

## **BROMSGROVE DISTRICT COUNCIL**

**Audit, Standards & Governance Committee**

**13<sup>th</sup> July 2026**

### **Report: Annual Governance Statement 2025/26**

Relevant Portfolio Holder	Councillor Simon Nock
Portfolio Holder Consulted	Yes
Relevant Assistant Director	Debra Goodall
Report Author: James Walton	Job Title: Director of Finance and Section 151 Officer. Contact email: James.walton@bromsgroveandredditch.gov.uk
Wards Affected	ALL
Ward Councillor(s) consulted	No
Relevant Council Priority	Underpins all council priorities
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 RESOLVE to:**

- 1.1 Consider and approve, with appropriate comment, the Annual Governance Statement for 2025/26 as attached at Appendix 1.
- 1.2 Consider the significant governance issues identified within the Annual Governance Statement and endorse, with appropriate comment, the AGS Action Plan attached as Appendix 1 to the AGS.
- 1.3 Agree to regular update reports to demonstrate delivery of the AGS Action Plan.

#### **2. BACKGROUND**

- 2.1. The Draft Statement of Accounts for the 2025/26 were produced and published by the statutory deadline of 30 June 2026 and are due to be considered by Audit, Standards and Governance Committee on 13 July 2026.
- 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.

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- 2.3. Significant governance issues were highlighted by the Council's external Auditors (Ernst and Young) and considered by Audit, Standards and Governance Committee on 8 June 2026 as part of EY's Audit Completion Report for the financial years 2023/24 and 2024/25. It was reported to committee on 8 June that these issues, alongside any other governance issues identified in 2025/26, would be incorporated into the AGS for 2025/26. Furthermore, the AGS would include an Action Plan setting out, at a high level, the programmes the Council will put in place to resolve significant governance issues and would be held accountable for delivery. It is anticipated that the AGS Action Plan update and highlight report will become a regular report to Audit, Standards and Governance Committee over the following twelve months.
- 2.4. The AGS has 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 2024/25 is attached at Appendix 1. The Action Plan is attached as Appendix 1 to the AGS itself.

### **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.
- 3.2. The Action Plan attached to the AGS is included at a high level and includes milestones for completion of agreed actions. As each milestone is reached, financial implications may be identified, and in such an instance, those financial implications would be managed through the existing, formal, council procedures. For example, identification of a need to invest against a particular programme action would be managed through the Council's virement rules and would include a report to Cabinet or Council as necessary, setting out the financial implications to enact that decision and action.

### **4. LEGAL IMPLICATIONS**

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

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

**Local Government Reorganisation (LGR)**

- 5.1. There are no direct implications arising from this report in relation to Local Government Reorganisation or Devolution. Nevertheless, the AGS refers to the corporate risk associated with LGR but does not identify any significant governance issues in relation to LGR transition plans for Worcestershire.

**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. No climate change implications, nor governance issues, are identified in this report, the AGS or the AGS action Plan.

**Equalities and Diversity Implications**

- 5.4. No equalities and diversity implications, nor governance issues, are identified in this report, the AGS or the AGS action Plan.

**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.
- 6.2. The AGS Action Plan aligns all governance issues and targeted outcomes with the relevant Corporate Risk, where this exists and is relevant. Going forwards, it is anticipated that the AGS and Corporate Risks be refined to ensure there is clear alignment across all areas of the Council.

**7. APPENDICES and BACKGROUND PAPERS**

- 7.1. Appendix 1 - Annual Governance Statement 2025/26

**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 2026 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 encompasses several elements.

**Embedded Governance Arrangements:**

- The Council's strategic objectives have been developed in line with the needs of our communities and customers and the Bromsgrove District Council Council Plan 2024 – 2027 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.
- Each Service Area for the Council has Business Service Plans linked to the Corporate Plan.
- A performance dashboard and formal quarterly 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.
- Financial information is formally reported on a quarterly basis and all Cabinet reports include consideration of financial implications before decisions are taken.

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- 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. Member Training, as part of the induction programme, is in place for financial regulations and the role of the Member
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by several protocols.
- Decision making, as set out in the Constitution, is carried out through Cabinet, Planning Committee and Audit, Standards and Governance Committee. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and Assistant Director/fourth tier manager meetings are held quarterly to ensure staff are up to date and engaged in the corporate work of the Council.
- 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.
- The Constitution clearly defines the roles of Monitoring Officer, Section 151 Officer 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.

