



Audit, Governance & Standards Committee

Thu 11 Jun
2026
6.30 pm



Oakenshaw Community Centre,
Castleditch Lane, Redditch, B98 7YB

**If you have any queries on this Agenda please contact
Mat Sliwinski**

**Town Hall, Walter Stranz Square, Redditch, B98 8AH
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GUIDANCE ON FACE-TO-FACE MEETINGS

Please note that this is a public meeting. You are able to view the agenda documents for this meeting from the Committee Pages of the Council's website.

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

PUBLIC SPEAKING

The usual process for public speaking at Committee meetings will continue to be followed subject to some adjustments which allow written statements to be read out on behalf of residents at meetings of Audit, Governance and Standards Committee. Virtual participation of residents at meetings of Audit, Governance and Statements Committee can currently be arranged by prior notification.

Notes:

Although this is a public meeting, there are circumstances when the Committee might have to move into closed session to consider exempt or confidential information. For agenda items that are exempt, the public are excluded.

Audit, Governance & Standards

Thursday, 11th June, 2026

6.30 pm

Oakenshaw Community
Centre, Castleditch Lane,
Redditch

Agenda

Membership:

Cllrs:	David Meredith (Chair) Roger Bennett (Vice-Chair) Joe Baker Joanna Kane	Jen Snape Jane Spilsbury Rita Rogers Ian Woodall Co opted Member: Parish Cllr Alan Smith 1 vacant seat
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1. Apologies and Named Substitutes

2. Declarations of Interest

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

3. Public Speaking

Members of the public have an opportunity to speak at meetings of the Audit, Governance and Standards Committee. In order to do so members of the public must register by 12 noon on the day of the meeting. A maximum of 15 minutes will be allocated to public speaking.

4. General Dispensation Report (Pages 5 - 10)

5. Revised Annual Governance Statement 2023-24 and 2024-25 (Pages 11 - 36)

6. External Audit - Audit Completion Report - 2023-24 and 2024-25 (Pages 37 - 90)

7. Risk Management Report (Q4 2025-26) (Pages 91 - 98)

8. VAT Recovery Progress Update (Pages 99 - 104)

9. Financial Compliance Report (Pages 105 - 120)

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10. Annual Appointment of Risk Champion

11. Committee Work Programme (Pages 121 - 124)

12. Exclusion of the Public and Press

Should it be necessary, in the opinion of the Chief Executive, during the course of the meeting to consider excluding the public from the meeting on the grounds that exempt information is likely to be divulged, it may be necessary to move the following resolution:

“That, under Section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting for the following matter(s) – to be specified – on the grounds that it/they involve(s) the likely disclosure of exempt information as defined in the relevant paragraphs (to be specified) of Part 1 of Schedule 12 (A) of the said Act”.

These paragraphs are as follows:

Subject to the “public interest” test, information relating to:

- Para 1 – any individual;
- Para 2 – the identity of any individual;
- Para 3 – financial or business affairs;
- Para 4 – labour relations matters;
- Para 5 – legal professional privilege;
- Para 6 – a notice, order or direction;
- Para 7 – the prevention, investigation or prosecution of crime

may need to be considered as ‘exempt’.

13. Minutes (Pages 125 - 138)

To confirm the accuracy of the minutes of the meeting of Audit, Governance & Standards Committee which took place on 24th February 2026, including of the exempt minutes record of that meeting.

LOCALISM ACT 2011 – STANDARDS REGIME – DISPENSATIONS

Relevant Portfolio Holder	Councillor Craig Warhurst
Portfolio Holder Consulted	Yes
Relevant Head of Service	Claire Felton, Head of Legal, Democratic and Property Services
Report Author Jess Bayley-Hill	Job Title: Principal Democratic Services Officer Contact email: jess.bayley-hill@bromsgroveandredditch.gov.uk Contact Tel: (01527) 64252 Ext: 3072
Wards Affected	All
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	An effective and sustainable Council
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

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

- 1) the previously granted general dispensation in relation to allowing Members to address Council and Committees in circumstances where a member of the public may elect to speak be re-granted under section 33 (2) of the Localism Act 2011, to allow Members to participate in and vote at Council and Committee meetings when considering these matters;**
- 2) subject to the caveat set out in paragraph 3.6 of this report in relation to setting the Council's Budget, the Audit, Governance and Standards Committee grants dispensations under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and Committee meetings when considering the setting of:**
 - a) the Budget;**
 - b) Council Tax;**
 - c) Members' Allowances; and**
 - d) Council Rents;**
 - e) Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the Borough;**

- 3) it be noted that all dispensations granted by the Committee take effect on receipt of a written request from Members for such a dispensation and where Members may have a Disclosable Pecuniary Interest (DPI) in the matter under consideration, which would otherwise preclude such participation and voting; and
- 4) it be noted that any new or re-granted dispensations will remain valid until the first meeting of the Audit, Governance and Standards Committee in the new municipal year (2027-28).

