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**Financial Compliance / Accounting Policies Report**

Relevant Portfolio Holder	Councillor to be confirmed – Portfolio Holder for Finance and Governance
Portfolio Holder Consulted	-
Relevant Head of Service	Michelle Howell
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Wards Affected	All Wards
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, Governance and Standards Committee RESOLVE that:**

- 1) The Accounting Policies being used their Source and associated Governance Arrangements be noted.**
- 2) This report come to each Audit, Standards and Governance Committee meeting to alert Members to possible no compliance issues.**
- 3) That progress on the 2020/21 Audit process be noted.**

**2. BACKGROUND**

- 2.1 From a governance point of view, the financial framework under which the Council works is set out in the Constitution.
- 2.2 In addition to this, there are legislative reporting requirements which set out what needs to be done and by when.
- 2.3 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. Bromsgrove District Council (BDC) 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. Council at BDC tasked the Audit, Standards and Governance

Committee with understanding why the S24 was issued. That report and its associated recommendations are also included here.

### **Council Finance, Budget and Policy Procedure Rules**

2.2 The Council's Budget and Policy Framework Procedure Rules are set out in Part 9 of the Constitution. This sets out:

- The framework for Executive Committee Decisions
- Decisions outside the budget or policy framework
- Urgent Decisions outside of the Budget or Policy Framework
- Virement
- In-year changes to policy framework
- Call-in of decisions outside the budget or policy framework
- Dispute Resolution on Budgets and Plans
- Local Authorities Standing Orders (Amendment) Regulations 2002

These were set out in Appendix A of the Report that came to this Committee on the 23<sup>rd</sup> March. The Constitution is updated via the Constitution Working Group. These rules set out how decisions can be made, by whom and how they can be challenged.

2.3 Financial procedure rules are set out in Part 14 of the Constitution. These rules set out:

- Financial Regulation Policy
- Financial Regulations
- Financial Guidance for users including:
  - Urgent decisions.
  - Income charging policies.
  - Income collection.
  - Orders for goods, works and services.
  - Payments.
  - Salaries, wages, pensions, travel and subsistence.
  - Imprest accounts.
  - Banking arrangements and corporate credit cards.
  - Preventing financial irregularities.
  - Money laundering.
  - Asset management.
  - Audit.
  - Revenue budget management.
  - Capital budget management.
  - Budgetary control.
  - Virement.
  - Insurance and risk management.
  - Loans, leasing and investments.
  - Trust Funds.

- Inventories, stocks and stores.
    - Working for third parties and Shared Service.
    - Responsibilities Under the financial procedure rules.
    - Policy for the management of Government Procurement Cards.
  - 2.4 These “operational policies” run to 37 pages and were included in are included in Appendix B of the Report that came to this Committee on the 23<sup>rd</sup> March. They set out how the organisation financially runs it’s “day to day” business.
  - 2.5 Officers, in the autumn of 2022 set out requirements and expectations of the Finance Team and Services in terms of
    - Financial Rules and Regulations (Including Virement Limits)
    - Expectations – Finance Staff, Other Staff
    - Financial processes (Finance and Customers)
      - Budget Setting
      - In Year Monitoring of Expenditure
      - Closure of Yearly Accounts
      - Purchasing of Good and Services
      - Invoicing for Goods and Services required
      - Cash Receipting
      - Financial monitoring (Capital and Revenue)
      - Insurance
    - Signoff requirements for reports
    - Training Requirements
- The full set of these “protocols are set out in Appendix C of the Report that came to this Committee on the 23<sup>rd</sup> March.
- 2.6 Significant to this is ensuring that service managers have the requisite financial skills to effectively carry out their financial roles and understand how and where they can get financial support (across the range of finance/Income/payments/cashiers).
- 2.7 All three sets of rules set out the way Members and Officers have to work financially to ensure that the Section151 Officer can properly discharge their duties in respect of stewardship of the Councils assets.

## **Legislative Requirements**

- 2.11 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.

2.12 The following are key legislative deliverables and the Councils delivery against them:

- Budget
  - Delivered by 11<sup>th</sup> March in preceding financial year
    - **Approved in February 2023**
  - Council Tax Base – Yearly
    - **Approved in January 2023**
  - Council Tax Resolution – Yearly
    - **Approved 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 2022/23 Accounts delivered to Audit by 30<sup>th</sup> June
  - 2022/23 Audit Completed by 30<sup>th</sup> November
  
- 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**
  - Capital Outturn Reports – July
    - **Still to be delivered for 20/21 – dependent on closure of accounts**
  - Quarterly Revenue Outturn Estimates
    - **Quarters 1-3 delivered (have warnings from previous year as not delivered)**
  - Quarterly Capital Outturn Estimates
    - **Quarters 1-3 delivered (have warnings from previous year as not delivered) Q4 delivered on 25th April 2023**
  - Quarterly Borrowing Return
    - **22/23 Quarterly Returns delivered - Q4 delivered on 11th April 2023**
  - Quarterly Council Tax and Business Rates Returns
    - **22/23 Quarterly Returns delivered - Q4 delivered on 7th May 2023**
  - 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**

