

# BROMSGROVE DISTRICT COUNCIL

## Audit, Standards and Governance Committee 18<sup>th</sup> January 2023

### Accounting Policies Report

Relevant Portfolio Holder	Councillor Charlie Hotham, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Bernard Ofori-Atta
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Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

#### 1. RECOMMENDATIONS

The Audit, Standards and Governance and Committee **RECOMMEND** that:

- 1) **Progress on the 2020/21 Audit process be noted.**
- 2) **Any areas of concern within this key compliance report are raised with Cabinet.**

#### 2. BACKGROUND

2.1 From a Governance point of view, the financial frame work under which the Council works is set out in the Constitution. In addition to this there are legislative reporting requirements which set out what needs to be done and by when. The Accounting Policies report which was tabled at the Audit, Standards and Governance Committee on the 1<sup>st</sup> June set out the Financial Governance Framework, and associated references to key documentation, that the Council, it's Member and Officers work to. This are (in summary):

- **The Budget and Policy Framework Procedure Rules.** These set out: The framework for Cabinet Decisions, Decisions outside the budget or policy framework, Urgent Decisions outside of the Budget or Policy Framework, Virement rules, In-year changes to policy framework and, Call-in of decisions outside the budget or policy framework. These rules set out how decisions can be made, by whom and how they can be challenged
- **Financial Procedure Rules** which are set out in Part 15 of the Constitution. These "operational policies" run to 36 pages and set out how the organisation financially runs it's "day to day" business.
- **Finance Protocols** which set out requirements and expectations of the Finance Team and Services in terms of financial administration and demarcation of duties.

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- 2.2 One of the legislative reporting requirements the Council has not achieved is the delivery of the 2020/21 Statement of Accounts. As such, the Council was issued with a Section 24 Statement. Redditch Borough Council (RBC) were also issued with a Section 24 Statement for the same non delivery of the 2020/21 accounts which is understandable given that officers support both Councils via a shared service.
- 2.3 As reported in previous Audit, Standards and Governance Committee meetings in January, March, July, September and November draft 2020/21 accounts will be presented to the Council's External Auditors once they have completed their work on the data take on balances. An update on this work is contained in this report.
- 2.4 The 2023/4 budget was approved at Council on the 22<sup>nd</sup> February 2023. An update on the 2024/5 Medium Term Financial Plan process is contained in this report

### **Legislative Requirements**

- 2.5 The previous section sets out how the Council works, however equally important are the Central Government Legislative Requirements to which we deliver to and are compared to other Councils across the Council. This section lists those key deliverables.
- 2.6 The following are key legislative deliverables and the Councils delivery against them to June 2023:

#### ○ **Budget**

- Delivered by 11<sup>th</sup> March in preceding financial year – ***delivered Feb 2023***
- Council Tax Base – Yearly – ***2023/24 delivered in January 2023***
- Council Tax Resolution – ***Yearly 2023/4 delivered in February 2023***
- Council Tax Billing – Yearly (2 weeks before 1<sup>st</sup> DD is due to be taken) – ***Bills distributed in March 2023***

#### ○ **Closure**

- Draft Accounts delivered to Audit by 31st June in order for 22/23 RO forms to be delivered.
- 2020/21 Audit ***dependent on previous years and Cash Receipting Backlogs being completed (see closure section)***

#### ○ **Government Returns**

- VAT – Monthly
  - ***Still to be delivered for 20/21 – dependent on closure of accounts***
- Revenue Outturn Reports – July
  - ***Still to be delivered for 20/21 – dependent on closure of accounts***
  - ***22/23 RO has been delivered and the Council has responded to queries on the return. Noted however that the data was not included in the CIPFA Resilience Index.***
- Capital Outturn Reports – July
  - ***Delivered for 2020/21 and 2021/22 on Friday 30th June***
  - ***22/23 CO has been delivered.***
- Quarterly Revenue Outturn Estimates

