

REDDITCH BOROUGH COUNCIL

Audit, Governance and Standards Committee 27th July 2023

Financial Compliance Report

Relevant Portfolio Holder	Councillor Luke Court, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
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Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	All
Key Decision / 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 **RECOMMEND** that:

- 1) **Progress on the 2020/21 Audit process be noted.**
- 2) **Any areas of concern within this key compliance report are raised with Executive.**

2. BACKGROUND

2.1 From a Governance point of view, the financial frame work under which the Council works is set out in the Constitution. In addition to this there are legislative reporting requirements which set out what needs to be done and by when. The Accounting Policies report which was tabled at the Audit, Standards and Governance Committee on the 23rd March 2023 set out the Financial Governance Framework, and associated references to key documentation, that the Council, it's Member and Officers work to. This are (in summary):

- **The Budget and Policy Framework Procedure Rules.** These set out: The framework for Executive Decisions, Decisions outside the budget or policy framework, Urgent Decisions outside of the Budget or Policy Framework, Virement rules, In-year changes to policy framework and, Call-in of decisions outside the budget or policy framework. These rules set out how decisions can be made, by whom and how they can be challenged

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- **Financial Procedure Rules** which are set out in Part 14 of the Constitution. These “operational policies” run to 36 pages and set out how the organisation financially runs its “day to day” business.
 - **Finance Protocols** which set out requirements and expectations of the Finance Team and Services in terms of financial administration and demarcation of duties.
- 2.2 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.
- 2.3 As reported in previous Audit, Governance and Standards Committee meetings in January, March, and May draft 2020/21 accounts will be presented to the Council’s External Auditors once they have completed their work on the data take on balances. An update on this work is contained in this report.
- 2.4 The 2023/4 budget was approved at Council on the 27th February 2023. An update on the “budget book”, which will provide more clarity to Officers and Members, is contained in this report.

Legislative Requirements

- 2.5 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.
- 2.6 The following are key legislative deliverables and the Councils delivery against them to June 2023:
- **Budget**
 - Delivered by 11th March in preceding financial year – ***delivered Feb 2023***
 - Council Tax Base – Yearly – ***2023/24 delivered in January 2023***
 - Council Tax Resolution – ***Yearly 2023/4 delivered in February 2023***
 - Council Tax Billing – Yearly (2 weeks before 1st DD is due to be taken) – ***Bills distributed in March 2023***
 - **Closure**
 - Draft Accounts delivered to Audit by 31st June in order for 22/23 RO forms to be delivered.
 - Audit Completed by 30th November ***but dependent on previous years being completed (see closure section)***
 - Government Returns
 - VAT – Monthly
 - ***Still to be delivered for 20/21 – dependent on closure of accounts***
 - Revenue Outturn Reports – July

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- **Still to be delivered for 20/21 – dependent on closure of accounts**
- Capital Outturn Reports – July
 - **Delivered for 2020/21 and 2021/22 on Friday 30th June**
- 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 to be delivered on 21st 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 due 5th 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 5th May 2022 and 2023/24 delivered on 14th April 2023**
- Capital Estimates Return – **to be delivered by 24th March 2023**
- Public Works Loans Board Certainty Rate – April
 - **2022/3 delivered on 28th April 2022**
- Pooling of Housing Capital Receipts – May
 - **2022/23 Delivered 13th May**
- 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 30th April 2023**
- Housing Benefit Subsidy Return – Yearly
 - **Sent 29th April 2022**
 - **2022/23 subsidy return due to be delivered on 28th April 2023**
- DHP Claim – Yearly
 - **Sent 29th April 2022**
- 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
 - Initial Strategies as part of the MTFP – **2023/4 Strategy Approved in March 2023**
 - Half Yearly Report
 - **Update provided in Q1 Revenue Return**

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- Yearly Outturn Report
 - **To be produced in July**
- Council Tax Support Scheme – Yearly – **Approved in Jan 2023 after consultation**
- Minimum Revenue Provision – yearly – **Approved as part of the 2023/4 to 2025/6 Medium Term Financial Plan**

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

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

- Financial Monitoring – **delivered quarterly to Executive – due to Summer Holidays Q1 23/4 will go to Executive in September.**
- Risk Management – **delivered quarterly to this Committee.**
- Financial Controls (still in development)
 - Clearance of suspense accounts - **return to being up to date expected by end of this calendar year**
 - Bank Reconciliation - **linked to above point although a separate stream assessing/clearing 2023/4 items**
- Over £500 spending.
 - **Updated to March 2023**

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

2.9 The key Closure deliverables for each financial year are set out below:

- Closure 2020/21
 - Agreement of Treatment of Take on Balances – This will now take place in early July 23 as significantly more testing is required by the External Auditors
 - Provision of Draft 2020/21 Accounts to Audit (to begin Audit) July 23. This is dependent on the External Auditors confirmation that they have approved both Council's take-on balances work. The auditors are having issues in how they need to test the transactional data due to their "normal" models not working on our data.
 - 2020/21 Audit – July to September 23 (estimated)
 - Sign Off of 20/21 Accounts - November 2023
- Closure 2021/22

