

# **BROMSGROVE DISTRICT COUNCIL**

## **AUDIT, STANDARDS AND GOVERNANCE**

29 September 2025

### **ANNUAL GOVERNANCE STATEMENT – 2024/25**

Relevant Portfolio Holder	Councillor Sue Baxter Portfolio Holder for Finance
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
Report Author	Job Title: Bob Watson, Deputy Chief Executive and Chief Finance Officer <a href="mailto:bob.watson@bromsgroveandredditch.gov.uk">bob.watson@bromsgroveandredditch.gov.uk</a> Contact telephone: 07990 840078
Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

## **1. SUMMARY OF PROPOSALS**

- 1.1 The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise but a corporate overview of the processes and procedures adopted by the Council to manage its affairs.

## **2. RECOMMENDATIONS**

**Audit, Standards and Governance Committee are asked to RESOLVE:**

- 1) that the arrangements for compiling, reporting on and signing the Draft Annual Governance Statement be noted;
- 2) to comment on the Draft Annual Governance Statement including any areas which should be considered; and
- 3) that subject to changes identified above, agree and approve the statement for signature by the Chief Executive and Leader of the Council for inclusion in the statement of accounts.

## **3. Background**

### **Introduction**

- 3.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The AGS

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covers the Council's governance arrangements for the 2024/25 reporting year to 31 March 2025. The proposed AGS is attached at Appendix 1.

- 3.2 This report includes the AGS for Audit, Standards and Governance Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.
- 3.3 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:
- The Council's policies are implemented in practice;
  - High quality services are delivered efficiently and effectively;
  - The Council's values and ethical standards are met;
  - Laws and regulations are complied with;
  - Required processes are adhered to;
  - Its financial statements and published information are accurate and reliable; and
  - Human, financial and other resources are managed efficiently and effectively.

### **Arrangements for compiling the Annual Governance Statement**

- 3.4 The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government.

### **Supporting Evidence**

- 3.5 Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the District Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements.

### **Internal Audit**

- 3.6 Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2024/25 effectively managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. However, emerging risks will need to be identified and managed. Close monitoring of

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remediation measures is set to continue and the need to reduce the overall risk and work towards a better and sustainable approach beyond 2024/25 will be critical to create better transparency, expectation, and accountability. This will be necessary to ensure the District can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk.

### **External Auditors**

- 3.7 Following the completion of the audits up to 31 March 2023 by Grant Thornton, which all received a 'disclaimed opinion', Bishop Fleming were appointed by PSAA as our auditors. They subsequently withdrew from the local authority audit sector. PSAA then appointed Ernst and Young (EY) as external auditors from 1 April 2023 onwards.
- 3.9 The Council is engaging with EY on the audit of the 2023/24 and 2024/25 accounts.

### **Internal Control and Governance Self-Assessment**

- 3.10 Internal Audit issued each Service Area with the Internal Control Assurance Statement and this assessment provides a considered overview of the controls in place in order to come to an opinion on the governance arrangements and internal control environment within their service. Heads of Service completed this Assurance Statement which didn't highlight any further areas of risk / concern.

### **Risk Management**

- 3.11 Risk management encompasses a number of areas such as projects, performance and partnerships. In addition, there is a corporate risk register which incorporates significant issues which could have a major impact on the strategic delivery of the Council's objectives.
- 3.12 Risk Management is overseen through a separate Risk Management Board which has representatives of all Services as well as specific risk specialists such as the Insurance Manager. Meeting on a quarterly basis, it is chaired by the Deputy Chief Executive and Chief Finance Officer. Risks at a Directorate level are discussed on a monthly basis and those considered strategic escalated through to Senior Leadership Team in line with the risk appetite. A report is also submitted to Audit Standards and Governance Committee on a quarterly basis.

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### **Corporate Governance**

- 3.13 Regular updates on governance arrangements are reported through Corporate Leadership Team, Cabinet Audit, Standards and Governance Committee and ultimately to Full Council. This covers all aspects of governance – from constitutional changes, operational procedures such as Financial or Contract regulations or standards issues. Significant governance issues established in the AGS are reported to the Audit, Standards & Governance Committee.

