

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

31ST OCTOBER 2019

SECTION 24 UPDATE

Relevant Portfolio Holder	Councillor David Thain, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Resources
Wards Affected	All Wards

1. SUMMARY OF PROPOSALS

This report details the actions in relation to the Section 24 Notice as approved by Committee on 26th September 2019.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that the report be noted.

3. KEY ISSUES

- 3.1 As Members are aware, in July 2019, Grant Thornton, the Councils External Auditor issued a number of Statutory Recommendations under Section 24 of the Local Audit and Accountability Act 2014. These recommendations are included in this report at 3.5, 3.6 and 3.7.
- 3.2 The responses to the Section 24 notice were approved by this Committee on 26th September and members requested regular updates in relation to the actions undertaken.
- 3.3 Officers continue to work through the financial management and position of the Council to enable a balanced financial position to be presented to Council in February 2020.
- 3.4 The formal Section 24 recommendations are detailed below with an update from officers as to the actions undertaken to date:
- 3.5 **Recommendation 1 (from Grant Thornton S24 Notice)**

A full assessment of the deliverability of the £1.13 million savings challenge for 2019/20 and the agreement and monitoring of actions by the Executive that either prevent or minimise the further use of both General Fund and HRA balances in 2019/20.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

31ST OCTOBER 2019

3.5.1 Redditch Borough Council Actions & Update:

- All savings are monitored on a monthly basis with Heads of Service and budget holders during finance meetings with individual finance representatives
- Quarterly reports to Executive and Audit, Governance and Standards Committee are presented to include detailed savings schedules showing delivery of savings or areas of concern where additional income or cost reductions are not being achieved. Action plans to be in place from Quarter 2 2019/20 to identify how any shortfalls will be met
- Quarterly identification of further additional income and savings detailed on separate schedule to ensure vacancy management savings and non allocated savings of £181k are being met
- Budgets to be adjusted to draw down additional savings to increase general fund balances where appropriate
- HRA – plans in place to mitigate spend on Repairs and Maintenance to ensure savings made to protect HRA balances
- Vacancy and non essential spend freeze in place with the aim to delivery additional savings to support the balances position for both HRA and General Fund
- Override on budgets no longer available and list of orders considered by the HOS on a monthly basis

3.5.2 Update to October 2019:

Quarter 2 budget monitoring reports for General Fund revenue and capital and HRA are currently being prepared and officers have reviewed the expenditure and income levels to manage the budget and deliver savings to maintain and improve the balances position. Whilst the final position is not finalised it is anticipated that savings and additional income have been realised and the unidentified savings of £181k will be met by the end of 2019/20.

3.6 Recommendation 2 (from Grant Thornton S24 Notice)

A financial plan for 2020/21 that includes the identification of further deliverable savings and income generation schemes, cost base reductions and Council Tax increases that eliminates the planned £1.17 million use of General Fund balances and ensures there are no further calls on HRA balances. This will require Members to take difficult decisions about sustainable levels of service and increases in Council Tax.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

31ST OCTOBER 2019

3.6.1 Redditch Borough Council Actions & Update :

For future years the Council will adopt a financial framework and strategy that focuses on the following aims:

- To ensure resources are directed to the council's strategic purposes and priorities
- To set financially sustainable budgets over the 4 year period for General Fund and HRA
- To increase balances to £1.5m in the General Revenue Fund and £1m in the HRA
- To maximise income opportunities whilst supporting the vulnerable
- Identify and disinvest in non priority areas
- To ensure all savings are achievable and developed with robust data
- To reduce overheads & direct costs over the 4 year period
- To maximise use of assets and disinvest surplus or non performing assets
- To further develop the commercial culture within the Council
- To consider and adapt to the uncertain future financial climate
- To work with the public, members and staff to engage and inform partners on the impact of the financial pressures of the Council

