

# Public Document Pack



## BROMSGROVE DISTRICT COUNCIL

### MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

TUESDAY 17TH FEBRUARY 2026  
AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

MEMBERS: Councillors E. M. S. Gray (Chairman), S. Ammar, S. R. Colella, A. M. Dale, D. J. A. Forsythe, D. Hopkins, B. Kumar, B. McEldowney, D. J. Nicholl, J. D. Stanley and H. D. N. Warren-Clarke

### AGENDA

1. **Apologies for Absence and Named Substitutes**
2. **Declarations of Interest and Whipping Arrangements**

To invite Councillors to declare any Disclosable Pecuniary interests or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.

3. **Appointment of the Vice-Chairman**

4. **To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 24th November 2025 (Pages 5 - 14)**
5. **Terms of Reference (Pages 15 - 24)**
6. **Standards Regime - Monitoring Officers' Report (Pages 25 - 30)**
7. **External Audit Backstop Report (To follow)**

This report will follow in a supplementary paper
8. **Risk Management Report (Pages 31 - 52)**
9. **Risk Champion - Verbal Update (Councillor S.R. Colella)**
10. **Internal Audit - Progress Report (Pages 53 - 70)**
11. **Financial Compliance Report including statement of accounts (Pages 71 - 82)**
12. **Capital Strategy 2026-27 including Treasury Management Strategy (Pages 83 - 124)**
13. **Review of Accounting Policies (Pages 125 - 144)**
14. **Audit, Standards and Governance Committee Work Programme (Pages 145 - 146)**

J. Leach  
Chief Executive

Parkside  
Market Street  
BROMSGROVE  
Worcestershire  
B61 8DA

9th February 2026

**If you have any queries on this Agenda please contact  
Sarah Woodfield**

**Parkside, Market Street, Bromsgrove, B61 8DA  
Tel: (01527) 64252 Ext: 1605  
Email: [s.woodfield@bromsgroveandredditch.gov.uk](mailto:s.woodfield@bromsgroveandredditch.gov.uk)**

## **GUIDANCE ON FACE-TO-FACE MEETINGS**

**If you have any questions regarding the agenda or attached papers,  
please do not hesitate to contact the officer named above.**

### **GUIDANCE FOR ELECTED MEMBERS AND MEMBERS OF THE PUBLIC ATTENDING MEETINGS IN PERSON**

Meeting attendees and members of the public are encouraged not to attend a Committee if they have if they have common cold symptoms or any of the following common symptoms of Covid-19 on the day of the meeting; a high temperature, a new and continuous cough or a loss of smell and / or taste.

#### **Notes:**

**Although this is a public meeting, there are circumstances when Council might have to move into closed session to consider exempt or confidential information.**



## **INFORMATION FOR THE PUBLIC**

### **Access to Information**

The Local Government (Access to Information) Act 1985 widened the rights of press and public to attend Local Authority meetings and to see certain documents. Recently the Freedom of Information Act 2000 has further broadened these rights, and limited exemptions under the 1985 Act.

- You can inspect agenda and public reports at least five days before the date of the meeting.
- You can inspect minutes of the Council, Cabinet and its Committees/Boards for up to six years following a meeting.
- You can have access, upon request, to the background papers on which reports are based for a period of up to six years from the date of the meeting. These are listed at the end of each report.
- An electronic register stating the names and addresses and electoral areas of all Councillors with details of the membership of all Committees etc. is available on our website.
- A reasonable number of copies of agendas and reports relating to items to be considered in public will be made available to the public attending meetings of the Council, Cabinet and its Committees/Boards.
- You have access to a list specifying those powers which the Council has delegated to its Officers indicating also the titles of the Officers concerned, as detailed in the Council's Constitution, Scheme of Delegation.

You can access the following documents:

- Meeting Agendas
- Meeting Minutes
- The Council's Constitution

at [www.bromsgrove.gov.uk](http://www.bromsgrove.gov.uk)

# Public Document Pack Item 4

Audit, Standards and Governance Committee

24th November 2025

## BROMSGROVE DISTRICT COUNCIL

### MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

24TH NOVEMBER 2025, AT 6.00 P.M.

**PRESENT:** Councillors E. M. S. Gray (Chairman), S. T. Nock (Vice-Chairman), S. Ammar, R. Bailes, J. Clarke, S. R. Colella, D. J. A. Forsythe, D. Hopkins, B. Kumar, B. McEldowney and J. D. Stanley

Observers: Councillor S. J. Baxter, Cabinet Members for Finance

Officers: Mr J. Leach, Ms D. Goodall, Ms. N Cummings, Mrs. R. Green, Mrs B. Talbot, Mr P. Bailey and Mrs S. Woodfield

Other Parties: Mr A. Mughees and Ms. H. Clark

27/25

### APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillor D.J. Nicholl with Councillor J. Clarke in attendance as his substitute.

28/25

### DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

There were no declarations of interest nor of any whipping arrangements.

29/25

### TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 29TH SEPTEMBER 2025

The minutes of the meeting for the Audit, Standards and Governance Committee held on 29<sup>th</sup> September 2025 were submitted for Members' consideration.

A suggestion was made that further clarity should have been included in respect of minute no. 25/25 – Risk Champion (Overview of role and consideration of appointment). The risk champion had not attended the Corporate Risk Management Officer Group (CRM OG) meeting because it was not available to her, rather than implying that she had not attended by choice.

**RESOLVED** that the minutes of the Audit, Standards and Governance Committee held on 29<sup>th</sup> September 2025, subject to any amendments be approved as a correct record.

# Agenda Item 4

Audit, Standards and Governance Committee  
24th November 2025

30/25

## STANDARDS REGIME - MONITORING OFFICERS' REPORT

The Committee considered the Monitoring Officer's reformatted report which provided updates on Member Complaints, Constitution Review and Member training as follows:

- Three public complaints against Members were received and resolved and were all assessed as not conduct matters.
- Five Member to Member complaints were received and resolved informally.
- The meeting of the Constitution Review Working Group (CRWG) which took place on 16<sup>th</sup> September 2025 discussed matters such as the retention schedule rules in respect of the live streaming of meetings.
- The Member Development Steering Group (MDSG) held a meeting on 27<sup>th</sup> October 2025. During this meeting the group received an ICT update and feedback from Members for the planning refresher training which took place on 2<sup>nd</sup> June 2025.

After consideration of the presentation the following discussions took place:

- That the revised tabulation within the report be amended to demonstrate unresolved cases from the last meeting. Officers agreed that this would be reviewed accordingly.
- The formal approach to resolving complaints was requested and explained to Members.
- The overseas Member complaints process was also discussed with Members suggesting that identification verification should be a consideration.
- Some Members felt it was unnecessary to be informed of a complaint received unless it was deemed formal, sometimes causing undue stress. However, other Members were happy to be made aware informally or formally of any complaints received.
- Clearer guidance for suitable language and political views in a formal or informal setting whilst on social media was requested by Members. In response the Deputy Monitoring Officer advised that Members should always be cautious, whether in a formal or informal setting. During the discussion, Members also suggested that receiving details of the complaints with a dedicated time to respond would be helpful. The Chairman suggested that the MDSG could provide further clarity on the matters raised.
- Some Members had attended The Local Government Association (LGA) code of conduct sessions and had found them useful and suggested others may wish to attend to assist with some of the points raised during discussions.

**RESOLVED** that subject to Members' comments, the Monitoring Officer's report be noted.

# Agenda Item 4

Audit, Standards and Governance Committee  
24th November 2025

31/25

## EXTERNAL AUDIT - VERBAL UPDATE

Ernst and Young (EY) provided an update of the 2023/24 and 2024/25 accounts for Member's consideration.

The following key points were discussed as follows:

- 2023/24 audits restarted in November 2025 and an audit opinion was expected in the new year.
- The draft auditor's report for 2024/25 had been shared with the Interim Section 151 Officer and would also be provided to the Chairman of Audit, Standards and Governance Committee.
- The 2024/25 audit backstop date of 27<sup>th</sup> February 2025 would be achieved but due to time constraints, would have a disclaimer opinion.
- The Value for Money (VFM) 2023/24 accounts were nearing completion and once completed EY would then begin to review the 2024/25 accounts.

After the presentation Members raised the following queries:

- A request for headline points to be provided by EY, prior to the Audit February meeting was requested by Members to ensure the Committee had ample opportunity to consider any issues which may be reported. The Interim Section 151 Officer explained that audit queries which had arisen from the 2024/25 auditor's report were being reviewed, with a meeting scheduled to clear any queries. Issues identified in the 2023/24 VFM work should also clear similar issues for the 2024/25 accounts and was therefore confident the work could be achieved, with regular meetings scheduled with EY also. The Chairman agreed that, in light of Members requests for headline points prior to the next meeting in February 2026, an interim meeting be arranged for Members to consider an update in respect of the Statement of Accounts 2024/25.
- The 2024/25 audit backstop of 27<sup>th</sup> February 2026 was discussed further with Members querying why additional work was necessary when a disclaimer opinion was anticipated. In response EY explained that there were auditing standards required such as governance, controls, regulations, operations and statutory requirements such as VFM. The Interim Section 151 Officer requested clarity from EY on the weak areas of the accounts to assist with progress.

**RESOLVED** that External Audit update be noted.

32/25

## RISK MANAGEMENT REPORT/QUARTERLY RISK UPDATE

The Corporate Risk Update Quarter 2 2025/26 set out activities the Council undertook to monitor and mitigate risk at a corporate level. The Council held a risk register of the most significant risks in relation to the

# Agenda Item 4

Audit, Standards and Governance Committee  
24th November 2025

achievement of corporate priorities. This risk register was reviewed quarterly in accordance with the Risk Management Strategy.

As part of the audit reports in 2021 and 2023 the Council introduced processes to actively embed risk mitigation into normal business and introduced departmental ownership of service risks. The latest audit of the Risk Management Embedding 2024/25 dated 1st June 2025 produced an audit opinion of 'Reasonable Assurance'.

Corporate Risks were identified in the table set out in the report. There had been two movements since the Q1 report as follows:

- **Delivery of the Levelling Up Board (COR0010)** which moved from an inherent risk of 12 to 9 and residual risk of 12 to 6. Levelling Up Fund (LUF) projects would be completed in May 2026 ahead of the funding deadline.
- **Bromsgrove DC Being placed into special measures due to quality of planning application decisions COR0009** had moved from an inherent risk of 9 to 6. Managers supported maintaining a good turnover of major applications, to provide a stable numerical base and also continued to closely monitor appeal decisions. Planning committee members were provided with performance information via a report at Committee which would be completed on a quarterly basis.

Service Risks were set out in the report with no movements since Q1.

Training on how to use the 4Risk system was being arranged for all Members early the following year which would enable Members to review the system.

The Chief Executive also advised the Committee and suggested incorporating an additional corporate risk in relation to the arrangements for the Interim Section 151 Officer. It was also suggested that there should be an internal audit review of the actions to mitigate the risks associated with the interim role to provide additional assurance regarding looking forward in respect of financial governance and reporting matters.

Following the presentation the key considerations were discussed:

- Clarity on the corporate risks associated with non-adherence with the statutory inspection policy. It was understood this related to Housing Standards.
- Further information on service departmental risks for comparisons from previous reporting and lessons learnt for the Housing department which had fallen from a service risk of 9 to 7 following mitigation.
- Suggestions that the 4Risk Management Framework System be reviewed, as some actions required updating.

# Agenda Item 4

Audit, Standards and Governance Committee  
24th November 2025

- Concerns for the downgrading of corporate risks detailed in the report for Planning, suggesting that there should have been due consideration for the National Planning Policy Framework (NPPF) legislation. The delivery of LUF was also discussed, with Members suggesting that the downgrading was potentially due to the impending GBSLEP funding payout. Members urged that strategic governance should be encouraged to ensure a robust and transparent approach. The Interim Section 151 Officer requested Members opinions and considerations when reviewing old style reporting in comparison to the more recent reporting as a comparison.
- The quality of planning applications which moved from an inherent risk of 9 to 6 was discussed with Members requesting yearly figures which went to appeal. In response Officers agreed to review the details and report back to the Board.
- An update was requested on the financial stabilisation plan for the recruitment of a Project Manager (Tech 1) and also reassurances for finance team resilience. The Chief Executive reassured the Committee that steps were in place to address this through a project team led by Claire Felton and the newly appointed Assistant Director Corporate Services and Transformation would also be assisting the Interim Section 151 Officer with future risk reporting in the short term. The Chief Executive also updated the Committee regarding posts that had been recruited to.
- An update concerning an amber rating for non-compliance with health and safety legislation was requested. In response Members were informed that a report was in progress for the Committees' consideration in due course.
- Members requested details of the individual members who sat on the CRM0G meetings which were provided by the Chief Executive.

During the various debates and issues raised for this item the Chief Executive reassured the Committee that The Corporate Risk Register was being reviewed by Assistant Directors to provide further clarity to assist Members in future Audit, Standards and Governance meetings.

**RESOLVED** that the Committee

- 1) Consider the strategic risks detailed in the Corporate Risk Register,
- 2) Consider and comment on the changes to risk scores and removal/additional of new risks,
- 3) Note the proposed changes to the risk owners and risk leads in Appendix 2,
- 4) Agree to the additional corporate risk to the risk register for the arrangements for the role of the interim Section 151 Officer and
- 5) Seek Internal Auditor's assurance in relation to the suggested measures put in place to mitigate risk and to report back findings to the Committee.

# Agenda Item 4

Audit, Standards and Governance Committee  
24th November 2025

33/25

## CYBER SECURITY UPDATE (INCLUDING WHATSAPP AND AI POLICY)

The Deputy Monitoring Officer presented the report and provided a verbal update that members were not being asked to consider the minutes of the Cyber Security Board meeting because this was a private meeting.

The Board were introduced to two policies for recommendation to Cabinet as follows:

- The Artificial Intelligence (AI) Acceptable Use Policy set principles for ethical, transparent AI use, GDPR compliance and training requirements.
- The WhatsApp Policy restricted use to non-sensitive information. It also set out risk mitigation and compliance steps.

After consideration of the report, Members raised the following key points:

- The specific restrictions which applied to the use of AI within the Council were requested with Members being informed that the policies within the report provided the necessary guidelines.
- The Council's current usage of AI by individuals within the Council? In response it was advised that usage was minimal at the time reporting.
- If there were intentions to utilise AI for the evaluation of Local Plan consultations? Officers agreed that this would be investigated further with the relevant Officers to understand if AI would be incorporated to assist with data analysis.
- Members were encouraged that policies and reassurance steps were in place to ensure Officers and Members would be receiving the training necessary to ensure the correct use of AI.
- The most effective use of AI within the workplace? In response Members were advised that assistance with meetings and key areas in information management were reported as effective use of AI. The Chief Executive added that the Committee would be advised if any significant usage of AI within working practices was being considered.
- A typographical error for policy compliance within the presented document was highlighted and it was agreed would be rectified accordingly.

### RESOLVED that

- 1) That Cabinet adopts the Artificial Intelligence (AI) Acceptable Use Policy (Appendix 2) as a formal policy document and
- 2) That Cabinet adopts the WhatsApp Policy (Appendix 3) as a formal policy document.

# Agenda Item 4

Audit, Standards and Governance Committee  
24th November 2025

34/25

## INTERNAL AUDIT - PROGRESS REPORT

The Committee received the routine internal audit progress report from the Assistant Director of Finance and Customer Services who presented on behalf of the Head of Internal Audit.

Key points were raised below:

- 119 productive days had been delivered against a 250 day plan.
- 1 audit had been completed, 3 were in draft stage and 10 were in progress.
- No emerging issues impacted the overall assurance.
- There were 18 outstanding recommendations and 1 high priority overdue which related to cybersecurity training for Members.

Members' questions and comments were as follows:

- Internal audit delivery was discussed, with clarification requested on productive days. It was explained that this was referring to productive days on site.
- Summary of Internal Audit progress and findings, year to date was also requested for updates on outstanding anticipated reporting. It was suggested that reporting may have commenced but was incomplete at the time of reporting. However, progress would be requested by the Head of Internal Audit and would be reported back to Members. Members were also informed that the audit areas would change each year depending on the risks at the time of reporting.

**RESOLVED** that the Internal Audit Progress Report be noted.

35/25

## FINANCIAL COMPLIANCE REPORT INCLUDING UPDATE ON STATEMENT OF ACCOUNTS

The Committee received an update from the Assistant Director of Finance and Customer Services on progress made for the Financial Compliance Report. Members were advised that it was important that the processes put in place following the issuing of the Section 24 Statement continued via this quarterly Financial Compliance Report.

The report detailed that the Council were complying with national requirements. Local requirements had been delivered when the budget was approved on the 19<sup>th</sup> February 2025, particularly in relation to the Treasury Indicators which had continued with the delivery of the Quarter 2 Finance and Performance Report and the Treasury Report.

The key returns for Value Added Tax (VAT) and the Whole of Government Accounts (WOGA) had not been delivered to date. Significant work had been undertaken by the Council's Tax advisors Public Sector Tax, in liaison with His Majesty's Revenue and Customs, in order for the Council to return to normal VAT reporting, with final

# Agenda Item 4

Audit, Standards and Governance Committee  
24th November 2025

version working papers provided to HMRC on the 19<sup>th</sup> December 2024. Monthly returns were being made from December 2024 onwards. Additional resources had been established to strengthen the finance team in relation to VAT, including a VAT accountant. Mandatory VAT training had taken place for all finance staff and would be rolled out across non finance staff within the organisation.

The WOGA had not been produced for several years and therefore required a substantial mapping exercise. It was unlikely that the Council would be able to achieve this before the Cycle 2 deadline of 3<sup>rd</sup> October 2026, however, the Council had begun work to achieve a submission over the next three months. The Tech One financial system was also being upgraded to version 25B.

The Council's position on the key closure deliverables was also presented to Members for years 2020/21, 2021/22, 2022/23 and 2024/25.

A Finance Stability Plan had been developed which covered several areas including the Tech One finance system, financial regulations and structure of the finance team:

- A review of the Tech One system had taken place which included a health check with results nearing completion and was expected to include reinstallation of certain elements of the system with suggested fixes to other areas. Any revised implementation would be completed in conjunction with Tech One and would be supported by a full in-house project team to lead on this.
- The Council was stabilising its finance team through the immediate recruitment of several interim staff which were in place to support the finance team. It was noted that a Chief Accountant had been recruited, there was now an additional Senior Finance Business Partner, and two new business partners with a third being recruited.

Key deliverables since the last meeting included:

- A Finance Stability Plan which had been developed to cover a number of areas including the Tech One system, financial regulations and structure of the finance team.
- The Quarter 2 Finance and Performance Report had been produced along with the Quarter 2 Treasury Management Report.

After the presentation Members discussed the following:

- Would there be significant interruptions to the day to day running of work with the reimplementation of the Tech One system? In response it was advised that an appropriate detailed plan was being put in place to minimise disruption.

# Agenda Item 4

Audit, Standards and Governance Committee  
24th November 2025

- If there was a specific officer in post to carry out VAT returns? Officers advised that once the backlog of work had been completed, dedicated resources internally were being considered. Members were also advised that VAT returns were divided between Bromsgrove District Council and Redditch Borough Council accordingly.
- What were the specific significant risks in relation to the impact of the imposed “backstop position”? In response it was advised that clear guidelines had not been established by Central Government but the Council was working towards a partial disclaimer.
- An update for the Council seeking an independent Government Committee member was requested. In response it was explained that costings were being reviewed but that an update would be reported back to the Board.

No areas of concern within the key compliance report were noted for consideration.

## **RESOLVED** that

- 1) The Committee note the position in relation to the delivery of the 2024/25 Accounts and the auditing of the 2023/24 accounts.
- 2) The Committee note the position in regard to other financial indicators set out in this report.
- 3) Note the position on the Financial Stability Plan.

36/25

## **RISK CHAMPION - VERBAL UPDATE**

The unappointed risk champion position was considered by the Committee. It was announced and agreed by the Board that Councillor S.R. Colella would be appointed as the new risk champion. It was agreed that discussions about the role would be organised with the Interim Section 151 Officer and that the risk champion should be invited to attend future CRM0G meetings.

## **RESOLVED** that the Risk Champion update be noted.

37/25

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Audit, Standards and Governance Committee Work Programme was considered. A Member suggested that an item should be added to the committee's work programme for Quarter 1 Financial Monitoring Report 2025/26 due to an error with previous reporting. However, the Chairman suggested that the new risk in relation to the arrangements for the Interim Section 151 Officer, as covered under the Risk Management Report item, was able to cover the matter by looking at the arrangements going forward to support this post. This was agreed as a more appropriate approach and could be reviewed by the internal auditor.

# Agenda Item 4

Audit, Standards and Governance Committee  
24th November 2025

**RESOLVED** that the contents of the Committee's work programme, as reported, be noted.

The meeting closed at 8.08 p.m.