#### Local Government Reorganisation:

- Partnership Meetings across Worcestershire are held regularly in preparation for Local Government Reorganisation. **A decision on the unitary model for Worcestershire is currently expected by 16 July 2026.**
- Work in relation to Local Government Reorganisation (LGR) has continued through a defined programme governance structure, with clear reporting lines and established workstreams across the key disciplines required for transition. These include Finance, HR, ICT, Legal, Communications, Services, the Programme Management Office and the Data Hub. Activity is being coordinated through regular workstream meetings and reported through the county-wide governance arrangements, including the Chief Executives' Board, helping to ensure that planning is structured, collaborative and supported by senior officer oversight.
- Internally for Bromsgrove District Council (and Redditch Borough Council) an LGR Preparations Board has been in place for over a year. This is Chaired by the Chief Executive and includes officer representatives that now sit on the aforementioned County LGR workstreams.
- An LGR Portfolio Holder for BDC has been agreed as part of the arrangements for Cabinet and that person attends the internal LGR Preparations Board Meetings at every other meeting, alongside the Leader of Redditch Borough Council.
- There is also evidence of appropriate governance and risk management arrangements being embedded locally. LGR has been recognised as a corporate risk within the Council's risk register, with identified ownership and mitigating actions in place. These include the operation of the internal LGR Preparations Board, regular updates to Members and staff, and the requirement for service business plans and assurance processes to consider both LGR impacts and the protection of business-as-usual delivery. In addition, decision-making reports are being used to highlight LGR implications so that Members are sighted on transition-related consequences when taking current decisions.
- As the programme has moved into a more detailed preparatory phase, there has been a growing focus on capacity, technical resourcing and data quality. Work is underway to align workforce information, prepare financial and asset data, and develop a consistent evidence base through the Data Hub. A directory of current council services, structures and budgets has been produced/published to support baseline work for LGR and a staff support programme called LGR Routes has been developed. Recruitment to dedicated programme roles is also in progress. Taken together, these arrangements demonstrate a broadly sound approach to governance, programme oversight and risk management at this stage of the reorganisation process.

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## Council Constitution:

- 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) and formal officer oversight groups are clearly defined.
- Full Council has approved Financial Regulations and Contract Procedure Rules. These have been reviewed and new regulations have been approved with effect from May 2026.
- A full training programme is in place to ensure all relevant officers comply and understand the regulations in place and the implication of the new procurement regulations. In addition, an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.
- 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. These have also been reviewed and an updated delegation approved in May 2026.

## Workforce Planning and Organisational Capacity:

- Governance and oversight of workforce planning have been strengthened:
  - The former Workforce Strategy Board has been re-purposed as a People Board, maintaining senior leadership oversight of workforce-related matters.
  - The Board continues to be chaired by the Chief Executive alongside Executive Director leadership, ensuring clear accountability at the most senior level.
  - The Board provides oversight of key people-related activity including:
    - Employment policies (in the broadest sense)
    - Staff survey outcomes and engagement activity
    - Learning and development activity
    - Wider organisational development priorities
- This ensures that workforce strategy delivery is embedded within corporate governance arrangements and subject to appropriate oversight and challenge.
- Monitoring and Data Assurance have been enhanced through the introduction and development of quarterly HR metrics, which are:
  - Reported and discussed at Corporate Leadership Team (CLT)
  - Used to provide a clear organisational overview of workforce data, key activity, and emerging issues
  - Supporting strategic workforce planning by coverings areas such as:
    - Workforce composition
    - Appraisal completion and oversight (to monitor workforce development and organisational consistency, rather than individual or service performance)
    - Absence and wellbeing trends
    - Recruitment activity and attrition
    - Recruitment events and market activity
- This approach ensures that delivery progress and any areas requiring intervention are visible at senior level, enabling timely discussion and agreement of mitigating actions where required.
- An assurance form has been introduced that is completed by Assistant Directors (ADs) and discussed at quarterly Governance and Assurance Meetings, this includes the opportunity for ADs to report on capacity issues and discuss mitigations with the Senior Leadership Team (Chief Executive, S151 Officer and Monitoring Officer ("the Golden Triangle") and Executive Director for Communities and Environment).

## Financial Systems:

- The Council operates an Enterprise Resource Planning (ERP) system delivered through contract by the company TechnologyOne. The system, implemented in 2021, was not sufficiently robust to enable delivery of timely accounts through to 2023/24. The Statement of

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Accounts for 2024/25, however, was produced and published in line with statutory reporting deadlines. Similarly, the 2025/26 Statement of Accounts was published in draft form on 30 June 2026 in line with the statutory deadline of 30 June 2026.

- Monitoring reporting was re-established using the TechOne system in 2024/25
- Separate back-office functionality has been created for both Councils, enabling each to operate as a separate entity, in line with their legal status
- Duplicate transactions have been eliminated in the Cash Receipting functionality in 2025/26, reducing manual workload on the Finance Team
- Controls around coding have been put in place to prevent Redditch codes to be used in Bromsgrove, and vice versa
- Spadesbourne Homes was set up as a separate entity within the system

#### Reconciliation of VAT

- During the financial year 2025/26, the Council concluded its review and resolution of historic VAT accounting and compliance matters relating to periods from April 2021 to October 2024.
- Three Error Correction Notices (ECNs) were submitted to HMRC between December 2024 and June 2026 and conditions agreed with HMRC whereby they would suspend potential penalties. The final ECN was submitted to HMRC on 12 June 2026 and a VAT repayment to Bromsgrove District Council is due to be received from HMRC in 2026. This repayment will not result in an adjustment to the 2025/26 financial statements.
- In the 2025/26 Financial Year, the Council submitted monthly VAT returns, on time, and strengthened the governance and internal control environment through the establishment of enhanced quality assurance arrangements, mandatory staff training, clearer accountability and escalation processes, external review by VAT specialists 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 over the 2026/27 financial year to support continued compliance and sustainable improvement in financial governance.

