

# Public Document Pack

Audit, Standards and Governance Committee

16th January 2025

## **BROMSGROVE DISTRICT COUNCIL**

### **MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**16TH JANUARY 2025, AT 6.00 P.M.**

PRESENT: Councillors H. D. N. Rone-Clarke (Chairman), S. T. Nock (Vice-Chairman), A. Bailes (Substitute), R. Bailes, S. M. Evans, D. J. A. Forsythe, D. Hopkins, D. J. Nicholl, S. R. Peters, J. D. Stanley and M. Worrall (Parish Representative)

Observers: Councillor S. R. Colella – Cabinet Members for Finance

Officers: Mr P. Carpenter, Ms. N Cummings, D Goodall and Mrs S. Woodfield

47/23

#### **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received on behalf of Councillor C.A. Hotham. It was noted that Councillor A. Bailes was a substitute member for Councillor C.A. Hotham.

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#### **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

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

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#### **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 5TH DECEMBER 2024**

The minutes of the meeting of Audit, Standards and Governance Committee held on Thursday 5<sup>th</sup> December 2024 were submitted for Members' consideration.

**RESOLVED** that the minutes of the Audit, Standards and Governance Committee meeting held on 5<sup>th</sup> December 2024 be agreed as a true and correct record.

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#### **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Principal Solicitor for Governance presented the Standards Regime Monitoring Officer's report.

Since the last report the Council had received three new complaints. Each were assessed and found not to be a member conduct matter.

The next meeting of the Constitution Review Working Group (CRWG) was due to take place on 29<sup>th</sup> January 2025. Any recommendations arising from that meeting would be reported to the Council meeting due to take place on 19<sup>th</sup> February 2025.

The next meeting of the Member Development Steering Group (MDSG) was due to take place on Monday 20<sup>th</sup> January 2025.

Relevant Member training sessions had taken place since the last Monitoring Officer's report, or which were due to take place were detailed in the report.

Following consideration of the report, Members made the following comments:

- It was requested that a list of Members on the Development Steering Group (MDSG) Committee be made available to Members and if the Notes were available for Audit, Standards and Governance Members' consideration? – Officers agreed to review the request as an action.
- Members noted that three complaints had been reported since the last meeting. It was queried if the necessary forms had been completed and how they were assessed? – In response Members were informed that the three complaints within the report were all considered to be non-Member conduct matters, as the individuals were not acting as capacity of Councillor, in which the Code of Conduct only applied. As part of the review, completion of the relevant forms was sometimes requested but were not always a requirement. The Monitoring Officer or Deputy Monitoring Officer initially reviewed the complaint to determine if the complaint could and should be investigated i.e. if the person was acting in capacity as Member. If it was a consideration, the individual would comment in the first instance, where possible.
- Members requested the term "independent person" be explained further. – Members were advised that if a complaint was to be reviewed formally, the views of the Independent Person would be sought.
- Members were also asked to note that a consultation (responses due by 26<sup>th</sup> February 2025) regarding proposed changes to the Standards Framework would be discussed at a Group Leaders Meeting in early February 2025.
- Members discussed whether an Independent Member with an accountancy background should be present during Audit, Standards and Governance Committee meetings as good practice. – Members were informed that there was a difference between an Independent Member and an Independent Person. The consultation is seeking views on whether Independent Members should be given voting rights.
- Members queried if Parish Councillors were reported as part of the monitoring process. – Members were informed that Parish

Councillors did form part of the monitoring process but confirmed that the three complaints received and contained within the report were confirmed as District Councillors.

- It was queried if County Councillors were part of reporting. – It was confirmed that complaints concerning County Councillors would be sent to the Monitoring Officer at County Council.
- Following Members' consideration of the necessary forms to be completed for a complaint, it was requested that further information be provided to assist Member's understanding of the complaints within the report. – In response the Principal Solicitor for Governance informed the Committee that two of the reports were Member to Member complaints and the other remaining complaint received from the public to a person acting entirely as a member of the public and not as a Member.