## **4. IMPLICATIONS**

### **Financial Implications**

- 4.1 Financial implications are set out in section 3.

### **Legal Implications**

- 4.2 The Accounts and Audit Regulations 2015 require that the Council complies with statutory accounting legislation and changes.

### **Service / Operational Implications**

- 4.3 Outputs of Governance Reports must be addressed by Services.

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

- 4.4 Outputs of Governance Reports must be addressed by Services; however, this will reflect best practice.

## **5. RISK MANAGEMENT**

- 5.1 Contained in section 3.11 above

## **6. APPENDICES and BACKGROUND PAPERS**

Appendix 1 – Annual Governance Statement 2024/25

## **6. BACKGROUND PAPERS**

None.

## **7. KEY**

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None

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### **APPENDIX 1**

## **ANNUAL GOVERNANCE STATEMENT**

### **Scope of Responsibility**

Bromsgrove District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and provides value for money. Bromsgrove District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, Bromsgrove District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

### **The purpose of the Governance Framework**

The governance framework comprises the systems and processes, culture, and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bromsgrove District Council's policies and Strategic Purposes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively, and economically.

The governance framework has been in place at Bromsgrove District Council for the year ended 31 March 2025 and up to the date of approval of the Statement of Accounts.

### **The Governance Framework**

The framework to deliver good governance across the Council's services in delivering the Council's priorities encompasses a number of elements.

- The Council's priorities have been developed in line with the needs of our communities and customers and the Council Plan has been approved to reflect the activities that need to be undertaken by the Council to further support the delivery of these priorities
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Council's aims to deliver the priorities to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard, and integrated quarterly finance and performance reporting, is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the District.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Cabinet and the other Committees operated by the Council.

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- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined.
- Council has approved Financial Regulations and Contract Procedure Rules. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place.
- A clear scheme of Councillor/Officer delegations exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. The Scheme of Delegations is included in the Council's constitution and is reviewed on an annual basis at the Annual Council meeting. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross-party Member Development Steering Group and includes induction, chairing and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the Scheme of Delegation to officers. A Constitution Review Working Group, comprising a membership of Councillors, meets throughout the year to review sections of the constitution, ensuring that the content remains up to date. Any recommendations arising from these meetings are reported to Council for approval.
- Decision making is carried out through Cabinet, Planning Committee and the Audit, Standards and Governance Committee. The Overview and Scrutiny Board has responsibility to review and scrutinise the activities of the Council and to hold the Cabinet to account.
- The Council has one local authority company: Spadesbourne Homes Limited. The governance structure of the company includes a Board, comprising Directors and a separate Shareholders Committee, comprising a membership of Councillors. The role of the Shareholders Committee is to determine matters reserved to the Committee in the articles of the company.
- By September 2025, there were five political groups represented on the Council. Each of these groups has a Group Leader and they are invited to attend regular Group Leader meetings to discuss key strategic issues impacting on the District. These meetings of Group Leaders also provide opportunities to share information with Group Leaders about key developments in the District.
- The Overview and Scrutiny Board is Member-led and determines what issues to scrutinise, including reports to Cabinet that the Board pre-scrutinises prior to any decisions being taken. Examples of subjects that have been scrutinised during the year include the Council's Levelling Up Project, car parking arrangements, the Council's play audit and the local heritage list. The Board is also the Committee that fulfils the Council's requirement to scrutinise the work of the North Worcestershire Community Safety Partnership in Bromsgrove District.
- The Overview and Scrutiny Board is also able to commission time limited Task Group reviews of specific policy areas. In 2024/25, reviews were undertaken of housing and reviews of the impact of heatwaves and foodbanks, launched in the 2023/24 municipal year, were completed.
- In Bromsgrove, there is a standing Finance and Budget Scrutiny Working group, which takes a lead on scrutinising the Council's budget. This group meets regularly, particularly during the busy budget setting months of December – February and provides Members with an opportunity to scrutinise budget proposals and opportunities in detail.
- In 2023/24, Members launched the Governance Systems Task Group which reviewed the governance structures in place at Bromsgrove District Council. As a result of that review, a number of changes were made to the Council's constitution. In addition, Members agreed to launch Cabinet Advisory Groups (CAGs). All Members are invited to attend CAG meetings, which focus on different strategic issues at each meeting selected by Cabinet Members and the meetings provide an opportunity for backbench Councillors to help shape local policy at an early stage. The work of the CAGs is separate to the statutory function of Overview and Scrutiny. Subjects reviewed by CAGs in 2024/25 included car parking and the play audit.