#### Capital Programme

- A Capital Programme Board has been set up to oversee the Capital Programme and Projects across the Council. The Board is chaired by the Director of Finance and attended by the Assistant Director of Regeneration and Property, Project Managers, Principal Solicitor, communications and relevant finance support. Terms of Reference have recently been reviewed and responsibilities expanded to ensure all capital projects within the Council's Capital Programme are included.
- The overall responsibilities are to give the Capital Programme Board oversight of the full capital programme, making sure projects are aligned to council priorities, properly funded, well monitored, and delivered effectively. It also has a governance role in spotting risks, resolving escalated issues, ensuring key compliance requirements are in place, and strengthening the organisation's capacity to manage and secure investment for capital projects.
- Feeding into the Capital Programme Board the Council has other governance arrangements such as the Bromsgrove Levelling Up Programme Board Chaired by the Leader of the Council and attended by senior officers.

#### Risk Management Processes:

- The Council has recently reviewed the Risk Management process, with the involvement of Internal Audit Services, to ensure that adequate arrangements are in place for the management of strategic Corporate Risks. A risk register is now in place identifying all corporate and service risks which are updated regularly. A Strategic Risk Management Group is now meeting on a quarterly basis to feed into quarterly reporting to Audit, Standards and Governance Committee. A revised Terms of Reference has now been agreed.

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- The development of an Opportunity Risk Management Strategy is the next step in development, due this summer and produced in conjunction with the Member Risk Champion. In the new year it is anticipated that a second review of the entire opportunity risk management process will be completed by Internal Audit to inform next steps.

<b>Corporate Risk</b>	<b>Governance Issues</b>
COR001 Non-Compliance with Health and Safety Legislation	None. This has been highlighted as a high risk (with mitigations and action plan in place) but does not represent a governance issue.
COR006 Protection from Cyber Attack	None. This risk is well managed but remains a high risk in its own right due to the external operating environment.
COR009 Bromsgrove DC being placed into special measures due to quality of planning application decisions	None. This is an external driver of risk in its own right and does not represent a governance issue
COR011 Cost of Living Crisis	None. This is an external driver of risk in its own right and does not represent a governance issue.
COR013 Failure to meet waste requirements of the Environment Act 2021	None. This is an external driver of risk in its own right and does not represent a governance issue.
COR017 Bromsgrove DC being placed in Special Measures for Speed of Plan Making	None. This is an external driver of risk in its own right and does not represent a governance issue
COR019 Risk of Terrorist Attack	None. This is an external driver of risk in its own right and does not represent a governance issue
COR022 Compliance with the Procurement Act 2023	None. This is an external driver of risk in its own right and does not represent a governance issue
COR024 Non-Implementation of the Renters Rights Act 2025	None. This risk is well managed but remains a corporate risk in its own right due to the external operating environment

### Assurance Framework:

- 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.
- The review this year presented a broadly positive picture of the Council's governance arrangements, showing that across most services there are well-established processes for:
  - Aligning staff roles to strategic objectives
  - Defining responsibilities
  - Maintaining awareness of key corporate and service procedures
  - Supporting performance, financial management, risk management and compliance.
- The evidence suggests that governance is generally embedded through appraisals, supervision, team meetings, service planning, corporate systems and regular monitoring
- The findings suggest particular strengths in staff understanding of purpose, access to corporate policies, performance reporting and the implementation of audit recommendations.
- Overall, the findings indicated a sound control environment with governance processes operating effectively, while also identifying areas where further strengthening and greater consistency would enhance assurance.
- The Chief Executive (appointed March 2025), established early on in his tenure a weekly meeting of the Senior Leadership Team (the "Golden Triangle" plus the Executive Director of Communities and Environment) as described above and a regular Assurance and Governance Meeting including the Head of Internal Audit. This includes reporting on and tackling assurance matters across a broad range of key issues.

### **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 senior managers within Bromsgrove District who have responsibility for the development and maintenance of the governance environment, by the Head of Internal Audit's annual report, and by comments made by the external auditors.

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

Throughout 2025/26, 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. An annual report was approved by the committee on 8 June 2026 setting out the role of the committee and the key areas of work over the preceding twelve months including:

- Standards reporting and ethical governance
- Management and oversight reports including the Treasury Management Strategy and other financial strategies
- Financial governance and compliance reporting (including Statements of Accounts and statutory returns)
- Internal Audit Reports
- External Audit Assurance
- Risk Management and Risk Champion updates
- Review of the Annual Governance Statement

### **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 2025/26 the Internal Audit team delivered a comprehensive programme including:

- several core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
- several operational systems, for example, payroll and environmental impact assessments were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

The Internal Audit Team's 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,

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- These streams and reporting mechanisms are embedded in the Bromsgrove District Council governance process.