The Chairman concluded discussions and suggested that a review of the Standards Regime Monitoring Officer report was required to assist Members' future considerations of the report. It was suggested that further details specifically be included to advise who the complaint was referring to i.e. if a Parish Councillor or a District Councillor and who filed the initial complaint i.e. if from a Member or the Public. It was agreed that this would be reviewed.

**RESOLVED** that subject to Members' comments, the report be noted.

51/23

### **FINANCIAL COMPLIANCE REPORT**

The Section 151 Officer provided the Financial Compliance Report for Members' consideration.

The Financial Compliance report began in January 2023, following the Section 24 reports which set out how the Council complied with its financial legislative requirements. One of the legislative reporting requirements the Council had not achieved was the delivery of the 2020/21, 2021/22 and 2022/23 Statement of Accounts, which resulted in the issuing of a Section 24 Statement for the Council. Redditch Borough Council (RBC) were also issued with a Section 24 Statement for the same non delivery of these accounts. Following the issuing of the Section 24 Statements and a review of why the Council were issued with the Notice (undertaken by a Task Group of this Committee), the decision was taken to increase the frequency of Audit Committee meetings to six times a year until the Council had rectified its accounts. With the Council having provided its accounts as per the "backstop legislation" up to the 2023/24 financial year requirements, it was proposed that the frequency of Audit Committee meetings revert to quarterly. It was important that the processes that were put in place following the issuing of the Section 24 Statement continue via the quarterly Financial Compliance Report.

The 2024/25 budget was approved at Council on the 21<sup>st</sup> February 2024. Table 2.7 of the report sets out the finance legislative requirements up to March 2025, showing that the Council was compliant in terms of delivery and timescales. The report also set out the plethora of financial reports and strategies that were required to be formulated and complied with.

The key returns which had not been delivered were the Revenue and Capital Outturn forms for 2021/22 and the VAT returns. Significant work had been undertaken by the Council's Tax advisors PS Tax in liaison with His Majesty's Revenue and Customs (HMRC) in order for the Council to return to normal VAT reporting and final version working papers had been provided to HMRC on the 19<sup>th</sup> December 2024.

The Council's position on the key Closure deliverables were as follows:

- Closure 2020/21
  - Reported as per the 5<sup>th</sup> December Audit Committee and Disclaimer Opinion received and approved.
- Closure 2021/22
  - Reported as per the 10<sup>th</sup> December Audit Committee and Disclaimer Opinion received and approved.
- Closure 2022/23
  - Reported as per the 5<sup>th</sup> December Audit Committee and "Disclaimer Opinion" received and approved following the completion of the public consultation period on the 7<sup>th</sup> January 2025.
- Closure 2023/24
  - Draft accounts were placed on the Council's website on 15<sup>th</sup> January 2025. The Council complied with the 2023/24 Backstop requirements for consultation.
  - An opinion from Ernst and Young would not be received until the onboarding process had been completed.

The Assistant Director of Finance and Customer Services presented the 2023/24 accounts for Members' consideration as follows:

- The Expenditure and Funding Analysis in the report showed the outturn position revenue overspend was £1.954m which had moved by £1.150m since reported previously.

Key movements related to:

- £360k additional spending relating to agency costs in Finance.
- £470k Housing Benefit costs associated with Bed and Breakfast.
- £200k costs for the Local Elections.
- £150k expenditure for Artrix Business Rates.