Chairman

# Agenda Item 5

## PART 13

### AUDIT, STANDARDS AND GOVERNANCE COMMITTEE PROCEDURE RULES

#### 1. Role of the Audit, Standards and Governance Committee

- 1.1 The Council has established an Audit, Standards and Governance Committee.
- 1.2 The Audit, Standards and Governance Committee works independently of the Council's Executive and Scrutiny to provide assurance to the Council on the effectiveness of its governance arrangements.
- 1.3 The ultimate responsibility for audit rests with the Portfolio Holder with responsibility for finance and the Section 151 Officer. Therefore, the Audit, Standards and Governance Committee can make recommendations but it is not the role of the Audit, Standards and Governance Committee to be a substitute for management of Internal Audit.
- 1.4 The Audit, Standards and Governance Committee do not have the power to make decisions with regard to Internal Audit or to direct officers with regard to Internal Audit.
- 1.5 The Audit, Standards and Governance Committee shall work in partnership with the Council's Monitoring Officer, Deputy Monitoring Officer, Leaders of the Political Groups and the Portfolio Holder with responsibility for corporate governance to support the promotion and maintenance of high standards of conduct by Councillors and co-opted members of Council bodies.

#### 2. Terms of Reference

- 2.1 The terms of reference of the Audit, Standards and Governance Committee are as follows:

To provide independent assurance to the Council in relation to:

- a. The effectiveness of the Council's governance arrangements, risk management framework and internal control environment, including overseeing:
  - Risk management strategies;
  - Anti-fraud arrangements;
  - Whistle-blowing strategies;
  - Internal and external audit activity
  - Democratic Governance

# Agenda Item 5

## PART 13

- b. the effectiveness of the Council's financial and non-financial performance to the extent it affects exposure to risk and poor internal control;
- c. the annual governance statement.
- d. The review of the annual statement of accounts, confirming the appropriate accounting policies have been followed, including the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### Appointment of External Auditors

- e. To arrange the recruitment and operation of the Council's Auditor Panel and to recommend the appointment of external auditors in accordance with the requirements of the Audit and Accountability Act 2014.

### Standards

- f. Promote and maintain high standards of conduct by Councillors and any co-opted members of Council bodies.
- g. Assist Councillors and co-opted members to observe the Members' Code of Conduct.
- h. Advise the Council on the adoption or revision of the Members' Code of Conduct.
- i. Monitor the operation of the Members' Code of Conduct.
- j. Advise, train or arrange to train Councillors and co-opted members on matters relating to the Members' Code of Conduct.
- k. Formulate advice for Members and officers on declarations of gifts and hospitality and monitor and review the arrangements for recording interests, gifts and hospitality.
- l. Grant dispensations to Councillors and co-opted members from requirements relating to interests set out in the Members' Code of Conduct.
- m. For both District and Parish Councils, deal with any report from the Monitoring Officer following an investigation into a complaint concerning the Members' Code of Conduct.
- n. For both District and Parish Councils, consider and determine allegations that a Councillor or co-opted Councillor may have failed to follow the

# Agenda Item 5

## PART 13

Code of Conduct and where a breach of the Code is established, impose sanctions as delegated by full Council or make recommendations as to any sanctions to the appropriate person or body.

- o. Monitor and review the operation of the Protocol on Member-Officer relations.
- p. Monitor and review the operation of the Protocol on Member-Member relations.

2.2 Within those terms of reference, the Audit, Standards and Governance Committee will:

### Audit

- a. agree the annual and strategic audit plans;
- b. review Internal Audit's progress against the audit plan and consider Internal Audit performance measures;
- c. receive and consider a summary of work undertaken by Internal Audit since the last meeting, plus current status;
- d. receive and consider executive summaries of financial process/procedures;
- e. receive and consider executive summaries of Value For Money reports;
- f. receive and consider executive summaries of contract audit reports;
- g. receive and consider executive summaries of any special investigations undertaken by Internal Audit.
- h. receive and consider a chronological summary of Internal Audit reports awaiting departmental response and address any evident problems.
- i. monitor the proportion of key recommendations actioned since the previous meeting.
- j. consider all external audit reports including the Annual Audit Letter.

### Standards

# Agenda Item 5

## PART 13

- k. receive and consider a quarterly report from the Monitoring Officer detailing any Code of Conduct issues which have arisen since the last quarterly report, an update on Member training and any requests for dispensations.
- l. deal with any report from the Monitoring Officer following an investigation into a complaint concerning the Members' Code of Conduct.
- m. through the operation of a Hearings Sub-Committee, consider and determine allegations that a Councillor or co-opted member may have failed to follow the Code of Conduct and where a breach of the Code is established impose sanctions as delegated by Full Council or make recommendations as to any sanctions to the appropriate person or body.
- n. the exercise of k – m above in relation to the Parish Councils in the Council's area and the members of those Parish Councils.

### **3. Composition**

- 3.1 The Audit, Standards and Governance Committee will comprise 11 Councillors. All Councillors except members of the Cabinet may be members of the Audit, Standards and Governance Committee.
- 3.2 The Portfolio Holder with responsibility for finance shall be expected to attend each meeting of the Audit, Standards and Governance Committee. He/she may participate in the meeting but may not vote.

### **4. Co-optees**

- 4.1 The Audit, Standards and Governance Committee shall be entitled to recommend to Council the appointment of a number of people as non-voting co-optees of the Committee.
- 4.2 The Audit, Standards and Governance Committee will include among its membership 2 Parish Representatives, who may not also be District Councillors.

### **5. Chairman**

- 5.1 At its first meeting following the Annual Council Meeting the Audit and, Governance Committee will:
  - a. appoint one of its members as Chairman; and
  - b. appoint one of its members as Vice-Chairman.

# Agenda Item 5

## PART 13

### **6. Meetings of the Audit, Standards and Governance Committee**

- 6.1 There shall be at least 4 ordinary meetings of the Audit, Standards and Governance Committee in each year.
- 6.2 Extraordinary meetings may be called from time to time as and when appropriate.
- 6.3 A meeting of the Audit, Standards and Governance Committee may be called by the Chairman of the Committee, by any 4 members of the Audit, Standards and Governance Committee or by the Chief Executive or Monitoring Officer if he/she considers it necessary or appropriate.
- 6.4 Where a Member of the Audit, Standards and Governance Committee is unable to attend a meeting of the Committee a substitute may attend in his or her place.

### **7. Quorum**

The quorum for a meeting of the Audit, Standards and Governance Committee shall be 5 voting members.

### **8. Attendance of officers at meetings**

- 8.1 The Section 151 Officer or his/her deputy shall be expected to attend each meeting of the Audit, Standards and Governance Committee.
- 8.2 The Monitoring Officer or his/her deputy shall be expected to attend each meeting of the Audit, Standards and Governance Committee.
- 8.3 The Audit Services Manager or his/her deputy shall be expected to attend each meeting of the Audit, Standards and Governance Committee.

### **9. Participation in Meetings**

No member of the Audit, Standards and Governance Committee may be involved in the consideration of a decision in which he/she has been directly involved. If any member of the Audit, Standards and Governance Committee finds that a decision in which he/she has been directly involved is to be considered, he/she shall declare the fact to the Committee and take no part in the discussion and voting in the part of the meeting which relates to that decision.

# Agenda Item 5

## PART 13

### 10. Work Programme

10.1 The Audit, Standards and Governance Committee will be responsible for setting its own work programme and in doing so shall take into account of:

- a. the views of members of the Audit, Standards and Governance Committee who are not members of the largest political group on the Council;
- b. suggestions of matters for consideration made by the Cabinet;
- c. suggestions of matters for consideration made by the Council;
- d. the views of the Auditor Panel regarding the maintenance of an independent relationship with the local auditor appointed to audit the Council's accounts.

### 11. Procedure at Audit, Standards and Governance Committee meetings

The Audit, Standards and Governance Committee shall at each meeting consider the following business:

- a. consideration of the accuracy of the minutes of the last meeting;
- b. declarations of interest;
- c. responses of the Cabinet to reports of the Audit, Standards and Governance Committee; and
- d. matters set out on the agenda for the meeting in accordance with paragraph 12 below.

### 12. Agenda items

12.1 Any member of the Audit, Standards and Governance Committee shall be entitled to give notice to the Section 151 Officer or Monitoring Officer that he/she wishes an item relevant to the functions of the Audit, Standards and Governance Committee to be included on the agenda for the next available meeting of the Committee. On receipt of such a request the Section 151 Officer or Monitoring Officer will ensure that it is included on the next available agenda.

12.2 Where a matter is referred to the Audit, Standards and Governance Committee by the Council, it shall be considered at either the first or second ordinary meeting of the Committee following the referral.

# Agenda Item 5

## PART 13

12.3 The Audit, Standards and Governance Committee shall also respond, as soon as its work programme permits, to requests from the Council or the Cabinet to review particular areas of Council activity. The Audit, Standards and Governance Committee shall report its findings and any recommendations back to Council or Cabinet (as appropriate).

### 13. Investigations and Enquiries

The Audit, Standards and Governance Committee may

- a. hold enquiries and investigate the available options for the future direction of Internal Audit and may appoint advisers and assessors to assist them in this process;
- b. conduct site visits, conduct public surveys, hold public meetings, commission research and do all other things that it reasonably considers necessary to inform the Audit, Standards and Governance Committee in its deliberations;
- c. invite witnesses to attend to address the Audit, Standards and Governance Committee on any matter under consideration;
- d. pay to any advisers, assessors and witnesses a reasonable fee and expenses for doing so, provided that any budget set by the Council each year for such purposes is not exceeded.

### 14. Members and officers giving account

14.1 The Audit, Standards and Governance Committee may review internal control mechanisms and systems that exist in any Council department. As well as reviewing documentation, in fulfilling its terms of reference, it may require any member of the Cabinet, the Chief Executive and/or any senior officer to attend before it to explain in relation to matters within their remit:

- a. any particular decision or series of decisions;
- b. the extent to which the actions taken implement Council policy; and/or
- c. his/her performance

and it is the duty of those persons to attend if so required.

14.2 If any Councillor or officer is required to attend meetings of the Audit, Standards and Governance Committee under this provision, the Councillor or officer will be given reasonable notice in writing of the meeting at which he/she is required to attend. The notice will state the nature of the item on which he/she is required to attend to give account and whether any papers are required to be produced for the Audit, Standards and Governance Committee. Where the account to be given to the Audit, Standards and

# Agenda Item 5

## PART 13

Governance Committee will require the production of a report, then the Councillor or officer concerned will be given sufficient notice to allow for preparation of that documentation

- 14.3 If the Councillor or officer is unable to attend on the required date, the Audit, Standards and Governance Committee shall in consultation with the Councillor or officer arrange an alternative date for attendance.

### **15. Attendance by others**

- 15.1 The Audit, Standards and Governance Committee may invite people other than those people referred to in paragraph 14 above to address it, discuss issues of local concern and/or answer questions. It may for example wish to hear from residents, stakeholders and members and officers in other parts of the public sector and shall invite such people to attend. The person invited will be given reasonable notice and the notice will state the nature of the item on which he/she is invited to attend and whether any papers are requested.
- 15.2 If the Audit, Standards and Governance Committee is to consider a motion referred to it by the Council meeting, the proposer and seconder of the motion shall (if they are not members of the Audit, Standards and Governance Committee) have the right to attend the relevant meeting and to explain the reasons for their motion, although they may not propose, second or vote on recommendations by the Committee which arise from that motion.
- 15.3 If the Audit, Standards and Governance Committee invites a person to address a meeting or to give evidence, the following principles will be observed:
  - a. the investigation will be conducted fairly and all members of the Audit, Standards and Governance Committee will be given the opportunity to ask questions of attendees, and to contribute and speak;
  - b. those assisting the Audit, Standards and Governance Committee by giving evidence will be treated with respect and courtesy; and
  - c. the investigation will be conducted so as to maximise the efficiency of the investigation or analysis.

### **16. Reports from Audit, Standards and Governance Committee**

- 16.1 Once it has formed recommendations on proposals for development, the Audit, Standards and Governance Committee will make its findings public and will report to the Cabinet.

# Agenda Item 5

## PART 13

- 16.2 The Audit, Standards and Governance Committee may report directly to full Council where the Section 151 Officer, the Monitoring Officer and/or Internal Audit Shared Services Manager advises the Audit, Standards and Governance Committee that it is appropriate to do so.
- 16.3 If the Audit, Standards and Governance Committee cannot agree on one single final report to the Council or Cabinet as appropriate, then no more than one minority report may be prepared and submitted for consideration by the Council or Cabinet with the majority report.
- 16.4 The Council or the Cabinet shall consider the report of the Audit, Standards and Governance Committee within two months of it being submitted.

### **17. Consideration of Audit, Standards and Governance Committee Reports by the Cabinet**

The agenda for Cabinet meetings shall include an item at which minutes and/or reports of the Audit, Standards and Governance Committee will be considered. The minutes and/or reports of the Audit, Standards and Governance Committee referred to the Cabinet shall be included at this point in the agenda (unless they have been considered in the context of the Cabinet's deliberations on a substantive item on the agenda).

### **18. The party whip**

The party whip must not be applied at Audit, Standards and Governance Committee meetings.

### **19. Finance.**

The Audit, Standards and Governance Committee may exercise overall responsibility for any finances made available to it.

This page is intentionally left blank

# Agenda Item 6

## BROMSGROVE DISTRICT COUNCIL

**Audit, Standards & Governance Committee    17<sup>th</sup> February 2026**

### **MONITORING OFFICER'S REPORT**

Relevant Portfolio Holder	Councillor K. May
Portfolio Holder Consulted	Yes
Relevant Head of Service	Claire Felton
Report Author Claire Felton	Job Title: Assistant Director of Legal, Democratic and Procurement Services Contact email: <a href="mailto:c.felton@bromsgroveandredditch.gov.uk">c.felton@bromsgroveandredditch.gov.uk</a>
Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Council Priority	Sustainable
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

### **1. RECOMMENDATIONS**

**Members are asked to RESOLVE that:-**

- 1) Subject to Members' comments, the Audit, Standards and Governance Committee is assured regarding the Monitoring Officer's Report.**

### **2. BACKGROUND**

- 2.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Standards and Governance Committee since the last update provided at the meeting of the Committee in November 2025.
- 2.2 It was proposed that from 2025-26 a report of this nature be presented to the Committee on a quarterly basis to ensure that Members are kept updated with any relevant standards matters.
- 2.3 Any further updates arising after publication of this report, including any relevant standards issues raised by Parish Councils, will be reported verbally by Officers at the meeting.

### **Audit, Standards & Governance Committee    17<sup>th</sup> February 2026**

---

#### **3. FINANCIAL IMPLICATIONS**

3.1 There are no financial implications arising out of this report.

#### **4. LEGAL IMPLICATIONS**

4.1 Chapter 7 of Part 1 of the Localism Act 2011 ('the Act') places a requirement on authorities to promote and maintain high standards of conduct by Members and co-opted (with voting rights) Members of an authority. The Act also requires the authority to have in place arrangements under which allegations that either a district or parish councillor has breached his or her Code of Conduct can be investigated, together with arrangements under which decisions on such allegations can be made.

#### **5. COUNCIL PRIORITIES - IMPLICATIONS**

##### **Local Government Reorganisation Implications**

5.1 There are no direct implications for Local Government Reorganisation.

##### **Relevant Council Priorities**

5.2 It is important to ensure that the Council manages standards regime matters in an appropriate manner. The issues detailed in this report help to ensure that the Council is sustainable.

##### **Climate Change Implications**

5.3 There are no specific climate change implications.

#### **6. OTHER IMPLICATIONS**

##### **Equalities and Diversity Implications**

6.1 There are no direct implications arising out of this report. Details of the Council's arrangements for managing standards complaints under the Localism Act 2011 are available on the Council's website and from the Monitoring Officer on request.

# Agenda Item 6

## BROMSGROVE DISTRICT COUNCIL

### **Audit, Standards & Governance Committee    17<sup>th</sup> February 2026**

#### Operational Implications

##### Member Complaints

6.2 Since the last report the complaints received are as follows:

##### Q1 2025

5 Member to Member complaints – All resolved (4 assessed as not conduct matters and 1 resolved informally).  
2 Public -v- Member complaints – All resolved (both assessed as not conduct matters).

##### Q2 2025

5 Member to Member complaints – Resolved informally.  
2 Public -v- Members – Resolved (both assessed as not conduct matters).

##### Q3 2025

3 Public -v- Members – Resolved (all assessed as not conduct matters).

##### New Complaints

2 Public – v – Members - Unresolved

Type of complaint	Unresolved from last meeting	New complaints this period	Resolved this period	Unresolved at date of meeting	Age Analysis		
					2025 Q3 (Oct-Dec)	2025 Q2 (July-Sept)	2025 Q1 (Apr-June)
Member to Member	0	0		0	0	5	5
Public to Member	0	2	0	2	3	2	2
Other complaint 1							
Other complaint 2							
Other complaint 3							
Total	0	2	0	2	3	7	7

##### Constitution Review

6.3 The Constitution Review Working Group (CRWG) is responsible for reviewing the content of the Council's constitution. Any proposed

# Agenda Item 6

## BROMSGROVE DISTRICT COUNCIL

### **Audit, Standards & Governance Committee    17<sup>th</sup> February 2026**

---

changes arising from meetings of the group are reported for the consideration of Council.

- 6.4 At the request of Members the meeting of the CRWG that was scheduled to take place on 29<sup>th</sup> July 2025 was postponed and rescheduled to take place on 16<sup>th</sup> September 2025. During this meeting, Members revisited items that were proposed at a meeting of the group held in July and also discussed matters such as the live streaming of meetings and allowances for Members.

#### Member Development

- 6.5 The Member Development Steering Group (MDSG) is responsible for co-ordinating Member training, induction and ICT support. The group meets throughout the year.
- 6.6 A meeting of the Member Development Steering Group took place on 27<sup>th</sup> January 2026. During this meeting the group discussed training that had been delivered during the 2025/26 municipal year, attendance at training that has been delivered to date and future training requirements for 2026/27. Consideration was also given to the potential for a WhatsApp Policy to be introduced for Members.

#### Member Training

- 6.7 A small number of Member training sessions have been arranged for 2025/26. This reduced number of training sessions has been booked in accordance with arrangements requested by the MDSG. In line with the approach agreed by the MDSG, some of this training is being delivered jointly with Redditch Borough Council, whilst other sessions are bespoke and being delivered to Bromsgrove Members only.
- 6.8 The MDSG has previously requested that the majority of training should be delivered in person. However, Members can opt to attend most training sessions remotely, with the link to the session provided on request. For 2026/27, the MDSG has agreed that the majority of training should be delivered remotely, on the basis that this will be more convenient for Members with work, caring or other commitments. The exceptions to this will be planning and licensing training, where members will be expected to attend the training that is provided in person.

# Agenda Item 6

## BROMSGROVE DISTRICT COUNCIL

### **Audit, Standards & Governance Committee    17<sup>th</sup> February 2026**

---

6.9 The MDSG has requested that Safeguarding training be arranged to be delivered prior to the end of the municipal year. Officers are currently in the process of identifying a date on which this training could be delivered.

#### **7. RISK MANAGEMENT**

7.1 The main risks associated with the details included in this report are:

- Risk of challenge to Council decisions; and
- Risk of complaints about elected Members.

#### **8. APPENDICES and BACKGROUND PAPERS**

No appendices.

Chapter 7 of the Localism Act 2011.

#### **9. REPORT SIGN OFF**

Department	Name and Job Title	Date
Portfolio Holder	Councillor K. May, Leader and Cabinet Member Strategic Partnerships Economic Development and Enabling	6/2/26
Legal Services	Nicola Cummings, Principal Solicitor (Governance)	4/2/26
Lead Director / Head of Service	Claire Felton - Assistant Director of Legal, Democratic and Procurement Services	N/A
Financial Services	N/A	N/A

This page is intentionally left blank

# Agenda Item 8

## BROMSGROVE DISTRICT COUNCIL

### Audit, Governance and Standards Committee

17<sup>th</sup> of February 2026

#### Corporate Risk Update Quarter 3 2025/26

Relevant Portfolio Holder	Councillor Nock
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall, Assistant Director of Finance and Customer Services
Report Author	Job Title: Assistant Director Corporate Services and Transformation Contact: Hannah Corredor email: <a href="mailto:Hannah.corredor@bromsgroveandredditch.gov.uk">Hannah.corredor@bromsgroveandredditch.gov.uk</a>
Wards Affected	All
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	Aspiration, work and financial independence
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

#### **1. SUMMARY**

This report sets out Council activity to identify, monitor and mitigate risk at a corporate level.

#### **2. RECOMMENDATIONS**

**The Audit, Standards and Governance Committee is asked to:**

1. Consider the strategic risks and mitigations detailed in the Corporate Risk Register.
2. Consider the changes to risk scores, owners/lead officers and the removal and/or addition of risks.
3. To confirm that the Committee is assured of the new access capabilities of the Council's 4Risk dashboard system on Power BI, the improvement process that has been underway and to endorse the continuation of this work.

