

## BROMSGROVE DISTRICT COUNCIL

### **Audit, Standards and Governance Committee 8 June 2026**

---

#### **Report: Revised Annual Governance Statement 2023/24 and 2024/25**

Relevant Portfolio Holder	Councillor Simon Nock
Portfolio Holder Consulted	Yes
Relevant Assistant Director	Debra Goodall
Report Author	Job Title: James Walton, Director of Finance and Section 151 Officer. Contact email: James.walton@bromsgroveandredditch.gov.uk Contact Tel:
Wards Affected	ALL
Ward Councillor(s) consulted	No
Relevant Council Priority	
Key Decision NO – Information only	
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:**

- 1) Consider and endorse, with appropriate comment the revised Annual Governance Statements for 2023/24 and 2024/25 as attached at Appendix 1 and 2, particularly the additional wording highlighted in red.**
- 2) Note the significant governance issues identified since the original accounts were produced, and the additional assurance now included in the revised AGS documents in response to the external auditor's request.**
- 3) Approve the revised Annual Governance Statements for inclusion alongside the Statement of Accounts for the relevant financial years.**

## **BROMSGROVE DISTRICT COUNCIL**

### **Audit, Standards and Governance Committee 8 June 2026**

---

#### **2. BACKGROUND**

- 2.1. The Statement of Accounts for the 2023/24 and 2024/25 financial years are due to be considered by Audit, Standards and Governance Committee on 8 June 2026. It is anticipated that the Council's external auditors, Ernst and Young (EY), will issue a Disclaimer Opinion for both sets of accounts.
- 2.2. Alongside the Statement of Accounts, the Council is required to publish an Annual Governance Statement (AGS) to set out the Council's governance, risk management and internal control arrangements and to confirm their effectiveness during the year in question.
- 2.3. Significant governance issues have come to light since the accounts for these financial years were produced and, at the request of EY, a revised AGS has been produced for each year – 2023/24 and 2024/25. These revised AGS documents include additional narrative and assurance on the following issues:
  - External Audit and Financial Reporting Assurance
  - Statutory Recommendation and Governance Response
  - VAT Accounting and Compliance
  - Future Annual Governance Statement Considerations
- 2.4. The revised AGS documents have been reviewed by the current Leader of the Council and current Chief Executive Officer and duly signed by both.
- 2.5. A copy of the revised AGS for 2023/24 is attached at Appendix 1, and for 2024/25 at Appendix 2. Additional wording is highlighted in red.

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

- 3.1. This report is intended to strengthen governance and assurance and there are no financial implications arising as a direct result.

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

- 4.1. There are no direct legal implications arising from this report.

**5. OTHER - IMPLICATIONS**

**Local Government Reorganisation**

5.1. There are no direct implications arising from this report in relation to Local Government Reorganisation or Devolution.

**Relevant Council Priority**

5.2. Financial resilience and good governance underpin the council's ability to meet all of its priorities.

**Climate Change Implications**

5.3. None directly resulting from this report

**Equalities and Diversity Implications**

5.4. No adverse impacts resulting from the content of this report

**6. RISK MANAGEMENT**

6.1. The AGS accompanies the Council's Statement of Accounts to provide assurance on the Council's governance, risk management and internal control framework for the relevant financial year. As such the AGS underpins the Council's risk management approach and is written in consideration of all the Council's corporate risks.

**7. APPENDICES and BACKGROUND PAPERS**

7.1. Appendix 1 - Revised Annual Governance Statement for 2023/24

7.2. Appendix 2 - Revised Annual Governance Statement for 2024/25

**Appendix 1 – 23/24**

**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 2024 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 Strategic Purposes encompass a number of elements.
- The Strategic Purposes 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 purposes
- 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 purposes 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 Borough.
- 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.
- 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. In addition, an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.

### **ANNUAL GOVERNANCE STATEMENT**

#### **Bromsgrove District Council 67**

- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. 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, chair and specific Committee based
- training. This has been especially important in the year following all out elections and significant numbers of new Members.