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

In 2025/26 there were two audit reports returned with an assurance level of 'limited'. One related to the General Ledger. While significant progress had been made since the last internal control review in terms of central procedures, budget uploads, year end balances and quarterly monitoring, the suspense account reconciliations had not been completed and the bank reconciliations were behind schedule. The second report related to Corporate Health and Safety at the request of Senior Management. The review found that several areas were working well, including the Senior Health and Safety Advisor post, securing first aider training, understanding of responsibilities relating to Health and Safety and the operation of the Joint Health and Safety Committee. There was, however, no standardised or corporately driven method for monitoring first aider training, training for new starters was limited, health & safety risk assessments were not available for all areas and there was no explicit requirement for associated services to be notified of incidents which may be relevant to their areas of operations.

These limited assurance opinions resulted in management actions in response to recommendations made in the report. These recommendations and actions do not, in themselves, however, demonstrate significant governance issues.

The Head of Internal Audit considers the audits completed over the year, responses to previous audit reports, their understanding of the business and oversight of the risk management process to provide an opinion on the Council's Internal Control Environment. The opinion of the Head of Worcestershire Internal Audit for 2025/26 is provided in the Accounts on page xx.

### **Significant Governance Issues**

The Annual Governance Statement identifies governance issues and risks for the Council to address and these are linked to the External Auditors Completion Report for 2023/24 and 2024/25 and ahead of the external audit of the Statement of Accounts being completed for 2025/26. Together, these risks and significant governance issues are considered and form the basis of an action plan, attached to this Annual Governance Statement at Appendix 1.

### **External Audit and Financial Reporting Assurance**

The Statements of Accounts for the years ended 31 March 2024 and 31 March 2025 are due to be presented for approval by Audit, Standards and Governance Committee on 13 July 2026. On 8 June 2026, Audit, Standards and Governance Committee received a Completion Report from the Council's external auditor, Ernst & Young LLP which included a disclaimer of audit opinion for both years. 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 2023/24 and 2024/25.

The External Auditor's Completion Report for 2023/24 and 2024/25 reports the following findings:

*"As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 and 2024/25 in-year movements and closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements and 2023/24 comparative amounts disclosed in 2024/25 financial statements. We did not plan to rebuild this assurance in our 2023/24 and 2024/25 audits.*

*"As set out within this report we have also not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over closing balances and*

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*in-year transactions for both 2023/24 and 2024/25 financial years. Taken together with the requirement to conclude our work as the back stop dates for both 2023/24 and 2024/25 have passed and the delays in preparation of draft financial statements for 2023/24 mean we are unable to conclude that the 2023/24 and 2024/25 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing disclaimed 2023/24 and 2024/25 audit opinions”*

The Council recognises that the circumstances leading to the disclaimer indicate a significant weakness in financial governance and assurance arrangements up to 31 March 2025. This presents a loss of assurance baseline across several years as a continuing governance risk, with an on-going inability to gain assurance from prior years' balances. 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
- Implemented a recovery plan to support the timely production and audit of future statements of accounts.

Together, these actions are intended to help restore assurance over the effectiveness of the Council's financial reporting framework. Further actions in this area are included in the Action Plan included at Appendix 1.

### **Section 24 Statutory Recommendation and Governance Response**

In October 2022, 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 for the Statement of Accounts 2020/21. The Council formally considered the recommendation at Full Council on 7 December 2022 in accordance with statutory requirements (including reporting to Members and publishing its response) and were advised that 'the majority of issues had now been resolved or were in the process of being resolved'. Nevertheless, the s24 Statutory Recommendation remained in place for the 2021/22 Statement of Accounts and continued through to the 2024/25 Statement of Accounts.

The Council fully accepts the findings of the section 24 recommendation and recognises that the issues identified represent significant governance weaknesses relevant through to the 2024/25 financial year. In response to the original statutory recommendations, 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 was 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.

The Statutory Recommendation is referenced in the External Auditor's Completion Report for 2023/24 and 2024/25 wherein it makes the following observation:

*“The predecessor auditor issued statutory recommendations to the Council on 31 October 2022 and on 27 November 2023 with respect to the flawed implementation of a new financial system (ERP) and the subsequent failure of the Council to publish the 2020/21, 2021/22 and 2022/23 draft financial statements in accordance with statutory requirements. We have reviewed the actions taken in response to these recommendations and whilst there were matters impacting the arrangements for effective financial management and financial reporting, we are satisfied that further statutory recommendations are not currently required.”*

In response to this position statement, the Council intends to produce a single, all-encompassing Action Plan to respond the outstanding risks and recommendations as assessed by our incumbent external auditors, Ernst and Young. This forms part of the Action Plan is attached at Appendix 1.

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### Organisational Capacity

At an organisational level the Council can demonstrate significant recent progress in developing workforce planning and capacity including:

- Workforce priorities that are subject to clear corporate oversight through the People Board
- Monitoring arrangements that are strengthened through structured, regular reporting

A revised Corporate People Action Plan in development to consolidate activity and provide clarity of delivery, ownership, and accountability. These actions form part of the Action Plan attached at Appendix 1.

