

# Interim Auditor's Annual Report on Bromsgrove District Council

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.



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 31<sup>st</sup> 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

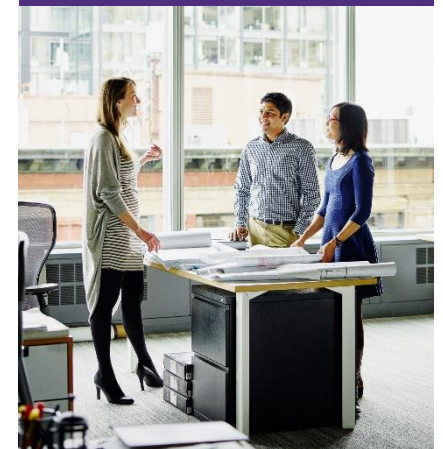
We bring the following matters to your attention:

	2021/22	2022/23
<p><b>Statutory recommendations</b></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><b>Public Interest Report</b></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><b>Application to the Court</b></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><b>Advisory notice</b></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"> <li>is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li> <li>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</li> <li>is about to enter an item of account, the entry of which is unlawful.</li> </ul>	We did not issue	We did not issue
<p><b>Judicial review</b></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 31<sup>st</sup> 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"> <li>• The Council's reluctance to produce a whole-year 2021/22 outturn report (only an M11 report has been produced)</li> <li>• The correction to the 2020/21 outturn (which was originally presented in January 2022 and then corrected and presented again in January 2023)</li> </ul> <p><b>Recommendation</b></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 13<sup>th</sup> 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
<b>Statutory</b>	<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"> <li>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;</li> <li>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</li> <li>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.</li> </ul> <p>Once system issues are properly resolved, the Council must:</p> <ul style="list-style-type: none"> <li>undertake key control activities such as bank and control account reconciliations on a monthly basis and ensure that these are kept up to date;</li> <li>produce the 2020/21 and 2021/22 draft financial statements, along with high quality supporting working papers;</li> <li>conclude the 2020/21 and 2021/22 RO and CO submissions, and other key Government returns including Whole of Government Accounts; and</li> <li>ensure timely reporting of budget outturns and report publicly on in-year financial monitoring, including updates on the capital programme and savings scheme achievement.</li> </ul>	<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 &amp; Governance from June 2023.</p> <p>We presented a further update on progress to Audit, Standards &amp; 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 13<sup>th</sup> 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><b>The statutory recommendation remains outstanding.</b></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><b>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).</b></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><b>The significant weakness has been removed and key recommendation resolved. No further action.</b></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).  <b>The significant weakness is lifted and key recommendation resolved. However, see improvement recommendation 9.</b>
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).  <b>The significant weakness has been removed and key recommendation resolved. An improvement recommendation has been raised (see improvement recommendation 6).</b>

# Progress from prior year significant weaknesses

Type of recommendation	Recommendation	Progress to date	Impact on 2021/22 and 2022/23 reporting
<b>Key</b>	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><b>The significant weakness is lifted and key recommendation resolved. However, see improvement recommendation 3.</b></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).



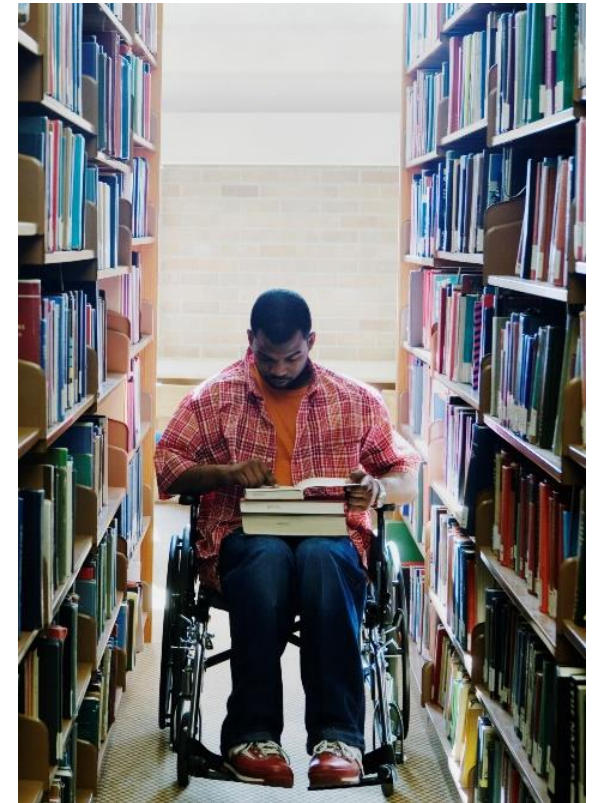
## Governance

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)
<b>Budget Gap</b>	<b>1,905</b>	<b>1,833</b>	<b>2,209</b>
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.