#### **3. KEY ISSUES**

##### Background

3.1 The Corporate Risk Register must continue to ensure that the Council's most significant strategic risks in relation to achievement of corporate priorities and objectives are identified, managed, monitored and reported. The Council have been seeking to improve

# Agenda Item 8

## BROMSGROVE DISTRICT COUNCIL

### Audit, Governance and Standards Committee

17<sup>th</sup> of February 2026

our risk management activities and have undertaken a review of all Corporate risks and our wider system of governance. This has included:

- 3.2.1 **Review:** All Assistant Directors have reviewed their Corporate Risks with their Service Managers. Worcestershire Internal Audit Shared Service were then asked to review and feedback all 14 Corporate Risks. The next steps for this element will be to undertake an audit of operational risks in core areas of the business. This will commence in March be led by the shared Audit service.
- 3.2.2 In addition, it is also proposed that as part of the Prepare phase for Local Government Reorganisation, the Audit conduct an independent review of our risk management system and governance, and Risk Management Strategy. This review will look at how we can strengthen our risk management framework and ensure sound processes are in place throughout the organisation. A refreshed strategy and action plan can consider how our approach may need to adapt with the appointment of Shadow Authorities in 2027.
- 3.2.3 **LGR:** In addition, for LGR a risk register will be developed at a cross-county level for the management of shared risks across all authorities in Worcestershire. This is initially the responsibility of the Finance workstream under the Preparations phase of LGR, attended by our 151 officer and overseen by the Board of Chief Executives. Further updates will be brought when the development of this has commenced.
- 3.2.4 **Access:** It is proposed that the Risk Champion and the Chair of Audit & Governance are enabled to access the risk register through Power BI from February to support strategic oversight. After exploring options, we have built a virtual environment on Power BI that provides members with just this, using the same platform and technology that we are increasingly using across performance. Power BI is a Microsoft technology that is frequently used in all Microsoft suite organisations and is likely to continue to be the self-service business intelligence platform of choice long into the future. The virtual environment has been designed to be intuitive; however, training and support can be provided where required.
- 3.2.5 **Training:** This upcoming financial year, we will also be refreshing our training offer for staff across the Council to be trained directly on our 4Risk system and in good risk management.

#### The Definition of a Corporate Risk

- 3.3 The following definition of how risks move from being “departmental” to being “corporate” in nature was recommended by the CRMOG approved by CLT:

*“For a **Risk** to move from being ‘**departmental**’ in nature to being ‘**corporate**’ in nature it **must have significant impact on Councils finances, be cross departmental in nature, and/or result in serious reputational damage.** The Officer Risk Board will vet departmental risks using this definition to move them to Corporate Risks at their quarterly meetings.”*

#### Corporate Risks

# Agenda Item 8

## BROMSGROVE DISTRICT COUNCIL

### Audit, Governance and Standards Committee

17<sup>th</sup> of February 2026

**3.3** Corporate Risks are summarised in the following table. All risks were reviewed by the Internal Auditor and their feedback has been actioned in the below.

Risk Title	Risk Owner	Risk Lead	Inherent	Residual
Non-Compliance with Health and Safety Legislation	Guy Revans	Hannah Corredor	20	9
Financial Resilience of the Council and ability to manage financial shocks	Julie Lorraine	Debra Goodall	16	6
Protection from Cyber Attack	John Leach	Mark Hanwell	25	16
Adequate Workforce Planning	Hannah Corredor	Becky Talbot	12	9
Resolution of Section 24 Notice	Debra Goodall	Debra Goodall	6	6
Bromsgrove DC Being placed into special measures due to quality of planning application decisions	Ruth Bamford	Dale Birch	9	6
Bromsgrove DC: Delivery of Levelling Up Programme	Rachel Egan	Rebecca McElliott	12	8
Cost of Living Crisis	Judith Willis	Lisa Devey	12	9
Failure to meet waste requirements of the Environment Act 2021	Guy Revans	Simon Parry	16	16
Local Government Reorganisation (LGR) prevents the Council from delivering business as usual & work associated with LGR is also ineffective	John Leach	Hannah Corredor	20	12
The statutory requirement to have a Section 151 officer might not be met	John Leach	Debra Goodall	16	9
Bromsgrove DC being Placed in Special Measure for Speed of Plan Making	Ruth Bamford	Michael Dunphy	12	8
Risk of Terrorist Attack	Judith Willis	Bev Houghton	8	8
Compliance with the Procurement Act 2023	Claire Felton	Claire Green	9	4

**3.5** There have been the following changes since the Q2 report. Committee are also asked to note the changed Lead and Owner names across the risk register due to changes in staffing and roles and responsibilities. As the table below highlights, a number of the existing risks have been revised due to impacts of mitigations in those areas.

# Agenda Item 8

## BROMSGROVE DISTRICT COUNCIL

### Audit, Governance and Standards Committee

17<sup>th</sup> of February 2026

Risk	Reason	Residual risk score
COR0002 Financial Resilience of the Council and ability to manage financial shocks	No material changes. Updated to reflect ongoing governance controls through Audit and Governance Committee.	6 – Low
COR0004 Management of Contracts	<p>Contract management risk was included in the risk register previously in relation to a specific contract; the SLM Leisure Contract. The risk on that contract is now significantly reduced to business as normal due to settlement negotiations nearing conclusion. This risk relating to the one specific contract originally sat with Claire Felton as the previous Head of Property Services. Rachel Egan is now responsible for this area.</p> <p>It should also be noted that the responsibility for contract management more generally sits with every officer across the Councils who utilise contracts in their every -day work.</p>	Closed
COR0006 Protection from Cyber Attack	<p>The content of this risk reflects central government's view of cyber risks to all local authorities in the UK. Whilst we continue to implement improved cyber defences, these will have limited control over a potential state sponsored attack (as evidenced in some of the attacks against other councils and private sector companies). This does not negate the need for us to apply continued mitigation to all threats where possible using technical methods and training our staff and council Members.</p> <p>Some Members have not completed cyber training. They have been reminded to complete this as a matter of urgency. Additional training and support has been made available.</p> <p>Preparing for a cyber-attack against us with business continuity plans that are fully tested, remains a key component to delivering critical services during and after, any attack.</p>	16-High (increased from 12)

# Agenda Item 8

## BROMSGROVE DISTRICT COUNCIL

### Audit, Governance and Standards Committee

17<sup>th</sup> of February 2026

COR0007 Adequate Workforce Planning	This risk now reflects the embedding of workforce planning into our annual Service Business Planning process. The risk rating remains the same but is under close review as the impact of LGR become clearer.	9 – Med
COR0009 Bromsgrove DC Being placed into special measures due to quality of planning application decisions	Monitoring of published statistics shows a slight increase in the rate of decisions overturned on Appeal (rising from 5.6% in June 2025 to 6.2% in December 2025, and where performance above 10% presents the risk of designation). The inherent risk score has been adjusted accordingly, and the risk now appears as Amber. The increase arises because of a falling number of major decisions (as opposed to an increasing number of appeals lost) so efforts to increase the throughput of applications are being refocused. Other mitigations have been enhanced including strengthened checks on decisions and closely tracking appeals. The residual risk remains tolerable.	6 - Low to 9 – Med (Increase)
COR0010 Bromsgrove DC: Delivery of Levelling Up Programme	The risks for the Town Deal (Redditch) and Levelling Up Fund (Bromsgrove) were previously combined as one risk. They have now been separated so that there are separate risks for each Council.	9 – Med
COR0012 New Customer Facing Interface	This risk has been <b>closed</b> because the Project to deliver a single customer portal no longer exists. This is primarily because the data that it would have rendered to the public is not of efficient quality (the authority now has data specialists looking at this problem). Certain business applications either have their own customer portal or are looking to implement one soon.  The priority to deliver LGR, replaced the need to implement a corporate customer portal and the Unitary Authority could replace what was implemented if we had continued.	Closed
COR0013 Failure to meet waste requirements of the Environment Act 2021	Updated to show progress on tender of joint contract between BDC/RBC/WFDC, and expectation that this will not be possible to award due to WFDC making arrangements to withdraw from the process (awaiting Council decision 11/2/26 to confirm).	16-High

# Agenda Item 8

## BROMSGROVE DISTRICT COUNCIL

### Audit, Governance and Standards Committee

17<sup>th</sup> of February 2026

	<p>This is linked to Government decision to incorporate the on-going revenue funding for the new service in the Settlement Award, rather than as a dedicated grant as previously expected. As the overall settlement award has not increased on 2025/26 funding levels, this creates a significant financial shortfall linked to the implementation of new services.</p> <p>BDC are now working up mobilisation options to reflect the reduced level of funding available and give options on how to proceed, noting the feedback that the Council has received from WFDC regarding what was to be a joint procurement exercise.</p> <p>The Council has previously written to DEFRA to ensure they are sighted on the matters faced by the local authority. This dialogue is ongoing. It is noted that some other local authorities have also separately written to DEFRA regarding the circumstances they face regarding implementation.</p> <p>The actions have been updated following any decision by Wyre Forest District Council to not continue with the joint procurement exercise with BDC and RBC. The risk owners and lead have been changed to increase the seniority. The Risk level remains High, noting the statutory implementation date is April 2026.</p>	
COR0014 Local Government Reorganisation (LGR) prevents the Council from delivering business as usual and work associated with LGR is also ineffective	This has been updated to reflect the new phase we have entered, with the Transforming Worcestershire proposal submitted in November 2025 and public consultation launching in February 2026. The new AD Transformation & Corporate Services begun work at the end of 2025. Programme governance for the preparations phase is in place, with monthly meetings of the Chief Executives in place and regular meetings of the key workstreams: HR, IT leads, Monitoring Officers, 151 officers. Residual risk remains the same.	12 – Med New
COR0016 The statutory requirement to have a Section	This is a new risk entry on the corporate Risk Register. Ten mitigations are in place, including appointment of an experienced interim CIPFA qualified Section 151 Officer, live recruitment for a permanent 151, oversight by SLT and	9 – Med New

# Agenda Item 8

## BROMSGROVE DISTRICT COUNCIL

### Audit, Governance and Standards Committee

17<sup>th</sup> of February 2026

151 officer might not be met	enhanced capacity in Finance. The residual risk will remain until a permanent officer is in post.	
COR0017 Bromsgrove DC being Placed in Special Measure for Speed of Plan Making	This is a new risk entry on the corporate Risk Register. The Risk has been assessed as a medium risk at this stage as there is no indication that the Council will be placed in special measures for plan making providing it continues to prepare a Local Plan. There are many challenging elements in plan making both in trying to implement a new plan making system which has yet to be formally introduced, and considering the possible impact Local Government Reorganisation may have on planning. A new timetable for the local plan will need to be prepared once that is in place it will be possible to track progress more accurately on the Local Plan.	8 – Med New

### Service (departmental) Risks

3.6 There are 48 service risks identified on the '4Risk' system; an increase of one since the last period. These are summarised in the following table:

Service Area	Last period	Red following mitigation	Last period	Amber following mitigation	Last period	Green following mitigation	Total number of risks last period	Total number of risks
Customer Services			1	1			1	1
Benefits			1	1	3	3	4	4
Revenues	1	1	2	1	1	2	4	4
Finance			2	2	1	1	3	3
Environmental Services			5	4	1	1	6	5
Leisure & Cultural Svcs			1	1			1	1
Regen. & Property Svcs			3	4	2	2	5	6
ICT			2	2			2	2
Planning			1			1	1	1
Housing			9	9	7	7	16	16
Community Services			1	1	2	3	3	4
HR					1	1	1	1
<b>Total departmental risks</b>	<b>1</b>	<b>1</b>	<b>28</b>	<b>26</b>	<b>18</b>	<b>21</b>	<b>47</b>	<b>48</b>

# Agenda Item 8

## BROMSGROVE DISTRICT COUNCIL

### Audit, Governance and Standards Committee

17<sup>th</sup> of February 2026

#### **4. Legal Implications**

4.1 No Legal implications have been identified.

#### **5. Financial Implications**

5.1 Effective risk identification, and management of those risks, is integral to the delivery of effective and efficient services to residents and businesses. Risk impacts can be both financial and reputational.

5.2 The Council spends significant sums insuring itself and must also hold Reserves to mitigate the costs of risks should they happen. A comprehensive Risk Management approach ensures risk and its consequences, including financial ones, are minimised.

#### **6. Strategic Purpose Implications**

##### **Relevant Strategic Purpose**

6.1 A comprehensive Risk Management approach ensures risk and its consequences is minimised for the Council.

##### **Climate Change Implications**

6.2 The green thread runs through the Council plan. This includes risks linked to activities and actions that link to our climate.

#### **7. Other Implications**

##### **Customer / Equalities and Diversity Implications**

7.1 If risks are not mitigated it can lead to events that could have Customer/Equalities and Diversity implications for the Council.

##### **Operational Implications**

7.2 Risks are inherent in almost all the Councils operational activities and therefore significant risks need to be identified, monitored and mitigated.

##### **Governance implications**

7.3 The Corporate Risk Management Officer Group is chaired by the Council's Senior Information Risk Officer (SIRO) who is the Deputy Chief Executive and Chief Finance Officer. The group is made up of the key heads of service and meet quarterly to review the register. The risk register is reported to both the Senior Leadership Team and the Corporate Leadership Team every three months and/or additionally when a new risk is identified or a risk rating has fundamentally changed.

# Agenda Item 8

## BROMSGROVE DISTRICT COUNCIL

### Audit, Governance and Standards Committee

17<sup>th</sup> of February 2026

#### **8. Risk Management**

8.1 The Corporate Risk Register includes high level risks. Each risk is rated between 1 and 5 as to how likely it is to occur and also between 1 and 5 as to the potential financial and/or reputational impact. The product of these two numbers gives the initial rating. Mitigation is then put in place to help reduce the risk rating.

#### **AUTHOR OF REPORT**

Name: Hannah Corredor, Assistant Director, Corporate Services & Transformation  
E Mail: [hannah.corredor@bromsgroveandredditch.gov.uk](mailto:hannah.corredor@bromsgroveandredditch.gov.uk)

This page is intentionally left blank

## Standard Risk Register (Simplified) – Bromsgrove

00. Corporate Risks						
Reference	Risk Details	Cause and Effect	Inherent Priority	Controls Control Details	Residual Priority	Actions
1271	<p><b>Risk Title:</b> Non Compliance with Health and Safety Legislation</p> <p><b>Risk Owner:</b> Guy Revans</p> <p><b>Risk Lead:</b> Hannah Corredor</p> <p><b>Status:</b> Open</p> <p><b>Risk Appetite:</b></p> <p><b>Risk Category:</b> Strategic Legislative</p> <p><b>Corporate Objective:</b> Well Managed Organisation (Enabler)</p>	<p><b>Cause:</b></p> <ul style="list-style-type: none"> <li>• Consequence of Council action</li> <li>• Negligence by Council</li> <li>• Actions beyond Council control</li> </ul> <p><b>Effect:</b></p> <ul style="list-style-type: none"> <li>• Reputation affected</li> <li>• Legal action against Council</li> <li>• Financial impact</li> </ul>	High (5:4=20)	<p><b>Reference:</b> 2145</p> <p><b>Control Title:</b> Standard Operating Procedures - SOP (H&amp;S etc)</p> <p>Health and Safety Committee meets regularly</p> <p>H &amp; S training for staff</p> <p>Health checks</p> <p>DSE assessment and reporting software</p> <p>First Aid training in place</p> <p>Safeguarding Policy and procedures</p> <p>Risk Assessments</p> <p>Updated inspection policy</p> <p>Regular review of policies</p> <p>Continued updates to Health and Safety Committee</p> <p>Data on intranet</p> <p><b>Owner:</b> Hannah Corredor</p> <p><b>Reference:</b> 2832</p> <p><b>Control Title:</b> Standard Operating Procedures - SOP (H&amp;S etc)</p> <p><b>Owner:</b> Becky Talbot</p> <p><b>Reference:</b> 2833</p> <p><b>Control Title:</b> First Aid training In place</p> <p><b>Owner:</b> Becky Talbot</p> <p><b>Reference:</b> 2834</p> <p><b>Control Title:</b> Inspection policy</p> <p><b>Owner:</b> John Homer</p> <p><b>Reference:</b> 2835</p> <p><b>Control Title:</b> Safeguarding Policy and procedures</p> <p><b>Owner:</b> Judith Willis</p> <p><b>Reference:</b> 2836</p> <p><b>Control Title:</b> Health and Safety Committee meets regularly</p> <p><b>Owner:</b> Guy Revans</p> <p><b>Reference:</b> 2837</p> <p><b>Control Title:</b> H &amp; S training for staff</p> <p><b>Owner:</b> Becky Talbot</p> <p><b>Reference:</b> 2838</p> <p><b>Control Title:</b> Health checks</p> <p><b>Owner:</b> Becky Talbot</p>	Medium e (3:3=9)	<p><b>Reference:</b> 2843</p> <p><b>Action Title:</b> Complete the agreed action plan arising from the internal audit review by December 2026</p> <p><b>Action Owner:</b> Becky Talbot</p> <p><b>Timing:</b> On-Track</p> <p><b>Current Target:</b> 18 Dec 2026</p>

## Standard Risk Register (Simplified) - Bromsgrove

Reference	Risk Details	Cause and Effect	Inherent Priority	Controls Control Details	Residual Priority	Actions
				<p><b>Reference:</b> 2839  <b>Control Title:</b> DSE assessment and reporting software  <b>Owner:</b> Becky Talbot</p> <p><b>Reference:</b> 2840  <b>Control Title:</b> Risk Assessments  <b>Owner:</b> Becky Talbot</p> <p><b>Reference:</b> 2841  <b>Control Title:</b> Regular review of policies  <b>Owner:</b> Becky Talbot</p> <p><b>Reference:</b> 2842  <b>Control Title:</b> Data on intranet  <b>Owner:</b> Becky Talbot</p>		
1272	<p><b>Risk Title:</b> Financial Resilience of the Council and ability to manage financial shocks  <b>Risk Owner:</b> Julie Lorraine  <b>Risk Lead:</b> Debra Goodall  <b>Status:</b> Open  <b>Risk Appetite:</b>  <b>Risk Category:</b> Strategic Legislative  <b>Corporate Objective:</b> Well Managed Organisation (Enabler)</p>	<p><b>Cause:</b> Reduction in central government funding/ business rates  Inflation and energy price volatility raising cost base  Demand growth in housing, homelessness, and welfare support  Limited capacity to generate new income streams  <b>Effect:</b> Failure to maintain a balanced budget  Service reductions or deferral of capital programmes  Potential borrowing  Depletion of reserves and reduced resilience  Adverse audit opinion and reputational damage</p>	High (4:4=16)	<p><b>Reference:</b> 2565  <b>Control Title:</b> • Robust budget-setting process in place  • Developed budget bids for pressures and details of savings proposed using 5 case model  • Data used to evidence need in business cases  • Performance Dashboard in place  • Established "whole-life" or "end to end" approach to assessment of savings proposals  • Enhanced forecasting  • Income Diversification / revised fees and charges  <b>Owner:</b> Debra Goodall</p> <p><b>Reference:</b> 2844  <b>Control Title:</b> Regular reporting to the Audit committee on the delivery of savings and budget management  <b>Owner:</b> Debra Goodall</p>	Low (3:2=6)	<p><b>Reference:</b> 1400  <b>Action Title:</b> • Implementation of Enterprise Resource System to improve functionality of system and access to budget managers  • Improve consistency and timeliness of information to enable decisions to be made in an informed way  • Improve cost recovery information  - Project management framework agreed in July 23 by both Councils and Boards set up for ICT, Workforce and Public Realm, Housing still to be set up.  <b>Action Owner:</b> Debra Goodall  <b>Timing:</b> On-Track  <b>Current Target:</b> 28 Feb 2027</p>

## Standard Risk Register (Simplified) - Bromsgrove

Reference	Risk Details	Cause and Effect	Inherent Priority	Controls Control Details	Residual Priority	Actions
1282	<p><b>Risk Title:</b> Protection from Cyber Attack  <b>Risk Owner:</b> John Leach  <b>Risk Lead:</b> Mark Hanwell  <b>Status:</b> Open  <b>Risk Appetite:</b>  <b>Risk Category:</b> Operational Technological  <b>Corporate Objective:</b> Well Managed Organisation (Enabler)</p>	<p><b>Cause:</b> Councils are under increasing danger of cyber attack which effects service delivery and associated recovery plans. Although the Council has comprehensive cyber protection volume of attacks from 3rd parties mean risk is at its highest despite mitigation factors.</p> <p>It is imperative that the council has plans in place to minimize such an attack</p> <p><b>Effect:</b> - Inability to deliver operational tasks  - Non collection of income  - Non payment to suppliers, staff and customers  - Reputational damage</p>	High (5:5=25)	<p><b>Reference:</b> 2822  <b>Control Title:</b>  Cyber Security Board  <b>Owner:</b> John Leach</p> <p><b>Reference:</b> 2823  <b>Control Title:</b>  Cyber Incident Response Plan  <b>Owner:</b> Guy Revans</p> <p><b>Reference:</b> 2824  <b>Control Title:</b>  ICT Team  <b>Owner:</b> Mark Hanwell</p> <p><b>Reference:</b> 2825  <b>Control Title:</b>  Training  <b>Owner:</b> Hannah Corredor</p>	High (4:4=16)	<p><b>Reference:</b> 1529  <b>Action Title:</b> -Although Council has comprehensive cyber protection volume of attacks from 3rd parties mean risk is at its highest despite mitigation factors.  - New software continuously evaluated for protection/risk.</p> <p><b>Action Owner:</b> Mark Hanwell  <b>Timing:</b> On-Track  <b>Current Target:</b> 31 Dec 2026</p>