## **BROMSGROVE DISTRICT COUNCIL**

---

- 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. Following the all-out elections in May, a significant Governance Review was undertaken which was reported back to Council in September.
- Decision making is carried out through Cabinet, Planning Committee and Audit, Governance and Standards Committee. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- 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. 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 nondelivery of Statement of Accounts. A financial recovery process is in place to rectify this position, and this is regularly reported to both Cabinet and the Audit, Standards and Performance Committee. 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.
- Heads of Service 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 2023/24.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service

## **BROMSGROVE DISTRICT COUNCIL**

---

- Regular press releases are submitted and online information about the Council is sent to residents to inform them of the Council's 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 Heads of Service 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 Committee and Audit, Governance and Standards Committee all of which have fully understood governance responsibilities.
- Throughout 2023/24, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Governance and Standards Committee, Overview and Scrutiny as well as the Page 72 Agenda Item 5.

### **ANNUAL GOVERNANCE STATEMENT**

#### **Bromsgrove District Council 68**

- statutory roles of the S151 Officer and the Monitoring Officer. As in 2023/24, the Audit Standards and Governance Committee has continued to meet six times a year and will only revert to quarterly meetings once the accounts issues have been resolved.

#### **Audit, Governance and Standards 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 2023/24 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, projects, grants, and GDPR 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 Head of Service and Director of Finance and Resources, before submission to the Audit, Standards and Governance Committee for further scrutiny.
- In relation to the reviews that have been undertaken, all have been finalised. There were no Audits returned with an assurance level of 'limited,' However, a number of "critical friend" audits carried out on the General and Accounts Receivable ledgers and their recommendations have been considered.

### **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 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.

### **ANNUAL GOVERNANCE STATEMENT**

#### **Bromsgrove District Council 69**

- The Section 24 Recommendation around the delivery of the 2020/21 accounts is still in place and has been extended to the subsequent accounting periods now outstanding. The "Backstop Legislation" has resulted in accounts up to 2022/23 being given "Disclaimer Opinions".
- Of the 5 Key Recommendations in the 2020/21 report, only one serious weakness remains in relation to opening balances linked to the budget which will be resolved with the delivery of the Accounts, the remainder of those significant weaknesses have been resolved or linked to Improvement Recommendations (of which there were 10 in the report).
- There is one new Key Recommendation linked to Organisational Capability and Capacity. The Council is mitigating this in the main through the rollout of the Workforce Strategy.
- Of the 13 2020/21 Improvement Recommendations, 9 have been fully or partially addressed and 4 are yet to be addressed. Again, ongoing improvements are linked to the 10 new Improvement Recommendations set out in the External Auditors report 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.

## **BROMSGROVE DISTRICT COUNCIL**

---

- 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.
- 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 has put in place a Financial Recovery process to get accounts up to date. This will be reviewed at the Committee in January 2025. Since Q1 2023 the Audit Standards and Governance Committee have met six times a year to ensure financial compliance is being delivered. This frequency will remain until the Council’s accounts are up to date.
- 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.

## **BROMSGROVE DISTRICT COUNCIL**

---

- 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.

### **ANNUAL GOVERNANCE STATEMENT**

#### **Bromsgrove District Council 70**

- An opinion from the Head of Worcestershire Internal Audit is provided in the Accounts on page 71.

#### **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.

**AGS 2023/24 May 2026 Update – Subsequent Governance Assurance  
External Audit and Financial Reporting Assurance**

- *The Statement of Accounts for the year ended 31 March 2024 is due to be presented for approval in June 2026 and receive a disclaimer of audit opinion from the Council's external auditor, Ernst & Young LLP. The disclaimer did not arise from identified misstatements within the financial statements, but from the auditor's inability to obtain sufficient appropriate audit evidence. This primarily reflected historical weaknesses in financial reporting processes, capacity constraints, and the cumulative impact of delays in the production and audit of prior years' accounts.*
- *The Council recognises that the circumstances leading to the disclaimer indicate a significant weakness in financial governance and assurance arrangements during 2023/24. In response, the Council has strengthened its financial management capacity, improved the timeliness and quality of working papers, enhanced senior management and Audit, Standards and Governance Committee oversight, and implemented a recovery plan to support the timely production and audit of future statements of accounts. These actions are intended to restore assurance over the effectiveness of the Council's financial reporting framework.*