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- Capital Estimates Return – ***to be delivered by 24th March 2023***
  - Public Works Loans Board Certainty Rate – April
    - ***2022/3 delivered on 31<sup>st</sup> March 2023***
  - 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 30<sup>th</sup> April 2023***
  - Housing Benefit Subsidy Return – Yearly
    - ***Sent 29th April 2022***
    - ***2022/23 subsidy return was delivered on 28th April 2023***
  - DHP Claim – Yearly
    - ***Sent 29th April 2022***
    - ***2022/23 subsidy return was delivered on 28th April 2023***
  - CTB1 (Council Tax Base) – October
    - ***Sent October 2022***
  - CTR1(Council Tax Requirement) – March
    - ***22/23 sent 16 March 2022***
    - ***23/24 sent 7 March 2023***
  - Policies
    - Treasury and Asset Management Strategies
      - 2023/4 Strategies ***delivered as part of the 23/24 MTFP***
      - Half Yearly Report ***22/23 delivered as part of the Q1 Monitoring Report***
      - Yearly Outturn Report
    - Council Tax Support Scheme – yearly Delivered in January 2023
    - Minimum Revenue Provision – yearly ***23/4 delivered as part of the 23/24 MTFP***

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

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

- Financial Monitoring – ***delivered quarterly to Executive***

- Risk Management – ***delivered quarterly to this Committee and also to Executive***
- Financial Controls (still in development)
  - Clearance of suspense accounts
  - Bank Reconciliation
- Over £500 spending.
  - ***Updated to February 2023***

2.14 The key returns that have still not been delivered are the Revenue and Capital Outturn forms for 2020/21 and 2021/22. 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.

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

- 2.15 The key Closure deliverables for each financial year are set out below:
- Closure 2020/21
    - Agreement of Treatment of Take on Balances – April 23
    - Provision of Draft 2020/21 Accounts to Audit (to begin Audit) 28<sup>th</sup> April 23. This is dependent on the External Auditors confirmation that they have approved both Council's take-on balances work. As at the 9<sup>th</sup> May, the Auditors have:
      - Summarised the Efin monthly transactional reports by cost centre, selected two cost centres per month, and compared the total balance of those cost centres for those months to the Efin system. This provides high level assurance that the monthly transactional reports downloaded by management at the time of transfer are accurate reflections of what was on Efin and that the reports have not been tampered with.
      - Selected 25 transactions from the Efin reports and confirmed to the TechOne system that they had been migrated appropriately.
      - Selected 25 transactions from the TechOne reports and confirmed to the Efin system that they had been migrated appropriately.
      - They have not identified any issues in the testing above.
    - **However, the auditors still need to do further testing to ensure they have the assurance necessary to sign off the data take on balances.**
    - 2020/21 Audit – July to September 23 (estimated)

- Sign Off of 20/21 Accounts - November 2023
  - Closure 2021/22
    - Updated Outturn position – June 2023
    - Draft Accounts to Auditors November 2023
    - Audit of Accounts December to February
    - Sign off of the Accounts – February 2024
  - Closure 2022/23
    - Budget Manager Closure Training – 23<sup>rd</sup>-28<sup>th</sup> March 2023 – **83 staff attended closure training at the end of March.**
    - Completion of “nuts & bolts” closure – 28<sup>th</sup> April 2023 – **this has been progressing well and the majority of “Nuts and Bolts” items were input by the 28<sup>th</sup> April.**
    - Provisional Outturn Report – **A draft outturn report will be presented to Executive in July. This will show outturn as well as amount in suspense to be cleared.**
    - Draft Accounts to Audit – March 2024
- 2.16 There has been significant work that has been undertaken with TechOne over the first 2 weeks of April as the financial system was not available for posting until the 13<sup>th</sup> April due to a number of technical issues, some related to the corrections to the Cash Receipting system in November. This has impacted on the closure timetables.
- 2.17 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.
- 2.18 Work is under way on the 2021/22 Accounts although they cannot be finalised until the audit of the 2020/21 Accounts is complete.

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

- 2.19 The Council's 2023/24 Budget was approved in February. A draft budget book has now been produced to assist in Members understanding of budgets. The Budget Scrutiny Working Group received a draft copy for comment at its meeting on the 4<sup>th</sup> April and their comments are being incorporated into the final version.

### **Summary**

- 2.16 This report has set out the policies (local and national) that underpins the Council finances. This report will be 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 important for the borough 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. APPENDICES and BACKGROUND PAPERS**

None