## Standard Risk Register (Simplified) - Bromsgrove

Reference	Risk Details	Cause and Effect	Inherent Priority	Controls Control Details	Residual Priority	Actions
1283	<b>Risk Title:</b> Adequate Workforce Planning <b>Risk Owner:</b> Hannah Corredor <b>Risk Lead:</b> Becky Talbot <b>Status:</b> Open <b>Risk Appetite:</b> <b>Risk Category:</b> Operational Professional/ Managerial <b>Corporate Objective:</b> Well Managed Organisation (Enabler)	<b>Cause:</b> - Lack of adequately trained staff to deliver core functions - Over reliance on agency staff - Over reliance on assistance from other councils or bodies <b>Effect:</b> - The council have an available workforce to discharge their services to the public - Increased costs due to premiums placed on staff - Incorrect decisions being made due to staff not understanding services - Lack of succession planning leading to issues in future.	Medium e (4:3=12)	<b>Reference:</b> 2167 <b>Control Title:</b> Workforce planning is now built into the Service Business Planning process. <b>Owner:</b> Hannah Corredor	Medium e (3:3=9)	<b>Reference:</b> 1623 <b>Action Title:</b> There is a Workforce Strategy Action Plan in place, monitoring to continue inline with this action plan. <b>Action Owner:</b> Becky Talbot <b>Timing:</b> On-Track <b>Current Target:</b> 17 Jan 2027
1284	<b>Risk Title:</b> Resolution of Section 24 Notice <b>Risk Owner:</b> Debra Goodall <b>Risk Lead:</b> Debra Goodall <b>Status:</b> Open <b>Risk Appetite:</b> <b>Risk Category:</b> Operational Financial <b>Corporate Objective:</b> Well Managed Organisation (Enabler)	<b>Cause:</b> The Council currently has disclaimed opinions on its accounts and is working to recover assurance over the next few years. <b>Effect:</b> - Incorrect decision making - Commitment of expenditure that is not available - Government censure due to non completion of their requirements - Member stakeholder and Government confidence	Low (3:2=6)	<b>Reference:</b> 2456 <b>Control Title:</b> External Audit reports  Financial recovery process  Reporting to Cabinet/Executive, Audit & Council. <b>Owner:</b> Debra Goodall	Low (3:2=6)	
1285	<b>Risk Title:</b> BROMSGROVE DC Being placed into special measures due to quality of planning application decisions <b>Risk Owner:</b> Ruth Bamford <b>Risk Lead:</b> Dale Birch <b>Status:</b> Open <b>Risk Appetite:</b> <b>Risk Category:</b> Operational Environmental <b>Corporate Objective:</b> Well Managed Organisation (Enabler)	<b>Cause:</b> workload increases, staff turnover. <b>Effect:</b>	Medium e (3:3=9)	<b>Reference:</b> 2820 <b>Control Title:</b> Application processing <b>Owner:</b> Dale Birch  <b>Reference:</b> 2851 <b>Control Title:</b> Dale Birch Notes <b>Owner:</b> Dale Birch	Low (3:2=6)	
1286	<b>Risk Title:</b> BROMSGROVE: Delivery of Levelling Up Programme <b>Risk Owner:</b> Rachel Egan <b>Risk Lead:</b> Rebecca McElliott <b>Status:</b> Open <b>Risk Appetite:</b> <b>Risk Category:</b> Strategic Economic <b>Corporate Objective:</b> Enterprising Community	<b>Cause:</b> - Non delivery of Levelling Up Programmes within Government time scales. - Levelling Up funds need to be spent by 31st March 2027 <b>Effect:</b> - If not spent by due dates, costs of implementation post that date fall on the Council - LUF programme includes Council and LEP funds (TBC) that can be spent beyond March 2027 - Overall these schemes are worth circa 20 mil of grant support, so missing deadlines has large financial impact on the council	Medium e (4:3=12)	<b>Reference:</b> 1933 <b>Control Title:</b> Governance <b>Owner:</b> Rachel Egan	Medium e (4:2=8)	

## Standard Risk Register (Simplified) - Bromsgrove

Reference	Risk Details	Cause and Effect	Inherent Priority	Controls Control Details	Residual Priority	Actions
1288	<p><b>Risk Title:</b> Cost of Living Crisis  <b>Risk Owner:</b> Judith Willis  <b>Risk Lead:</b> Lisa Devey  <b>Status:</b> Open  <b>Risk Appetite:</b>  <b>Risk Category:</b> Operational Financial  <b>Corporate Objective:</b> Well Managed Organisation (Enabler)</p>	<p><b>Cause:</b> - Inadequate funding to live.  - Lack of access to services.  <b>Effect:</b> - Eviction.  - Use of food banks  - Requirement for more council and third party support.</p>	Medium e (4:3=12)	<p><b>Reference:</b> 2009  <b>Control Title:</b> Housing Solutions Advisory Service available to all residents  <b>Owner:</b> Debra Goodall</p> <p><b>Reference:</b> 2766  <b>Control Title:</b> Financial Inclusion team in place to ensure residents maximise potential benefits available  <b>Owner:</b> No User</p> <p><b>Reference:</b> 2767  <b>Control Title:</b> Grant agreement in place with Citizens Advice to support all residents with wide range of financial and legal assistance  <b>Owner:</b> Judith Willis</p> <p><b>Reference:</b> 2768  <b>Control Title:</b> Establishment of a multi agency cost of living group meeting bi-monthly to maximise partnership approach for residents  <b>Owner:</b> Judith Willis</p> <p><b>Reference:</b> 2769  <b>Control Title:</b> Bromsgrove Cost of living initiative with the VCS  <b>Owner:</b> Judith Willis</p>	Medium e (3:3=9)	<p><b>Reference:</b> 2770  <b>Action Title:</b> To continue to monitor the impact of the cost of living initiative in Bromsgrove  <b>Action Owner:</b> Judith Willis  <b>Timing:</b> On-Track  <b>Current Target:</b> 31 Dec 2026</p> <p><b>Reference:</b> 2771  <b>Action Title:</b> Bi-monthly meetings of the cost of living partnership group  <b>Action Owner:</b> Judith Willis  <b>Timing:</b> On-Track  <b>Current Target:</b> 31 Dec 2026</p>

## Standard Risk Register (Simplified) - Bromsgrove

Reference	Risk Details	Cause and Effect	Inherent Priority	Controls Control Details	Residual Priority	Actions
1292	<p><b>Risk Title:</b> Failure to meet waste requirements of the Environment Act 2021</p> <p><b>Risk Owner:</b> Guy Revans</p> <p><b>Risk Lead:</b> Simon Parry</p> <p><b>Status:</b> Open</p> <p><b>Risk Appetite:</b></p> <p><b>Risk Category:</b> Operational Environmental</p> <p><b>Corporate Objective:</b> Clean and Green</p>	<p><b>Cause:</b> New Statutory Requirements for delivery of a dedicated Food Waste Service, and changes to materials requiring collection by both Domestic &amp; Commercial Waste Services.</p> <p><b>Effect:</b> Financial impact on Councils to deliver new services. Primarily increased revenue costs on staff and vehicle operation and maintenance. Offset by Capital funding from Central Government to support assets related to "new burdens". Funding via Extended Producer Responsibilities has been confirmed for 25/6 &amp; 26/7</p>	High (4:4=16)	<p><b>Reference:</b> 2828</p> <p><b>Control Title:</b> Project Board Established</p> <p><b>Owner:</b> Simon Parry</p>	High (4:4=16)	<p><b>Reference:</b> 1370</p> <p><b>Action Title:</b> Report to Councils to provide update and seek approval for procurement of the new food waste service and to work in partnership with Wyre Forest DC. This action is to be updated following any decision by Wyre Forest District Council to not continue with the joint procurement exercise with BDC and RBC.</p> <p><b>Action Owner:</b> Matthew Austin</p> <p><b>Timing:</b> On-Track</p> <p><b>Current Target:</b> 28 Feb 2026</p> <p><b>Reference:</b> 2829</p> <p><b>Action Title:</b> In-House Mobilisation Plan</p> <p><b>Action Owner:</b> Matthew Austin</p> <p><b>Timing:</b> On-Track</p> <p><b>Current Target:</b> 01 Apr 2026</p> <p><b>Reference:</b> 1368</p> <p><b>Action Title:</b> Funding awards from DEFRA being reviewed and challenged where necessary on Capital &amp; Revenue. Also review of EPR payments.</p> <p><b>Action Owner:</b> Matthew Austin</p> <p><b>Timing:</b> On-Track</p> <p><b>Current Target:</b> 30 Nov 2026</p>

## Standard Risk Register (Simplified) - Bromsgrove

Reference	Risk Details	Cause and Effect	Inherent Priority	Controls Control Details	Residual Priority	Actions
1296	<p><b>Risk Title:</b> Local Government Reorganisation (LGR) prevents the Council from delivering business as usual and work associated with LGR is also ineffective</p> <p><b>Risk Owner:</b> John Leach</p> <p><b>Risk Lead:</b> Hannah Corredor</p> <p><b>Status:</b> Open</p> <p><b>Risk Appetite:</b></p> <p><b>Risk Category:</b> Strategic Political</p> <p><b>Corporate Objective:</b> Well Managed Organisation (Enabler)</p>	<p><b>Cause:</b> On the 16th December 2024 the Government announced that second tier local government areas will be changed into unitary authorities.</p> <p>Significant work has taken place with two proposals being submitted to Government by the deadline of 28th November 2025.</p> <p>Vesting day for new unitaries is proposed for April 2028</p> <p><b>Effect:</b> All Councils within Worcestershire will cease to exist.</p> <p>New Unitary authorities will need to be set up including shadow arrangements.</p> <p>Significant work will need to be undertaken to deliver whichever proposal the Government agrees for Worcestershire.</p> <p>An announcement is anticipated before the summer 2026 recess of Parliament.</p>	High (4:5=20)	<p><b>Reference:</b> 2793 <b>Control Title:</b> LGR Board <b>Owner:</b> John Leach</p> <p><b>Reference:</b> 2794 <b>Control Title:</b> An Assistant Director for Corporate Services and Transformation has been appointed with responsibilities relating to LGR transition. <b>Owner:</b> Hannah Corredor</p> <p><b>Reference:</b> 2795 <b>Control Title:</b> Action Plan <b>Owner:</b> John Leach</p> <p><b>Reference:</b> 2796 <b>Control Title:</b> Programme Management Board (PMB) <b>Owner:</b> John Leach</p> <p><b>Reference:</b> 2797 <b>Control Title:</b> Service Business Plans <b>Owner:</b> Hannah Corredor</p> <p><b>Reference:</b> 2798 <b>Control Title:</b> Quarterly Assurance Returns <b>Owner:</b> John Leach</p> <p><b>Reference:</b> 2799 <b>Control Title:</b> Decision Reports <b>Owner:</b> John Leach</p> <p><b>Reference:</b> 2800 <b>Control Title:</b> Updates on LGR <b>Owner:</b> John Leach</p>	Medium e (4:3=12)	

## Standard Risk Register (Simplified) - Bromsgrove

Reference	Risk Details	Cause and Effect	Inherent Priority	Controls Control Details	Residual Priority	Actions
2757	<p><b>Risk Title:</b> The statutory requirement to have a Section 151 officer might not be met</p> <p><b>Risk Owner:</b> John Leach</p> <p><b>Risk Lead:</b> Debra Goodall</p> <p><b>Status:</b> Open</p> <p><b>Risk Appetite:</b> Red</p> <p><b>Risk Category:</b> Strategic Legislative</p> <p><b>Corporate Objective:</b> Well Managed Organisation (Enabler)</p>	<p><b>Cause:</b> The Permanent Section 151 Officer left BDC at the end of October 2025. The Deputy Section 151 Officer took on Section 151 Officer responsibilities and another qualified officer back filled the deputy's position. A recruitment exercise for a permanent Section 151 Officer is being progressed.</p> <p><b>Effect:</b> The impact of not having a Section 151 Officer would mean that the Council would not meet its statutory financial responsibilities as required.</p>	High (4:4=16)	<p><b>Reference:</b> 2801 <b>Control Title:</b> Interim Section 151 Officer <b>Owner:</b> John Leach</p> <p><b>Reference:</b> 2802 <b>Control Title:</b> Deputy S151 Officer <b>Owner:</b> John Leach</p> <p><b>Reference:</b> 2803 <b>Control Title:</b> Additional Resource within the Finance Team <b>Owner:</b> Debra Goodall</p> <p><b>Reference:</b> 2804 <b>Control Title:</b> Technology One Project Team <b>Owner:</b> John Leach</p> <p><b>Reference:</b> 2805 <b>Control Title:</b> Report Monitoring <b>Owner:</b> John Leach</p> <p><b>Reference:</b> 2806 <b>Control Title:</b> Assurance <b>Owner:</b> Debra Goodall</p> <p><b>Reference:</b> 2807 <b>Control Title:</b> Recruitment for a Permanent S151 Officer <b>Owner:</b> John Leach</p> <p><b>Reference:</b> 2808 <b>Control Title:</b> Support to Members <b>Owner:</b> Debra Goodall</p>	Medium e (3:3=9)	

## Standard Risk Register (Simplified) - Bromsgrove

Reference	Risk Details	Cause and Effect	Inherent Priority	Controls Control Details	Residual Priority	Actions
2758	<p><b>Risk Title:</b> Bromsgrove District Council being Placed in Special Measure for Speed of Plan Making</p> <p><b>Risk Owner:</b> Ruth Bamford</p> <p><b>Risk Lead:</b> Michael Dunphy</p> <p><b>Status:</b> Open</p> <p><b>Risk Appetite:</b> Red</p> <p><b>Risk Category:</b> Strategic Legislative</p> <p><b>Corporate Objective:</b> Well Managed Organisation (Enabler)</p>	<p><b>Cause:</b> <b>Effect:</b></p>	Medium e (4:3=12)	<p><b>Reference:</b> 2814</p> <p><b>Control Title:</b> Progress Local plan under the 30 month plan making system.</p> <p><b>Owner:</b> Michael Dunphy</p>	Medium e (4:2=8)	<p><b>Reference:</b> 2818</p> <p><b>Action Title:</b> Publish the formal notice of the intention to start plan making once regulations are in place- the target date is the latest possible date it has to be done by, it is much more likely to be in the spring / summer 2026</p> <p><b>Action Owner:</b> Michael Dunphy</p> <p><b>Timing:</b> On-Track</p> <p><b>Current Target:</b> 31 Dec 2026</p> <p><b>Reference:</b> 2819</p> <p><b>Action Title:</b> Publish gate way once self assessment the target date is the latest possible date it has to be done by, it is much more likely to be in the Autumn 2026</p> <p><b>Action Owner:</b> Michael Dunphy</p> <p><b>Timing:</b> On-Track</p> <p><b>Current Target:</b> 30 Apr 2027</p>

## Standard Risk Register (Simplified) - Bromsgrove

Reference	Risk Details	Cause and Effect	Inherent Priority	Controls Control Details	Residual Priority	Actions
2774	<p><b>Risk Title:</b> Risk of Terrorist Attack  <b>Risk Owner:</b> Judith Willis  <b>Risk Lead:</b> Bev Houghton  <b>Status:</b> Open  <b>Risk Appetite:</b>  <b>Risk Category:</b> Strategic Legislative  <b>Corporate Objective:</b> Safe</p>	<p><b>Cause:</b> Findings from recent terrorist attacks have highlighted the need for strategic engagement with local authorities, and greater focus on the risk to open spaces  <b>Effect:</b> An incident within our local authority area</p>	Medium e (4:2=8)	<p><b>Reference:</b> 2775  <b>Control Title:</b> Implementation of the Action Counters Terrorism (ACT) Action Plan approved by SLT on 1/12/26.  <b>Owner:</b> Judith Willis</p> <p><b>Reference:</b> 2776  <b>Control Title:</b> Senior representative attendance at NPSA Public Authority Information Briefings  <b>Owner:</b> Judith Willis</p> <p><b>Reference:</b> 2777  <b>Control Title:</b> Roll out Prevent training  <b>Owner:</b> Judith Willis</p>	Medium e (4:2=8)	<p><b>Reference:</b> 2780  <b>Action Title:</b> Half yearly monitoring of the ACT Action Plan  <b>Action Owner:</b> Judith Willis  <b>Timing:</b> On-Track  <b>Current Target:</b> 31 Dec 2026</p> <p><b>Reference:</b> 2781  <b>Action Title:</b> Annual report to CLT on national and local intelligence  <b>Action Owner:</b> Judith Willis  <b>Timing:</b> On-Track  <b>Current Target:</b> 31 Dec 2026</p> <p><b>Reference:</b> 2783  <b>Action Title:</b> Prevent training to all Staff and Councillors  <b>Action Owner:</b> Judith Willis  <b>Timing:</b> On-Track  <b>Current Target:</b> 31 Dec 2026</p>
2791	<p><b>Risk Title:</b> Compliance with the Procurement Act 2023  <b>Risk Owner:</b> Claire Felton  <b>Risk Lead:</b> Claire Green  <b>Status:</b> Open  <b>Risk Appetite:</b>  <b>Risk Category:</b> Operational Legal  <b>Corporate Objective:</b> Well Managed Organisation (Enabler)</p>	<p><b>Cause:</b> • Legislative changes introduced by the Procurement Act 2023  • Increased emphasis on transparency, competition, and contract performance reporting.  <b>Effect:</b> • Non compliance may result in legal challenge, reputational damage, and financial penalties.</p>	Medium e (3:3=9)		Low (2:2=4)	

# Agenda Item 8

## RISK MATRIX

5. Major	5 Medium e	10 Medium e	15 Medium e	20 High	25 High
4. Serious	4 Low	8 Medium e	12 Medium e	16 High	20 High
3. Significant	3 Low	6 Low	9 Medium e	12 Medium e	15 Medium e
2. Minor	2 Low	4 Low	6 Low	8 Medium e	10 Medium e
1. Insignificant	1 Low	2 Low	3 Low	4 Low	5 Medium e
Impact					
Likelihood	1. Very Unlikely	2. Unlikely	3. Likely	4. Very Likely	5. Almost Certain

## IMPACT VALUES (INDICATIVE)

	Service Disruption.	Reputation	H&S - Injury	Environmental and Social Impact	Cost
INSIGNIFICANT	Brief disruption of important service area	No interest to local media. Insignificant	No injury	Localised environmental or social impact. Insignificant	Costing less than £1000. 0 - 1 (% of Budget)
MINOR	Significant effect to non-crucial service area; 1 - 2 (Days)	Minor adverse publicity in the local media, no damage to reputation.	Minor injury or discomfort to individual(s).	Short term effect on the environment i.e. noise, fumes etc. no lasting detrimental impact. Minor	Costing less than £5,000 Up to 10% of Budget. 1 - 10 (% of Budget)
SIGNIFICANT	Major effect to an important service area for a short period - Service Disruption 2-3 Days	Some adverse publicity, legal implications. Significant	Severe injury to an individual (s); Severe injury Short term environmental or social impact requiring remedial action. Significant		Costing between £5,000 and £50,000 Up to 25% of Budget. 10 - 25 (% of Budget)
SERIOUS	Loss of an important service area for a period up to 5 days; 3 - 5 (Days)	Long term local reputation damage - National adverse publicity	Major injury to an individual (s)	Long term environmental or social impact. Serious	Costing between £50,000 and £500,000 Up to 50% of Budget. 25 - 50 (% of Budget)

# Agenda Item 8

<b>MAJOR</b>	Major loss of services, Unable to function - Service Disruption 5+ Days 5 - 365 (Days).	Adverse and persistent national media coverage - Severe loss of public confidence. Major	Fatality(s)	Long term detrimental impact on the environment/or community. Major	Costing over £500,000 Up to 75% of Budget. 50 - 75 (% of Budget)
--------------	---	--	-------------	---	--

## LIKELIHOOD VALUES

	Occurrence %:	Probability:
<b>VERY UNLIKELY</b>	0 - 5 (%)	Very low probability / never before.
<b>UNLIKELY</b>	Less than 5-10% chance of occurrence	Has happened rarely/Every 10 years.
<b>LIKELY</b>	10% - 40% chance of occurrence	Only likely to happen 3 or more years.
<b>VERY LIKELY</b>	40% - 75% chance of occurrence	Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered (few times a year).
<b>ALMOST CERTAIN</b>	More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered –daily/weekly/monthly.