**Statutory Recommendation and Governance Response**

- *The Council received a statutory recommendation under section 24 of the Local Audit and Accountability Act 2014, reflecting the auditor's concerns regarding the effectiveness of the Council's arrangements for financial reporting, governance and the timely production of audited accounts. The Council has formally considered the recommendation in accordance with statutory requirements, including reporting to Members, publishing its response, and agreeing a clear action plan within the prescribed timescales.*
- *The Council accepts the findings of the section 24 recommendation and recognises that the issues identified represent a significant governance weakness relevant to the 2023/24 financial year. In response, the Council has committed to a programme of corrective action overseen by senior management, including strengthened capacity and capability within the finance function, clearer accountability for financial reporting, enhanced audit liaison arrangements, and improved member oversight, primarily through the Audit, Standards and Governance Committee. Progress against the agreed actions is monitored through formal governance arrangements to provide assurance that the weaknesses identified are being addressed and that sustainable improvements to financial governance and assurance are being delivered.*

### **VAT Accounting and Compliance**

- *Subsequent to the end of the 2023/24 financial year, the Council concluded its review and resolution of historic VAT accounting and compliance matters relating to periods from April 2021 to October 2024. These matters arose primarily from weaknesses in system configuration following the implementation of the TechnologyOne ERP system, compounded by staffing changes, loss of internal VAT expertise, and ineffective reconciliations and assurance processes. As a result, VAT returns were not submitted in a timely manner and the Council was unable to demonstrate adequate management oversight and internal control over VAT reporting during this period, including 2023/24.*
- *VAT repayment for Bromsgrove District Council is due to be received from HMRC in 2026 but will not result in an adjustment to the 2023/24 financial statements. The underlying causes, however, represent a significant governance issue for the purposes of this Annual Governance Statement. The Council acknowledges that the arrangements in place during 2023/24 did not provide sufficient assurance over statutory VAT compliance, financial reporting accuracy or escalation of emerging issues.*
- *In response, the Council has strengthened its governance and control environment through the establishment of enhanced quality assurance arrangements for VAT returns, mandatory staff training, clearer accountability and escalation processes, and stronger management oversight by the Section 151 Officer. Penalty suspension conditions agreed with HMRC are being actively monitored, and Audit, Standards and Governance Committee oversight will be reinforced to support continued compliance and sustainable improvement in financial governance.*

### **Future Annual Governance Statement Considerations**

- *The Council recognises that several of the governance weaknesses identified through the external audit, the section 24 statutory recommendation, and the review of VAT compliance and housing governance arrangements were not fully resolved within the financial year. As such, the Council will revise the Annual Governance Statement for 2024/25 to reflect these matters.*
- *The Annual Governance Statement for 2025/26 is scheduled to be published later in 2026 and will reflect the most up-to-date position in relation to the issues set out above. It will provide an updated assessment of the effectiveness of the Council's governance arrangements, taking account of progress made and any residual risks identified during the year.*

**BROMSGROVE DISTRICT COUNCIL**

---

**Signed .....**  **..... Date 29.05.26**

**Signed .....**  **..... Date 29.05.26**

**Appendix 2 – 24/25**

**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.

## **BROMSGROVE DISTRICT COUNCIL**

---

### **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.

### **BROMSGROVE DISTRICT COUNCIL**

#### **AUDIT, STANDARDS AND GOVERNANCE 29 September 2025**

- 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.

## **BROMSGROVE DISTRICT COUNCIL**

---

- 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.

## **BROMSGROVE DISTRICT COUNCIL**

---

- 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.

### **BROMSGROVE DISTRICT COUNCIL**

#### **AUDIT, STANDARDS AND GOVERNANCE 29 September 2025**

- 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.

## **BROMSGROVE DISTRICT 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 Council's 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.

# **BROMSGROVE DISTRICT COUNCIL**

---

## **BROMSGROVE DISTRICT COUNCIL**

### **AUDIT, STANDARDS AND GOVERNANCE 29 September 2025**

- 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.

## **BROMSGROVE DISTRICT COUNCIL**

---

- 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-ups 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.

## **BROMSGROVE DISTRICT COUNCIL**

---

### **BROMSGROVE DISTRICT COUNCIL**

#### **AUDIT, STANDARDS AND GOVERNANCE 29 September 2025**

- 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.

## **BROMSGROVE DISTRICT COUNCIL**

---

- 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.

### **BROMSGROVE DISTRICT COUNCIL**

#### **AUDIT, STANDARDS AND GOVERNANCE 29 September 2025**

- 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.