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- **Quarters 1-3 delivered (have warnings from previous year as not delivered)**
- **Quarters 1 and 2 for 23/4 have been delivered.**
- Quarterly Capital Outturn Estimates
  - **Quarters 1-3 delivered (have warnings from previous year as not delivered) Q4 delivered.**
  - **Quarters 1 and 2 for 23/4 have been delivered.**
- Quarterly Borrowing Return
  - **22/23 Quarterly Returns delivered - Q4 delivered on 11th April 2023**
  - **Quarters 1 and 2 for 23/4 have been delivered.**
- Quarterly Council Tax and Business Rates Returns
  - **22/23 Quarterly Returns delivered - Q4 due 5th May 2023**
  - **Q1 23/4 delivered on 11th August.**
- Whole of Government Accounts Returns – August
  - **Still to be delivered for 20/21 – dependent on closure of accounts**
- RA – Revenue Budgets – April
  - **2022/23 Delivered on the 5<sup>th</sup> May 2022 and 2023/24 delivered on 14th April 2023**
- Capital Estimates Return – **to be delivered by 24th March 2023**
  - **23/24 delivered by 24th March 2023**
- Public Works Loans Board Certainty Rate – April
  - **2022/3 delivered on 28th April 2022**
  - **2023/4 delivered**
- NNDR1 Return (Business Rates) – January
  - **Delivered December 2021 for 2022/23 and January 2023 for 2023/24 return**
- NNDR3 Return (Business Rates) – June and September
  - **Delivered in June 22 for 2022/23**
  - **Draft 22/23 NNDR3 provided to Worcestershire County Council for view of the pool. Final draft NNDR3 to be submitted to DLUHC by 18<sup>th</sup> May 2023.**
- Housing Benefit Subsidy Return – Yearly
  - **Sent 29th April 2022**
  - **2022/23 subsidy return delivered**
- DHP Claim – Yearly
  - **Sent 29th April 2022**
  - **22/23 return sent in May 23**
- CTB1 (Council Tax Base) – October
  - **Sent October 2022**
  - **Sent October 2023**
- CTR1 (Council Tax Requirement) – March
  - **22/23 sent 16 March 2022**
  - **23/24 sent 7 March 2023**
- **Policies**
  - Treasury and Asset Management Strategies
    - **Initial Strategies as part of the MTFP – 2023/4 Strategy Approved in March 2023**

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- Half Yearly Report
  - **Update provided in Q1 Revenue Return**
  - **23/4 Report delivered in November 23.**
- Yearly Outturn Report
  - **2022/23 Draft Report delivered in September 23**
- Council Tax Support Scheme – Yearly –
  - **23/4 Approved in Jan 2023 after consultation.**
  - **24/5 Will be approval in Cabinet January 2024.**
- Minimum Revenue Provision – yearly – **Approved as part of the 2023/4 to 2025/6 Medium Term Financial Plan**

In addition to this list there are other ad-hoc returns required (which was especially the case during C-19)

2.7 At this point, it is also important to include key Council deliverables (financially and risk based)

- Financial Monitoring – **delivered quarterly to Cabinet – due to Summer Holidays Q1 23/4 went to Cabinet in October, Q2 went in November 2023.**
- Risk Management – **delivered quarterly to this Committee.**
- Financial Controls (still in development)
  - Clearance of suspense accounts – See the chart at the end of this Report for progress.
  - Bank Reconciliation - **linked to above point although a separate stream assessing/clearing 2023/4 items.**
- Over £500 spending.
  - **Updated to July 2023.**

2.8 The key returns that have still not been delivered are the Revenue and Capital Outturn forms for 2020/21 and 2021/22 and the VAT returns. We delivered the draft RO/CO forms for 2022/23 and responding to queries on the RO return however previous years have still not been able to be completed. Although the Government now allow these returns to be completed based on estimates, the level of uncertainty due to the Cash Receipting means these cannot be completed until the External Auditors sign off the Councils take on balances and the Council provides the draft accounts to Audit for each Council. We expect to move forward on these in January (2020/21).

