report. The Committee also agreed to change its frequency to every 2 months to ensure challenging progress and ensuring the recommendations of the S24 Statement and the Draft External Audit Report were implemented.
 - The Constitution Review Working Group agreed Chair of Audit, Standards and Governance should join the Budget and Performance Working Group in order to ensure correct conversations could be held.
 - On the 1st June, the Audit Standards and Governance Committee had for the first time an Accounting Policies Report. The Accounting Policies Report will go to every Audit Committee and sets out:
 - The Accounting Policies being used their Source and associated Governance Arrangements be noted.
 - The Accounting Policies report be considered at each Audit, standards and Governance Committee meeting to alert Members to possible no compliance issues.

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- Bromsgrove District Council Audit Task Group Report into the issuing of the S24 Statement recommendations.

3.9 In terms of closure work, the following actions have taken place/been agreed with our External Auditors:

- Data Take on working paper had completed ready for Auditors (efin to tech1) including description of issues found while undertaking the reconciliation. First meeting with the external auditors with all this information held on the 11th January 2023. Data take on is key given that treatments have to be agreed as the starting point and this is where the Auditors are starting their work.
- A Solution to the cash receipting issues were finally resolved in the live environment on the 5/6th November 2022.
- Draft accounts produced between 6 November and 14th December for Audit Committee. In the Audit Committee meeting it was highlighted that items in suspense were still higher than wanted and will work on driving numbers down before have to issue the final draft accounts.
- Audit deliverables list supplied by External Auditors on the 16th January in preparation for arrival on 23 January. Following meetings with the External Auditors through to June 2023 the timetable has been slightly amended as follows:
 - Closure 2020/21
 - Agreement of Treatment of Take on Balances – This will now take place in early July 23 as significantly more testing is required by the External Auditors
 - Provision of Draft 2020/21 Accounts to Audit (to begin Audit) July 23. This is dependent on the External Auditors confirmation that they have approved both Council's take-on balances work. The auditors are having issues in how they need to test the transactional data due to their "normal" models not working on our data.
 - 2020/21 Audit – July to September 23 (estimated)
 - Sign Off of 20/21 Accounts - November 2023
 - Closure 2021/22
 - Updated Outturn position – August 2023
 - Draft Accounts to Auditors November 2023 (following external Auditors sign off of 20/21 Accounts)
 - Audit of Accounts December to April
 - Sign off of the Accounts – May/June 2024
 - Closure 2022/23
 - Budget Manager Closure Training – 23rd-28th March 2023 – 83 staff attended closure training at the end of March.
 - Provisional Outturn Report – Cabinet Report for 12th July 2023. This will show outturn as well as amount in suspense to be cleared. This will enable the 2022/23 Revenue Outturn Report to be presented to DLUHC on the 31st July 2023 as per Government deadlines.
 - Draft 2022/23 Accounts to Audit – June 24 (following External Auditors sign off 21/22 Accounts)
 - Sign off of the Accounts – November 2024

3.10 Wider recovery programme actions include:

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- Finance Delivery Plan and overall deliverables converted to more BAU with an Assurance Meeting (last Wednesday CMT each month) taking items on board. Updated report format showing deliverables (linked to the Accounting Policies Report) launched in March 2023.
- Lanluas, a TechOne consultancy, has undertaken a TechOne Health check on 7/8/16/17 November with deliverables reports. This identifies areas where the Council can move the system forward. Following the upgrade more independent resource will be commissioned to ensure full system functionality is leveraged.
- TechOne now using AMS days to ensure other priorities delivered now that the cash receipting solution has been fixed on 5/6 November
- The Council are Upgrading TechOne to latest version with regression testing under way. It was expected this would go live in March 2023 but the Council are delaying this to June and will move to the latest version on the 10th July. The delay is due to the fact that TechOne Cash Receipting consultants will be in the UK in Early June and their time has been booked so this work can be done “face to face” given the Council is still the only TechOne Cash Receipting user and specific testing must be undertaken in this area.
- Additional reconciliation staff were engaged in February to address the backlog in suspense and key reconciliations to get the Council up to date.
- Back Office Protocols launched in December. This sets out what the “back office” provides and what the expectations are for Service managers. Finance services are a considerable part of these protocols.
- Implementation of controls is very dependent on completing clearance of suspense items which we have engaged additional staff.
- Still an issue replacing staff – due to Market shortages which are now more acute and driving up day rates. The Head of Finances maternity leave has been covered for a year with the replacement starting in the first week of May to allow handover. Chief Accountant has been recruited and a Head of Management Accountancy being sought.