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- Updated Outturn position – August 2023
- Draft Accounts to Auditors November 2023 (following external Auditors sign off of 20/21 Accounts)
- Audit of Accounts December to April
- Sign off of the Accounts – May/June 2024
- Closure 2022/23
 - Budget Manager Closure Training – 23rd-28th March 2023 – 83 staff attended closure training at the end of March.
 - Provisional Outturn Report – Executive Report for will now come in September 2023. This will show outturn as well as amount in suspense to be cleared. This will enable the 2022/23 Revenue Outturn Report to be presented to DLUHC on the 31st July 2023 as per Government deadlines.
 - Draft 2022/23 Accounts to Audit – June 24 (following External Auditors sign off 21/22 Accounts)
 - Sign off of the Accounts – November 2024

2.10 The Interim Director of Finance attended a meeting hosted by the Financial Standards Authority (FSA) and Public Sector Audit Appointments (PSAA) in the 3rd July. At that meeting, it was highlighted that there were over 500 Audit Opinions still outstanding for English Councils for 2021/22 and earlier. Both the PSAA and FSA have highlighted the following key issues to be resolved including:

- Having a Workforce Strategy that improves attractiveness and prestige in the local government and audit profession.
- Identification of changes required to promote high standards and financial reporting and audit in the public interest.
- Creating a roadmap securing sustainable reforms underpinned by an agreed vision and purpose of financial reporting and audit.

2.11 The severe backlogs of Audit Opinions was discussed in the meeting, as this is a symptom of the issues being experienced by Auditors and Councils. Conversations are taking place with DLUHC onto changes that could be implemented to ease the backlog issues. Ideas being discussed include: possible limitations of scope on opening balances, and balance of Audit time on operational assets and pensions. Any changes to the present audit requirements, including any simplification of processes or formats, will require the Minister's approval.

2.12 Issues on External Audit were also discussed at the Local Government Conference at various sessions on the 4th 5th and 6th July. Discussions were similar to the points raised in 2.10 and 2.11 above.

2.13 We have upgraded the TechOne system, moving from the present version which is 20b to 23a over the weekend of the 7th to 10th July. This upgrade will give access to more functionality and resolve a number of issues being experienced which have been resolved in later issues of TechOne. We have only been able to upgrade the system

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following the resolution of cash receipting issues and movement of this part of the solution to steady state running.

- 2.14 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.
- 2.15 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

- 2.16 The Council's 2023/24 Budget was approved in February. Budgets are loaded onto TechOne and a draft budget book is now being prepared to assist in Members and Officers understanding of budgets.
- 2.17 Quarter One 2023/4 financial and performance monitoring will go to Executive in September.
- 2.18 A report will go to Executive in July which sets out new arrangements to managing projects as per the recommendation in the Audit Task Group Report that came to this Committee in March. Project updates will now be part of the quarterly finance and performance reporting.

Compliance Items

- 2.19 There are a number of areas where compliance will be measured going forwards. Compliance to process and timetable is a key underlying theme of the Draft External Audit Report 2020/21. These items are being measured to improve how we work and change behaviours. This will lead to an improved financial health/knowledge across both Councils. Not all these measures can be put in place instantly but there should be the full suite by the middle of the summer (Debt indicators depend on the clearing of suspense and the updating of the bank reconciliations).

Training:

- Number on Closure Training 23, 24, 27, 28 March – by Service Area – 83 attended.
- Mandatory Budget Manager Training – July/August after the upgrade - by Service Area – Corporate Finance team trained on budget loading processes in April but issues due to cash receipting changes have led to budgets not being loaded until June. Also waiting the Upgrade so training will also encompass that as well.
- Mandatory Financial Awareness Training – July/August after the upgrade – by Service Area
- TechOne Budget Manager Training July/August after the upgrade – by Service Area.
- Number on Payments Purchase Order Training (Monthly) by Service Area.

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Errors:

- Non delivery of GPC Card Data (monthly basis) – will begin at the end of Quarter 1.
- Mis-codings on TechOne per month – by Service Area - will begin at the end of Quarter 1.

Procurement:

- The new 'No Compliance No Order' process has been live since April 2023.
- Many departments are now proactively getting quotations for lower value works. A lot of the issues we have are now training issues that are being resolved.
- The number of contracts in place is growing regularly and we are confident that this process is having a positive effect. We hope that eventually we get to the place where the number of orders coming to us is minimal.
- A spreadsheet is being collated for requests with no contracts and we will discuss this with teams going forward. We hope that eventually we get the place where the number of orders coming to us is minimal.
- A report is going to Executive in July setting out new government procurement requirements that the Council are addressing, many of which come into force on the 1st April 2024.

Summary

- 2.20 This report in July set out the policies (local and national) that underpins the Council finances. This report is now updated for data as at the end of June and is delivered to each Audit, Governance and Standards Committee at Redditch 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.

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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. BACKGROUND PAPERS

Accounting Policies Report – March and June 2023 – Audit, Governance and Standards Committee

Finance Recovery Report – June 2023 – Executive

Programme Management Office Requirements – July 2023 - Executive