2. BACKGROUND

- 2.1 The purpose of this report is to provide members with an opportunity to consider granting a number of general dispensations to all Redditch Borough Councillors (resolutions 1 and 2).

3. OPERATIONAL ISSUES

- 3.1 Under s31 (4) of the Localism Act 2011 a Member who has a DPI in a matter under consideration is not permitted to participate in the discussion or vote on the matter unless s/he has first obtained a dispensation under s33.
- 3.2 Section 33 (2) includes a number of situations where a dispensation can be considered, but should be granted "only if, after having regard to all relevant circumstances" the Committee considers that one of those situations applies.
- 3.3 The statutory grounds under s33 (2) for the granting of a dispensation are where the authority –
 - “(a) considers that without the dispensation the number of persons prohibited by section 31(4) from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,
 - (b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
 - (c) considers that granting the dispensation is in the interests of persons living in the authority’s area,

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- (d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each member of the authority's Executive would be prohibited by section 31(4) from participating in any particular business to be transacted by the authority's executive, or
- (e) considers that it is otherwise appropriate to grant a dispensation."
- 3.4 The consideration of whether to grant a dispensation under s33 was previously delegated to the former Standards Committee. This function subsequently transferred to the Audit, Governance and Standards Committee. All dispensations granted are valid until the first meeting of the Audit, Governance and Standards Committee following the start of new municipal year.
- 3.5 Dispensations, all of which require the advance approval of the Committee and a subsequent written request from the Member to the Monitoring Officer, currently fall within four categories:
- General Dispensations
 - Council Tax Arrears
 - Individual Member Dispensations
 - Outside Body Appointment Dispensations
- 3.6 It should be noted that under Section 106 of the Local Government Finance Act 1992 there is a caveat that any Member who is 2 months (or more) in arrears with their Council Tax payments cannot participate in any Council meeting concerning the budget. In the event that any Members are affected by the provisions of section 106, the statutory rule that they be barred from taking part in the budget decisions would prevail.
- 3.7 An amended version of the new Local Government Association (LGA) Model Code of Conduct was adopted at the Council meeting held on 23rd May 2022. As a result of this adoption, Members are now required to complete an 'Other Registerable Interests' (ORI) form to declare any ORIs.
- 3.8 Usually, the Audit Governance and Standards Committee would be asked to consider granting both general dispensations, individual Member dispensations and outside body appointment dispensations together at the first meeting of the Committee in the municipal year.

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- 3.9 The current general dispensations to Members are due to expire on the date of the first meeting of the Committee in the 2026/27 municipal year. It is therefore important to ensure that the Committee is provided with an opportunity to consider whether to grant these general dispensations at the first available meeting.
- 3.10 However, the first meeting of the Committee in the 2026/27 municipal year is taking place much earlier than usual. This does not provide much time to consult with Members, particularly new Members, on any individual Member dispensations and outside body appointment dispensations for which they would wish to request a dispensation for this municipal year.
- 3.11 In this context, Officers will present a further report, focusing on individual Member and outside body appointment dispensations, for the Audit, Governance and Standards Committee's consideration at the next meeting of the Committee in July 2026.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no specific financial implications connected with decision on this report.

5. LEGAL IMPLICATIONS

- 5.1 Section 33 of the Localism Act 2011 provides that Dispensations can be granted in respect of Disclosable Pecuniary Interests ("DPIs").
- 5.2 Section 33 (1) requires that a Member must make a written request for a dispensation.
- 5.3 Section 33 (3) provides that a dispensation must specify the period for which it has effect, and that period may not exceed 4 years.

6. OTHER - IMPLICATIONS**Relevant Strategic Purpose**

- 6.1 The issues detailed in this report help to ensure that there is an effective and sustainable Council.

Climate Change Implications

- 6.2 There are no specific climate change implications.

Equalities and Diversity Implications

6.3 There are no specific equalities and diversity implications.

7. RISK MANAGEMENT

7.1 The granting of general dispensations by the Committee will, subject to receipt of a written request from Members for such a dispensation, clarify, for the avoidance of any doubt, Members' ability to participate in and vote at Council and committee meetings on certain matters as part of the Council's decision-making process.

8. APPENDICES and BACKGROUND PAPERS

Background:

- Section 33 of the Localism Act 2011.
- Section 106 of the Local Government Finance Act 1992.
- Various reports to the former Standards Committee and to the Audit, Governance and Standards Committee.