#### **Update on the Statement of Accounts**

2.9 The key Closure deliverables for each financial year are set out below:

- Closure 2020/21
  - Agreement of Treatment of Take on Balances – This was expected to be completed by July, but joint work is still being undertaken by the Council and External Auditors to validate these balances. The Council has supplied all data

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except Period 0 and the External Auditors have input this data into a model to verify full transfer of balances has taken place. However, this cannot be completed until the period 0 balances are provided. The Period 0 balances have been supplied by the Council's previous financial systems providers Advanced to the External Auditors on the 13<sup>th</sup> November. Additional list of Queries sent by Auditors and response provided on 15<sup>th</sup> December. Only outstanding amounts now link to Capital and have been identified as Assets Under Construction. Auditors will resume work on take on balances following the Christmas break.

- Provision of Draft 2020/21 Accounts to Audit. This is dependent on the External Auditors confirmation that they have approved both Council's take-on balances work. To date only limited high level testing has taken place although significant work has been undertaken.
- Sign Off of 20/21 Accounts – to be confirmed with the External Auditors
- Closure 2021/22
  - Updated Outturn position – still to be provided (cash receipting backlog to be cleared by 31 December 2023)
  - Draft Accounts ready for Auditors (without any 2020/21 Audit Adjustments) estimated March 2024.
  - Audit of Accounts following Audit of 2020/21 Accounts.
  - Sign off of the Accounts – to be confirmed with External Auditors.
- Closure 2022/23
  - Budget Manager Closure Training tool place in late March with 83 staff attended closure training.
  - Draft Provisional Outturn Report – Cabinet Report delivered in October 2023.
  - 2022/23 draft Revenue Outturn and Capital Outturn Reports presented to DLUHC.
  - Draft 2022/23 Accounts to Audit – TBC (following External Auditors sign off 21/22 Accounts)
  - Sign off of the Accounts – to be confirmed with External Auditors but estimated November 2024.
- Value for Money Opinions for 2021/22 and 2022/23. External Auditors delivered their joint Value for Money Opinions in November 2023:
  - S24 Recommendation still in place and extended for 2021/2 and 2022/3 Accounts.
  - 5 of the 6 2020/21 Key Recommendations either delivered or now linked to Improvement Recommendations.
  - 9 of 13 2020/21 Improvement Recommendations either fully or partially Delivered
  - One new Key Recommendation – linked to Workforce Strategy
  - Ten updated Improvement Recommendations

2.10 As reported in the July and September Reports, DLUHC have stated that they are moving to rectify these backlogs by changing how audits are performed over the medium term. DLUHC are concerned that the most time should be spent on auditing more recent accounts, so scopes of audits will be reduced (still to be confirmed) however Auditors will still be expected to serve S114 and other Statutory Recommendations. The

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governments' view is that Audits will be given statutory deadlines for completion as follows:

- 2015/16 through to 2019/20 must be signed off by the 30th December 2023 – **although this date has now passed.**
- 2020/21 and 2021/22 by the 31st March 2024.
- 2022/23 by the 30th September 2024.

- 2.11 There is still no official update on when these timetables will be enacted. Once this is known there might be the requirement for the Council to changes its delivery timetables
- 2.12 The Council is now on the latest version of TechOne although because Redditch and Bromsgrove are still the only Council's on Cash Receipting, when the weekly updates come in they have do additional checks to ensure the functionality is working as expected. The Council will now update to the latest version of TechOne every summer.
- 2.13 Once the External Auditors sign off the data take on balances the draft 2020/21 Accounts will be submitted. The Council has not submitted them yet as if the External Auditors have issues with the data take on balances and the draft accounts had been submitted then this could lead to qualified accounts.
- 2.14 Work is under way on the 2021/22 Accounts although they cannot be finalised until the audit of the 2020/21 Accounts is complete. The key driver is the clearance of the cash receipting suspense accounts which is expected to be delivered by end of December.