## INTERNAL AUDIT PROGRESS REPORT 2025/26

Relevant Portfolio Holder	Councillor S. J. Baxter
Portfolio Holder Consulted	Yes
Relevant Head of Service	Julie Lorraine, S151 Officer
Report Author	Job Title: Head of Internal Audit Shared Service Worcestershire Internal Audit Shared Service Contact email: <a href="mailto:chris.green@worcester.gov.uk">chris.green@worcester.gov.uk</a> Contact Tel: 07542 667712
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	Good Governance & Risk Management underpins all the Strategic Purposes.
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

### **1. RECOMMENDATION**

1.1 **Members are asked to RESOLVE to confirm that they are assured having considered the report.**

### **2. BACKGROUND**

2.1 The purpose of this report is to provide an update of Internal Audit's progress towards meeting its objectives in the audit plan for 2025/26 as approved by the Audit Standards and Governance Committee on 14<sup>th</sup> July 2025.

2.2 The Council has a legal duty to maintain an adequate and effective Internal Audit service. The primary role of Internal Audit is to provide independent assurance that the Council has put in place appropriately designed internal controls to ensure that:

- The Council's assets and interests are safeguarded;
- Reliable records are maintained;
- Council policies, procedures and directives are adhered to; and
- Services are delivered in an efficient, effective and economic manner

- 2.3 The Internal Audit plan for 2025/26 was approved by the Audit, Standards and Governance Committee on 14th July 2025. Progress against delivery of that plan is set out at Appendix 1. There are sufficient resources in place to deliver the rest of the plan in time for the annual Internal Audit opinion.
- 2.4 The Global Internal Audit Standards require that any significant changes to the internal audit plan must be approved by the Audit Committee. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation. There are no proposed amendments to the internal audit plan at this time.

### **3. Financial Implications**

- 3.1 There are no direct financial implications arising out of this report.

### **4. Legal Implications**

- 4.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2024 to “maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control”.

To aid compliance with the regulation, the Global Internal Audit Standards details that “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

### **5. STRATEGIC PURPOSES - IMPLICATIONS**

#### **Relevant Strategic Purpose**

- 5.1 Good governance along with risk management underpin all the Corporate strategic purposes. This report provides an independent assurance over certain aspects of the Council's operations.

#### **Climate Change Implications**

- 5.2 There are no climate change implications arising from this report.

## 6. OTHER IMPLICATIONS

### Equalities and Diversity Implications

6.1 There are no implications arising out of this report.

### Operational Implications

6.2 There are no new operational implications arising from this report.

## 7. RISK MANAGEMENT

The main risks associated with the details included in this report are to:

- Insufficiently complete the planned programme of audit work within the financial year leading to an inability to produce an annual opinion; and,
- Continuous provision of an internal audit service is not maintained.

## 8. APPENDICES and BACKGROUND PAPERS

Appendix 1 ~ Internal Audit Progress Report

This page is intentionally left blank



# **INTERNAL AUDIT PROGRESS REPORT**

## **APPENDIX 1**

Date: February 2026



## 1. Background

- 1.1 The Council is responsible for maintaining or procuring an adequate and effective internal audit function under the Accounts and Audit (England) Regulations 2024.
- 1.2 The Global Internal Audit Standards (the Standards) require the Audit, Governance and Standards Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

## 2. Performance

### 2.1 *Will the Internal Audit Plan be delivered?*

The position at the time of writing this report is as follows:

- 5 assignments are fully completed.
- 1 assignment is at the draft report stage.
- 8 assignments are in progress. Fieldwork is close to completion on 4 of these assignments.

- 2.2 The service is fully resourced. The annual plan was approved later last year, in July. The annual plan was developed later to allow for the development of an internal audit universe and for a comprehensive review of risk and coverage to be undertaken with the Deputy Chief Executive. Adequate resources are in place to deliver the remainder of the Plan and the Annual Internal Audit Opinion for 2025/26. All work has been allocated, and there are no audits which have not yet been started. Progress on individual assignments, including commentary on the results of those which are complete, is set out at pages 7 to 11.



## 2.3 **Performance Indicators**

The service has implemented a suite of indicators which aim to demonstrate and enhance performance. The following performance indicators have been established, and the results will be included in the annual report for 2025/26:

Description	Narrative	Target
Delivery	% of audit days delivered by Year End	90%
Productivity	% of available time spent on productive audit work	85% Actual YTD: 86%
Effectiveness	% of agreed recommendations implemented by the target date	75%
Customer Satisfaction	% of Post Audit Questionnaires which have rated the service as "Very Good" or "Good"	80%

## 2.4 **Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?**

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control, Governance and Risk Management framework for 2025/26.

## 2.5 **Are clients progressing audit recommendations with appropriate urgency?**

At the time of writing there are 26 outstanding internal audit recommendations, which is an increase compared with 22 in September 2025 and 18 in November 2025. The increase is due to the results of recently completed audits. There is 1 overdue High priority action related to the provision of assurance that cyber security awareness training has been completed by all Members. There is also 1 overdue Medium priority action which relates to periodic entitlement reviews for households in receipt of Council Tax Single Person Discount.



### 3. Internal audit opinions and prioritisation of recommendations

3.1 The Auditor's Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

**Table 1 – Assurance Categories**

Opinion	Definition
<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

The prioritisation of recommendations made by Internal Audit is based upon an assessment of the level of risk exposure. The Auditor's Opinion considers the likelihood of corporate/ service objectives not being achieved, and the impact of any failure to achieve objectives. In order that recommendations can be prioritised according to the potential severity of the risk, a traffic light system is used as follows:



**Table 2 - Definition of Priority of Recommendations**

Risk Level	Definition	Matrix																																																							
<b>H</b> (7-9)	<p>Immediate control improvement required.</p> <p>Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.</p>	<p style="text-align: center;"><b>RISK ASSESSMENT MATRIX</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">HIGH</td> <td style="text-align: center;">4</td> <td style="text-align: center;">7</td> <td style="text-align: center;">9</td> </tr> <tr> <td style="text-align: center;">MEDIUM</td> <td style="text-align: center;">2</td> <td style="text-align: center;">5</td> <td style="text-align: center;">8</td> </tr> <tr> <td style="text-align: center;">LOW</td> <td style="text-align: center;">1</td> <td style="text-align: center;">3</td> <td style="text-align: center;">6</td> </tr> <tr> <td></td> <td style="text-align: center;">NOTICEABLE</td> <td style="text-align: center;">SIGNIFICANT</td> <td style="text-align: center;">CRITICAL</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;"><b>IMPACT</b></td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> </tr> <tr> <td></td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> <td style="text-align: center;">6</td> </tr> <tr> <td></td> <td style="text-align: center;">7</td> <td style="text-align: center;">8</td> <td style="text-align: center;">9</td> </tr> <tr> <td></td> <td style="text-align: center;">LOW</td> <td style="text-align: center;">MEDIUM</td> <td style="text-align: center;">HIGH</td> </tr> <tr> <td></td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> </tr> <tr> <td></td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> <td style="text-align: center;">6</td> </tr> <tr> <td></td> <td style="text-align: center;">7</td> <td style="text-align: center;">8</td> <td style="text-align: center;">9</td> </tr> <tr> <td></td> <td style="text-align: center;">LOW</td> <td style="text-align: center;">MEDIUM</td> <td style="text-align: center;">HIGH</td> </tr> </table>				HIGH	4	7	9	MEDIUM	2	5	8	LOW	1	3	6		NOTICEABLE	SIGNIFICANT	CRITICAL			<b>IMPACT</b>			1	2	3		4	5	6		7	8	9		LOW	MEDIUM	HIGH		1	2	3		4	5	6		7	8	9		LOW	MEDIUM	HIGH
HIGH	4	7	9																																																						
MEDIUM	2	5	8																																																						
LOW	1	3	6																																																						
	NOTICEABLE	SIGNIFICANT	CRITICAL																																																						
		<b>IMPACT</b>																																																							
	1	2	3																																																						
	4	5	6																																																						
	7	8	9																																																						
	LOW	MEDIUM	HIGH																																																						
	1	2	3																																																						
	4	5	6																																																						
	7	8	9																																																						
	LOW	MEDIUM	HIGH																																																						
<b>M</b> (4-6)	<p>To be monitored closely and cost-effective controls sought.</p> <p>Other control weaknesses where there are some controls in place but there are issues with parts of the control that need to be addressed by Management within the area of review.</p>																																																								
<b>L</b> (1-3)	<p>To be reviewed regularly and seek low-cost control improvements.</p> <p>Issues of best practise where some improvement can be made.</p>																																																								



## 4. Internal Audit delivery

4.1 As at 23<sup>rd</sup> January 2026 188 productive days had been delivered against the full year plan of 250 days. It is anticipated that the objective of hitting 90% of the full year plan by 31<sup>st</sup> March 2026 will be achieved.

**Table 3 - Summary of Days Delivered for 2025/26**

<b>Summary of Audit Areas</b>	<b>Plan Budget</b>	<b>Days Delivered as at 23/01/2026</b>
Core Financial Systems	72	45
Corporate Work	88	77
Other systems audits	64	42
<b>Sub total</b>	<b>224</b>	<b>164</b>
Support Budgets including reading, audit management meetings, corporate meetings, annual plans, reports and Audit Committee Support.	26	24
<b>Sub total</b>	<b>26</b>	<b>24</b>
<b>Total Audit Days</b>	<b>250</b>	<b>188</b>

The following table shows the status of each assignment in the annual plan, the budget in days, and the anticipated reporting date. This table will also summarise the findings of each of the audits as they are completed. The table is designed to assist members in building up a picture of the assurance being provided during the course of the year.



**Table 4 – Summary of Internal Audit progress and findings, year to date**

<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
General Ledger	Final Report issued	N/A	Limited	<p>There were some areas found to be well managed; in particular:</p> <ul style="list-style-type: none"><li>• Central procedures are reviewed and updated annually.</li><li>• Sample testing showed budgets were uploaded correctly to the general ledger.</li><li>• Sample testing showed closing year end balances were correctly carried forward to the new year.</li><li>• The Finance and Performance quarterly monitoring circulated to the Audit Committees found the budget analysis to be quite detailed and provided reasons for under/overspends.</li></ul> <p>Significant progress has been made since the last internal audit review. However, at the time of the audit control and suspense account reconciliations had not yet been completed for 2024/25, and completion of bank reconciliations is behind schedule for both authorities. The audit also highlighted for half of the tested journal transactions there was no supporting evidence available. These issues were caused by an understandable focus on bringing the statutory accounts up to date and dealing with legacy issues following implementation of a new finance system. Internal Audit will revisit this area in 2026/27.</p>



<b><u>Audit Area</u></b>	<b><u>Status</u></b>	<b><u>Anticipated Reporting Date</u></b>	<b><u>Assurance Rating</u></b>	<b><u>Summary of Findings/ Comments</u></b>
Payroll	Final Report issued	N/A	Substantial	<p>The scope covered the following areas:</p> <ul style="list-style-type: none"><li>• Policies and procedures.</li><li>• Employee training related to pay.</li><li>• Payroll system parameters.</li><li>• Arrangements to reconcile and review the payroll records and the establishment listing.</li><li>• Authorisation and processing of starters, leavers and payroll amendments.</li><li>• Calculation and authorisation of overtime payments.</li><li>• Payments to third parties.</li><li>• Payroll run review and approval.</li></ul> <p>The audit found that controls were well designed, and testing confirmed their operation as expected. The only issue identified related to final authorisation of the payroll run, and management agreed to immediately implement a final sign off by the Deputy s151 Officer.</p>
Contract Management	Work in Progress	March 2026	TBC	
Procurement	Work in Progress	March 2026	TBC	
Creditors/ Accounts Payable	Work in Progress	April 2026	TBC	
Insurance	Work in Progress	March 2026	TBC	Fieldwork is close to completion.



<b><u>Audit Area</u></b>	<b><u>Status</u></b>	<b><u>Anticipated Reporting Date</u></b>	<b><u>Assurance Rating</u></b>	<b><u>Summary of Findings/ Comments</u></b>
Corporate Health & Safety	Final Report issued	N/A	Limited	<p>The objective of this audit was to assess the effectiveness of the corporate health and safety governance, risk management, and compliance controls, with a particular focus on the areas of highest risk which were identified as the authorities' depot sites. The review focused on statutory obligations under health and safety legislation, internal policy adherence, and operational risk mitigation.</p> <p>The audit was requested by Senior Management. It was expected that some significant issues would be identified, but that development of an action plan would help with addressing the areas of greatest risk.</p> <p>The review found the following areas were working well:</p> <ul style="list-style-type: none"><li>• The Senior Health and Safety Advisor is actively contributing towards a positive health and safety culture within both organisations.</li><li>• Where the organisation faced barriers to providing first aider training, officers demonstrated initiative by securing first aider training provided by Rubicon Leisure.</li><li>• Based on questionnaire responses, managers generally feel that they understand their responsibilities regarding health and safety and feel safe raising concerns about unsafe behaviour and/ or conditions.</li><li>• The Joint Health and Safety Committee functions as an appropriate and effective governance control.</li></ul>



<b><u>Audit Area</u></b>	<b><u>Status</u></b>	<b><u>Anticipated Reporting Date</u></b>	<b><u>Assurance Rating</u></b>	<b><u>Summary of Findings/ Comments</u></b>
			Yellow	<p>However, as expected the audit identified a number of significant issues, all of which have been accepted by management with an action plan agreed.</p> <ul style="list-style-type: none"><li>• There was no standardised or corporately driven method for monitoring first aider coverage. Some service areas had no means of ensuring first aiders were trained, present, and providing sufficient coverage.</li><li>• 59% of new starters since September 2023 had not received Health &amp; Safety induction training. Furthermore, there was no standardised means of ensuring role specific health &amp; safety training was provided.</li><li>• A significant number of service areas did not provide health &amp; safety risk assessments as requested by the auditor. We were therefore unable to provide assurance that the assessments had been completed and were of sufficient quality.</li><li>• There was no explicit requirement for associated service areas to be notified of incidents which, while not in their area of responsibility, may be relevant to their operations. This reduces the scope to apply lessons learnt and ensure similar incidents don't recur.</li></ul>
Anti-Fraud, Bribery & Corruption	Work in Progress	March 2026	TBC	Fieldwork is close to completion.
Data Protection/ GDPR	Work in Progress	April 2026	TBC	Work has recommenced. Service management requested that fieldwork be delayed until February 2026, due to a lack of officer availability.



<b><u>Audit Area</u></b>	<b><u>Status</u></b>	<b><u>Anticipated Reporting Date</u></b>	<b><u>Assurance Rating</u></b>	<b><u>Summary of Findings/ Comments</u></b>
Local Government Transparency Code	Final Report issued	N/A	Reasonable	<p>The audit found that the Council publishes its governance information in line with most of the obligations under the Transparency Code 2015. Data is published in Excel and PDF formats, with some simplified data also available directly on the website. Transparency information is easy to navigate, being located within the "Freedom of Information" section on the website. This is supported by a clear set of well-structured subpages that are accessible and user-friendly.</p> <p>Whilst most core requirements are met, full compliance with the Transparency Code is not yet fully achieved. The audit highlighted outdated data in relation to Trade Union Facility Time, Land and Property, and Parking. Data had not been published for Procurement Card expenditure and Fraud. Management action is in progress to address the matters raised.</p>
Environmental Impact Assessments	Draft Report issued	February 2026	TBC	
Safeguarding	Work in Progress	March 2026	TBC	Fieldwork is close to completion.
Assurance Statements of Internal Control	Completed	Not applicable	Not applicable	This work supports the Council in preparing its Annual Governance Statement.



<b><u>Audit Area</u></b>	<b><u>Status</u></b>	<b><u>Anticipated Reporting Date</u></b>	<b><u>Assurance Rating</u></b>	<b><u>Summary of Findings/ Comments</u></b>
Follow up of Recommendations	Work in Progress	March 2026	TBC	Fieldwork is close to completion. At the time of writing there are 29 outstanding internal audit recommendations, of which 1 High risk recommendation is overdue and 1 Medium risk recommendation is overdue.



## 5. Limitations inherent in the work of internal audit

Internal Audit undertakes a programme of work agreed by the Council's senior managers and approved by the Audit Committee subject to the limitations outlined below.

### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work, were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

### ***Internal Control***

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees, management override of controls, and unforeseeable circumstances.

### ***Future Periods***

The assessment of each audit area is relevant to the time that the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

### ***Responsibilities of Management and Internal Auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

This page is intentionally left blank

# Agenda Item 11

## BROMSGROVE DISTRICT COUNCIL

### Audit, Standards and Performance Committee 17<sup>th</sup> February 2026

#### Financial Compliance Report

Relevant Portfolio Holder	Councillor Simon Nock Finance Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
Report Author	Job Title: Assistant Director Finance & Customer Services Contact email: Debra.Goodall@bromsgroveandredditch.gov.uk Contact Tel:
Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Council Priorities	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, Standards and Governance Committee is asked to **RESOLVE** that:

- 1) The Committee are assured regarding the position in relation to the auditing of the 2023/24 and 2024/25 Accounts;
- 2) The Committee are assured in relation to the position for the other financial indicators set out in this report; and
- 3) The Committee are assured in relation to the position on the Financial Stability Plan.

The Audit, Standards and Governance Committee is asked to **RECOMMEND** to Cabinet:

- 4) Any areas of concern within this key compliance report for consideration.

## **2. BACKGROUND**

2.1 From a Governance point of view, the financial framework 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 1<sup>st</sup> June set out the Financial Governance Framework, and associated references to key documentation, that the Council, its Member and Officers work to. These are (in summary):

- **The Budget and Policy Framework Procedure Rules.** These set out: The framework for Cabinet 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.

### Audit, Standards and Performance Committee 17<sup>th</sup> February 2026

These rules set out how decisions can be made, by whom and how they can be challenged.

- **Financial Procedure Rules** which are set out in Part 15 of the Constitution. These “operational policies” run to 36 pages and set out how the organisation financially runs its “day to day” business. A full review of these is being undertaken as part of the Financial Stability Plan, discussed in further detail in a separate section of this report.
- **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 The Accounting Policies that the Council will use in the production of the financial statements are the subject of a report to this Committee.

2.3 One of the legislative reporting requirements the Council had not achieved is the delivery of the 2020/21, 2021/22 and 2022/23 Statement of Accounts which resulted in the issuing of a Section 24 Statement for the Council. Redditch Borough Council (RBC) were also issued with a Section 24 Statement for the same non delivery of these accounts which is understandable given that officers support both Councils via a shared service.

2.4 Following the issuing of the original Section 24 Statements, and a review of why this happened which was undertaken by a Task Group of this Committee, the decision was taken to increase the frequency of Audit Committee meetings to six times a year until the Council rectified the situation. This was revised back to 4 meetings a year at the Audit, Standards and Governance Committee in January 2025.

2.5 The 2025/6 budget was approved at Council on the 19<sup>th</sup> February 2025.

**Legislative Requirements**

2.6 Attached as Appendix A are the key legislative deliverables, which were circulated by the Government for the 2025/26 financial year. The Council has delivered against all of the deadlines to date with the exception of the Whole of Government Accounts Cycle 1 which was due on 29<sup>th</sup> August. The Council has been unable to complete the Whole of Government Accounts for this financial year (in line with a number of other Councils) but will work to complete the return for 2026/27.

2.7 Although the VAT returns are up to date, work continues to provide assurance to HRMC regarding the VAT return submitted in December 2024 covering the three years previous to this. In order to provide additional assurance, the Council has employed an experienced VAT accountant to work alongside our VAT consultants, PS Tax. The Council has also arranged mandatory VAT training for all Finance staff which has now taken place. Training will now be rolled out across the organisation.

2.8 Appendix B reflects a wider set of deliverables (outside the 2025/26 MHCLG Listing). These have now been fully delivered.

### Audit, Standards and Performance Committee 17<sup>th</sup> February 2026

#### **Financial Stability Plan**

2.9 Following the successful completion of the Financial Improvement Plan and the delivery of the Accounts for 2020/21 – 2024/25, the Council has now developed a Financial Stability Plan. This covers a number of areas including; the Tech One system; financial regulations; and structure of the finance team.

#### Tech One system

2.10 A full root and branch review of the Tech One system has taken place relating to the cash receipting functionality. It is likely that some elements of the current system can be fixed through 'patches' whilst other parts may well need a full re-instatement. There is currently a health check underway with Tech 1. The revised implementation will be entered into with the support of Technology One and will include full interaction with end-users and a re-specification based on the feedback from user-acceptance testing. A project team has been set up in the Council with the Assistant Director of Legal and Procurement as the Project Sponsor. A full health check on the remainder of the system is underway, with the detailed exercise planned for April.

#### Stabilisation of the Council's finance service

2.11 The Council is seeking to increase the capacity and resilience of its finance service through a number of ways, including a recruitment campaign and will engage with Members as appropriate. Any immediate pressures are being addressed through a hybrid of a permanent recruitment campaign to resource the service as deemed necessary combined with an urgent need to recruit covering interim staff whilst the permanent team is established. Interim resource has successfully been recruited into a number of key roles within the finance team, and an ongoing review of how this is progressing is taking place.

