

EXECUTIVE

10th December 2013

GRANT THORNTON – REVIEW OF FINANCIAL RESILIENCE

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering – Executive Director, Finance and Resources
Wards Affected	All

1. SUMMARY OF PROPOSALS

- 1.1 The attached report is from the Councils External Auditors, Grant Thornton and presents their review of the financial resilience of the Council.

2. RECOMMENDATIONS

Members are requested to consider the review of Financial Resilience and note the actions to be undertaken by the Council.

3. KEY ISSUES

- 3.1. The work undertaken by Grant Thornton in their Value for Money (VfM) conclusion includes a review to determine if the Council has proper arrangements in place for securing financial resilience. The review is attached at Appendix 1 and considers the following aspects of financial resilience with a judgement made in relation to each element:

Area	Judgement
Key indicators of financial performance	Arrangements meet or exceed adequate standards
Approach to strategic financial planning	Arrangements meet or exceed adequate standards
Approach to financial governance	Potential risks and/or weaknesses.
Approach to financial control.	Arrangements meet or exceed adequate standards

- 3.2 The approach is to review each element of the financial framework and to assess the improvements that could be made to improve financial resilience. The main concerns highlighted within the report are the level of cuts being made to the Councils funding and the relatively low level of balances that are currently in place. The External Auditors do however appreciate that the Council has made considerable changes in recent years, with the aim to focus on delivering Council priorities whilst seeking to minimise underlying costs.

3.3 The key issues identified in relation to the elements reviewed are:

Area	Issue
Key indicators of financial performance Amber Status	When considering Redditch's financial indicators they show a position relatively weaker than other authorities in the nearest neighbour group. However not all of the Council's in the group have housing and the associated debt and therefore this has had some impact on the position of Redditch compared with its neighbours.
Approach to strategic financial planning Amber Status	The Council has recently reviewed its Strategic Priorities and Grant Thornton would expect that there will be clearer links between that plan and the budgets to be set for 2014/15. The MTFP indicates a considerable gap for the 2014/15 financial year. Work on identifying achievable tangible savings should start as a matter of priority. General fund balances are insufficient should savings not be achieved.
Approach to financial governance Amber Status	Formal reporting to members should be more transparent and timely in view of the financial challenges ahead. In year financial reports do provide explanations of variance to expected, but provides limited description of action planning.
Approach to financial control. Green Status	Improvements can be made to both savings planning and budget and in-year reporting as outlined above. Financial controls within the council are relatively strong and there is a good finance department and effective internal audit arrangements.

3.4 Officers are working to identify the savings required to meet the current shortfall projected for 2014/15. In addition training is to be developed to ensure that Members are aware of the financial detail and the impact of variances in the financial reports. The financial reports to Members are to be refined to ensure that a greater level of information and action planning is included to mitigate financial pressures in the future.

3.5 The actions agreed to be undertaken by the management team as specified with the External Auditors include:

Area	Action
Key indicators of financial performance	<ul style="list-style-type: none">• Members should consider whether the current minimum level of general fund balances is adequate and whether this balance and earmarked reserves should be reviewed

	<ul style="list-style-type: none">• The Council should have a clear plan for the appropriate level of HRA earmarked balances
Approach to strategic financial planning	<p>The Council should ensure that there is clear mapping between the new corporate priorities and the 2014/15 budget</p> <ul style="list-style-type: none">• The level of savings to be made are considerable and work on identifying these should start imminently• The HRA business plan should be reviewed and early work undertaken on componentisation as this may have a large impact when depreciation rather than MRA is reflected in the revenue account
Approach to financial governance	<ul style="list-style-type: none">• There should be better transparency in financial reports to provide the trail from budget to outturn analysis.• The Council should consider the appointment of a lay member to the Audit Committee to help broaden the experience of the Committee• Ensure that the Internal Audit plan is flexible to consider any new risks and the plan is completed to support production of the Annual Governance Statement
Approach to financial control.	<ul style="list-style-type: none">• The Council should clarify which savings schemes are incorporated into Budget cost reduction plans, develop detailed action plans for each scheme and strengthen the monitoring of savings delivery in-year.

Financial Implications

- 3.5 The Council has significant financial pressures to face in the future. By ensuring a sound and robust financial framework is in place these pressures can be managed and addressed in a considered and planned manner.

Legal Implications

- 3.6 The robust financial management of the organisation enables the Council to meet its legal responsibilities in relation to statutory compliance with accounting policies and procedures.

Service / Operational Implications

- 3.7 The financial framework ensures that managers can deliver services with appropriate financial budgets and regular and accurate financial monitoring prevents any unknown variances to budget.

Customer / Equalities and Diversity Implications

- 3.8. No direct implications.

EXECUTIVE

10th December 2013

4. RISK MANAGEMENT

The financial framework and associated risks are included in the corporate risk register and are managed by the Executive Director of Finance and Resources on a regular basis.

5. APPENDICES

Appendix 1 – Grant Thornton Review of Financial Resilience

AUTHORS OF REPORT

Name: Jayne Pickering Executive Director Finance & Resources
E Mail: j.pickering@bromsgroveandredditch.gov.uk
Tel: (01527) 881400