### **AGS 2024/25 May 2026 Update - Subsequent Governance Assurance External Audit and Financial Reporting Assurance**

- *The Statement of Accounts for the year ended 31 March 2025 is due to be presented for approval in June 2026 and receive a disclaimer of audit opinion from the Council's external auditor, Ernst & Young LLP. The disclaimer did not arise from identified misstatements within the financial statements, but from the auditor's inability to obtain sufficient appropriate audit evidence. This primarily reflected historical weaknesses in financial reporting processes, capacity constraints, and the cumulative impact of delays in the production and audit of prior years' accounts, which continued to affect audit assurance during 2024/25.*
- *The Council recognises that the circumstances leading to the disclaimer indicate a significant weakness in financial governance and assurance arrangements during 2024/25. In response, the Council has strengthened its financial management capacity, improved the timeliness and quality of working papers, enhanced senior management and Audit, Standards and Governance Committee oversight, and implemented a recovery plan to support the timely production and audit of future statements of accounts. These actions are intended to restore assurance over the effectiveness of the Council's financial reporting framework.*

### **Statutory Recommendation and Governance Response**

- *The Council received a statutory recommendation under section 24 of the Local Audit and Accountability Act 2014, reflecting the auditor's concerns regarding the effectiveness of the Council's arrangements for financial reporting, governance and the timely production of audited accounts. The Council has formally considered the recommendation in accordance with statutory requirements, including reporting to Members, publishing its response, and agreeing a clear action plan within the prescribed timescales.*

- *The Council accepts the findings of the section 24 recommendation and recognises that the issues identified represent a significant governance weakness relevant to the 2024/25 financial year. In response, the Council committed to a programme of corrective action overseen by senior management, including strengthened capacity and capability within the finance function, clearer accountability for financial reporting, enhanced audit liaison arrangements, and improved member oversight, primarily through the Audit, Standards and Governance Committee. Progress against the agreed actions is monitored through formal governance arrangements to provide assurance that the weaknesses identified are being addressed and that sustainable improvements to financial governance and assurance are being delivered.*

#### **VAT Accounting and Compliance**

- *Subsequent to the end of the 2024/25 financial year, the Council concluded its review and resolution of historic VAT accounting and compliance matters relating to periods from April 2021 to October 2024. These matters arose primarily from weaknesses in system configuration following the implementation of the TechnologyOne ERP system, compounded by staffing changes, loss of internal VAT expertise, and ineffective reconciliations and assurance processes. As a result, VAT returns were not submitted in a timely manner and the Council was unable to demonstrate adequate management oversight and internal control over VAT reporting during this period, including 2023/24.*
- *VAT repayment for Bromsgrove District Council is due to be received from HMRC in 2026 but will not result in an adjustment to the 2024/25 financial statements. The underlying causes, however, represent a significant governance issue for the purposes of this Annual Governance Statement. The Council acknowledges that the arrangements in place during 2024/25 did not provide sufficient assurance over statutory VAT compliance, financial reporting accuracy or escalation of emerging issues.*
- *In response, the Council strengthened its governance and control environment through the establishment of enhanced quality assurance arrangements for VAT returns, mandatory staff training, clearer accountability and escalation processes, and stronger management oversight by the Section 151 Officer. Penalty suspension conditions agreed with HMRC are being actively monitored, and Audit, Standards and Governance Committee oversight will be reinforced to support continued compliance and sustainable improvement in financial governance.*

**BROMSGROVE DISTRICT COUNCIL**

---

***Future Annual Governance Statement Considerations***

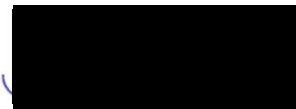
- The Council recognises that several of the governance weaknesses identified through the external audit process, the section 24 statutory recommendation, and reviews of VAT compliance and housing governance arrangements were not fully resolved within the 2024/25 financial year. Accordingly, this has been prepared to reflect these matters within the 2024/25 Annual Governance Statement.*
- The Annual Governance Statement for 2025/26 is scheduled to be published later in 2026 and will reflect the most up-to-date position in relation to the issues set out above. It will provide an updated assessment of the effectiveness of the Council's governance arrangements, taking account of progress made and any residual risks identified during the year.*

Signed .....



..... Date 29.05.26

Signed .....



..... Date 29.05.26

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