In relation to the finance capacity within the Council, a clear link can be made between capacity, audit delay and governance weakness. This has resulted, for example, in a failure to deliver to the statutory reporting cycle. The following arrangements are being put in place. On 13 April 2026 the Council appointed a new, permanent, section 151 Officer. This role forms part of the Director of Finance Post responsibilities with a finance only remit to ensure adequate prioritisation is given to the significant issues experienced within the finance team over recent years. The new s151 Officer is working with the Deputy s151 Officer and senior members of the finance team to:

- Review and revise the Finance Team Structure, where necessary, to create a fit for purpose team with adequate resources to deliver the key recommendations and priorities for which they have management control.
- Ensure that capacity, capability and resilience are the foundations for the finance team providing appropriate and adequate coverage to meet the needs of the organisation and statutory and regulatory needs.
- Ensure appropriate resource capacity and capability is available to resolve outstanding issues with the ERP Financial system.
- Reduce the reliance on temporary, fixed term and agency staff
- Improve succession planning across the team
- Instigate robust trainee and apprenticeship arrangements to future proof the team's sustainability and 'grow our own' resources.
- Ensure arrangements are appropriate to deliver the imminent programme for Local Government Reorganisation.

These actions form part of the Action Plan attached at Appendix 1.

### Whistleblowing Arrangements

The Council has recently reviewed its Whistleblowing Policy. Alongside this, the council has recently created a single document to aggregate all Council policies, status and refresh/renewal dates to ensure that sound governance processes are in place going forwards. The Whistleblowing Policy has been considered alongside a new Anti-Fraud, Bribery and Corruption Policy and Anti Money-laundering arrangements as part of a comprehensive refresh of all policy documentation. Relevant policies will be approved by the relevant committee of the Council and forms part of the AGS Action Plan included at Appendix 1.

### VAT Accounting and Compliance

Historic VAT accounting and compliance matters relating to periods from April 2021 to October 2024 have been a significant governance issue and represent non-compliance with laws and regulations. These matters were reported to Audit, Standards and Governance Committee and Cabinet in June 2026, and 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 through to November 2024, when regular VAT returns to HMRC were reintroduced. Development of the manual process and the ERP system will continue throughout 2026/27 and forms part of the AGS Action Plan attached at Appendix 1.

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### Finance System

The Council's ERP system (TechnologyOne) implemented in February 2021 has not proved to be sufficiently robust to be relied upon, and manual workarounds, reconciliations and internal controls have been implemented in response to this. In the system's first year of operation, the Council was unable to produce a Statement of Accounts (2020/21) resulting in a s24 Statutory Recommendation that remained in place through to 2023/24. While this element is being managed, with the timely delivery of 2024/25 and 2025/26 Statement of Accounts, development of the system is still necessary. The VAT module of the system is considered above, although wider system issues remain. A recent health check identified issues remaining within several areas including:

- Ledgers and rolling balances
- Reconciliations
- Receipts process
- Aged Debt
- Access and roles

A comprehensive recovery programme is being produced to deal with the issues remaining and forms part of the AGS Action Plan attached at Appendix 1.

### Capital Programme

The Council has reported significant underspends against its capital programme in recent years and appropriate oversight of the entire capital programme has not been in place. Underspending in terms of delivery delay can mask overspends driven by delays and insufficient oversight can lead to inefficient delivery and financial risk associated with funding, application of grants, internal and external borrowing requirements and multiple calls on finite contingency funds. Furthermore, the Council does not have a dedicated Capital Accountant or capital monitoring team in place, relying instead on revenue finance business partners to provide support.

Implementation of a new Capital Programme Board and review of the finance team structure will help ensure the Council has an effective Capital Strategy and Programme. In turn these will optimise the resources available to deliver the Council's priorities and enable better management of capital projects, ensuring benefits are realised and lessons are learnt. Continued development will help address recommendations from Ernst & Young and forms part of the AGS Action Plan attached at Appendix 1.

### Risk Management

The Council's current risk management processes are not adequately embedded to provide adequate assurance that they are operating appropriately and managing overall risk. The current Risk Management Strategy has not been updated for several years. The new risk management dashboard has only recently been introduced and populated and does not reflect the requirements of an up to date risk management strategy. Furthermore, without a mature opportunity risk management Strategy, the Council cannot define and work to an agreed risk appetite in its strategic and day to day decision making.

Ultimately a strong opportunity risk management approach enables better decision making and the lack of a robust risk management framework was a key recommendation made by Ernst and Young and forms part of the AGS Action Plan attached at Appendix 1.

### Local Government Reorganisation

The council's approach to local government reorganisation is robust. LGR remains, however, a significant and complex change programme and therefore continues to present material governance risks that require close monitoring. The principal risk is the potential impact of the reorganisation programme on the Council's capacity to maintain effective business-as-usual delivery while also meeting the demands of transition planning. This is recognised in the corporate risk register and reflects the scale, pace and technical complexity of the work now underway.