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Audit, Governance and Standards Committee

11th June 2026

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

Relevant Portfolio Holder	Cllr Craig Warhurst
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	All
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, Governance and Standards Committee is asked to RESOLVE to:

- 1) Consider and endorse, with appropriate comment, the revised Annual Governance Statements (AGS) 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.**

2. BACKGROUND

- 2.1. The Statement of Accounts for the 2023/24 and 2024/25 financial years are due to be considered by Audit, Governance and Standards Committee on 11 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
 - Housing Services
 - 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

Appendix 1 - Revised Annual Governance Statement for 2023/24

Appendix 2 - Revised Annual Governance Statement for 2024/25

Appendix 1

ANNUAL GOVERNANCE STATEMENT 2023/24

Scope of Responsibility

Redditch Borough 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. Redditch Borough 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, Redditch Borough 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 Redditch Borough 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 Redditch Borough 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 is in place, and integrated quarterly finance and performance reporting, 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, Executive 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.
- 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.
- 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 making informed and transparent decisions. This includes the Scheme of Delegation to officers.

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- Decision making is carried out through Executive, 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 non-delivery 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
 - Regular press releases are submitted and online information about the Council is sent to residents to inform them of the Councils activities and services provided. In addition, information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

Review of Effectiveness

Redditch 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 Redditch Borough 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, Executive, 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 statutory roles of the S151 Officer and the Monitoring Officer. As in 2023/24, the Audit Governance and Standards 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

RBC'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,

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- 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, Governance and Standards 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, Governance and Standards 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 13th December 2024 and the 2023/24 financial year by the 28th February 2025.

- 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 6 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).

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- 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 2021/22 and 2022/23 External Audit Report highlights the following key recommendations in the Draft 2020/21 External Audit Report:
- The 2020/21 to 2022/23 Account must be completed and Audited by the date of the next Audit report to ensure there is full confidence in the Council's finances.
- The Council should direct effort toward embedding and stepping up the Workforce Strategy objectives. In line with the recommendations of the LGA Peer Review (March 2023), the Council should ensure that there is commitment at all levels of the organisation to enact succession planning, creative recruitment and development of the workforce. The Council should also ensure that existing staff are utilised in the most effective way possible to ensure delivery of key Council programmes (such as the finance recovery programme) and the strategic priorities
- The Council needs to ensure that the Medium-Term Financial Plan (MTFP) presented to members and Stakeholders is completely transparent regarding the financial challenge and that any savings schemes included are fully worked up and approved by Members in advance.
- The Council needs to improve the management of Key projects, such as the financial ledger implementation, to ensure that the expected benefits are realised. As part of this the Council needs to undertake a comprehensive review of the financial ledger implementation and ensure that lessons are learned for future key projects.

In response to these issues

- Now that the Government have imposed a backstop date of the 13 December 2024 for Draft Statement of Accounts to be produced, 2020/21 and 2021/22 have been delivered by the backstop date with "Disclaimer Opinions". 2022/23 was delivered by the 22nd 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.
- 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 78.

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, Governance and Standards 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, Governance and Standards 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.

Housing Services

In July 2025, the Council's housing landlord service was subject to an inspection by the Regulator of Social Housing under the revised Consumer Standards introduced in April 2024. The inspection resulted in a C3 regulatory judgement, identifying serious failings in the delivery of certain Consumer Standards, particularly in relation to safety and quality compliance, repairs and maintenance, tenant engagement, and transparency and accountability.

While the inspection post-dates the 2023/24 financial year, the findings indicated weaknesses in governance oversight, assurance frameworks,

performance monitoring and the effectiveness of internal control arrangements that were present during 2023/24.

These included limitations in the Council's assurance over statutory health and safety compliance, stock condition information, repairs performance data, and mechanisms for tenant influence and scrutiny. The Council acknowledges that these matters represent a significant governance issue for the purposes of this Annual Governance Statement. In response, Members and senior officers have strengthened governance arrangements, approved a comprehensive Housing Improvement Plan, enhanced oversight and reporting structures, and committed additional resources to address identified weaknesses. Progress against the Improvement Plan is now subject to regular executive scrutiny and ongoing engagement with the Regulator of Social Housing to provide assurance that risks to tenants and the Council are being effectively managed.

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 Redditch Borough Council was received from HMRC in March 2026 but did 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, Governance and Standards Committee oversight will be reinforced to support

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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.