3.6.2 Actions agreed to meet budget shortfalls

- Portfolio Holder and CMT workshop arranged to consider future direction (priorities and non-priorities) against the backdrop of the financial position to enable robust and deliverable saving proposals to be made
- Present to members from September onwards options for savings and additional income generation to be proposed for medium term financial plan
- Delivery of financial strategy for October Executive to address concerns on financial sustainability
- Detailed review of 2018/19 actual v 2019/20 budget to enable any additional budget allocated to be released for the period 2019/20-2021/23

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

31ST OCTOBER 2019

- Consideration of all vacant posts by Head of Service and Strategic Lead to ensure any excess vacant posts are released for the period 2019/20-2021/23
- Review of costs associated with support services and robust estimates of savings realised from new systems and automation to be made
- Full and detailed review of the Capital Programme to assess need of spend against projects and vehicles (including replacement period of vehicles).
- Robust business cases to be presented where additional spend is required to meet strategic priorities
- Maximise asset sales to receive capital receipts where appropriate to balance revenue streams within the Council.
- Maximise rental income from assets
- Consideration by budget scrutiny to enable challenge of savings proposed
- Work with Grant Thornton and other Councils to identify best practice in the identification and monitoring of savings
- Further review of use of agency staff to reduce spend
- Staff briefings in September to explain the current financial issues
- Consideration of further efficiencies that can be achieved by digitisation / automation of services
- Realistic assessment of income that can be achieved by more commercial activity

3.6.3 Update to October 2019

- Executive considered and agreed the overarching framework to enable the budget to be developed to ensure financial sustainability to be delivered over the medium term financial plan.
- Officers identified reserves that can be released to support the financial position (appreciating one year benefit)

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

31ST OCTOBER 2019

- Fees and charges for 2020/21 being prepared for consideration by members in December. To include a review of potential commercial opportunities that may be available and in consideration of fee levels for services provided
- Full review of the Capital Programme has been undertaken to reduce impact of borrowing on the general fund and HRA
- Full review of staffing establishment by management team in early November to consider vacant posts for deletion
- Projections of savings to be realised from new system to be made for 2021/22 onwards

3.7 Recommendation 3 (from Grant Thornton S24 Notice)

Agreement of a realistic financial plan for 2021/22 that has deliverable savings and seeks to ensure that there are no further planned uses of General Fund and HRA balances that would put them below a financial sustainable level.

3.7.1 Redditch Borough Council Actions & Update:

- The current level of savings or additional income are most significant in 2020/21 at £1.2m, this rises to £1.5m over the following 3 year period as currently defined in the Medium Term Financial Plan.
- As detailed above one of the aims of the financial strategy is to have a balanced position for the 4 year period when the budget is agreed for 2020/21. Therefore the updates as detailed in Recommendation 2 will cover the 4 year period to enable the delivery of a financially sustainable plan and mitigate the risk of any further reduction in General Fund or HRA balances.

4 Financial Implications

- 4.1 As detailed above the financial position of the Council needs urgent review and consideration in order to meet the projected future budget shortfall.

5 Legal Implications

- 5.1 Following the Audit for 2018/19 Grant Thornton have issued the Council with a Statutory recommendation made under section 24 of the Local Audit and Accountability Act 2014. Grant Thornton has powers and duties under this Act to include making written recommendations to the Council and the Council is required by the Act to hold a public meeting to consider such recommendations and publicly respond to them.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

31ST OCTOBER 2019

6 Service/Operational Implications

- 6.1 The future financial position of the Council and the ongoing uncertainties for Local Government funding will require significant savings and additional income. It is clear that there will have to be changes to service delivery to meet the required level of savings and officers will be working with members to ensure any impact on service delivery is considered in full with all impacts understood.

7 Customer / Equalities and Diversity Implications

- 7.1 Should any service delivery be revised or reduced then full impact assessments will be undertaken to ensure the impact on members of our community is understood and assessed.

8 RISK MANAGEMENT

- 8.1 The Section 24 recommendation will be included on the Corporate Risk Register to ensure it is given the highest priority for resolve over the next few months.
- 8.2 The financial sustainability of the Council is a risk that will be managed and reported to members on a regular basis.

9 APPENDICES

None

10 BACKGROUND PAPERS

None

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