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

2.12 Following the General Election in July 2024, the previous Minister of State for Housing, Communities and Local Government Jim McMahon OBE MP wrote to Councils noting the significant and unacceptable backlog of unaudited accounts. This situation undermines trust and transparency in the way taxpayers' money is being spent and auditors cannot focus on up-to-date accounts, where assurance is most valuable.

2.13 To tackle the backlog, The Minister laid secondary legislation, and this legislation was approved on the 9<sup>th</sup> September to provide for an initial backstop date of 13 December 2024 for financial years (FYs) up to and including 2022/23 and five subsequent backstop dates: 2015/16 through to 2019/20 had to be signed off by the 30th December 2023.

# Agenda Item 11

## BROMSGROVE DISTRICT COUNCIL

### Audit, Standards and Performance Committee 17<sup>th</sup> February 2026

Financial Year	Backstop date
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

2.14 The Council, as set out at the meeting on the 5<sup>th</sup> December has received “Disclaimer Opinions” for the 2020/21, 2021/22, and 2022/23. The 2023/24 Accounts are currently being audited by Ernst and Young. An update is given in a later section of this report.

2.15 The council’s position on these key Closure deliverables are as follows:

- Closure 2020/21- Reported as per the 5<sup>th</sup> December Audit Committee and Disclaimer Opinion received and approved.
- Closure 2021/22 - Reported as per the 10<sup>th</sup> December Audit Committee and Disclaimer Opinion received and approved.
- Closure 2022/23 - Reported as per the 5<sup>th</sup> December Audit Committee and “Disclaimer Opinion” received and approved.
- Closure 2023/24 - Draft Accounts have been available for public consultation since the 14<sup>th</sup> January. Ernst & Young, the External Auditors, are currently carrying out their audit. However, they are expecting to issue a ‘disclaimer opinion’ for these accounts
- Closure 2024/25– completed by 30<sup>th</sup> June deadline as required for public inspection period.

2.16 As per the requirement of the Draft External Auditors Report 2021/22 and 2022/23 on the 27<sup>th</sup> 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.

2.17 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 2021/22 and 2022/23 Accounts.
- All 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. The Council has met nine of these.

### Audit, Standards and Performance Committee 17<sup>th</sup> February 2026

2.18 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 quarterly to CLT 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.
- Delivery of Financial training detailed in this document will move staff to right level of skills.
- TechOne has been upgraded to version 25B in December 2025.
- Quarterly combined financial and performance monitoring started in the 2022/23 financial year and has continued in 2025/26.
- The 2024/25 and 2025/26 MTFP process has been completed in both Councils. Work for the 2026/27 MTFP process has begun in both Councils.
- Risk workshops are still to be run to assess Risk Appetite of Executive and Audit Committees.
- 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 and an Outturn Report went to July Cabinet. 2025/26 Half Yearly Reports have also been delivered
- To address staffing issues, additional posts have been recruited to as part of the stability programme.

In terms of more specific items:

- More Budget Consultation was addressed in Tranche 1 of the budget through a targeted consultation process which finished in early January 2026.
- Wider savings monitoring is now being undertaken as part of the Quarterly monitoring process.
- Capital and its deliverability has been reviewed as part of the 2026/27 Budget Tranche 2. This has continued as part of the 2026/27 MTFP and the in-year monitoring processes.
- 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.
- Procurement and contract rules have been updated (to reflect changes to legislation in February 2025).
- Performance Indicators have been reviewed and updated following the Strategic Priority setting sessions and the delivery of simplified Business Plans during the summer of 2024. The first updated performance indicators were part of the Q3 monitoring.
- Work has been undertaken to fully review and update our risks.

### Audit, Standards and Performance Committee 17<sup>th</sup> February 2026

2.19 It was confirmed by the PSAA that Ernst and Young would become the Council's External Auditors on the 24<sup>th</sup> October. The onboarding process has now completed and Ernst and Young have completed auditing 2023/24 Statement of Accounts. They have confirmed that they expect these to be fully disclaimed.

2.20 In terms of the 2024/5 Closure position, the draft accounts were ready for Public Consultation at the end of June 2025 as per existing Government legislation. The Public Consultation end date was Thursday 7 August 2025. Auditing of these accounts is expected to be close to the Government backstop date of 27 February 2026. These accounts are expected to be fully disclaimed.

#### **Update On 2025/26 Budget**

2.21 The Council's 2025/26 Budget was approved on the 19<sup>th</sup> February 2025 at Council. Budgets were loaded onto TechOne in July.

2.22 Quarter One 2025/6 Financial and Performance monitoring reports went to Cabinet in September. Quarter Two has now been produced and went to Cabinet in November. Quarter Three has been produced and is expected to go to Cabinet in March 2026.

#### **Compliance Items**

2.23 In their meeting in January 2024, Members requested further training to ensure they were informed in their decision making in this committee. Two sessions have been held in May and July 2024 and a further session was held on the Accounts in July 2025.

2.24 There are a number of areas where compliance is now being measured going forwards. Compliance to process and timetable is a key underlying theme of the Draft External Audit Report 2020/21 and the Combined 2021/22 & 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.

#### **Training:**

- 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. This will be reviewed again as part of the Financial Stability Plan.
- Mandatory Financial Awareness Training for managers took place in August and September 2024. It is planned that this training will take place again in Summer 2026.
- Payments Purchase Order Training takes place monthly.
- Mandatory Purchase Order Retraining is now taking place annually.
- Mandatory VAT training for all finance staff took place in November 2025.

New tranches of training are being organised regularly.

# Agenda Item 11

## BROMSGROVE DISTRICT COUNCIL

### Audit, Standards and Performance Committee 17<sup>th</sup> February 2026

#### **Treasury Management**

- The 2023/4 Outturn Report was approved by Cabinet in September (Council in October).
- The 2025/6 Strategies were approved by Council on the 19<sup>th</sup> February 2025.
- The Q1,Q2 and Q3 2024/5 positions have been reported in the Finance and Performance Reports. The Outturn report will be reported to Council in September.
- The 2024/25 Outturn Report was presented to Council in September 2025.
- The Q1 2025/26 position has been reported to Council in September 2025.
- The Q2 2025/26 position was reported to Council in December 2025.

#### **Errors:**

- Non delivery of GPC Card Data (monthly basis) – – now being completed on a monthly basis
- Miscoding on TechOne per month – by Service Area –mCoding is now being cleared on a monthly basis. Previous years have been reconciled in most areas.

#### **Procurement:**

- The new 'No Compliance No Order' process has been live since April 2023.
- We have now got to the place where the number of orders coming to procurement for approval where contracts are not in place are minimal and SLT are now putting in place measures to stop these going forward.
- Council in February 2024 approved an increase of the Key Decision Level from £50k to £200k. The 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 Redditch over this period that relate to Bromsgrove Services.

2.25 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. This ongoing work will be picked up as part of the Financial Stability Plan

#### **Summary**

2.26 This report sets out the policies (local and national) that underpins the Council finances and the key deliverables. The 2020/21 to 2023/24 draft Accounts have now been submitted for Public Inspection and Audit and the report sets out the Plan for the delivery of other years accounts. This report is now up to date as at the end of December 2025 and 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.

### Audit, Standards and Performance Committee 17<sup>th</sup> February 2026

#### **3. FINANCIAL IMPLICATIONS**

3.1 This paper sets out the financial frameworks within which the Council works. The Closure of accounts process and the associated audit process confirms the overall financial position of the Council

#### **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 District 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 and 2024/25 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 and part of this Committees remit to scrutinise. The closure of the four years accounts up to 2023/24 and submission of an audit opinion up to 2022/23 is key to ensuring there is external validation to the Councils overall financial position.

7.2 The Impact of the government imposed "backstop position", which has led to "disclaimer opinions here and also at numerous other Councils is still to be understood and remains a significant risk, especially as the Council now has three of these Opinions.

# Agenda Item 11

## BROMSGROVE DISTRICT COUNCIL

### Audit, Standards and Performance Committee 17<sup>th</sup> February 2026

7.3 Deliver of financial data to government is important in their allocation of resources process. It is key that the Council deliver this information to timetable and the required standards.

#### **8. BACKGROUND PAPERS**

Interim Auditors Annual Report on Bromsgrove District Council 2021/22 & 2/22/23 – Audit Standards and Governance Committee November 2023, Council December 2023.

Section 24 Report to Audit and Council – November/December 2022.

Accounting Policies Report – March, July, September and November 2023, January, March, May, July, September and December 2024, January 2025 – Audit, Standards and Governance Committee

Finance Recovery Report – July 2023, October 2023, September 2024 – Cabinet Programme Management Office Requirements – June 2023 – Cabinet Approvals to Spend Report - July 2023 – Cabinet

#### **9. Appendices**

Appendix A – DLUHC Deliverables timetable

Appendix B – Timetable of other deliverables

## BROMSGROVE DISTRICT COUNCIL

### **Appendix A Audit, Standards and Performance Committee 17<sup>th</sup> February 2026**

Return	Council	Return Type	Code	Description	Period End	Submission Deadline	Completed?
Revenue Account Budget	BDC/RBC	GVT	RA	Local authority revenue expenditure and financing for 2025-26 Budget	2025-26	04-Apr-25	Complete
Quarterly Borrowing & Lending - Quarter 4	BDC/RBC	GVT	QB4	Local authority borrowing and investments from all local authorities to the end of Q4 2024-25	Q4 2024-25	07-Apr-25	Complete
Capital payments & receipts Q4 and provisional outturn	BDC/RBC	GVT	CPR4	Cumulative capital expenditure and receipts for Q1, Q2, Q3, and Q4 2024-25. Expanded collection, used as provisional outturn.	Y/E 2024-25	25-Apr-25	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	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	31-Apr-2025	08-May-25	Complete
Council Tax & NDR Collection - Quarter 4	BDC/RBC	GVT	QRC4	Annual data of levels of council tax and non-domestic rates collected by local authorities in 2024-25; and receipts collected in Q4 and local council tax support claimants at the end of Q4	Q4 2024-25	09-May-25	Complete
Non Domestic Rates Outturn- unaudited	BDC/RBC	GVT	NNDR3	Collects information from all billing authority on the amount of non-domestic rates collected in 2024-25- provisional data	Prov'n Outturn 2024-25	31-May-25	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	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	31-May-25	06-Jun-25	Complete
Exit payments	BDC/RBC	GVT	exit	Local authority exit payments, 2024-25	Y/E 2024-25	06-Jun-25	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	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	30-Jun-25	07-Jul-25	Complete
Quarterly Borrowing & Lending - Quarter 1	BDC/RBC	GVT	QB1	Local authority borrowing and investments from all local authorities to the end of Q1 2025-26	Q1 2025-26	07-Jul-25	Complete
Council Tax & NDR Collection - Quarter 1	BDC/RBC	GVT	QRC1	Quarterly return of how much council tax and non-domestic rates are collected in Q1 2025-26; Number of local council tax support claimants at the end of Q1 2025-26	Q1 2025-26	11-Jul-25	Complete
Revenue Outturn suite - provisional	BDC/RBC	GVT	RO	Local authority revenue expenditure and financing, 2024-25 Outturn (first release)	Prov'n Outturn 2024-25	25-Jul-25	Complete
Capital Payments & Receipts - Quarter 1	BDC/RBC	GVT	CPR1	Cumulative capital expenditure and receipts for Q1 2025-26	Q1 2025-26	25-Jul-25	Complete
Quarterly Revenue Update - Quarter 1	BDC/RBC	GVT	QRU1	Q1 2025-26 data and forecast end year local authority revenue expenditure update	Q1 2025-26	01-Aug-25	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	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	31-Jul-25	07-Aug-25	Complete
Capital Outturn Return	BDC/RBC	GVT	COR	Final capital outturn figures for 2024-25	Outturn 2024-25	22-Aug-25	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	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	31-Aug-25	05-Sep-25	Complete
Local Government Pension Funds	BDC/RBC	GVT	SF3	Collect information on income and expenditure on local government pension schemes for 2024-25	Outturn 2024-25	12-Sep-25	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	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	30-Sep-25	07-Oct-25	Complete
Quarterly Borrowing & Lending - Quarter 2	BDC/RBC	GVT	QB2	Local authority borrowing and investments from all local authorities to the end of Q2 2025-26	Q2 2025-26	07-Oct-25	Complete
Revenue Outturn suite - certified	BDC/RBC	GVT	RO	Local authority revenue expenditure and financing, 2024-25 Outturn (second release)	Certified Outturn 2024-25	10-Oct-25	Complete
Council Tax Base/ Supplementary	BDC/RBC	GVT	CTB	Information about the 2025 council tax base for each billing authority.	2025	10-Oct-25	Complete
Council Tax & NDR Collection - Quarter 2	BDC/RBC	GVT	QRC2	Quarterly return of how much council tax and non-domestic rates are collected in Q2 2025-26; Number of local council tax support claimants at the end of Q2 2025-26	Q2 2025-26	10-Oct-25	Complete

## BROMSGROVE DISTRICT COUNCIL

### **Appendix A Audit, Standards and Performance Committee 17<sup>th</sup> February 2026**

Return	Council	Return Type	Code	Description	Period End	Submission Deadline	Completed?
Quarterly Revenue Update - Quarter 2	BDC/RBC	GVT	QRU2	Quarter 1 & 2 2025-26 data and forecast end year local authority revenue expenditure update	Q2 2025-26	17-Oct-25	Complete
Capital Payments & Receipts - Quarter 2	BDC/RBC	GVT	CPR2	Cumulative capital expenditure and receipts for Q1 and Q2 2025-26	Q2 2025-26	24-Oct-25	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	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	31-Oct-25	07-Nov-25	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	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	30-Nov-25	05-Dec-25	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	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	31-Dec-25	08-Jan-26	Complete
Quarterly Borrowing & Lending - Quarter 3	BDC/RBC	GVT	QB3	Local authority borrowing and investments from all local authorities to the end of Q3 2025-26	Q3 2025-26	08-Jan-26	Complete
Council Tax & NDR Collection - Quarter 3	BDC/RBC	GVT	QRC3	Quarterly return of how much council tax and non-domestic rates are collected in Q3 2025-26; Number of local council tax support claimants at the end of Q3 2025-26	Q3 2025-26	16-Jan-26	
Capital Payments & Receipts - Quarter 3	BDC/RBC	GVT	CPR3	Cumulative capital expenditure and receipts for Q1, Q2 and Q3 2025-26	Q3 2025-26	23-Jan-26	
Quarterly Revenue Update - Quarters 3 & 4	BDC/RBC	GVT	QRU3	Quarter 1 to 3 2025-26 data and forecast end year local authority revenue expenditure update.	Q3 2025-26	23-Jan-26	
Non Domestic Rates Forecast	BDC/RBC	GVT	NNDR1	Billing authority forecasts of the amount of non-domestic rates to be collected in the 2026-27	2026-27 Forecast	31-Jan-26	
Monthly Borrowing & Lending	BDC/RBC	GVT	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	31-Jan-26	06-Feb-26	
Monthly Borrowing & Lending	BDC/RBC	GVT	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	28-Feb-26	06-Mar-26	
Council Tax Requirement/ Parish Council Tax	BDC/RBC	GVT	CTR1/2/3/4	Information on council tax levels set by local authorities in 2026-27. Council tax levels for 2026-27 set by parishes	2026-27 Forecast	11-Mar-26	
of which: Parish council tax	BDC/RBC	GVT	-	Information on council tax levels set by parish and town councils in 2026-27. This data is collected on the CTR1 form but published later		11-Mar-26	
Capital Estimates Return	BDC/RBC	GVT	CER	Capital forecast for 2026-27	2026-27 Forecast	27-Mar-26	
Revenue Account Budget	BDC/RBC	GVT	RA	Local authority revenue expenditure and financing for 2026-27 Budget	2026-27 Forecast	03-Apr-26	
Monthly Borrowing & Lending	BDC/RBC	GVT	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	31-Mar-26	07-Apr-26	

### Audit, Standards and Performance Committee 17<sup>th</sup> February 2026

#### Appendix B – Calendar of Financial Requirements

##### **Budget**

- **2025/6 Budget and MTFP delivered 19<sup>th</sup> Feb 2025.**
- Council Tax Base – Yearly – **2026/27 delivered on 7<sup>th</sup> January 2026**
- Council Tax Resolution – **Yearly 2025/26 delivered on 19<sup>th</sup> February 2025**
- Council Tax Billing – Yearly (2 weeks before 1<sup>st</sup> DD is due to be taken) – **Bills distributed in March 2025**
- **Policies**
  - Treasury and Asset Management Strategies
    - **24/25 Outturn delivered July 25**
    - **25/26 Strategy – delivered as part of the MTFP on the 19th Feb 2025.**
  - 2026/27 Council Tax Support Scheme **approved on 21st January 2026.**
  - Minimum Revenue Provision – yearly – **delivered as part of the MTFP on the 19th Feb 2025.**
- Financial Monitoring – **2024/5 Q1 Finance and Performance Report delivered to Cabinet Sept 24. Q2 on 10<sup>th</sup> Dec 24, Q3 on 26<sup>th</sup> March 2025, Outturn in July 2025, Q1 2025/26 Sept 2025, Q2 2025/26 Nov 2025**
- Risk Management – **Q1 2024/5 delivered July 2024, Q2 in Dec 24, Q3 in March 25, Outturn in July 2025, Q1 2025/26 Sept 2025, Q2 2025/26 Nov 2025**
  - **Savings Report – 23/4 Outturn Report delivered in May 2024, Q1 24/5 in Sept 24, Q2 in Dec 24, Q3 in March 25, Q4 in July 25 onwards. NOW PART OF QUARTERLY MONITORING**
- Over £500 spending.
  - **Updated to December 2025**

The following deliverables, prior to December 2023 are still to be delivered:

- Government Returns
  - Whole of Government Accounts Returns
    - **No longer required for previous years. Outstanding for Cycle 1 2024/25.**
  - VAT – Monthly
    - **discussions ongoing with HMRC since mid-summer 2024 with final versions provided to get transactions up to date on the 19<sup>th</sup> December 2024. Monthly returns are now being submitted from December 2024**

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

### Capital Strategy 2026/27 Including Treasury Management Strategy

Relevant Portfolio Holder		Councillor Simon Nock – Finance Portfolio Holder
Portfolio Holder Consulted		Yes
Relevant Head of Service		Debra Goodall
Report Author	Job Title: Assistant Director Finance & Customer Services Contact email: Debra.goodall@bromsgroveandredditch.gov.uk Contact Tel:	
Wards Affected		All
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, Standards and Governance Committee is asked to RECOMMEND TO COUNCIL that:

- i) the Capital Strategy be approved as an appropriate overarching strategy for the Council;
- ii) the Treasury Management Strategy for 2026/27 and the associated Minimum Revenue Provision (MRP) policy be approved; and
- iii) the Investment Strategy be approved.

### **2. BACKGROUND**

2.1 The report for 2026/27 combines an overview of how capital expenditure, capital financing, treasury and other investment activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The strategies set limits and indicators that embody the risk management approach that the Council believes to be prudent. The strategies are set against the mid-term financial strategy, the context of the UK economy and projected interest rates.

2.2 The Council are required to set a balanced operating budget. The role of the treasury function is to manage cash flow within the authority so that the demands of expenditure can be met. The policies included in this report set out the criteria in which the Council can manage its Treasury management function.

2.3 The CIPFA Code of Practice for Treasury Management in Public services (the CIPFA TM Code) and the Prudential Code require local

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT, STANDARDS and GOVERNANCE COMMITTEE**

**17<sup>th</sup> FEB 2026**

authorities to set the Treasury Management Strategy Statement (TMSS) and Prudential Indicators each financial year. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance. In addition, the Council has to receive a report on treasury management, and this is reported on a quarterly basis which is included within the Quarterly Monitoring Report.

2.4 CIPFA has defined Treasury Management as:

"the management of the organisation's investments, cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.5 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Council's approved Treasury Management Practices and include:

- Liquidity Risk (Adequate cash resources)
- Market or Interest Rate Risk (Fluctuations in the value of investments)
- Inflation Risks (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risks (Impact of debt maturing in future years)
- Legal & Regulatory Risk (Compliance with statutory and regulatory requirements)

2.6 The guidance requires investment strategies to comment on the use of treasury management consultants and on the investment of money borrowed in advance of spending needs.

2.7 In formulating the Treasury Management Strategy and the setting of the Prudential Indicators, the Council adopts the Treasury Management Framework and Policy recommended by CIPFA.

2.8 The Council has closed its 2020/21, 2021/22, 2022/23 Accounts and the 2023/24 and 2024/25 accounts are currently being audited by the Council's auditor, Ernst & Young with the expectation these will be signed off in line with the Governments "backstop requirements". However, like many other Councils, "Disclaimer Opinions" have been received for 2020/21 through to 2022/23 as per the "backstop requirements" and are expected to be issued for 2023/24 and 2024/25 and the implications of these opinions are still not clear. The Strategies will be updated, if required, once the Accounts have been closed and approved.