#### **Update On 2023/24 Budget**

- 2.15 The Councils 2023/24 Budget was approved in February. Budgets are loaded onto TechOne.
- 2.16 The 2024/5 draft MTFP will be presented to Cabinet for consultation on the 22<sup>nd</sup> November. The budget is again being delivered on a two Tranche basis. The Chancellors Statement was delivered on the 22<sup>nd</sup> November and the Provisional Local Government Settlement on Monday 18<sup>th</sup> December. The initial Tranche just includes:
- Known Pressures (including inflation).
  - Suggested increases to Fees and Charges.
  - Base assumptions on tax collection.
  - Present Capital Programme
  - Impact on General Fund and Earmarked Reserves.
- 2.17 The Provisional Local Government Settlement included the following items:
- Generally, a 4.9% increase in funding for Borough and District Councils – the detail in now being worked through.

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- The ability to increase Council Tax by 2.99%
- Increases of up to 25% and 35% respectively for different types of planning application.

These, alongside a revised Capital Programme based on need and deliverability, will be included in Tranche 2 of the Budget which will need to be approved by Council in February.

- 2.18 Quarter One 2023/4 financial and performance monitoring went to Cabinet in October and the Quarter Two Monitoring went to Cabinet on the 22<sup>nd</sup> November. The financial monitoring for Quarter 2 will be delivered for the first time directly from the TechOne system with budget managers data input onto it and not into spreadsheets.
- 2.19 A report went to Cabinet in June which set out new arrangements to managing projects as per the recommendation in the Audit Task Group Report that came to this Committee in March. Project updates will now be part of the quarterly finance and performance reporting. There are four main programmes, ICT, Workforce and Change, Public Realm, and Housing. This change is referenced in the External Auditors “Value for Monay” Report.
- 2.20 To increase capacity, a number of the finance posts presently covered by Agency have been advertised internally and externally. Interviews for these posts will take place on the 25<sup>th</sup> and 26<sup>th</sup> January.

#### **Compliance Items**

- 2.21 There are a number of areas where compliance will be measured going forwards. Compliance to process and timetable is a key underlying theme of the Draft External Audit Report 2020/21. These items are being measured to improve how we work and change behaviours. This will lead to an improved financial health/knowledge across both Councils. Not all these measures can be put in place instantly but there should be the full suite by the middle of the summer (Debt indicators depend on the clearing of suspense and the updating of the bank reconciliations).

#### **Training:**

- Closure Training took place in March with 83 attending.
- Mandatory Budget Manager Training (including the use of TechOne) took place in September 2023 – upskilling budget managers with the tools to input their forecasts directly onto TechOne.
- Mandatory Financial Awareness Training for managers took place in August and September.
- Payments Purchase Order Training takes place monthly.

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### **Treasury Management**

- The Half Yearly Treasury Management Report was presented to Cabinet on the 22<sup>nd</sup> November.

### **Audit VFM Report Requirements**

- Budget Consultation will take place with Stakeholders in late January/ early February.
- Wider savings monitoring will be undertaken by this Committee quarterly.
- Capital and its deliverability will be reviewed as part of the Budget Tranche 2.
- Benchmarking is now incorporated into the budget process (using LG Futures data).
- The Internal Audit Service will be externally assessed in early 2024.
- The Council will seek an independent Audit Committee member and ensure the Committee remains apolitical in nature.
- The whistleblowing policy will be updated before the end of the financial year.
- Procurement and contract rules will be updated by the end of the financial year (to reflect changes to legislation happening in April 2024).
- Performance Indicators will be reviewed and updated following Strategic Priority setting sessions.

The Council is still to run sessions to assess its “risk appetite”.

### **Errors:**

- Non delivery of GPC Card Data (monthly basis) – still to be started.
- Mis-coding on TechOne per month – by Service Area - will begin once the cash receipting suspense has been cleared.

