

REDDITCH BOROUGH COUNCIL

Executive 11th March 2025

Financial Recovery Plan

Relevant Portfolio Holder	Councillor Ian Woodall, Finance Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
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Wards Affected	N/A
Ward Councillor(s) consulted	N/A
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. SUMMARY

The purpose of this report is to set out the processes the Council has been following to rectify a deterioration in its financial position and processes due to the impact of the implementation of a new financial system in February 2021 during the C-19 pandemic period. This follows on from a report initially presented on the 14th September 2022 and also the discussions over the S24 Statutory Recommendations that took place in Audit, Governance and Standards Committee, Executive and Council in November and December 2022 and 2023.

2. RECOMMENDATIONS

Executive are asked to Resolve that:

- Progress made on the financial recovery be noted including:
 - Delivery of the Statutory Accounts
 - Delivery of Statutory Financial Returns
 - Improvements in the Control Environment
- The work still under way to move back to a best practice operation and the associated timetable for completion of this work, as contained in this Report, be noted.

3. KEY ISSUES

Financial Position

- 3.1 The Council implemented a new financial system in February 2021. The existing financial system was at the end of its useful life and would not deliver process

REDDITCH BOROUGH COUNCIL

Executive 11th March 2025

improvements required to move the Council forward. The implementation has not been smooth and has led to a deterioration of the Council's financial position. This has included:

- Non completion of the 2020/21, 2021/22, 2022/23 and 2023/24 Accounts to required timelines.
- Non delivery of monitoring information during the 2021/22 financial year.
- Non delivery of Government financial returns.
- Incomplete take-up of the new system by both Finance and Service Users.
- Loss of key financial staff.

- 3.2 A finance recovery programme was put in place from April 2022 to start to rectify the situation. This was reported through to Executive in September 2022.
- 3.3 These issues build on comments from the External Auditors relating to 2019/20 accounts, which were only approved in the fall of 2021 and the subsequent issuing of the S24 Recommendation on the 31st October 2022 due to non-delivery of the 2020/21 Statement of Accounts. Comments on the 2019/20 accounts highlighted issues on working papers as a significant issue.
- 3.4 The Interim 2021/22 and 2022/23 Auditors Annual Report was received and reviewed by the Audit, Governance and Standards Committee on the 23rd November and Council on the 5th December. These reports have now been finalised following the completion of the Statement of Accounts up to the 2023/24 financial year. The present state of the Council's accounts are:
- Closure 2020/21
 - Reported as per the 10th December Audit Committee and Disclaimer Opinion received and approved.
 - Closure 2021/22
 - Reported as per the 10th December Audit Committee and Disclaimer Opinion received and approved.
 - Closure 2022/23
 - Reported as per the 10th December Audit Committee and "Disclaimer Opinion" received and approved following the completion of the public consultation period on the 22nd January 2025.
 - Closure 2023/24
 - Reported as per the 30th January Audit Committee, draft accounts were produced and put out for public consultation on the 17th January. This was one day later than the "backstop" regulation date.
 - The Council's had to replace its allocated Auditors for 2023/24 onwards in November 2024 and the Council is still in the process of "onboarding its new External Auditors Ernst & Young. No opinion on the Accounts can be given until this process is completed.

REDDITCH BOROUGH COUNCIL

Executive 11th March 2025

- MHCLG have been updated on this position.
 - Closure 2025/26
 - This will start in March 2025 and draft accounts will be ready for public consultation by the end of June 2025.
- 3.5 As per the requirement of the Draft External Auditors Report 21/22 and 22/23 on the 27th November 2023, the External Auditors made a further written recommendation of the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its financial systems and governance arrangements. They recommended that the authority should produce “true and fair” draft accounts for 2020/21, 2021/22 and 2022/23 signed off by the S151 Officer and supported by high quality working papers. This has now been complied with although given the instigation by the Government of the backstop date and the requirement of “disclaimer opinion” audits across the Country it is not clear how the new Auditors will frame their 2023/4 External Audit Report in respect of this matter
- 3.6 As has been reported previously the combined 2021/21 & 2022/23 Draft External Audit Report set out that:
- The S24 Recommendation still in place and extended for 2021/2 and 2022/3 Accounts.
 - 5 of the 6 2020/21 Key Recommendations either delivered or now linked to Improvement Recommendations.
 - 9 of 13 2020/21 Improvement Recommendations either fully or partially delivered.
 - There was one new Key Recommendation – linked to Workforce Strategy.
 - There were ten updated Improvement Recommendations.
- 3.7 In terms of those Draft External Audit Reports the following progress has been made against recommendations (Key and Improvement):
- The Accounting Policies Report goes to every Audit Committee.
 - The key closure deliverables for each financial year are clearly set out. The owners of these deliverables are the S151 and Deputy S151 Officers.
 - Progress on key financial and compliance indicators are reported monthly to CMT and to both Audit Committees by the S151/Deputy 151 Officers. There is a requirement to report all finance deliverables as per the Recommendations of the Audit Task Group.
 - Delivery of Financial training detailed in this document will move staff to right level of skills.
 - TechOne has been upgraded to version 23A in July 2023. It will update to 24B in February 2025.
 - Quarterly combined financial and performance monitoring started in the 2022/23 financial year and has continued in 2024/5 with Q1 and Q2 delivered.
 - The 2024/5 MTFP process has been completed in both Councils and the 2025/6 process will be completed by the 24th February 2025.
 - Risk workshops are still to be run to assess Risk Appetite of Executive and Audit Committees. This will happen across both Council now the Redditch elections have been completed.
 - A Treasury Management strategy, half yearly report, and outturn report are now part of the work programme. 2024/5 Half Yearly Reports have been delivered.
 - To address staffing issues, additional posts have been recruited to as the team looks to start to move any from its reliance on external agency/consultants.