- Capital outturn showed a £7.1m underspend against a budget of £11.1m with a £4m spend which was due to delays in the commencement of projects and slower spend than anticipated.
- Comprehensive Income and Expenditure Statement for the year ending 31<sup>st</sup> March 2024 showed Community and Housing GF Services had a reduction in income for 2023/24 mainly due to covid grants. Other operating expenditure had a reduction in losses on disposal for non-current assets in 2023/24. Surplus of Deficit on revaluation of Property, Plant and Equipment had decreased due to a normal year in terms of revaluing.
- Movement in Reserves stayed approximately the same, moving from £11.159m to £11.014m. Balances had increased from £13.104m to £13.520m.
- Balance Sheet Current Liabilities had increased by approximately £7m, mainly for short-term liabilities and short-term creditors due to borrowing from RBC. Provisions decreased due to business rates appeals. Other long-term liabilities related to Pension issues and revalue of opening balances.

During consideration of the report, Members discussed the following:

- Members requested an update regarding the tax rebate from HMRC. – In response Members were informed that delays were due to several queries and assurances required but work was progressing. Members also queried details of when the last rebate had been claimed and how BDC envisaged future reporting would be carried out. – Members noted that past reporting had been carried out on a quarterly basis but future reporting, as of April 2025, would be monthly.
- Members queried why there was no budget included in Election Services for 2023/24. - Members were informed that as Elections were held every four years, funds would be taken out of the general reserve.
- It was queried if the issues with BDC's financial reserves were a national or local issue. – It was reported that the financial issues were typically from Covid, with services for 2020/21 and 2021/22 not being delivered which had also affected the following years productivity.
- Members requested that Risk Workshops included in the report could be explained further. – It was explained that the Risk Workshops were a requirement regarding the Corporate Strategy to assist Members to understand the boundaries in terms of the decision-making process.
- Members highlighted a typographical error on page 32 of the agenda which read: "*Interim Auditors Annual Report on Bromsgrove District Council 2021/22 & 2/22/23*" which should read "*Interim Auditors Annual Report on Bromsgrove District Council 2021/22 & 2022/23*".

- Members referred to the report in which it stated that in February the Council had approved an increase of the Key Decision Level from £50k to £200k. Members queried if consultancy fees were included as part of the reporting in the section. – The Section 151 Officer responded that if the fees were over the required thresholds, consultancy fees should have been included.
- Challenges with the onboarding process for the new external auditors Ernst and Young was noted and Members queried if the issues related to the Local Authority's signing of the non-disclosure agreement. – It was explained that difficulties had occurred as Members had been approached directly by the external auditors, however, Members were reassured that outstanding forms would be chased and progressed. Members were also informed that compliance checks would also be a future requirement for Member's consideration.
- Members requested a further explanation regarding the £868k overspend for Financial and Customers Services, with salary underspends due to vacancies which were offset by additional agency costs. - In response it was explained that costs were due to the issues with filling permanent posts. Out of 850 substantive posts, approximately 100 posts were covered by agency staff through Opus, mainly within Housing, Planning and Finance which was a national issue. However, posts were being filled by permanent staff, with a turnover rate of 7%.
- Pressures relating to the Artrix for business rates of £150k was raised by the Committee. – Members noted that BDC had been liable for business rates costs when the building was dormant but as the building was occupied, BDC would not be liable for future costs.
- Members also queried and requested a further explanation for the Planning, Regeneration and Leisure Services including additional costs for NWEDR, in Development Management due to Professional Fees overspend of £261k. – The Section 151 Officer agreed to provide a breakdown of costs to Members.
- Members requested what BDCs liability and risks were over the next few years concerning employees' possible unwillingness to join the Council's pension scheme? – In response the Section 151 Officer agreed that it had become a significant issue over the past years. Directors of Finance across Worcestershire held a meeting at the end of December 2024 to discuss the risks for Local Authorities. During the meeting it was discussed that the Government had loosened the length of time funds were required to be solvent. Members also noted that Tranche 1 of the budget for BDC included a £200k increase in budget, however, the full amount may not be required.
- Members noted that Spadesbourne Homes accounts were filed up to September 2024 and queried why accounts hadn't been filed up to March 2024, in line with the other accounts prepared. – Members were informed that there had been some difficulties with Spadesbourne Homes trading within the required financial year and had issues with the contract being signed by Bromsgrove

District Housing Trust (BDHT). However, the accounting period would be reviewed for future reporting.