### **Procurement:**

- The new ‘No Compliance No Order’ process has been live since April 2023.
- Many departments are now proactively getting quotations for lower value works. A lot of the issues we have are now training issues that are being resolved.
- The number of contracts in place is growing regularly and we are confident that this process is having a positive effect. We hope that eventually we get to the place where the number of orders coming to procurement for approval as contracts are not in place are minimal.
- A report went to Cabinet in July setting out new government procurement requirements that the Council are addressing, many of which come into force on the 1<sup>st</sup> April 2024. The Q1 and upcoming Q2 Finance and Performance Monitoring Reports now set out:
  - All contracts requiring renewal over the next year that are over the present £50k threshold and these are placed on the forward plan.
  - All contracts that are being procured by Redditch over this period that relate to Bromsgrove Services.



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2.22 Work is ongoing on the clearance of the Cash Receipting suspense accounts. These figures are updated every 2 weeks. The position as at early December is summarised in the table below. As reported to this committee, the Council are working to have cleared the backlog by the end of this calendar year. Present progress indicates that there will be small, non-material balances in 2020/21 still to clear at the 31<sup>st</sup> December but the overall position will mean that the 21/22 and 22/23 accounts closure processes can be run.

Row Lables	Number of Items under £1,000	Value	Number of Items over £1000	Value	Reconciled Items	Reconciled Value	Overall Total	Overall Amount
20/21 Items	5,347	-150,807.64	107	-494,640.00	24,954	11,693,050.58	30,408	11,047,602.94
21/22 Items	27,207	214,783.54	261	4,723,679.65	6,814	-46,132,548.83	34,282	-41,194,085.64
22/23 Items	6,520	-82,541.29	550	140,124,905.14	18,693	-43,885,713.17	25,763	96,156,650.68
23/24 Items	10,501	86,782.18	594	-55,864,203.73	6,032	78,325,213.32	17,127	22,547,791.77
<b>Totals</b>	<b>49,575</b>	<b>68,216.79</b>	<b>1,512</b>	<b>88,489,741.06</b>	<b>56,493</b>	<b>1.90</b>	<b>107,580</b>	<b>88,557,959.75</b>

### **Summary**

2.23 This report sets out the policies (local and national) that underpins the Council finances and the key deliverables. The significant change highlighted in July and September in proposed the new Government timescales to catch up on Audit delivery has still not been confirmed. Once this takes place the Council and its External Auditors will need to speed up their joint timetable as appropriate. This report is now updated for data as at the end of October and is delivered to each Audit, Standards and Governance Committee at Bromsgrove to updates it on progress against targets and also alert them to any issues and risks.

### **3. FINANCIAL IMPLICATIONS**

3.1 This paper sets out the financial frameworks within which the Council works.

### **4. LEGAL IMPLICATIONS**

4.1 There are no direct legal implications arising as a result of this report, however the frameworks are generally linked to statute or the Council's Constitution.

### **5. STRATEGIC PURPOSES - IMPLICATIONS**

#### **Relevant Strategic Purpose**

5.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most

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important for the District and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

### **Climate Change Implications**

5.2 There are no direct climate change implications arising as a result of this report.

## **6. OTHER IMPLICATIONS**

### **Equalities and Diversity Implications**

6.1 There are no direct equalities implications arising as a result of this report.

### **Operational Implications**

6.2 Operational implications have been dealt with as part of the 2023/24 MTFP, quarterly monitoring and the Closedown process.

## **7. RISK MANAGEMENT**

7.1 The financial stability and sustainability of the Council is a core underlying theme of the Council's Risk Management Strategy.

## **8. BACKGROUND PAPERS**

Interim Auditors Annual Report on Redditch Borough Council 2021/22 & 2/22/23 – Audit Standards and Governance Committee November 2023, Council December 2023.  
Section 24 Report to Audit and Council – November/December 2022.  
Accounting Policies Report – March, July, September and November 2023 – Audit, Standards and Governance Committee  
Finance Recovery Report – July 2023, October 2023 – Cabinet  
Programme Management Office Requirements – June 2023 – Cabinet  
Approvals to Spend Report - July 2023 – Cabinet