Overall, the governance arrangements currently in place provide a reasonable framework for managing the programme and, as such, LGR does not form part of the AGS Action Plan at Appendix 1. LGR is, however, considered a significant governance risk within the Annual

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Governance Statement because of its scale, the interdependencies involved, and the potential effect on capacity, decision-making and organisational resilience during the transition period.

### Assurance Framework

The annual assurance framework review requires assurance statements to be completed by Assistant Directors. These highlighted, some variability in maturity and consistency between services, including workforce capacity, budget monitoring, the quality and usability of procedures, the consistency of service-specific documentation, financial systems usability and knowledge, and the formalisation of risk and inventory arrangements.

Several recurring themes require ongoing management attention. These include:

- Staffing and capacity pressures
- Reliance on temporary staff and key individuals
- Uneven maturity in service planning, risk management and performance reporting
- Inconsistent documentation and review of service procedures
- Some weaknesses in training, system usability, data quality and inventory control.

In a small number of areas there is some potential for more significant governance implications if issues are prolonged or left unaddressed. These include:

- Financial resilience
- Management of high-impact risks
- Fragmented data processes
- Inventories in higher-risk services
- Delays in implementing actions in compliance-critical areas.

Overall, the findings suggest that governance arrangements are broadly in place and operating, but will be strengthened by continued focus on standardisation, clearer documentation, improved training, sustained corporate oversight and targeted action to address any identified resilience and compliance risks. No corporate-wide, significant governance failure has been identified and arrangements put in place by the Chief Executive since March 2025 have established strong foundations for improved governance throughout the Council. This includes quarterly Assurance Forms covering several key topics designed to draw attention to, and ensure appropriate action is taken to address, assurance related issues. Robust arrangements are therefore in place to help ensure the Internal Audit opinion on the Internal Control Environment demonstrates continuous improvement. This governance framework is expected to improve results in audit reviews but will take time to feed through to deliver higher assurance levels in future years. Consequently, there are no specific assurance framework issues that form part of the AGS Action Plan at Appendix 1.

### **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



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Ref	Governance Issue and Targeted Outcome	Corporate Risk Reference (See Appendix 2)	Activity	Sponsor	Completion Date
	<p>The Council should ensure that there is accurate and timely submission of all statutory returns.</p> <p><b>Targeted Outcome:</b> Robust and automated process for timely submission of statutory returns (monthly VAT returns)</p>		<ul style="list-style-type: none"> <li>• Regular reporting to Audit, Standards and Governance Committee on Penalty Suspension actions (from Oct 26)</li> <li>• Creation of KPIs to manage error rate, training requirements and potential for automation (Sep 2026)</li> <li>• Review of TechOne submission modules (Dec 2026)</li> <li>• Implementation of automated VAT returns without manual workarounds (Apr 2027)</li> </ul>	Director of Finance (s151 Officer)	
3.	<p><b>Governance Issue:</b> The Risk Management Framework should: identify the relevant key controls for each risk; ensure responsible officers are identified; and highlight the direction of travel for each key risk. The Council should also clearly define its risk appetite.</p> <p><b>Targeted Outcome:</b> The Council has a robust and embedded risk management process to strengthen internal controls</p>	Opportunity Risk Management Strategy, and by extension all Corporate Risks	<p>Risk Management</p> <ul style="list-style-type: none"> <li>• Development of Risk Management Dashboard to incorporate refreshed Corporate, Project and Service Risks (Sep 2026)</li> <li>• Approval of Opportunity Risk Management Strategy (Dec 2026)</li> <li>• Embedded Risk Management process involving Member oversight by Risk Champion and Executive (Dec 2026)</li> <li>• Third party review by Internal Audit Services (Mar 2027)</li> </ul>	Director of Finance (s151 Officer)	Mar 2027

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Ref	Governance Issue and Targeted Outcome	Corporate Risk Reference (See Appendix 2)	Activity	Sponsor	Completion Date
	and improve decision making.				
4.	<p><b>Governance Issue:</b> The Council should establish a set procedure to ensure that related party relationships and conflict of interests are identified, complete and reported on a timely basis</p> <p><b>Targeted Outcome:</b> The Council has robust processes to protect Members and Officers</p>	None identified	<p>Third Party Relationships and Conflicts of Interest: The Council has processes to ensure the recording and reporting of third-party relationships (see below) and will continue to work to ensure this is widely publicised and training delivered where necessary. Actions include:</p> <ul style="list-style-type: none"> <li>• Delivery of training to ensure compliance with the existing processes as listed below (from July 2026):</li> </ul> <p><a href="#">Bromsgrove Members' Code of Conduct</a></p> <p><a href="#">Bromsgrove Member declarations of gifts and hospitality (including form)</a></p> <p><a href="#">DPI form for a District Councillor</a></p> <p>There is an officer code of conduct, an office declaration of interest form and an officer declaration of gifts and hospitality form all of which are available on the council's intranet for staff to access.</p>	Assistant Director of Legal, Democratic and Procurement Services (Monitoring Officer) and the Assistant Director for Corporate Services and Transformation	Dec 2026
5.	<p><b>Governance Issue:</b> The Council should ensure that all policies have been reviewed, and where relevant updated, and are available on the Council's website. The Council should have in place a framework to regularly review policies, with</p>	None identified	<p>Policy Review:</p> <ul style="list-style-type: none"> <li>• Definition approved for Strategies, Policies, Procedures and Guidance (Jul 2026)</li> <li>• Collation of Council wide Policies for review (Jul 2026)</li> <li>• Identification of key requirements – lead officer, review dates, status. (Sep 2026)</li> <li>• Approval internally or by relevant committee or Council (tbc)</li> </ul>	CEO	Sep 2026