Signed **REDACTED**

Signed **REDACTED**

Leader of the Council & Chief Executive on behalf of Redditch Borough Council

Appendix 2

ANNUAL GOVERNANCE STATEMENT 2024/25

Scope of Responsibility

Redditch Borough 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. Redditch Borough 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, Redditch Borough 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 the Council's priorities 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 Redditch Borough Council's policies and Council Priorities, 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 Redditch Borough Council for the year ended 31 March 2025 and up to the date of approval of the Statement of Accounts.

The Governance Framework

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

- The Council 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 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 is in place, and integrated quarterly finance and performance reporting, 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, the Executive Committee 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.
- 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 Support Steering Group and includes induction, chairing and specific Committee based training. This training programme was particularly important following all out elections held in Redditch Borough in May 2024, after agreement of a boundary review. Elections are held in thirds, with the next elections in May 2026. A fully comprehensive training programme was implemented during the year, including training in respect of planning committee roles and responsibilities, Licensing Committee training, code of conduct and standards training, equalities, data protection, safeguarding and cyber security training.

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- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
 - A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the Scheme of Delegation to officers. A Constitutional Review Working Party, comprising a membership of Councillors, meets during 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 the Executive Committee, Planning Committee and Audit, Governance and Standards Committee. The Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council and to hold the Executive Committee to account.
 - The Council has one local authority company: Rubicon Leisure 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.
 - There were two political groups represented on the Council in 2024/25. Each of these groups has a group leader. The Group Leaders were invited from time to time to meet with senior officers to discuss important strategic matters.
 - The Overview and Scrutiny Committee is Member-led and determines what issues to scrutinise, including reports to the Executive Committee that the Overview and Scrutiny Committee prescrutinises prior to any decisions being taken. Examples of subjects that have been scrutinised during the year include redevelopment of the Town Hall, the work of the Redditch Partnership, social housing repairs and play and parks provision.
 - The Crime and Disorder Scrutiny Panel, a sub-Committee of the Overview and Scrutiny Committee, is the body that fulfils the Council's requirement to scrutinise the work of the North Worcestershire Community Safety Partnership in Redditch Borough. This panel meets at least once a year.
 - The Overview and Scrutiny Committee is also able to commission time limited Task Group reviews of specific policy areas. In 2024/25, reviews were undertaken of fly tipping and bulky waste collection services and post-16 education services.
 - In Redditch, there is a standing 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.

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- There is also a standing Performance Scrutiny Working Group that scrutinises the performance of Council services. The focus of meetings varies, in accordance with areas identified by Members for consideration, but in 2024/25 included reviewing the Council's measures dashboard, tree maintenance service and road cleanliness services.
 - 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 Bromsgrove District Council, is to review and recommend appointments to statutory officer positions at the Councils. Joint Sub-Committees of the Joint Appointments Committee also fulfil other key functions, including the Statutory Officers Disciplinary Panel (if required).
 - The Council has now set up a formal Senior Leadership Team governance meeting which consists of the Chief Executive Officer, Section 151 Officer, Monitoring Officer and Executive Director. The Senior Leadership Team meets weekly.
 - Regular staff briefings and fourth tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. There are regular Chief Executive briefings held with staff – these include focus sessions and an opportunity for Q&As. Information is also circulated via the Oracle briefing which is sent electronically to staff, via other newsletters and information is also circulated to the Depots.
 - In addition, a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place, through the Workforce Strategy, and managers are working with their teams to build up actions plans to support culture change in the Council.
 - Financial management arrangements have been in place during the year through regular quarterly combined finance and performance monitoring reports, online purchase ordering systems and robust financial internal controls that ensure that the Council complies with statutory legislation. This has included resolving the financial systems issues linked to the enterprise system implemented on 8 February 2021 which resulted in S24 Recommendations to be issued by the Council's External Auditors for non-delivery of Statement of Accounts. A financial recovery process has been in place to rectify this position, and this is regularly reported to both Cabinet and the Audit, Governance and Standards 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.

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- 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

Redditch 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 Redditch Borough 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, Executive, Overview and Scrutiny Committee and Audit, Governance and Standards Committee, all of which have fully understood governance responsibilities.

Throughout 2024/25, 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 Page 70 Agenda Item 10 as well as the statutory roles of the S151 Officer and the Monitoring Officer. As in 2023/24, the Audit Governance and Standards Committee continued to meet six times a year.

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

RBC'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, Governance and Standards Committee that the framework and statement can be relied upon based on the following:
 - Evidence streams which were verifiable and could be relied upon
 - Monitoring and reporting mechanisms were in place to report issues,
 - These streams and reporting mechanisms are embedded in the RBC governance process Internal Audit reports are considered by the relevant Assistant Director and Deputy Chief Executive / S151 Officer, before submission to the Audit, Governance and Standards 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 Procurement and Contract Management, which identified that a number of improvements had been made in this area, but further improvement was still required in terms of compliance deadlines and record retention. A follow-up review will take place in 2025/26. The final one is 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 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 13th December 2024 and the 2023/24 financial year by the 28th February 2025.