**RESOLVED** that:

- 1) That the Committee note that the 2022/23 Accounts, following delegated approval, have been signed off.
- 2) That the Committee note the position in relation to the delivery of the 2023/4 Accounts.
- 3) Following the delivery of receipt of “Disclaimer Opinion’s” from the External Auditors for the 2020/21 and 21/22 Accounts, as approved at the Committee meeting on the 5<sup>th</sup> December, the subsequent “Disclaimer Opinion” of the 22/23 Accounts on the 3<sup>rd</sup> January and the provision of the 2023/24 Accounts for Public Consultation on by the 17<sup>th</sup> January 2025 as per the backstop regulations, that Audit, Standards and Governance Committee meetings revert to being quarterly in nature.
- 4) The ongoing process for inducting the Council’s new External Auditors, Ernst and Young, be noted.

**RECOMMENDED** that:

Cabinet is recommended to approve the following:

- 5) Any areas of concern within this key compliance report for consideration.

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**CAPITAL STRATEGY 2025-26 INCLUDING TREASURY MANAGEMENT STRATEGY**

The Section 151 Officer presented the Capital Strategy 2025-26 including Treasury Management Strategy report to Members.

The report for 2025/26 was required following changes in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of Housing Communities and Local Government guidance. It combined an overview of how capital expenditure, capital financing, treasury and other investment activity contributed to the provision of local public services along with an overview of how associated risk was managed and the implications for future financial sustainability. The strategies set limits and indicators that embodied the risk management approach that the Council believed to be prudent. The strategies were set against the mid-term financial strategy, the context of the UK economy and projected interest rates.

The Council were required to set a balanced operating budget. The role of the treasury function was to manage cash flow within the Authority so that the demands of expenditure could be met. The policies included in the report set out the criteria in which the Council could manage its Treasury management function.

The CIPFA Code of Practice for Treasury Management in Public services (the CIPFA TM Code) and the Prudential Code required Local Authorities to set the Treasury Management Strategy Statement (TMSS) and Prudential Indicators each financial year. The TMSS also incorporated the Investment Strategy as required under the CLG's Investment Guidance. In addition, the Council was to receive a report on treasury management, which was reported on a quarterly basis and included within the Quarterly Monitoring Report.

The Council regarded the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities would be measured. Treasury management risks were identified in the Council's approved Treasury Management Practices. In formulating the Treasury Management Strategy and the setting of the Prudential Indicators, the Council adopted the Treasury Management Framework and Policy recommended by CIPFA.

The Council had closed its 2020/21, 2021/22, 2022/23 Accounts and the 2023/24 accounts were out for consultation to comply with the Governments "backstop requirements". However, like many other Councils, "Disclaimer Opinions" have been received for 2020/21 through to 2022/23 as per the "backstop requirements" and the implications of these opinions were still not clear. The strategies would be updated, if required, once the Accounts had been closed and approved.

Given that the Council had only recently delivered its 2023/24 Accounts which did input into the returns, Members were advised that the report would be deferred to written representations.

**RECOMMENDED** that:

Cabinet are asked to:

- Note the Council's Treasury performance for Q2 of the financial year 2024/25.
- Note the position in relation to the Council's Prudential indicators.

53/23

### **RISK CHAMPION UPDATE**

The Council's Risk Champion, Councillor R. Bailes presented to the Board.

A meeting was arranged with Chris Green, Internal Audit Manager on 3<sup>rd</sup> January 2025 concerning discussions and confirmations of Audit opinion regarding the risks for 2025/26.

The meeting followed publication of the English Devolution White Paper which impacted on the risk outlook and profile for BDC. The paper published on 16<sup>th</sup> December 2024 was reviewed by the Risk Champion to assess and highlight the risk appetite and impact to the Council.