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Ref	Governance Issue and Targeted Outcome	Corporate Risk Reference (See Appendix 2)	Activity	Sponsor	Completion Date
	<p>responsible officers clearly identified and expected dates for future reviews identified.</p> <p><b>Targeted Outcome:</b> The Council has robust and up to date policies that are embedded and followed, thereby protecting staff, Members and the General Public</p>				
6.	<p><b>Governance Issue:</b> The Council should ensure that the Monitoring Officer is appropriately engaged throughout the whistleblowing investigation process</p> <p><b>Targeted Outcome:</b> The Council has robust and embedded processes to protect staff, Members and the General Public</p>	None identified	<p>Whistleblowing Policy:</p> <ul style="list-style-type: none"> <li>• Policy approved by Audit, Governance and Standards Committee (Jul 2026)</li> <li>• Communication roll out (Jul 2026)</li> </ul>	Assistant Director Legal Democratic and Procurement Services (and Monitoring Officer)	Jul 2026
7.	<p><b>Governance Issue:</b> The Audit, Standards and Governance Committee should receive</p>	None identified	<p>Whistleblowing Policy Reporting:</p> <ul style="list-style-type: none"> <li>• MO to provide quarterly updates to Audit, Governance and Standards Committee (Jul 2026)</li> </ul>	Assistant Director Legal Democratic and Procurement Services (and	Jul 2026

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Ref	Governance Issue and Targeted Outcome	Corporate Risk Reference (See Appendix 2)	Activity	Sponsor	Completion Date
	regular reports on whistleblowing activities.  <b>Targeted Outcome:</b> The Council has robust and embedded processes to protect staff, Members and the General Public			Monitoring Officer)	
8.	<b>Governance Issue:</b> To set more realistic capital budgets the Council should review the capital programme and assess if it has the capacity and resources to deliver planned projects within originally planned timescales  <b>Targeted Outcome:</b> Safe and efficient delivery of asset development and improvement.	COR002 COR010	Capital Programme: <ul style="list-style-type: none"> <li>Revision of Capital Programme Board Terms of Reference and refresh of Group (Jul 2026)</li> <li>Regularised reporting and risk assessment of programme (Sep 2026)</li> <li>Incorporation into Quarterly Reporting from Q2 (Nov 2026)</li> <li>Revised Capital Programme (Mar 2027)</li> </ul>	Director of Finance (s151 Officer)	Mar 2027
9.	<b>Governance Issue:</b> External Audit Reporting Assurance for Statement of Accounts 2025/26 and future years  <b>Targeted Outcome:</b>	COR002 COR008	SoA 2025/26 <ul style="list-style-type: none"> <li>Closedown timetable in place and updated weekly (Jun 2026)</li> <li>Draft SoA published - fully compliant, true and fair view (Jun 2026)</li> <li>Quality assessed complete and auditable working papers and audit evidence produced (Nov 2027)</li> <li>External Audit 2025/26 planning and liaison (Jan 2027)</li> </ul>	Director of Finance (s151 Officer)	Mar 2027

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Ref	Governance Issue and Targeted Outcome	Corporate Risk Reference (See Appendix 2)	Activity	Sponsor	Completion Date
	The Council has robust financial management procedures and systems to deliver timely reporting and secure Value for Money		<ul style="list-style-type: none"> <li>• Final SoA audit opinion and approval (Jan 2027)</li> <li>SoA 2026/27 and future years - s151</li> <li>Officer leadership of audit recovery (build clear milestones towards unmodified opinion)</li> <li>• Regular 'golden triangle' engagement with external auditors (from July 2026)</li> <li>• Stabilise finance team structure reviewing capacity and capability planning for SoA delivery (Sep 2026)</li> <li>• Implement alignment and closedown training across finance team (from Sep 2026)</li> <li>• Closedown programme with earlier internal deadlines agreed (Dec 2026)</li> <li>• Pre-work, documentation and engagement implemented from 2026/27 SoA - consider mock audit (Dec 2026)</li> <li>• Introduce formal pre-audit quality review process (Dec 2026)</li> <li>• Strategy to rebuild assurance/phased recovery (Dec 2026):               <ul style="list-style-type: none"> <li>○ Opening balances and in-year movements</li> <li>○ High-risk balances</li> <li>○ Retrospective reviews</li> </ul> </li> <li>• Review internal controls (journals, revenue/capital, inter-authority, VAT, reconciliations) and document procedures (Feb 2027)</li> <li>• Enhanced reporting to Audit, Standards and Governance Committee of audit readiness and associated risks (from Oct 2026)</li> <li>• Links to ERP recovery programme (10 below)</li> </ul>		
10.	<b>Governance Issue:</b>	COR002	ERP Recovery Programme		Mar 2028