REDDITCH BOROUGH COUNCIL

Executive 11th March 2025

- 3.8 In terms of more specific items:
- More Budget Consultation is being addressed in Tranche 1 of the budget through a targeted consultation process which finished in January 2025.
 - Wider savings monitoring is being undertaken by this Committee quarterly.
 - Capital and its deliverability will be reviewed as part of the 2025/6 Budget Tranche 2.
 - Benchmarking is now incorporated into the budget process (using LG Futures data).
 - The Internal Audit Service has been externally assessed in early 2024 and passed that assessment.
 - The Council is seeking an independent Audit Committee member and ensures the Committee remains apolitical in nature.
 - The whistleblowing policy has been updated.
 - Procurement and contract rules will be updated by the end of the financial year (to reflect changes to legislation happening in February 2025).
 - Performance Indicators are being reviewed and updated following the Strategic Priority setting sessions.
- 3.9 It was confirmed by the PSAA that Ernst and Young would become the Councils External Auditors on the 24th October, and that the onboarding process is now starting but there are still a number of Members who have not made returns. Members who still have returns outstanding were given returns at Council on the 27th January to complete at the meeting to speed up the process. We now have 2 outstanding.
- 3.10 In terms of the 2023/4 Closure position, discussions are still to be held with Ernst and Young on the actual programme, pending onboarding, but all parties are aware of the backstop date of the 28th February 2025 by what time public consultation will have to have been completed. Accounts were provided for Public Consultation the 17th January. This was one day later than the “backstop date” requirement. The new External Auditors have confirmed that, due to onboarding checks still not being complete, they will not be able to submit an Opinion before the 28th February “backstop date”.

Rectification Process

- 3.11 Financial Recovery reports to Executive and Financial Compliance Reports to Audit, Governance and Scrutiny Committee have kept Members apprised of the Recovery Process.
- In terms of Closure, the Council is now up to date in terms of the delivery of it's accounts but have received “Disclaimer Opinions” up to the 2022/23 financial year. There are a significant number of Councils with “Disclaimer Opinions” and it is yet to be seen the implications of this for individual Councils and the English Local Government Sector in particular.
 - With the Council having provided its accounts as per “backstop legislation” up to the 2023/24 financial year requirements, it is proposed to Audit, Governance and Standards Committee in January that the frequency of Audit Committee meetings reverts to quarterly. Their view was that with a change in S151 Officer, they would like to wait until the New 151 Officer is embedded before reducing the frequency.

REDDITCH BOROUGH COUNCIL

Executive 11th March 2025

- It is important though that the processes that were put in place following the issuing of the Section 24 Statement are continued via this quarterly Financial Compliance Report.

3. Movement since the last finance recovery report in September 2024 has included:
- All Revenue Outturn and Capital Outturn Reports have been provided to the Ministry of Housing, Communities and Local Government (MHCLG).
 - The Quarters 1 and 2 2024/5 Finance and Performance Report have been provided and Q3 is on the same Agenda as this report for reviewing by Executive.
 - Since Q2 2023/4, all financial monitoring has been undertaken on TechOne.
 - Monthly Accounts Payable Training continues.
 - The Financial Compliance Report, setting out movement in the financial recovery plan, has been reviewed by Audit, Governance and Standards Committee in July, September and November 2023. Audit Governance and Standards Committee continues to meet 6 times a year until all the issues have been rectified, where it will then return to its quarterly cycle.