#### **3. LEGAL IMPLICATIONS**

3.1 This is a statutory report under the Local Government Act 2003.

#### **4. STRATEGIC PURPOSES - IMPLICATIONS**

##### **Relevant Strategic Purpose**

4.1 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**

4.2 The green thread runs through the Council Plan. This includes the Capital and Treasury Management Strategies.

#### **5. OTHER IMPLICATIONS**

##### **Equalities and Diversity Implications**

5.1 There are no direct equalities implications arising as a result of this report.

##### **Operational Implications**

5.2 None as a direct result of this report, service requirements which form the Capital Programme are the base data for this report.

#### **6. RISK MANAGEMENT**

6.1 Failure to manage the Treasury Management function effectively to ensure the delivery of maximum return within a secure environment. Controls in place to mitigate these risks are as follows:

- Regular monitoring of the status of the organisations we invest with
- Daily monitoring by internal officers of banking arrangements and cash flow implications.

#### **7. APPENDICES and BACKGROUND PAPERS**

Appendix A – Capital Strategy 2026/27

Appendix B – Treasury Management Strategy 2026/27

Appendix C – Minimum Revenue Provision Statement 2026/27

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

**AUDIT, STANDARDS and GOVERNANCE COMMITTEE**

**17<sup>th</sup> FEB 2026**

Appendix D – Investment Strategy 2026/27

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

**AUDIT, STANDARDS and GOVERNANCE COMMITTEE**

**17<sup>th</sup> FEB 2026**

### **9. REPORT SIGN OFF**

<b>Department</b>	<b>Name and Job Title</b>	<b>Date</b>
Portfolio Holder	Clr Nock	
Lead Director / Assistant Director	Debra Goodall	
Financial Services	Debra Goodall	
Legal Services	Claire Felton	
Policy Team (if equalities implications apply)		
Climate Change Officer (if climate change implications apply)		

#### **APPENDIX A - BDC Capital Strategy Report 2026/27**

##### **Introduction**

- 1.1 This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

##### **Capital Expenditure and Financing**

- 1.3 Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
- 1.4 In 2026/27, the Authority is planning capital expenditure of £7.7m as summarised below:

*Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions*

	2024/25 actual	2025/26 forecast	2026/27 budget *	2027/28 budget	2028/29 budget
General Fund services	3.4	4.2	4.7	2.3	2.1
Regeneration	0.5	1.9	3.0	0.2	0.2
<b>TOTAL</b>	<b>3.9</b>	<b>6.1</b>	<b>7.7</b>	<b>2.5</b>	<b>2.3</b>

The Council is still to finalise work required for the adoption of IFRS16 linking to the accounting for leases which must be implemented by the 2025/26 financial year.

- 1.5 Following a change in the Prudential Code, the Authority no longer incurs capital expenditure on investments.
- 1.6 **Governance:** Service managers bid annually in January to include projects in the Authority's capital programme. Bids are collated by corporate finance who calculate the financing cost (which can be nil if

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

the project is fully externally financed). The Audit Standards and Governance Committee and then the Cabinet appraises all bids based on a comparison of strategic priorities against financing costs and makes recommendations to Council. The final capital programme is then presented to Cabinet in February and to Council in February each year.

- For full details of the Authority's capital programme, including the project appraisals undertaken, see Tranche 2 of the 2026/27 Medium Term Financial Plan.
- 1.7 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

*Table 2: Capital financing in £ millions*

	2024/25 actual	2025/26 forecast	2026/27 budget *	2027/28 budget	2028/29 budget
External sources	0.9	2.7	3.4	0.8	0.8
Own Resources	3.0	3.4	4.3	1.7	1.5
Debt	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>3.9</b>	<b>6.1</b>	<b>7.7</b>	<b>2.5</b>	<b>2.3</b>

- 1.8 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned [MRP / repayments] and use of capital receipts are as follows:

*Table 3: Replacement of prior years' debt finance in £ millions*

	2024/25 actual	2025/26 forecast	2026/27 budget *	2027/28 budget	2028/29 budget
Minimum revenue provision	0.8	1.2	1.2	1.3	1.4
Capital Receipts	0.9	0.0	0.0	0.0	0.0

- The Authority's full minimum revenue provision statement is available within the body of this report.
- 1.9 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

by £7.7m during 2026/27. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

*Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions*

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 budget	31.3.2028 budget	31.3.2029 budget
General Fund & Regeneration	31.2	37.3	45.0	47.5	49.8
<b>TOTAL CFR</b>	<b>31.2</b>	<b>37.3</b>	<b>45.0</b>	<b>47.5</b>	<b>49.8</b>

1.10 **Asset management:** To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy in place. Within this strategy, individual properties and associated land will be further evaluated to determine:

- The operational necessity and benefit.
- Projected costs of ensuring all elements of the buildings continue to meet legislative requirements and performance standards.
- Planned and cyclical maintenance costs for elements nearing the end of their 'life' expectancy, ensuring service provision is maintained without unnecessary interruption. Costs associated with meeting future EPC rating minimum requirements.
- Rent levels (and net costs for each building) and revised leases.
- Alternative or rationalised portfolio or joint enterprises for service delivery.

By evaluation of all factors cited above, informed decisions can be made to determine which assets are:

- No longer cost effective to run, where outlay exceeds earning potential
- No longer viable for effective service delivery
- Surplus to requirements

Asset considerations will be presented to Cabinet on a half yearly basis for approval for disposal, unless there is an urgent requirement for a decision.

1.11 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Authority is currently also permitted to spend capital receipts "flexibly" on service transformation projects until

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

2029/30 although nothing is presently planned. Repayments of capital grants, loans and investments also generate capital receipts. The Authority plans to receive £0m of capital receipts in the coming financial year as follows:

*Table 5: Capital receipts receivable in £ millions*

	2024/25 actual	2025/26 forecast	2026/27 budget *	2027/28 budget	2028/29 budget
Asset sales	0.9	0.0	0.0	0.0	0.0
Loans etc repaid	0.0	0.0	0.0	0.0	0.0

### Treasury Management

- 1.12 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 1.13 Due to decisions taken in the past, the Authority currently has no external long term (over 1 year) borrowing and £14.5m treasury investments at an average rate of 4.9%.
- 1.14 **Borrowing strategy:** The Authority's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 1.15 The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.
- 1.16 Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below, compared with the capital financing requirement (see above).

*Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions*

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 budget	31.3.2028 budget	31.3.2029 budget
General Fund (incl. PFI & leases)	3.9	6.1	7.7	2.5	2.3
Capital Financing Requirement	31.2	37.3	45.0	47.5	49.8

1.17 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Authority expects to comply with this in the medium term.

1.18 **Liability benchmark:** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £2m at each year-end. This benchmark is currently £5.69m and is not forecast to rise over the next three years.

*Table 7: Borrowing and the Liability Benchmark in £ millions*

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 budget	31.3.2028 budget	31.3.2029 budget
Forecast Outstanding borrowing – GF	0.0	0.0	0.0	0.0	0.0
Liability benchmark	5.69	5.69	5.69	5.69	5.69

1.19 The table shows that the Authority expects to remain borrowed below its liability benchmark. This is because cash outflows to date have been below the assumptions made when the loans were borrowed.

1.20 **Affordable borrowing limit:** The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

*Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £m*

	2025/26 limit £m	2026/27 limit £m	2027/28 limit £m	2028/29 limit £m
Authorised limit – borrowing	60	60	60	60
Authorised limit – PFI and leases	1	1	1	1
Authorised limit – total external debt	61	61	61	61

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

Operational boundary – borrowing	55	55	55	55
Operational boundary – PFI and leases	1	1	1	1
Operational boundary – total external debt	56	56	56	56

1.21 **Treasury investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

1.22 The Authority's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.

*Table 9: Treasury management investments in £millions*

	2024/25 actual	2025/26 forecast	2026/27 budget *	2027/28 budget	2028/29 budget
Near-term investments	4.2	4.5	4.5	4.5	4.5
Long-term investments	0	0	0	0	0
<b>TOTAL</b>	<b>4.2</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>

➤ Further details on treasury investments are in the Treasury Management Strategy part of this appendix.

1.23 **Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

- The treasury management prudential indicators are in the treasury management strategy which are part of these appendices.

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

1.24 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to Cabinet. The Audit, Standards and Governance Committee is responsible for scrutinising treasury management decisions.

#### Investments for Service Purposes

1.25 The Authority makes investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth, and the Authority's subsidiaries that provide services to stakeholders. Total investments for service purposes are currently valued at £0m.

1.26 **Risk management:** In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs. A limit of £2.5m is placed on total investments for service purposes to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services.

1.27 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. The relevant service director and the Director of Finance are responsible for ensuring that adequate due diligence is carried out before investment is made.

Further details on service investments are in the Treasury Management Strategy.

#### Liabilities

1.28 The Authority is committed to making future payments to cover its pension fund deficit (which is in surplus as per the 2022 Triennial revaluation and the backlog will be cleared in 2037). It has also set aside £0.975m for Business Rates appeals.

1.29 **Governance:** Decisions on incurring new discretionary liabilities are taken by Heads of Service in consultation with the Director of Finance.

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

The risk of liabilities crystallising and requiring payment is monitored by the corporate finance team and reported biannually to Cabinet. New liabilities exceeding £0.5m are reported to full council for approval/notification as appropriate.

#### Revenue Budget Implications

1.30 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

*Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream*

	2024/25 actual	2025/26 forecast	2026/27 budget *	2027/28 budget	2028/29 budget
Financing costs (£m)	0.8	1.2	1.2	1.3	1.4
Proportion of net revenue stream	11.40%	11.50%	11.50%	11.50%	11.60%

1.31 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because of the Medium-Term Financial Plan (MTFP) forecasts which show that the Council is financially sustainable over that period.

#### Knowledge and Skills

1.32 The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Finance and Head of Service are qualified accountants with significant experience. The Authority pays for junior staff to study towards relevant professional qualifications including CIPFA and AAT.

1.33 Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers and Bruton Knowles as property consultants. This approach is more cost effective than employing such staff directly and

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

**AUDIT, STANDARDS and GOVERNANCE COMMITTEE**      **17<sup>th</sup> FEB 2026**

ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.

- Further details on staff training can be found in the HR Employee Development section of the website.

## **APPENDIX B - BDC Treasury Management Strategy Statement 2026/27**

### Introduction

- 2.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 2.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 2.3 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

### External Context

#### **Economic background:**

- 2.4 The impact on the UK from the government's Autumn Budget will influence the Authority's treasury management strategy for 2026/27. Other influences will include lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and ongoing geopolitical issues.
- 2.5 The Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 4.00% in November 2025, following a 0.25% cut in August. At the November meeting, five members, including the Governor's deciding vote, supported holding rates steady, while four favoured a further reduction to 3.75%.
- 2.6 The accompanying Monetary Policy Report projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

- 2.7 CPI inflation was 3.8% in September 2025, unchanged from the previous two months and below the 4.0% expected. Core CPI eased to 3.5% from 3.6%, contrary to forecasts of a rise to 3.7%. The Bank of England's November Monetary Policy Report projects inflation to fall from this level - expected to mark the peak - to 3.2% by March 2026, before steadily returning to the 2% target by late 2026 or early 2027.
- 2.8 The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to September 2025, the unemployment rate increased to 5.0%, while the employment rate slipped to 75.0% and the inactivity rate held at 21.0%. Pay growth for the same period eased modestly, with total earnings (including bonuses) rising by 4.8% and regular pay up 4.6%. Going forward, the Bank predicts the unemployment rate will increase modestly to around 5.0% by around the end of 2025 before trending downwards at a gradual pace over the rest of the time horizon.
- 2.9 The US Federal Reserve also continued to cut rates, most recently reducing the target range for the Federal Funds Rate by 0.25% at its October 2025 meeting, to 3.75%-4.00%, in line with expectations. Financial markets anticipate a further 0.25% cut in December, although Chair Jerome Powell has cautioned that this is not guaranteed, signalling the Fed may pause before any additional easing. A factor influencing a potential pause is the ongoing government shutdown, which has delayed the publication of several important data releases used to inform monetary policy decisions.
- 2.10 The European Central Bank (ECB) kept its key interest rates unchanged in October for a third consecutive month, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB reiterated that future policy decisions will remain data-dependent, noting that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.
- 2.11 **Credit outlook:** Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly in October, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.
- 2.12 While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on (the authority's treasury management advisor) Arlingclose's counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

continuous review and will continue to reflect prevailing economic and credit conditions.

2.13 **Interest rate forecast (December 2025):** Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate through 2025 and 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications.

2.14 Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

2.15 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

2.16 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 3.8%, and that new long-term loans will be borrowed at an average rate of 4.4%.

#### Local Context

2.17 On 20<sup>th</sup> January 2026, the Authority had no borrowing and £5.5m of treasury investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.25 Actual £m	31.3.26 Estimate £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m
Capital financing requirement	31.2	37.3	45	47.5	49.8
Less: External borrowing **	0	0	0	0	0
<b>Internal borrowing</b>	<b>31.2</b>	<b>37.3</b>	<b>45</b>	<b>47.5</b>	<b>49.8</b>
Less: Usable Reserves	-11.3	-11.2	-11.2	-10.0	-9.0
Less: Working Capital	-3.1	-3.1	-3.1	-3.1	-3.1
<b>Treasury investments</b>	<b>-16.8</b>	<b>-23.0</b>	<b>-30.7</b>	<b>-34.4</b>	<b>-37.7</b>

\*\* shows only loans to which the Authority is committed and excludes optional refinancing

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

2.18 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

2.19 The Authority has an increasing CFR due to the capital programme, but minimal investments but will be funding the programme through internal borrowing.

2.20 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2026/27.

2.21 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £0.2m at each year-end to maintain sufficient liquidity but minimise credit risk.

2.22 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31.3.25 Actual £m	31.3.26 Estimate £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m
Loans CFR	31.2	37.3	45	47.5	49.8
Less: Usable Reserves	-11.3	-11.2	-11.2	-10.0	-9.0
Less: Working Capital	-3.1	-3.1	-3.1	-3.1	-3.1
<b>Net loans requirement</b>	<b>16.8</b>	<b>23.0</b>	<b>30.7</b>	<b>34.4</b>	<b>37.7</b>
Plus: Liquidity allowance	0.2	0.2	0.2	0.2	0.2
<b>Liability benchmark</b>	<b>17.0</b>	<b>23.2</b>	<b>30.9</b>	<b>34.6</b>	<b>37.9</b>

2.23 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £2m average a year, minimum revenue provision on new capital expenditure based on a 25-year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year.

#### **Borrowing Strategy**

2.24 The Authority currently holds £0 million of loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £0m in 2026/27. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £60 million.

2.25 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

2.26 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates have fallen over the past year and are expected to fall a little further and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the limit set in the treasury management prudential indicators, see below.

2.27 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

2.28 The Authority has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

2.29 In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

2.30 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formerly known as UK Infrastructure Bank Ltd)
- any institution approved for investments (see below)
- any other bank, building society or insurance company authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Local Government Pension Scheme)
- capital market bond investors

2.31 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

2.32 **Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

2.33 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

#### Treasury Investment Strategy

2.35 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £1 and £14.5 million, and similar levels are expected to be maintained in the forthcoming year.

2.36 **Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

2.37 **Strategy:** As demonstrated by the liability benchmark above, the Authority expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.

2.38 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Authority may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

2.39 **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

2.40 **Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

2.41 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

*Table 3: Treasury investment counterparties and limits*

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3m 5 years	£3m 20 years	£3m 50 years	£3m 20 years	£1m 20 years
AA+	£3m 5 years	£3m 10 years	£3m 25 years	£3m 10 years	£1m 10 years

AA	£3m 4 years	£3m 5 years	£3m 15 years	£3m 5 years	£1m 10 years
AA-	£3m 3 years	£3m 4 years	£3m 10 years	£3m 4 years	£1m 10 years
A+	£3m 2 years	£3m 3 years	£3m 5 years	£3m 3 years	£1m 5 years
A	£3m 13 months	£3m 2 years	£3m 5 years	£3m 2 years	£1m 5 years
A-	£3m 6 months	£3m 13 months	£3m 5 years	£3m 13 months	£1m 5 years
None	£1.5m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years
<b>Pooled funds and real estate investment trusts</b>		£2.5m per fund or trust			

2.42 **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

2.43 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £500,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

2.44 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years. The counterparty limit for loans to local authorities will be increased to an unlimited amount where (a) the government has announced that this authority will merge with the borrowing authority and (b) the loan is scheduled to be repaid after the expected date of the merger.

2.45 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. A higher limit applies for investments fully secured on UK or other-government collateral.

2.46 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

2.47 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

2.48 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

2.49 **Strategic pooled funds:** Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

2.50 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

2.51 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

2.52 **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2.0m per bank. The Bank of

England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

2.53 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

2.54 **Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

2.55 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

2.56 **Investment limits:** The Authority's revenue reserves available to cover investment losses are forecast to be £11.2 million on 31<sup>st</sup> March 2025 and £10 million on 31<sup>st</sup> March 2026. In order that no more than 42% of available reserves will be put at risk in the case of a single default, the

maximum that will be lent unsecured to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

- 2.57 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £2m in operational bank accounts count against the relevant investment limits.
- 2.58 Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

	Cash limit
Any single organisation, except the UK Central Government	£5m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£5m per country
Registered providers and registered social landlords	£2.5m in total
Unsecured investments with building societies	£2.5m in total
Loans to unrated corporates	£1m in total
Money market funds	£20m in total
Real estate investment trusts	£2.5m in total

- 2.59 **Liquidity management:** The Authority uses detailed spreadsheets to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.
- 2.60 The Authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

#### Treasury Management Prudential Indicators

- 2.61 The Authority measures and manages its exposures to treasury management risks using the following indicators.
- 2.62 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

Credit risk indicator	Target
Portfolio average credit [rating / score]	A-

2.63 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£2.5m

2.64 **Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£500,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£500,000

2.65 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

2.66 **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	0%

2.67 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment

2.68 **Long-term treasury management investments:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2025/26	2026/27	2027/28	No fixed date
Limit on principal invested beyond year end	£1.0m	£0.5m	£0m	£0m

2.69 Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money

market funds and bank accounts with no fixed maturity date as these are considered short-term.

#### Related Matters

- 2.70 The CIPFA Code requires the Authority to include the following in its treasury management strategy.
- 2.71 **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 2.72 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 2.73 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 2.74 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 2.75 **Markets in Financial Instruments Directive:** The Authority has retained retail client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a smaller range of services but with the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Director of Finance believes this to be the most appropriate status.

#### Financial Implications

- 2.76 The budget for investment income in 2026/27 is £100k based on an average investment portfolio of £4.5 million at an interest rate of 3.6%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.
- 2.77 Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

budget, e.g. from cheap short-term borrowing, then 50% of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years.

#### Other Options Considered

2.78 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance, having consulted the Cabinet Member for Finance and Enabling, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

#### Appendix A – Arlingclose Economic & Interest Rate Forecast – December 2025

##### **Underlying assumptions:**

- The Budget signalled further fiscal (tax/spend) tightening across this parliament. Most tax changes take effect from 2028, while welfare and spending start from April 2026. Taken together, the timing of these announcements means the fiscal stance is likely to be slightly looser than expected for the next two years (with increased government spending), before tightening sharply from 2028 (with large tax rises).
- Despite the near-term looser fiscal stance, the new policies add little support for activity in 2026. Even before the Budget, economic data was pointing to a slower growth outlook. Meanwhile, disinflation has been evident and planned government actions on train fares and energy bills will also dampen inflation next year.
- The close vote in November to keep Bank Rate at 4% reflected pre-Budget uncertainty. With no major growth or inflation boosts in the Budget, a cut to 3.75% in December continues to look highly likely.
- Inflation fell to 3.6% in October. Business surveys point to weaker pricing power and household inflation expectations are easing, although they remain high. Wage growth is moderating amid rising unemployment and overall activity is flat. Confidence has been hit by the run-up to the Budget and a strong rebound seems improbable in the near term.
- Weak growth and softer inflation strengthen the case for dovish MPC members to push for further Bank Rate cuts, while undermining arguments of more hawkish members. There will still be questions over whether Government can deliver the fiscal tightening it set out, given a history of U-turns, and timing ahead of the next General Election. The December meeting will offer a clearer view of how divided the MPC really is.
- Risks to the growth and inflation outlook lie to the downside, which if crystallised may ultimately deliver lower Bank Rate than our central case.
- Lower inflation expectations and a tighter fiscal stance have helped bring down gilt yields, especially at the long end. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

##### **Forecast:**

- Following the 2025 Budget, we continue to forecast a 0.25% Bank Rate cut in December to 3.75%.

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will be eased to stimulate activity ahead of incoming fiscal tightening post-2028.
- Arlingclose now expects Bank Rate to be cut to 3.25% by Q2 2026, with risks weighted to the downside.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility and global uncertainty. These issues may not be resolved quickly, and we expect yields to remain higher than would normally be consistent with Bank Rate expectations.
- However, the lower path for Bank Rate maintains the downside risks to Arlingclose's gilt yield forecasts.