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 (WAISS). 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 (WAISS) 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

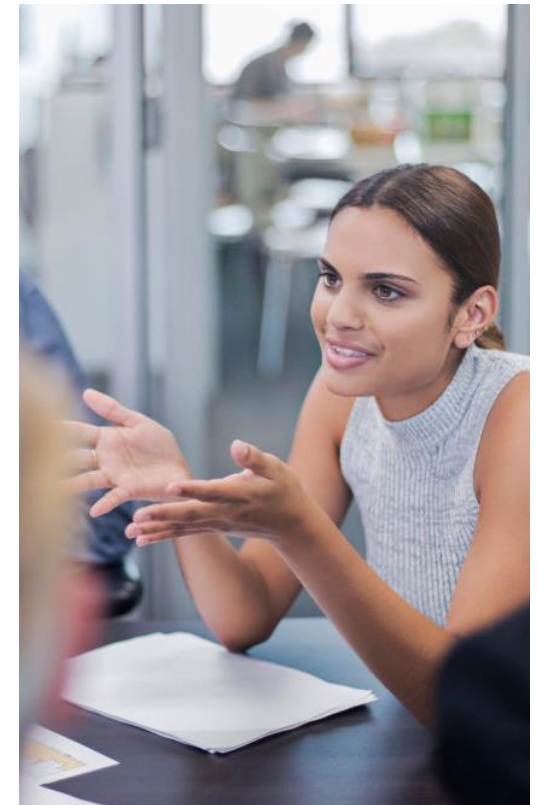
2022/23

### 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

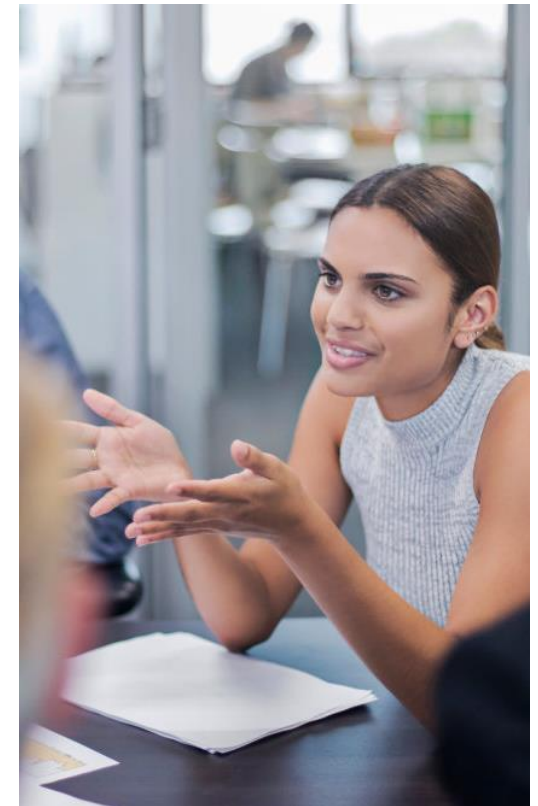
2021/22 and 2022/23

#### 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 organize 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"> <li>• Cash Receipting system issues were corrected by TechOne in November 2022.</li> <li>• 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</li> <li>• 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 &amp; Governance Committee and Cabinet.</li> <li>• 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.</li> <li>• Internal Back Office protocols documented and circulated.</li> <li>• 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 &amp; Governance Committee and Cabinet minutes) once Auditors have approved Data Take on Balances.</li> <li>• All key financial returns except RO's/CO's 20/21 and 21/22 (draft 22/23 provided) and WGA now have been provided</li> <li>• 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.</li> <li>• Audit, Standards &amp; 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.</li> <li>• 2022/23 Initial Outturn report delivered in September 2023.</li> </ul>	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?
<p>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.</p>	Key	Oct 22	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Overall budget moved to a sustainable position over the three year lifecycle.</li> <li>• Previous years unallocated savings budgets dealt with in Q1 and Q2 2023/4 Finance and Performance Monitoring reports.</li> <li>• Same process is being run for the 2024/25 MTFP Process.</li> </ul>	Partially	<p>MTFP is robust though issues remain surrounding validity of information. These are addressed in Statutory Recommendation 1</p>