3.16 Progress on the following key financial and compliance indicators are reported monthly to CMT monthly and to both Audit Committees bi-monthly by the S151/Deputy 151 Officers. There is a requirement to report all finance deliverables as per the Recommendations of the Audit Task Group:

Form	Code	Description	Proposed Dispatch	Deadline	Proposed Publication	Position
Capital Payments & Receipts - Q3	CPR3	Cumulative capital expenditure and receipts for Q1, Q2 and Q3 2023-24	15-Dec-23	19-Jan-24	15-Feb-24	Delivered 26/1/24
Non-Domestic Rates Forecast	NNDR1	Billing authority forecasts of the amount of non-domestic rates to be collected in the 2024-25	15-Dec-23	31-Jan-24	21-Feb-24	Delivered 9/2/24 (Civica issue)
Council Tax & NDR Collection - Q3	QRC3	Quarterly return of how much council tax and non-domestic rates are collected in Q3 2023-24	15-Dec-23	12-Jan-24	14-Feb-24	Delivered 15/2/24 (Civica issue)
Quarterly Borrowing & Lending - Q3	QB3	Local authority borrowing and investments from all local authorities to the end of Q3 2023-24	15-Dec-23	08-Jan-24	15-Feb-24	Delivered 17/1/24
Quarterly Revenue Update - Quarters 3 & 4	QRU3	Quarter 1 to 3 2023-24 data and forecast end year local authority revenue expenditure update.	15-Dec-23	26-Jan-24	07-Mar-24	Delivered 19/2/24
Council Tax Requirement/ Parish Council Tax	CTR1/2/3/4	Information on council tax levels set by local authorities in 2024-25 and Council tax levels for 2024-25 set by parishes.	02/02/2024 (tbc)	11-Mar-24	21-Mar-24	Delivered 26/2/24

REDDITCH BOROUGH COUNCIL

Executive 11th March 2025

of which: Parish council tax	-	-	-	11-Mar-24	08-May-24	Delivered 26/2/24
Revenue Account Budget	RA	Local authority revenue expenditure and financing for 2024-25 Budget	16-Feb-24	05-Apr-24	20-Jun-24	Draft completed. 8/4/24
Capital Estimates Return	CER	Capital forecast for 2024-25	23-Feb-24	22-Mar-24	13-Jun-24	Delivered 22/3/24
Non-Domestic Rates Outturn-unaudited	NNDR3	Collects information from all billing authority on the amount of non-domestic rates collected in 2023-24- provisional data	28-Mar-24	30-Apr-24	10-Jul-24	Draft delivered to Pool 14/4/24
Non-Domestic Rates Outturn-audited	NNDR3	Collects information from all billing authority on the amount of non-domestic rates collected in 2023-24- final data	n/a	30-Sep-24	15-Nov-24	Delivered 30/09/24
Quarterly Borrowing & Lending - Q4	QB4	Local authority borrowing and investments from all local authorities to the end of Q4 2023-24	22-Mar-24	05-Apr-24	13-Jun-24	Delivered 5/4/24
Capital payments & receipts Q4 and provisional outturn	CPR4	Cumulative capital expenditure and receipts for Q1, Q2, Q3, and Q4 2023-24. Expanded collection, used as provisional outturn.	22-Mar-24	19-Apr-24	13-Jun-24	Delivered 29/4/24
Council Tax & NDR Collection - Q4	QRC4	Annual data of levels of council tax and non-domestic rates collected by local authorities in 2023-24 and Q4 2023-24	12-Apr-24	03-May-24	19-Jun-24	Delivered 7/5/24
Capital Outturn Return	COR	Final capital outturn figures for 2023-24	26-Apr-24	26-Jul-24	10-Oct-24	Delivered 29/07/24
Revenue Outturn suite - provisional	RO	Local authority revenue expenditure and financing for 2023-24 Outturn (provisional)	26-Apr-24	28-Jun-24	29-Aug-24	Delivered 19/7/24
Revenue Outturn suite - certified	RO	Local authority revenue expenditure and financing for 2023-24 Outturn (final)	n/a	11-Oct-24	12-Dec-24	Delivered 10/02/24
Exit payments	-	Local authority exit payments 2023-24	03-May-24	07-Jun-24	18-Jul-24	Delivered 30/06/24
Quarterly Borrowing & Lending - Q1	QB1	Local authority borrowing and investments from all local authorities to the end of Q1 2024-25	24-Jun-24	05-Jul-24	08-Aug-24	Delivered 05/07/24
Quarterly Revenue Update - Q1	QRU1	Q1 2024-25 data and forecast end year local	28-Jun-24	02-Aug-24	12-Sep-24	Delivered 2/08/24