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- In 2024/25, a review of the constitution resulted in the introduction of a Joint Appointments Committee. The purpose of this Committee, which is shared with Redditch Borough Council, is to review and recommend appointments to statutory officer positions at the Councils. Joint Sub-Committees of the Joint Appointments Committee also fulfil other key functions, including the Statutory Officers Disciplinary Panel (if required).
- The Council has now set up a formal Senior Leadership Team governance meeting which consists of the Chief Executive Officer, Section 151 Officer, Monitoring Officer and Executive Director. The Senior Leadership Team meets weekly.
- Regular staff briefings and fourth tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. There are regular Chief Executive briefings held with staff – these include focus sessions and an opportunity for Q&As. Information is also circulated via the Oracle briefing which is sent electronically to staff, via other newsletters and information is also circulated to the Depots.
- In addition, a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place, through the Workforce Strategy, and managers are working with their teams to build up actions plans to support culture change in the Council.
- Financial management arrangements have been in place during the year through regular quarterly combined finance and performance monitoring reports, online purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation. This has included resolving the financial systems issues linked to the enterprise system implemented on 8 February 2021 which resulted in S24 Recommendations to be issued by the Council's External Auditors for non-delivery of Statement of Accounts. A financial recovery process has been in place to rectify this position, and this is regularly reported to both Cabinet and the Audit, Standards and Performance Committee. This has delivered in terms of planned outcomes and will now be replaced by a Financial Stability Plan. In addition, Backstop Legislation implemented by the Government in September 2024 has also impacted the delivery of outstanding accounts.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Assistant Directors are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no new issues raised during 2024/25.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service
- Regular press releases are submitted and online information about the Council is sent to residents to inform them of the Councils activities and services provided. In addition, information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

### **Review of Effectiveness**

Bromsgrove has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Assistant Directors within Bromsgrove District who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the external auditors.

The Constitution clearly identifies the terms of reference, roles and responsibilities of Full Council, Cabinet, Overview and Scrutiny Board and Audit, Standards and Governance Committee all of which have fully understood governance responsibilities.



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Throughout 2024/25, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Standards and Governance Committee, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

### **Audit, Standards and Governance Committee**

The Committee played a role by reviewing and monitoring internal control issues throughout the year. This included approval of the treasury management strategy, savings reports, regular progress reports from Internal Audit and reports and updates from the External Auditors.

### **Internal Audit**

The Council's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

The Worcestershire Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient, and effective use of resources.

During 2024/25 the Internal Audit team delivered a comprehensive programme including:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
- a number of operational systems, for example, procurement and business continuity were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

Internal Audits' work programme helps to assure Audit, Standards and Governance Committee that the framework and statement can be relied upon based on the following:

- Evidence streams which were verifiable and could be relied upon
- Monitoring and reporting mechanisms were in place to report issues,
- These streams and reporting mechanisms are embedded in the RBC governance process.

Internal Audit reports are considered by the relevant Assistant Directors and Director of Finance and Resources, before submission to the Audit, Standards and Governance Committee for further scrutiny.

There were three Audit returned with an assurance level of 'limited'. One related to Corporate Credit Cards and was undertaken at the request of the Assistant Director of Finance and Customer Services during the year. A full review of the existing processes has already been undertaken, and Financial Rules are being rewritten to reflect these changes. The second review related to Procurement and Contract Management which identified that a number of improvements had been made in this area, but further improvement was still required in terms of compliance deadlines and record retention. A follow-up review will take place in 2025/26. The final one related to Accounts Payable. There were no major gaps identified in control – however as the audit could not be fully completed due to capacity issues within the Accounts Payable team, the Internal Audit Team could not provide assurance across all areas.