# 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"> <li>• Projects Report was approved by Cabinet in July 2023 which approved the formation of a Programme office. The recommendations of that report were that:</li> <li>• 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.</li> <li>• 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"> <li>• a. A council programme office be established to provide oversight and</li> <li>• validation of the delivery of projects across the organisation.</li> <li>• b. The roles of a programme manager and a programme officer be</li> </ul> </li> <li>• established to provide support for the delivery of this oversight,</li> <li>• especially for ICT and Organisational Change projects across the</li> <li>• organisation.</li> <li>• 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 &amp; Governance Committee and Cabinet at Bromsgrove. These recommendations have fed into the above report.</li> <li>• 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.</li> </ul>	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?
<p>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.</p>	Key	Oct 22	<ul style="list-style-type: none"> <li>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.</li> <li>The Same process is being followed in the 2023/4 Financial year.</li> </ul>	Yes	Improvement recommendation raised
<p>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 &amp; Governance Committee agenda, with Members considering the Corporate Risk Register and Risk Management arrangements in an appropriate forum.</p>	Key	Oct 22	<ul style="list-style-type: none"> <li>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 &amp; 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.</li> <li>Assurance rating of Risk Management has now improved to Moderate Assurance</li> </ul>	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	<p>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.</p> <p>The Same process is being followed in the 2023/4 Financial year.</p>	Yes	Issues surrounding financial monitoring reports highlighted in statutory recommendation 2
1	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	<p>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.</p> <p>2022/3 Plan linked to the existing Priorities.</p>	Yes	No
2	The Council needs to improve capital budgeting and ensure that the capital programme is delivered as planned.	Improvement	Oct 22	<p>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.</p>	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	<p>The new Council workforce Strategy Action Plan was launched in the summer of 2023.</p>	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

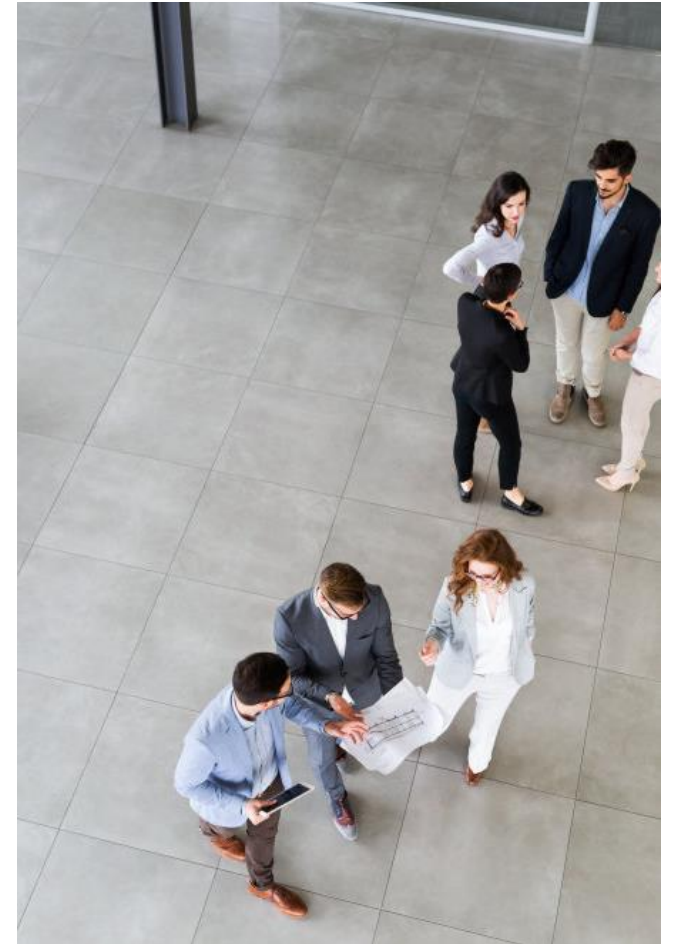
# Follow-up of previous recommendations

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
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.





# 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.

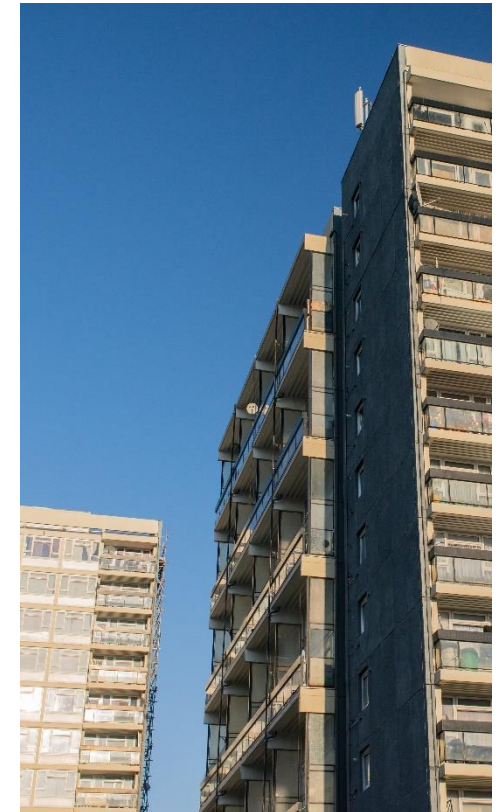
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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