

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

18TH JANUARY 2024, AT 6.00 P.M.

PRESENT: Councillors D. J. Nicholl (Chairman), R. Bailes, S. M. Evans, D. J. A. Forsythe, D. Hopkins, B. Kumar, B. McEldowney, S. T. Nock, D. G. Stewart and M. Worrall (Parish Councils' Representative)

Observers:

Councillor C. A. Hotham – Portfolio Holder for Finance and Enabling

Officers: Mr. P. Carpenter, Mr. B. Ofori-Atta and Ms. N. Cummings, Mr. A. Howe, and Mr. M. Sliwinski.

49/23

APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received from the Vice-Chairman, Councillor H. D. N. Rone-Clarke, and Councillor J. D. Stanley.

50/23

DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

There were no declarations of interest nor of any whipping arrangements.

51/23

TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 27TH NOVEMBER 2023

The minutes of the meeting of Audit, Standards and Governance Committee held on Monday 27th November 2023 were submitted for Members' consideration.

RESOLVED that the minutes of the meeting of Audit, Standards and Governance Committee held on 27th November 2023 be approved as a correct record.

52/23

STANDARDS REGIME - MONITORING OFFICER'S REPORT

The Principal Solicitor introduced the Monitoring Officer's report and in doing so reported that no new complaints had been received since the last meeting of the Committee. In relation to the two complaints reported at the previous meeting, one was currently being investigated by the police, and the second was expected to be resolved informally. In

response to a question, the Principal Solicitor explained that she could not share more details about these complaints.

Following the presentation, Members discussed training requirements and in doing so Members noted that more training was required in respect of terms of reference of the audit committee and training on key audit reports. It was suggested that an introduction of pre-meetings might be helpful for Members, as it was reiterated that items on Audit Committee agendas were complex in nature and it was essential that Members had a clear understanding of what the substance of each of the report was before the meeting.

It was agreed as an action that two to three audit training sessions (to be held in the evenings) be arranged in each municipal year for Members of the Audit, Standards and Governance Committee.

RESOLVED that the Monitoring Officer's report be noted.

53/23

BISHOP FLEMING - INTRODUCTION TO THE COUNCIL'S NEW EXTERNAL AUDITOR

The consideration of this item was deferred. It was explained that it was hoped that by the March meeting the Council's opening balances for 2020-21 accounts would be cleared and accounts submitted for external audit, which would allow the new auditors to provide a more meaningful introduction to elected members.

54/23

INTERNAL AUDIT - PROGRESS REPORT

The Internal Audit Team Leader provided the Internal Audit Progress Report for Members' consideration. It was noted that the update provided an update on progress with the internal audit plan up to 31st December 2023, at which point 48 per cent of the plan for the year had been completed. This was an improvement on last year's progress at this point.

It was explained that critical review audits were designed to add value to an evolving service area of the Council. Depending on the transformation that a service was experiencing at the time of a scheduled review, a decision was made by the internal auditor on the audit approach. Where a significant change was taking place due to transformation, restructuring, significant legislative updates, a critical review approach was used.

Following the report presentation, the Committee discussed a number of matters relating to the report with the following comments and answers to questions noted:

- Critical Reviews – The Section 151 Officer highlighted that Accounts Receivable and General Ledger were the key internal audits from the Council's perspective as they provided a reflection

of the progress the Council was making in terms of the financial recovery programme.