REDDITCH BOROUGH COUNCIL

Executive 11th March 2025

		authority revenue expenditure update				
Capital Payments & Receipts - Q1	CPR1	Cumulative capital expenditure and receipts for Q1 2024-25	21-Jun-24	19-Jul-24	08-Aug-24	Delivered 19/07/24
Council Tax & NDR Collection - Q1	QRC1	Quarterly return of how much council tax and non-domestic rates are collected in Q1 2024-25	21-Jun-24	12-Jul-24	14-Aug-24	Delivered 01/07/24
Local Government Pension Funds	SF3	Collect information on income and expenditure on local government pension schemes for 2023-24	05-Jul-24	13-Sep-24	23-Oct-24	Delivered 21/06/24
Council Tax Base/ Supplementary	CTB	Information about the 2024 council tax base for each billing authority.	20-Sep-24	11-Oct-24	06-Nov-24	Delivered 11/10/24
Quarterly Borrowing & Lending - Q2	QB2	Local authority borrowing and investments from all local authorities to the end of Q2 2024-25	23-Sep-24	04-Oct-24	14-Nov-24	Delivered 02/10/24
Quarterly Revenue Update - Q2	QRU2	Quarter 1 & 2 2024-25 data and forecast end year local authority revenue expenditure update	20-Sep-24	25-Oct-24	05-Dec-24	Delivered 25/10/24
Capital Payments & Receipts - Q2	CPR2	Cumulative capital expenditure and receipts for Q1 and Q2 2024-25	20-Sep-24	20-Oct-24	14-Nov-24	Delivered 21/10/24
Council Tax & NDR Collection - Q2	QRC2	Quarterly return of how much council tax and non-domestic rates are collected in Q2 2024-25	20-Sep-24	04-Oct-24	20-Nov-24	Delivered 11/10/24
Capital Payments & Receipts - Q3	CPR3	Cumulative capital expenditure and receipts for Q1, Q2 and Q3 2024-25	13-Dec-24	24-Jan-25	13-Feb-25	Delivered 24/01/24
Non-Domestic Rates Forecast	NNDR1	Billing authority forecasts of the amount of non-domestic rates to be collected in the 2025-26	13-Dec-24	31-Jan-25	19-Feb-25	Delivered 31/1/26
Quarterly Revenue Update - Quarters 3 & 4	QRU3	Quarter 1 to 3 2024-25 data and forecast end year local authority revenue expenditure update.	13-Dec-24	24-Jan-25	06-Mar-25	Delivered 25/01/24
Quarterly Borrowing & Lending - Q3	QB3	Local authority borrowing and investments from all local authorities to the end of Q3 2024-25	13-Dec-24	06-Jan-25	13-Feb-25	Delivered 06/01/25

REDDITCH BOROUGH COUNCIL

Executive 11th March 2025

Council Tax & NDR Collection - Q3	QRC3	Quarterly return of how much council tax and non-domestic rates are collected in Q3 2024-25	13-Dec-24	17-Jan-25	12-Feb-25	Delivered 02/01/24
Council Tax Requirement/ Parish Council Tax	CTR1/2/3/4	Information on council tax levels set by local authorities in 2025-26. Council tax levels for 2025-26 set by parishes	Early Feb 2025	12-Mar-25	20-Mar-25	
of which: Parish council tax	-	-	Early Feb 2025	12-Mar-25	07-May-25	
Revenue Account Budget	RA	Local authority revenue expenditure and financing for 2025-26 Budget	14-Feb-25	04-Apr-25	19-Jun-25	
Capital Estimates Return	CER	Capital forecast for 2025-26	21-Feb-25	21-Mar-25	12-Jun-25	
Monthly Borrowing & Lending	MB	Monthly sample used to provide an estimate of the level of net borrowing by local authorities to go into the ONS/HMT monthly publication Public Sector Finance Statistics	5 working days before 1st working day of the month	Day 5 of each month	for quarter months only, see QB1, QB2, QB3, QB4 dates	Delivered to date
Local Government Finance Statistics	LGFS33	Annual compilation of finance data collected from local authorities covering out-turn data for 2022-23	N/A	N/A	Spring 2024	

In wider sets of deliverables (outside the 2024/5 DLUHC/MHCLG listing) we have the following returns that have been delivered:

Pooling of Housing Capital Receipts – **23/4 Delivered**

In wider sets of deliverables (outside the 2024/5 DLUHC Listing) we have the following returns that have been delivered:

Budget

- Delivered by 11th March deadline in preceding financial year – **2025/6 Budget and MTFP delivered Feb 2025 in both Councils.**
- Council Tax Base – Yearly – **2025/26 delivered in January 2025**
- Council Tax Resolution – **Yearly 2024/5 delivered on 26th February 2024**
- Council Tax Billing – Yearly – **Bills distributed in March 2024**

Policies

- Treasury and Asset Management Strategies
 - 2023/4 Outturn Report **delivered in September 24.**
 - 2024/5 Strategy **Approved 26th Feb 2024.**

REDDITCH BOROUGH COUNCIL

Executive 11th March 2025

- *2025/6 Strategy All will be approved as part of the MTFP by the 24th February 2025.*
- *24/25 Q1 and Q2 reports delivered Sept and Nov/Dec 2024.*
- Council Tax Support Scheme **25/6 Approved in January 2025.**
- Minimum Revenue Provision – yearly – **will be approved as part of the MTFP by the 24th February 2025.**
- Financial Monitoring – **Q1 24/5 in Sept 2024. Q2 in Nov 24.**
- Risk Management – **Q1 24/5 delivered July 24, Q2 delivered Dec 24**
- Savings Report – **Q1 24/5 delivered in September, Q2 delivered in December**
 - Financial Controls (still in development)
 - Clearance of suspense accounts – now part of the closure of accounts process.
 - Bank Reconciliation - **linked to above point although a separate stream assessing/clearing 2024/5 and prior year items.**
- Over £500 spending.
 - **Updated to January 2025.**

3.17 The key returns that have still not been delivered are the VAT Returns. Significant work has been undertaken by the Council's Tax advisors PS Tax in liaison with HMRC in order for the Council to return to normal VAT reporting and final version working papers have been provided to HMRC on the 19th December 2024. VAT returns going forward will be produced monthly and a return for December 2024 has been submitted.

3.18 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 Reports 2020/21 through to 2022/23. 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).

3.19 Training:

- Closure Training took place in March with 83 attending.
- Mandatory Budget Manager Training (including the use of TechOne) took place in September 2023 – upskilling budget managers with the tools to input their forecasts directly onto TechOne.
- Mandatory Financial Awareness Training for managers took place in August and September.
- Payments Purchase Order Training takes place monthly.

3.20 Treasury Management

- The Half Yearly 2023/4 Treasury Management Report was presented to Executive on the 18th March.
- The 2024/5 Strategies were approved by Council in February.
- The 2025/6 Draft Strategies have been approved as part of the 2025/6 MTFP.

REDDITCH BOROUGH COUNCIL

Executive 11th March 2025

- The Q1 and Q2 2024/5 positions have been reported in the Finance and Performance Reports.

3.21 Errors:

- Non delivery of GPC Card Data (monthly basis) – still to be started.
- Mis-coding on TechOne per month – by Service Area – work is ongoing to clear the mis-codings on a monthly basis in conjunction with work going on to reconcile previous years.

3.22 Procurement:

- The new 'No Compliance No Order' process has been live since April 2023.
- The number of contracts in place is growing regularly. We hope that eventually we get to the place where the number of orders coming to procurement for approval as contracts are not in place are minimal.
- Council approved an increase of the Key Decision Level from £50k to £200k. Finance and Performance Monitoring Reports now set out:
 - All contracts requiring renewal over the next year that are over the present £200k threshold and these are placed on the forward plan.
 - All contracts requiring renewal over the next year that are between £50k and £200k for reference.
 - All contracts that are being procured by each council on behalf of each other.

3.23 The issues with cash receipting Work is ongoing but the closure of 2020/21 through to 2023/4 has reallocated over £125m of income wrongly allocated to suspense accounts.

4. Legal Implications

4.1 No Legal implications have been identified.

5. Strategic Purpose 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 of our Strategic Purposes.

Climate Change Implications

5.2 The green thread runs through the Council plan. Every report has potential financial implications and these in turn can have implications on climate change. These will be addressed and reviewed through individual reports when relevant by climate change officers will ensure the correct procedures have been followed to ensure any impacts on climate change are fully understood.

REDDITCH BOROUGH COUNCIL

Executive 11th March 2025

6. Other Implications

Customer / Equalities and Diversity Implications

6.1 None as a direct result of this report.

Operational Implications

6.2 Managers meet with finance officers to consider the current financial position and to ensure actions are in place to mitigate any overspends.

7. RISK MANAGEMENT

7.1 The financial monitoring is included in the corporate risk register for the authority and the position with the Council's Accounts and its rectification is a specific Corporate Risk.

8. APPENDENCES

None

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