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Central Case</b>	<b>4.00</b>	<b>3.75</b>	<b>3.50</b>	<b>3.25</b>									
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Central Case</b>	<b>3.90</b>	<b>3.65</b>	<b>3.50</b>	<b>3.40</b>	<b>3.35</b>								
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>4.92</b>	<b>3.90</b>	<b>3.85</b>	<b>3.80</b>	<b>3.75</b>	<b>3.80</b>	<b>3.80</b>						
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>10yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>4.48</b>	<b>4.40</b>	<b>4.35</b>	<b>4.30</b>	<b>4.25</b>	<b>4.30</b>	<b>4.30</b>						
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>20yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>5.13</b>	<b>4.90</b>	<b>4.85</b>	<b>4.80</b>	<b>4.75</b>	<b>4.80</b>	<b>4.80</b>						
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>50yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>4.73</b>	<b>4.50</b>	<b>4.50</b>	<b>4.45</b>	<b>4.50</b>	<b>4.50</b>							
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

### Appendix B – Existing Investment & Debt Portfolio Position

	20/01/2026 Actual Portfolio £m	20/01/2026 Average Rate %
<b>External borrowing:</b>	0	0
<b>Total external borrowing</b>	<b>0</b>	<b>0</b>
<b>Treasury investments:</b>		
Banks, MMF & building societies (unsecured)	5.5	4.1
Government (incl. local authorities)	0.0	0
<b>Total treasury investments</b>	<b>5.5</b>	<b>4.1</b>
<b>Net Investments</b>	<b>5.5</b>	

#### **APPENDIX C – BDC Annual Minimum Revenue Provision Statement 2026/27**

- 3.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in April 2024.
- 3.2 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
- 3.3 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.
- 3.4 MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Expenditure in Local Authorities*, 2021 edition.
  - For unsupported capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate of 4%, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
  - For assets acquired by leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
  - Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

- For capital expenditure on loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.
- There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.
- Where the council makes a capital contribution or loan to another entity or where responsibility for a council asset with borrowing attached is transferred to a third party, then no MRP will be set aside if:
  - the payments are appropriately covered by assets
  - there are detailed plans demonstrating that all the expenditure will be recovered in an appropriately short time frame
- To ensure that this remains a prudent approach the Council will review the expenditure and income regularly to determine if the income or asset values have decreased to the point that MRP needs to be provided for. Should evidence emerge which suggests the expenditure will no longer be recovered, MRP will be provided for.
- Where the council uses internal borrowing and receipts of rental income are greater than the MRP calculated then as there are sufficient revenues to repay the capital cost, no MRP will be set aside.

#### 3.5 Capital loans

- For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

- For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.
- For capital loans made on or after 7<sup>th</sup> May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- For capital loans made before 7<sup>th</sup> May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

3.6 Capital expenditure incurred during 2026/27 will not be subject to a MRP charge until 2027/28 or later.

3.7 Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31<sup>st</sup> March 2026, the budget for MRP has been set as follows:

	31.03.2026 Estimated CFR £m	2026/27 Estimated MRP £m
Capital expenditure before 01.04.2008		
Supported capital expenditure after 31.03.2008		
Unsupported capital expenditure after 31.03.2008	37.3	1.18
Leases and Private Finance Initiative		
Transferred debt		
Loans to other bodies repaid in instalments		
Voluntary overpayment (or use of prior year overpayments)		
<b>Total General Fund</b>	<b>37.3</b>	<b>1.18</b>

3.8 **Capital receipts**

Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT, STANDARDS and GOVERNANCE COMMITTEE**

**17<sup>th</sup> FEB 2026**

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.

Any other capital receipts applied to repay debt will be used to reduce MRP in 10 equal instalments starting in the year after receipt is applied.

#### **APPENDIX D - BDC Investment Strategy Report 2026/27**

##### **Introduction**

4.1 The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

4.2 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

4.3 The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

##### **Treasury Management Investments**

4.4 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £1m and £15m during the 2026/27 financial year.

4.5 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

4.6 **Further details:** Full details of the Authority's policies and its plan for 2026/27 for treasury management investments are covered in a separate document, the treasury management strategy, which is part of these appendices.

#### Service Investments: Loans

4.7 **Contribution:** The Council will lend money to its subsidiaries, local businesses, local charities and housing associations to support local public services and stimulate local economic growth.

4.8 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

*Table 1: Loans for service purposes in £ millions*

Category of borrower	31.3.2025 actual			2026/27
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit £m
Subsidiaries	0	0	0	1.0
Local businesses	0	0	0	0.5
Local charities	0	0	0	0.5
Housing associations	0	0	0	1.0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3.0</b>

4.9 Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

4.10 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by using specialist advice to understand the market and the potential future demands of the market and the customers in it. It will also use benchmarking data from the market to determine future potential risks which need to be planned for. External advice is only sought from credible sources e.g. acknowledged

experts in their fields and officers ensure that they fully understand any information given to them before decision or advice is taken.

#### Commercial Investments: Property

4.11 **Contribution:** The Authority invests via Regeneration schemes such as Levelling Up Fundings via the Government in property with the intention of making a profit that will be spent on local public services. Levelling Up funding in being invested in regenerating the Market Hall site and clearing the existing Fire Station site for future regeneration.

Table 2: Property held for investment purposes in £ millions

Property [type]	Actual	31.3.2025 actual		31.3.2026 expected	
	Purchase cost	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
N/A	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

4.12 **Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

4.13 *Where value in accounts is at or above purchase cost:* A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2025/26-year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

4.14 *Where value in accounts is below purchase cost:* The fair value of the Authority's investment property portfolio is no longer sufficient to provide security against loss, and the Authority is therefore taking mitigating actions to protect the capital invested.

4.15 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by involving specialist advisors with expertise in the type of property being purchased, looking at historic data and speaking to other councils undertaking similar activities.

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

4.16 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council ensures that properties purchased are in an active market where there is demonstrable demand to ensure that the authority does not purchase assets which it will not be able to sell on at a later date.

### Loan Commitments and Financial Guarantees

4.17 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.

### Proportionality

4.18 The Council does not plan to become dependent on profit generating investment activity to achieve a balanced revenue budget.

### Borrowing in Advance of Need

4.19 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council would only not follow this guidance if interest rate forecasts and treasury advisor guidance set out that it was more cost effective, **in terms of significantly reduced debt interest charges**, for the Council to borrow for the **approved 3-year capital programme** at a point of time rather than when that expenditure is taking place over that 3-year period. It is unlikely that this will happen however the option should not be closed off. Funds would be invested. The Council's policies in investing the money borrowed, including management of the risks, would be as per normal short term Treasury Investments.

### Capacity, Skills and Culture

4.20 **Elected members and statutory officers:** Member training will take place annually as part of the induction process. External advisors will provide reports to support investment decisions with officers ensuring

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

that they fully understand them and can relate them to the strategic objectives and risk profile of the Council.

4.21 **Commercial deals:** Significant work has been undertaken using external advisors and relevant training courses have been attended to ensure that officers are fully aware of the code and statutory requirements of a local authority which is investing.

KPMG have developed a modelling tool for the Council to use when assessing potential purchases as a precursor to engaging with external consultants to ensure that potential purchases are likely to make sense from the perspective of the authority before incurring advisor costs. However, following an internal review of the policy, it has been decided that the Council may wish to make purchases which do not make a financial return or may indeed make a loss in the short term. On these occasions a business case will be developed which specifies the non-financial benefits of the investment. These are likely to be regenerative schemes for the greater good of the area with an intended long-term impact. The regenerative and redevelopment benefits which will flow from the investment will be taken into account in the development of the business case, so if the net investment yield falls below 0.75% it can still proceed if these benefits are deemed to outweigh the lower than target yield.

4.22 **Corporate governance:** when investment decisions are to be made, they are to be led by the Council's Director of Finance in consultation with the Corporate Management Team. They will assess the potential investment opportunity using the KPMG finance appraisal model and should they decide it presents a strong opportunity for the Council and complies with the relevant criteria a conditional offer can be made. A business case will then be developed and presented ensuring that once greater detail is included, it makes a satisfactory income yield and/or economic redevelopment and regeneration impact. When the business case is completed, if it is still compliant with the Council criteria, it will be presented to Cabinet for approval before purchase is completed. Once a purchase has been made the Director of Finance will provide quarterly reports in line with financial and monitoring reports on the status of the investment.

### Investment Indicators

4.23 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS and GOVERNANCE COMMITTEE

17<sup>th</sup> FEB 2026

4.24 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third-party loans.

*Table 3: Total investment exposure in £millions*

Total investment exposure	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast
Treasury management investments	4.2	5.2	5.9
Service investments: Loans	0	0	0
Commercial investments: Property	0	0	0
<b>TOTAL INVESTMENTS</b>	<b>4.2</b>	<b>5.2</b>	<b>5.9</b>
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
<b>TOTAL EXPOSURE</b>	<b>0</b>	<b>0</b>	<b>0</b>

4.25 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

*Table 4: Investments funded by borrowing in £millions*

Investments funded by borrowing	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	0
<b>TOTAL FUNDED BY BORROWING</b>	<b>0</b>	<b>0</b>	<b>0</b>

4.26 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

*Table 5: Investment rate of return (net of all costs)*

# Agenda Item 12

## BROMSGROVE DISTRICT COUNCIL

**AUDIT, STANDARDS and GOVERNANCE COMMITTEE**

**17<sup>th</sup> FEB 2026**

<b>Investments net rate of return</b>	<b>2024/25 Actual</b>	<b>2025/26 Forecast</b>	<b>2026/27 Forecast</b>
Treasury management investments	1.1	1.2	1.4
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	0
<b>ALL INVESTMENTS</b>	<b>1.1</b>	<b>1.2</b>	<b>1.4</b>

# Agenda Item 13

## BROMSGROVE DISTRICT COUNCIL

**Audit, Standards & Governance**

**17<sup>th</sup> February 2026**

### Accounting Policies 2025/26

Relevant Portfolio Holder	Councillor Nock – Portfolio Holder for Finance and Governance
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
Report Authors	Assistant Director of Finance and Customer Services Debra.Goodall@bromsgroveandredditch.gov.uk
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Council Priorities	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 allow Members of the Audit Committee to consider and approve the accounting policies applied in the production of the 2025/26 financial statements.

#### **2. RECOMMENDATIONS**

**The Audit, Standards and Governance Committee is asked to RESOLVE that:**

**1) The Committee is assured in respect of the 2025/26 accounting policies.**

**The Audit, Standards and Governance Committee is asked to RECOMMEND:**

**2) Any areas of concern relating to the accounting policies for the consideration of Cabinet.**

#### **3. BACKGROUND**

3.1 It is considered good practice for Members to be given the opportunity to discuss and comment upon the Accounting Policies used each year in the production of the financial statements. The Accounting Policies will be applied to the treatment of transactions that make up the Statement of Accounts 2025/26 to ensure that the accounts provide a “true and fair view” of the position of the Council at 31 March 2026.

- 3.2 The Statement of Accounts 2025/26 will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) based on International Financial Reporting Standards. There are no changes introduced by the 2025/26 Code that require amendment to the Council's Accounting Policies, and they remain in substance the same as those used for the production of the 2024/25 financial statements.
- 3.3 In respect of the financial statements for 2026/27 onwards, a report will be presented to the Audit Committee prior to the preparation of those statements, seeking Members' approval of the Accounting Policies to be applied.

#### **4. IMPLICATIONS**

##### **Legal Implications**

- 4.1 None arising directly from this report.

##### **Service / Operational Implications**

- 4.2 None arising directly from this report.

##### **Customer / Equalities and Diversity Implications**

- 4.3 None arising directly from this report.

#### **5. APPENDICES**

Proposed Accounting Policies 2025/26

#### **6. BACKGROUND PAPERS**

None.

#### **AUTHOR OF REPORT**

# Agenda Item 13

## BROMSGROVE DISTRICT COUNCIL

**Audit, Standards & Governance**

**17<sup>th</sup> February 2026**

Name: Debra Goodall – Assistant Director of Finance and Customer Services  
(Deputy S151)

E Mail: [Debra.Goodall@bromsgroveandredditchbc.gov.uk](mailto:Debra.Goodall@bromsgroveandredditchbc.gov.uk)

## APPENDIX A ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The statements are prepared on a general principle of a going concern and that the functions and services provided by the Council will continue to operate for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, supported by the International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### Summary of Significant Accounting Policies

#### i) Revenue and Expenditure Recognition

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer and is measured at the amount of the transaction price allocated to that performance obligation. Where income is received for a specific performance obligation that is to be satisfied in the following year, that income is deferred.
- Income from the sale of non-current assets is recognised only when all material conditions of sale have been met and is measured as the sums due under the sale contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cashflows fixed or determined by the contract.

# Agenda Item 13

## BROMSGROVE DISTRICT COUNCIL

### **Audit, Standards & Governance**

**17<sup>th</sup> February 2026**

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The Council has set a deminimus level for accruals of creditors and debtors that are calculated manually to avoid addition time and cost in estimating and recording accruals.

This level is reviewed annually and is currently set at £5,000. If a payment or receipt is split across different cost centres, the limit is for the whole payment or receipt.

Exceptions to this deminimus rule where accruals are made in full are:

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made.
- Invoices for the same supply or service that are chargeable to the same service area are aggregated where their total is over £500.
- Accruals posted based on orders that have been goods receipted on the Tech One system.
- For capital projects work in progress schedules will be obtained and accruals will be processed on this basis

#### **ii) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are high liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cashflow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

#### **iii) Prior period adjustments and changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated

# Agenda Item 13

## BROMSGROVE DISTRICT COUNCIL

### **Audit, Standards & Governance**

**17<sup>th</sup> February 2026**

otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **iv) Charges to Revenue for Non-Current Assets**

Services, support services, and trading accounts are debited with the following amounts to record the cost of the holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service

The Authority is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference for the two.

#### **v) Council Tax and Non-Domestic Rates (England)**

Billing Authorities act as agent, collecting Council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council tax and NDR for themselves. Billing Authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council tax and NDR. Under the legislative framework for the Collection Fund, billing Authorities, major preceptors, and central government share proportionately the risks and rewards that the amount of Council tax and NDR collected could be less or more than predicted.

#### **Accounting for Council Tax and NDR**

The Council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of Council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

# Agenda Item 13

## BROMSGROVE DISTRICT COUNCIL

### **Audit, Standards & Governance**

**17<sup>th</sup> February 2026**

The Balance Sheet includes the Authority's share of the end of year balances in respect of Council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

#### **vi) Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holidays entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement at the either of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

##### **Post Employment Benefits**

Employees of the Authority are members of the Local Government Pension Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

##### **The Local Government Pension Scheme**

# Agenda Item 13

## BROMSGROVE DISTRICT COUNCIL

### **Audit, Standards & Governance**

**17<sup>th</sup> February 2026**

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate of 2.5% (based on the indicative rate of return on a basket of high-quality corporate bonds, government gilts, and other factors).

The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities because of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities because of a scheme amendment or curtailment whose effects relates to years of service earned in earlier years and debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
  - Net interest on the net defined benefit liability, i.e. net interest expenses for the Authority – the change during the period on the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, considering any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or

because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the WPF – cash paid as employer's contributions to the pension fund in settlement of liabilities – not accounted for as an expense.

#### **Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise because of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **vii) Events after the Balance Sheet date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **viii) Fair Value Measurement**

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as other financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

# Agenda Item 13

## BROMSGROVE DISTRICT COUNCIL

### **Audit, Standards & Governance**

**17<sup>th</sup> February 2026**

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

#### **ix) Financial Instruments**

##### **Financial Liabilities**

Financial liabilities are recognised when the Council becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been extinguished – that is, the obligation has been discharged or cancelled or has expired.

Financial liabilities are initially measured at fair value and carried at their amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the amortised cost of the financial liability. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount (balance carried forward) of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount included in the Balance Sheet is the outstanding interest repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. Accounting for debt re-structuring or early settlement will be in accordance with the Code and relevant statute.

Financial assets are classified into the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income, and
- Financial assets at fair value through profit and loss

The classification is determined by the cashflow and business model characteristics of the financial assets, as set out in the Code, and is determined at the time of initial recognition.

##### **Financial Assets at Amortised Cost**

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets to collect contractual cashflows and where the cashflows are solely payments of principal and interest. This includes most trade receivables, loans receivable and other simple debt instruments.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that

exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

For most of the loans that the Council has made, this means that the amount included in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made interest free loans to homeowners (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at an effective rate of interest rather than interest free, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

**Financial Assets at Fair Value through Other Comprehensive Income or Profit and Loss Account**

The Council does not hold any financial assets that require fair value adjustment through either other comprehensive income (FVOCI) or through profit and loss (FVPL) and therefore, does not hold accounting policies for these issues.

#### **Impairment**

For all financial assets measured at amortised cost or at fair value through other comprehensive income (except equity instruments designated at fair value through other comprehensive income), lease receivables and contract assets, the Council recognises a loss allowance representing expected credit losses on the financial instrument.

The Code requires that Local Authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or Local Authority for which relevant statutory provision prevent default.

The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to twelve month expected credit losses.

For financial assets that have become credit impaired since initial recognition, expected credit losses at the reporting date are measured as the difference between the net present value of all the contractual cashflows that are due to the Council in accordance with the

# Agenda Item 13

## BROMSGROVE DISTRICT COUNCIL

### **Audit, Standards & Governance**

**17<sup>th</sup> February 2026**

contract for the instrument and the net present value of all the cashflows that the Council expects to receive, discounted at the original effective interest rate. Any adjustment is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss.

#### **x) Government Grants and Contributions**

Where paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **xi) Heritage Assets**

Tangible and Intangible Heritage Assets (described in this summary as Heritage Assets)

Heritage assets are those with cultural, environmental, or historical significance that make their preservation for future generations important.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration. Any

impairment is recognised and measured in accordance with the Authority's general policies on impairment.

#### **xii) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority because of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's good or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **xiii) Interests in Companies and Other Entities**

An assessment of the Council's interests has been carried out in accordance with the CIPFA Code of Practice to determine a group relationship exists. Inclusion in the group is

dependent upon the extent of the Council's control and significant influence over the entity demonstrated through ownership, such as a shareholding in the entity or representation on an entity's board of directors, and materiality. Accounts are prepared on a single entity basis with the Statement of Group Accounts representing the position for the Council and its subsidiary. Interests in other entities are recorded as financial assets at cost, less any provision for losses, or at valuation as appropriate.

#### **xiv) Inventories and Long-Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long-term contracts are accounted for based on charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### **xv) Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangements have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

#### **xvi) Materiality**

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would influence the reader of the accounts. Notes are only included where items are material by value or nature.

#### **xvii) Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administration purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals' basis, if it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets, and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve an insufficient balance, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance against the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings – the depreciation charge to the Housing Revenue Account is based on component depreciation with the charge being calculated based on the useful life of the major components within the dwellings (kitchen, bathroom, boiler, heating system, electric, roof, windows, and structure)
- Vehicles, plant, and equipment – straight-line over the useful life, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### **Disposals and Non-Current Assets Held for Sale**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **xviii) Provisions, Contingent Liabilities and Contingent Asset Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

#### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### **xix) Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits, and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

# Agenda Item 13

## BROMSGROVE DISTRICT COUNCIL

### **Audit, Standards & Governance**

**17<sup>th</sup> February 2026**

#### **xx) Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

#### **xxi) Shared Services**

Bromsgrove District Council provides the hosting for a number of shared service arrangements with Redditch Borough Council and Wyre Forest District Council. A number of other shared services are hosted by Bromsgrove District (including Worcestershire Regulatory Services which is a Jointly Controlled Operation), Worcester City Council and Wyre Forest District Council.

Each arrangement is accounted for within the records of the host Council with a monitoring report prepared for the partner Authority monthly for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of the host Council. There is a responsibility for each partner Council to account for their share of the arrangement within the Statement of Accounts.

When entering into shared services, all capital assets that are purchased are financed by each Authority separately and accounted for on their own Balance Sheet. Any assets purchased prior to the start of the shared service are not included in the shared service; the costs associated with this remain on the accounts of the Authority that purchased the asset only.

The Management Team is shared across both Authorities, as well as other services. Cross-charging occurs where the other Authority uses a resource where there is not a formal shared service in place.

Each Authority pays a fair share of services which are shared, in line with business case; all direct expenditure is shared on this basis, with income staying with the home Authority. Where a cost is only in relation to one Authority, this falls outside the business case and the Authority that gains the benefit is fully charged.

#### **xxii) Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

This page is intentionally left blank

## **AUDIT, STANDARDS & GOVERNANCE COMMITTEE – WORK PROGRAMME 2025/26**

---

**16<sup>th</sup> April 2026**

Standard items:

- Standards Regime – Monitoring Officer's Report
- Dispensations Report
- External Audit Backstop Report
- Internal Audit Progress Report
- Risk Management Report / Corporate Risk Register
- Financial Compliance Report including update on Statements of Accounts
- Annual Audit Report 2025/26
- Risk Champion Update
- Committee Work Programme

Other items:

- Whistleblowing Policy Update

This page is intentionally left blank