- Cyber security – It was reported that with respect to cyber security, following publicised cyber attacks on other councils, there was a proposal as part of the Tranche 2 of the Medium Term Financial Plan to increase the Council’s annual funding for cyber security. It was noted that as part of the Q2 Monitoring Report, an additional £50k was requested for upgrading and replacing tape drives. The tapes provided physical back up of IT data.
- Allocation of internal audit days between Bromsgrove and Redditch – The Internal Audit Team Leader explained that the allocation of audit days was similar across the two councils but where necessary reflected the specific requirement of each council at given time. For areas such as Housing, Redditch required a greater allocation of internal audit delays as social housing was delivered in house. For other areas, such as ICT, the number of days allocated to Bromsgrove and Redditch was identical.
- National Fraud Initiative (NFI) Returns – It was explained that this was a public-sector wide data matching exercise conducted by the Government’s Cabinet Office to assist in the prevention and detection of fraud. As part of this, local authorities provided datasets on areas such as council tax and electoral register records to detect any data matches with other agencies and detect potential fraud. Members requested as an action that future iterations of the internal audit progress report include reporting of statistics on matches and frauds identified.
- Fraud data – It was noted that it might act as a deterrent if data on the number and types of cases of fraud detected were included in Council reports. In terms of data sharing, it was reported by Officers that there remained some difficulties in sharing data across various public bodies, due to factors such as GDPR legislation.
- Single person council tax discounts – It was noted that a significant number of all properties in Bromsgrove were single person homes, and single person discount on council tax applied. It was noted that the County Council had asked District Councils to be proactive in terms of investigating fraud in this area and chasing debt through capacity grid.

RESOLVED that the report be noted.

55/23

CAPITAL STRATEGY 2024-25 INCLUDING TREASURY MANAGEMENT STRATEGY

The Committee received a report on the Capital Strategy 2024-25 including Treasury Management Strategy. The report combined an overview of how capital expenditure, capital financing, treasury and other investment activity contribute to the provision of local public services along with an overview of how associated risk was being

managed and the implications for future financial sustainability of the Council.

The Deputy Chief Executive and Section 151 Officer explained that these reports were important from a compliance point of view. Any deviation from these strategies had to be reported directly to Audit, Standards and Governance Committee and then Council.

It was explained that the Council held no long-term debt. However, it was projected that the Council would need to undertake borrowing within the next 12-18 months. The main items of capital expenditure for the Council in the short to medium-term were on the Levelling Up Fund projects and on the Council's waste vehicles fleet.

It was explained that councils were allowed to pre-fund future years' financing requirements, however, they could not exceed the authorised limit for borrowing of £60 million.

In relation to the Investment Strategy, it was explained that local authorities were able to borrow from the public sector lending facility – the National Loans Fund through the PWLB lending facility (operated by the UK Debt Management Office (DMO)) – as long as they did not invest for profit.

In relation to the capital financing and treasury management requirements, there had been a significant tightening of regulations over the last five years. It was noted that at the moment the Council only borrowed from UK banks.

In response to a question, it was confirmed that the Council held property assets that could be sold and a report on the matter would be presented to Cabinet in summer. It was noted that any Council asset had to have an energy efficiency rating of C or above by 2026, in order to be rentable. The Council was also look at the remaining parcels of unadopted land within Bromsgrove as part of the review of assets.

RECOMMENDED to Council that:

- 1) the Capital Strategy (Appendix A) as an appropriate overarching strategy for the Council be approved.
- 2) the Treasury Management Strategy for 2024/25 (Appendix B) and the associated MRP policy (Appendix C) be approved.
- 3) the Investment Strategy (Appendix D) be approved.

The Accounting Policies Report was presented for Members' consideration. In terms of legislative deliverables, it was noted that the

Council had now delivered the revenue and capital outturn reports. It was reported that the closure of 2020/21 Accounts was dependent on the reconciliation of opening balances on the legacy and new financial systems being completed.

It was reported that local authorities had now been informed of Government proposal to introduce a backstop date of 30th September 2024 for completion of all outstanding local audits up to 2022-23 financial year. Local authorities would be a consulted on the plans to tackle local government audit delays, including on the proposed backstop date, in February 2024.

It was reported that there were still around 290 local authorities were yet to have their 2021-22 Accounts audited. As such, the proposal was of significant concern to local authorities across the country. It was noted that there also remained concerns that the backstop proposal did not address the issue of the lack of external audit resource.

It was reported that the new Head of Finance and Customer Services had been appointed and would be in post by the end of February. The Council had received a significant number of applications for the five permanent positions advertised in the finance department. It was hoped that this would result in reduced reliance on agency staff by March.