### **Significant Governance Issues**

The Annual Governance Statement identifies governance issues and risks for the Council to address, and these are linked to the following two external documents: External Auditors Draft Annual Report for

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2020/21 and the External Auditors Draft Report for 2021/22 and 2022/23. These include that the Council in November 2023 received a Report from the Council's External Auditor setting out that the Council had received a S24 Statement for non-delivery of the 2020/21 to 2022/23 Accounts within the required timescales due to the implementation of a new financial ledger and the inherent financial risks associated with this. In respect of Governance Arrangements relating to the 2021/22 financial year:

Actions in these reports have been updated following the issuing by the Government in September 2024 of "Backstop Legislation" to close accounts up to the 2022/23 financial year by the 13 December 2024 and the 2023/24 financial year by the 28 February 2025.

The 21/22 and 22/23 External Audit Report highlights the following key recommendations in the Draft 2020/21 External Audit Report:

- The 2020/21 to 2022/23 Accounts must be completed and Audited by the date of the next Audit report to ensure there is full confidence in the Council's finances.
- The Council should direct effort toward embedding and stepping up the Workforce Strategy objectives. In line with the recommendations of the LGA Peer Review (March 2023), the Council should ensure that there is commitment at all levels of the organisation to enact succession planning, creative recruitment and development of the workforce. The Council should also ensure that existing staff are utilised in the most effective way possible to ensure delivery of key Council programmes (such as the finance recovery programme) and the strategic priorities
- The Council needs to ensure that the Medium-Term Financial Plan (MTFP) presented to members and Stakeholders is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.
- The Council needs to improve the management of Key projects, such as the financial ledger implementation, to ensure that the expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure that lessons are learned for future key projects.

In response to these issues

- Now that the Government have imposed a backstop date of the 13 December 2024 for Draft Statement of Accounts to be produced, 2020/21 and 2021/22 have been delivered by the backstop date with "Disclaimer Opinions". 2022/23 was delivered by the 7 January 2025, also with a "Disclaimer Opinion". 2023/24 was published in draft in line with the timetable and requirements of the inspection notice for the accounts but could not be signed off due to the lack of an auditor (after the previous auditor, Bishop Fleming resigned). Work is now being undertaken with the Council's new auditor, Ernst & Young on the 2023/24, with an expectation that a "Disclaimer Opinion" will be issued.
- There is a Country wide issue of what the impact of "Disclaimer Opinions" mean for the wider Local Government Sector and Bromsgrove Council in particular.
- The Council put in place a Financial Recovery process to get accounts up to date. These have now been fully completed by the Council, subject to sign off of the 2023/24 accounts. Since Q1 2023 the Audit, Standards and Governance Committee have met six times a year to ensure financial compliance is being delivered. This will now revert to four times a year.
- The MTFP, from 2023/4 onwards is now a 2 Stage process within Stage 1 for wider descriptions on savings and growth items and the time for Members to properly debate all the contents of the reports, including base underlying assumptions. Wider consultation has been undertaken in Q3 2024 for the 2025/26 budget.
- Joint finance and performance monitoring has taken place since Q1 2022/23 with reports going to the Corporate Management Team and then Cabinet.

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- An updated Risk Management process has been implemented with reports coming quarterly to the Corporate Management Team and Audit Standards and Governance Committee for review and comment. This regime also includes how formal project monitoring is delivered.
- The Workforce Strategy is moving forward with monthly meetings reviewing the action plan and delivery against it.

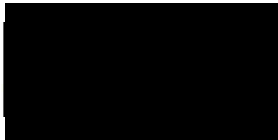
An opinion from the Head of Worcestershire Internal Audit is provided in the Accounts on page 73.

### **Conclusion and Evaluation**

As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment, and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We are also satisfied that over the coming year, the Council will take appropriate steps to address any significant governance issues, and we will monitor their implementation and operation as part of our next annual review.

Signed .....  ..... Date

Signed .....  ..... Date

Leader of the Council & Chief Executive on behalf of Bromsgrove District Council.