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Ref	Governance Issue and Targeted Outcome	Corporate Risk Reference (See Appendix 2)	Activity	Sponsor	Completion Date
	<p>The Council's ERP system has not provided a sufficiently reliable and embedded control environment since implementation. Underlying system and control weaknesses continue to present a governance issue.</p> <p><b>Targeted Outcome:</b> The Council has reliable financial systems to strengthen assurance over financial governance and provide trusted information for decision making.</p>		<ul style="list-style-type: none"> <li>• Complete Health Check review to identify key priorities and critical path (Aug 2026)</li> <li>• Develop ERP recovery plan               <ul style="list-style-type: none"> <li>○ Outcomes</li> <li>○ Outputs</li> <li>○ Inputs/Resourcing</li> <li>○ Governance (Sep 2026)</li> </ul> </li> <li>• Implement resourced plan (Oct 2026)</li> <li>• Delivery Outputs (from Jan 2027)</li> </ul>	Director of Finance (s151 Officer)	
11.	<p><b>Governance Issue:</b> The Council does not have effective processes and systems in place to plan finances to support the sustainable delivery of services in accordance with strategic and statutory priorities ensuring it makes properly informed decisions,</p>	COR002	<p>Financial Planning Process:</p> <ul style="list-style-type: none"> <li>• Quarterly reporting throughout the MTFP process and approved timetable (from Jul 2026)</li> <li>• Growth, Inflation, Demand and Funding Review to inform MTFP (Sep 2026)</li> <li>• Savings Programme commenced with public consultation (Nov 2026)</li> <li>• Public Consultation responses considered (Jan 2027)</li> <li>• Balanced Budget (2027/28) and sustainable MTFP (2027/28 to 2030/31) approved by Council (Mar 2027)</li> </ul>	Director of Finance (s151 Officer)	Mar 2027




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Ref	Governance Issue and Targeted Outcome	Corporate Risk Reference (See Appendix 2)	Activity	Sponsor	Completion Date
	<p>supported by appropriate evidence and allowing for challenge and transparency.</p> <p><b>Targeted Outcome:</b> The Council has a robust financial planning process providing trusted information to enable resilient and sustainable decision making.</p>		<ul style="list-style-type: none"><li>Enhanced s25 Report to evidence robust management of the budget process, reserves utilisation and overall sustainability</li><li>Scrutiny by Budget Working Group (throughout)</li></ul>		

## Key

	Raised by EY – High Risk
	Raised by EY – Moderate Risk
	Raised Internally – High Risk

**BROMSGROVE DISTRICT COUNCIL****Audit, Standards & Governance Committee****13<sup>th</sup> July 2026****Appendix 2 – Risk References Key**

<b>Corporate Risk Ref</b>	<b>Risk</b>	<b>Owner</b>	<b>Risk Lead</b>	<b>Inherent</b>	<b>Residual</b>
COR001	Non-Compliance with Health and Safety Legislation	Guy Revans	Hannah Corredor	20	9
COR002	Financial Resilience of the Council and ability to manage financial shocks	James Walton	Debra Goodall	16	6
COR006	Protection from Cyber Attack	John Leach	Mark Hanwell	25	16
COR007	Adequate Workforce Planning	Hannah Corredor	Becky Talbot	12	9
COR008	Resolution of Section 24 Notice	James Walton	Debra Goodall	6	6
COR009	Bromsgrove DC being placed into special measures due to quality of planning application decisions	Ruth Bamford	Dale Birch	9	6
COR010	Bromsgrove DC: Delivery of Levelling Up Programme	Rachel Egan	Rebecca McElliott	12	8
COR011	Cost of Living Crisis	Judith Willis	Lisa Devey	12	9
COR013	Failure to meet waste requirements of the Environment Act 2021	Simon Parry	Matthew Austin	16	9
COR014	Local Government Reorganisation (LGR) prevents the Council from delivering business as usual and work associated with LGR is also ineffective	John Leach	Hannah Corredor	20	12
COR017	Bromsgrove DC being placed in Special Measures for Speed of Plan Making	Ruth Bamford	Michael Dunphy	12	8
COR019	Risk of Terrorist Attack	Judith Willis	Bev Houghton	8	8
COR022	Compliance with the Procurement Act 2023	Claire Felton	Claire Green	9	4
COR024	Non-Implementation of the Renters Rights Act 2025 (New)	Judith Willis	Matthew Bough	6	4
COR026	Risk of Cash Flow Strain	Debra Goodall	—	16	12