3.11 Progress on the following key financial and compliance indicators are reported monthly to CMT monthly and to both Audit Committees bi-monthly by the S151/Deputy 151 Officers. There is a requirement to report all finance deliverables as per the Recommendations of the Audit Task Group:

- **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 30th June
 - Audit Completed by 30th November (will change in 22/23 Audit)
- **Government Returns**
 - VAT – Monthly
 - **Still to be delivered for 20/21 – dependent on closure of accounts**

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- Revenue Outturn Reports – July
 - **Still to be delivered for 20/21 – dependent on closure of accounts**
- Capital Outturn Reports – July
 - **Still to be delivered for 20/21 – dependent on closure of accounts**
- Quarterly Revenue Outturn Estimates
 - **Quarters 1-3 delivered (have warnings from previous year as not delivered)**
- Quarterly Capital Outturn Estimates
 - **Quarters 1-3 delivered (have warnings from previous year as not delivered) Q4 to be delivered on 21st April 2023**
- Quarterly Borrowing Return
 - **22/23 Quarterly Returns delivered - Q4 delivered on 11th April 2023**
- Quarterly Council Tax and Business Rates Returns
 - **22/23 Quarterly Returns delivered - Q4 due 5th May 2023**
- 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**
- Public Works Loans Board Certainty Rate – April
 - **2022/3 delivered on 28th April 2022**
- Pooling of Housing Capital Receipts – May
 - **2022/23 Delivered 13th May**
- 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 30th April 2023**
- Housing Benefit Subsidy Return – Yearly
 - **Sent 29th April 2022**
 - **2022/23 subsidy return due to be delivered on 28th April 2023**
- DHP Claim – Yearly
 - **Sent 29th April 2022**
- 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
 - **Update provided in Q1 Revenue Return**

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- Yearly Outturn Report
 - ***To be produced in July***
- 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***
- **Local indicators include:**
 - Financial Monitoring – quarterly – ***quarters 1-3 2023 delivered in September, November and March. Outturn report is on this agenda***
 - Risk Management – quarterly – ***2023 updates delivered in July, November, January and June***
 - Financial Controls (still in development)
 - Clearance of suspense accounts
 - Bank Reconciliation
 - Over £500 spending.
 - ***Updated to February 2023***

3.12 The key returns that have still not been delivered are the Revenue and Capital Outturn forms for 2020/21 and 2021/22. 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.

3.13 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:

- Number on Closure Training 23, 24, 27, 28 March – by Service Area – 83 attended.
- Mandatory Budget Manager Training – July - by Service Area – Corporate Finance team trained on budget loading processes in April but issues due to cash receipting changes have led to budgets not being loaded until June. Also waiting the Upgrade so training will also encompass that as well.
- Mandatory Financial Awareness Training – July/August – by Service Area
- TechOne Budget Manager Training July/August – by Service Area.
- Number on Payments Purchase Order Training (Monthly) by Service Area.

Errors:

- Non delivery of GPC Card Data (monthly basis) – will begin at the end of Quarter 1.
- Mis-codings on TechOne per month – by Service Area - will begin at the end of Quarter 1 due to April closure issues taking priority.

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Process updates:

- Finance time to respond to queries
 - Finance
 - Payments and Insurance
 - Income
- Procurement
 - The new 'No Compliance No Order' process has been live a month now. We have a few issues to resolve with T1 but hoping these will be resolved with the upgrade on the system.
 - 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.
 - We still have no contracts for garage related matters, but we now have dates for these to be resolved by and a meeting is to be set up monthly to ensure progress on these.
 - 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 us is minimal.
 - A spreadsheet is being collated for requests with no contracts and we will discuss this with teams going forward. We hope that eventually we get the place where the number of orders coming to us is minimal.
- **General Finance Indicators:**
 - Council Tax collection rates – 2022/23 RBC 95.7%, 2022/23 BDC 97.8%, April 2023 so far RBC 8.9%, April 2023 so far BDC 8.7%
 - Business rates collection rates - 2022/23 RBC 94.8%, 2022/23 BDC 94.6%, April 2023 so far RBC 6.8%, April 2023 so far BDC 6.6%
 - Number of invoices paid within 30 days – update to be provided in next report
 - Outstanding debt over 30 days (Accounts Receivable) – RBC £1.7m, BDC £1.1m, Rubicon £0.2m
 - Bank reconciliations – significant progress on 2021/22 reconciliation
 - Volume of items in suspense:

	2021/22 (work ongoing to transfer items out of suspense)		2022/23	
	Number of Transactions on Suspense Codes (including any correcting lines)	Value (£m)	Number of Transactions on Suspense Codes (including correcting lines)	Value (£m)
BDC	5,870	(87.4)	9,595	(15.0)

3.14 Following the work undertaken, the following list are the actions that are now being delivered to rectify issues highlighted in the S24 Recommendation as well as key recommendations of the draft 2020/21 External Audit Report:

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- The Accounting Policies Report will go to every Audit Committee.
- The key closure deliverables for each financial year are set out below. The owner of these deliverables are the S151 and Deputy S151 Officers. Closure and Audit of the 2020/21 Accounts delivers the S24 Recommendations. The owners of these deliverables are the S151 and Deputy S151 Officers.
- Progress on the following key financial and compliance indicators are reported monthly to CMT monthly and to both Audit Committees bi-monthly by the S151/Deputy 151 Officers. There is a requirement to report all finance deliverables as per the Recommendations of the Audit Task Group.
- Delivery of Financial training detailed in this document will move staff to right level of skills.
- TechOne will be upgraded to the latest version in June 2023.
- Once TechOne is updated the Council will engage with Lanlaus for further system improvements and efficiencies.
- Quarterly combined financial and performance monitoring will continue in 2023/4.
- The 2024/5 MTFP will start in the summer. As part of this process the approach to consultation will be rethought.
- The MTFP will include Scenario analysis given short term Government guidance on central support.
- Integrate/endorse Audit Task Group Recommendations
- Run Risk workshops to assess Risk Appetite of Cabinet and Audit Committees.
- Implement Internal Audit Risk Review recommendations.
- Change order of Audit Committees to deal with risk earlier as per the Recommendations of the Audit Task Group.

4. Legal Implications

4.1 No Legal implications have been identified.

5. Strategic Purpose 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 borough and our communities. Our Financial monitoring and strategies are integrated within all of our Strategic Purposes.

Climate Change Implications

5.2 The green thread runs through the Council plan. Every report has potential financial implications and these in term can have implications on climate change. These will be

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addressed and reviewed through individual reports when relevant by climate change officers will ensure the correct procedures have been followed to ensure any impacts on climate change are fully understood.

6. Other Implications

Customer / Equalities and Diversity Implications

6.1 None as a direct result of this report.

Operational Implications

6.2 Managers meet with finance officers to consider the current financial position and to ensure actions are in place to mitigate any overspends.

7. RISK MANAGEMENT

7.1 The financial monitoring is included in the corporate risk register for the authority

8. APPENDENCES

Appendix A – Audit Task Group Recommendations

AUTHOR OF REPORT

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Appendix A – Audit Task Group Recommendations

Appendix A Recommendations of the Audit Task Group

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The following 10 general recommendations and 4 ERP recommendations are the findings of the Audit Task Group which reported to both Bromsgrove Audit Standards and Governance Committees on the 9th March 2023 and Redditch Audit Governance and Standards Committee on the 23rd March 2023. These recommendations now form part of the overall finance recovery program.

1. Recommendations

1. BDC to ensure that subject specialists, internal or external, are involved in the design of relevant procurement specifications for all major projects.
2. Given a number of substantial and important projects on the horizon for BDC, set up a permanent Project Management Office at BDC to support the full range of projects undertaken by the Council. This Project Management Office would report to CMT/ SMT as part of its remit. CMT is tasked with setting out the requirements of this new programme office and resource requirements to ensure compliance with the recommendations in this Report. This Report will be presented to the first Cabinet meeting after the BDC elections in May 2023.
3. In order to establish that a system chosen is fit for purpose, future scoring criteria as part of all procurement exercises will include the need for evidence that the system on offer to BDC is tried and tested.
4. Internal Audit should be cited on all major projects, together with a professional member of the Project Management Office. If necessary, independent or peer validation of technical specifications and/or bid due diligence should be considered.
5. Staff required on any major projects should be backfilled, to ensure no work over-load impacting BDC staff well-being.
6. Should staff training be required as part of any new system or project implementation, BDC as a purchaser of that system/solution, should ensure that all training requirements are included as part of the project specification.
7. The Agile Working Policy should take account of the need, from time to time, for officers to work collaboratively and in line with the needs of the project.
8. The Council should fully and accurately record action points at project board meetings (and potentially, other Council meetings). They should then be implemented by the specific person responsible and reported upon at the following project meeting within a suitable and reasonable time scale. Where this is not possible, there should be RAG rating to escalate this further, to secure a suitable resolution is discussed by the relevant project team.
9. Officers, as a standard Report, will highlight to Audit, Standards and Governance Committee any possible finance and governance issues in the next six months not delivering to standard or timescales. This will include the timescales of delivery of finance training, delivery of VAT returns, delivery of the 2021/22 and 2022/23 accounts.
10. The Corporate Risk Register to be discussed as an early item on the agenda at meetings of the Audit, Standards and Governance Committee. Any risks are to be clearly flagged to the members of the Committee, particularly where they are rated as red.

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ERP Recommendations

1. All finance staff and Council users are to be trained as a matter of urgency and no later than by 31st August 2023 on how to use the ERP system and that the progress with this is reported to the next meeting of the Audit, Standards and Governance Committee as a regular agenda item.
 2. BDC to work with a specialist with the knowledge of the TechOne system and Cash Receipting to help in real time with the completion of the implementation of the new ERP system and all of its components and to help with any training needs and improvements to the system.
 3. VAT returns to be up to date for 2020-21 and 2021-2022 by the end of May 2023 and for 2022-2023 by the end of August 2023.
 4. The 2021-2022 Accounts to be in draft format by 30th June 2023.
 5. The 2022-2023 Accounts to be in draft format by 30th September 2023.
- (All of the above milestones will be dependent on resources and will be reported to the Committee as per recommendation 9 above.)