Key points on the provisional local government financial settlement were provided. It was noted that generally there would be a 4.9 per cent increase in funding for Borough and District Councils, local authorities would have the ability to increase Council Tax by up to 2.99 per cent. For planning applications, there would be a charge increase of 25 per cent (small) and 35 per cent (large) applications respectively.

Following the presentation of the report, Members discussed the implications of the Government's backstop date proposal. It was recapped that the main issue remained the validation of take on balances (proof of period 0 balances) on both the legacy and the new financial ledger systems. It was reported that originally the external auditors had been undertaking data validation of this, however, the external auditors had now asked the Council to take over this work. It was planned that data reconciliation of opening balances between the old and new financial systems should be finalised by end of January. In response to a question, it was noted that the Council's materiality level was around £400k, any misstatements amounting to more than this amount would result in qualification of the Council's accounts.

It was reported by Officers that the Government's current backstop date proposal gave the Council around 5-6 months to complete its outstanding accounts to avoid qualification on the accounts. It was commented that in April, May and June the external auditors focused on audit of health bodies and these months were not available for audit work on local authority accounts. Some Members commented that in light of the Government's announcement of the backstop date proposal,

it was probable that the Council would receive a qualified opinion on its 2020-21 Accounts.

In relation to appointment of an independent person to the audit committee, it was reported that the Constitutional Review Working Group would need to agree on the level of remuneration for the post before this matter could be considered by the Committee.

RESOLVED that the progress on the 2020-21 Audit process be noted.

57/23

FINANCIAL SAVINGS MONITORING REPORT

The Deputy Chief Executive and Section 151 Officer introduced this report and in doing so explained that the report looked at 2023-24 budget savings and provided monitoring of savings. It was reported that savings from both tranches of the budget process were set out at Appendix A. The following areas of Bromsgrove savings monitoring were covered in more detail:

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- In relation to Finance Vacancies line the Council would not achieve the target saving of £100k in 2023-24.
- Service reviews – It was noted that this was concerned with identifying the establishment review as it was reported that Bromsgrove Council had £2.9 million worth of vacancies covered by £1.6 million of Agency staff covering the vacant posts. Across the shared service (Bromsgrove and Redditch), this amounted to around £5 million of vacancies and £3 million in agency staff cover (£2 million gap). The establishment review would provide an indication of how many posts were required across service areas.
- Engage Capacity Grid (one-off) – This was concerned with recovering Council Tax and Business Rates income from debtors. The Council was on track to deliver savings stated in the appendix.
- Pension Fund – The Council was on track to deliver the savings on this as resulting from the latest actuarial triennial report. The Council would need to monitor the impact at the next revaluation in 2026-27.
- Town Hall – It was explained that this concerned the recharge to Bromsgrove from the savings delivered on the renting out of space at Redditch Town Hall.

It was noted that the costs of salaries per department would be shown in appendix B of the Tranche 2 Medium Term Financial Plan report.

RESOLVED that progress on 2023-24 Departmental Savings be noted.

58/23

RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR B. MCELDFORNEY)

The Council's Risk Champion, Councillor B. McEldowney, provided the update and in doing so raised a number of questions as follows:

- The termination of the North Worcestershire Economic Development and Regeneration (NWedR) – Officers reported that the report on the termination and the proposal for rebuilding the Council's economic development and regeneration service was due to be presented to the 14th February Cabinet meeting.
- Levelling Up Fund Deadline Extension – It was reported that the Council was in conversation with the Department for Levelling Up, Housing and Communities (DLUHC) about the Government granting a six-month Levelling Up funding deadline extension to the Council. Officers reported that the inability to complete Levelling Up projects by the original Government deadline was an issue faced by most authorities across the country.
- The number of Council Staff paid the national minimum wage – It was undertaken as an action that this data be provided to Members.

RESOLVED that the Risk Champion update be noted.

59/23

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Chairman reported that an item regarding the Council's Biodiversity Policy requested by the Committee was referred to the Overview and Scrutiny Board and was due to be considered by that Board in April 2024.

RESOLVED that the contents of the Audit, Standards and Governance Committee Work Programme be noted.

The meeting closed at 7.58 p.m.

Chairman