The Risk Champion felt that it was imperative that all Members fully read, digest and understand the outcomes of what was included within the paper. The information given to Local Authorities would have a major impact on all aspects for BDC which had ultimately changed the risk profile and altered the assessment of risks. The Risk Champion advised that all Members should be aware of the changes that would be taking place, to be well informed and to make considered decisions. It was felt that all Members shared accountability to manage risk and considered mitigating future risks to the Council. It was also considered that a Members' role was to serve the residents and manage a smooth transition.

The Risk Champion posed the following rhetorical questions to Members, associated with the White Paper:

1. Have Members read the White Paper?
2. How easy was it to understand?
3. What more can the Council do to assist Members' understanding of what is included in the White Paper?
4. How can Members ensure to act in a fit, legal and decent way?
5. If Members wished to share thoughts with the Risk Champion directly.

The critical risks after consideration of the English Devolution White Paper were identified as follows:

### **Workforce**

1. The effects on workforce which could affect productivity and attendance rates.
2. Would Line Managers be effective in their role to motivate Teams through the changes.
3. Having a fallback position to keep services running if employees considered to leave the Authority.
4. Motivating teams and staff to deliver the required standard.
5. Decision making structure to operate effectively.
6. Would the appointment of future Senior Executives be affected. Would they possess the skills necessary for a different landscape? What was their experience of winding down a service whilst maintaining service delivery?

### **Operational Impact on District Council**

1. Finance and Budget Management had announced changes to the local Government funding. Members were required to assess the impact of the changes through Audit, Standards and Governance Committee.
2. No inflation markers on funding received.
3. Set increases on Council Tax could result in a shortfall of the budget.

4. Projects that were underway and had an extensive completion date.
5. Managing spends appropriately and responsibly for residents.
6. If the Portfolio Holders had the ability to cope with the impact of the extra work considerations required.

### **Continuity of Council Strategic Plans**

1. Making sure that all decisions were made effectively, had longevity and a positive result achieved for residents.
2. Managing the finance and budget decisions were fit, legal and satisfactory.
3. Communication streams were in place for Employees, Members and Residents.
4. Ensuring outstanding projects were delivered on time.
5. Setting up correct channels for due diligence and information sharing with the new Authority and Parish Councils.
6. Completion of outstanding audits contracted to consultants (such as Play Audit).
7. Revising any initiatives or plans that could exceed the handover date.

Members were also informed it was anticipated that The Environment Act was to be published within the following months which would have an impact on risk appetite and operational continuity. It was Members' responsibility to read and understand the contents.

Following consideration of the presentation concerning the Devolution White Paper, Members discussed the following:

- It was suggested that Members may want to discuss their concerns with the Risk Champion on an individual basis. The Chairman added that he would be happy to review and assist the facilitation of any suggestions raised.
- Some Members felt that it was difficult to be pro-active and assess mitigating the risks to the Council without the full facts of the devolution being received. However, other Members felt it was important to be pro-active and that residents had assurances that the Council were being proactive in mitigating the risks.
- The Parish Council's representative raised concerned of how future communications would be facilitated to Parish Councils and agreed that Members should work through reviewing risks diligently and felt it was important a clear direction with good communication of progress should be considered.
- It was suggested that Members of the Audit, Standards and Governance Committee were provided with the specific powers and influence available to assist with scrutinising and mitigating the necessary risks. – The Section 151 Officer advised Members

that it was important the Local Authority used the available resources in an effective way and followed the necessary policies available. It was agreed that the Section 151 Officer would review the powers of scrutiny available for Members as an action.

- The Chairman concluded that in terms of governance, it was important Members be proactive in reviewing risk as part of their remit.

**RESOLVED** that the Risk Champion update be noted.

54/23

**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Audit, Standards and Governance Committee Work Programme was reviewed by Members.

The Section 151 Officer informed Members that it was envisaged the new appointed external auditors Ernst and Young would be present at the next meeting.

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

The meeting closed at 7.30 p.m.

Chairman

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