The 2021/22 and 2022/23 External Audit Report highlights the following key recommendations in the Draft 2020/21 External Audit Report:

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

In response to these issues

- Now that the Government have imposed a backstop date of the 13 December 2024 for Draft Statement of Accounts to be produced, 2020/21 and 2021/22 have been delivered by the backstop date with “Disclaimer Opinions”. 2022/23 was delivered by the 22nd 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 Redditch 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. 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 new Deputy Chief Executive / S151 Officer is fully settled into post.
- 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 Quarter 1 2022/23 with reports going to the Corporate Management Team and then Cabinet.
- 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.

In July 2025, Redditch Borough Council underwent a comprehensive inspection by the Regulator of Social Housing, under the Social Housing (Regulation) Act 2023, resulting in a C3 Regulatory Judgement, due to serious failings in key service areas including repairs, fire safety, tenant engagement, and data management. The inspection identified around 3,000 overdue repairs and fire safety actions, limited stock condition data, and weak tenant involvement. However, the RSH also recognised the Council’s commitment to improvement, highlighting strengths in electrical safety, antisocial behaviour management, and the creation of a Damp and Mould Team, alongside the dedication of staff and Members. In response, the Council has developed a comprehensive Housing Improvement Plan,

including a governance structure, comprising of senior managers, Members and tenant representatives, to monitor and manage progress against the plan which is subsequently reported to the Executive Committee on a quarterly basis.

An opinion from the Head of Worcestershire Internal Audit is provided in the Accounts on page 82.

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, Governance and Standards 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, Governance and Standards 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.

Housing Services

In July 2025, the Council's housing landlord service was subject to an inspection by the Regulator of Social Housing under the revised Consumer Standards introduced in April 2024. The inspection resulted in a C3 regulatory judgement, identifying serious failings in the delivery of certain Consumer Standards, particularly in relation to safety and quality compliance, repairs and maintenance, tenant engagement, and transparency and accountability. Although the inspection took place after the end of the 2024/25 financial year, the findings highlighted weaknesses in governance oversight, assurance frameworks, performance monitoring and internal control arrangements which were present during and prior to 2024/25. These included limitations in assurance over statutory health and safety compliance, stock condition information, repairs performance data, and arrangements for tenant influence and scrutiny.

The Council acknowledges that these matters constitute a significant governance issue for the purposes of this Annual Governance Statement. Members and senior officers have strengthened governance arrangements, approved a comprehensive Housing Improvement Plan, enhanced oversight and reporting structures, and committed additional resources to address identified weaknesses. Delivery of the Improvement Plan is subject to regular executive scrutiny and ongoing engagement with the Regulator of Social Housing to provide assurance that risks to tenants and the Council are being appropriately managed.

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.

A VAT repayment was received from HMRC in March 2026, which did 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, Governance and Standards 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 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.

Audit, Governance and Standards Committee

11th June 2026

REDACTED

Signed

REDACTED

Signed

Leader of the Council & Chief Executive on behalf of Redditch Borough
Council

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Report: Audit Completion Report 2023/24 and 2024/25

Relevant Portfolio Holder		Councillor Craig Warhurst
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		
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, Governance and Standards Committee is asked to RESOLVE to:

- 1) Acknowledge the significance of consecutive years of disclaimed opinions and consider and endorse, with appropriate comment, the Completion Report attached at Appendix 1.**
- 2) Request a detailed updated Recovery Plan, including milestones and reporting arrangements, to address the recommendations raised within the Completion Report.**
- 3) Continue to oversee arrangements for financial reporting, including regular monitoring of progress against improvement actions and key milestones.**

2. BACKGROUND

- 2.1. The attached Completion Report from Ernst & Young (EY) summarises the outcome of the external audit work for Redditch Borough Council for the 2023/24 and 2024/25 financial years. EY were appointed late in October 2024 following the withdrawal of the previously appointed auditor, and this, combined with delays in concluding the 2022/23 audit and the late publication of the 2023/24 draft financial statements, has significantly constrained the audit timetable. As a result of these timing issues and statutory backstop deadlines, EY have been unable to obtain sufficient appropriate audit evidence and therefore intend to issue disclaimer opinions on both the 2023/24 and 2024/25 financial statements.
- 2.2. The anticipated disclaimer opinions for both financial years should be understood in the context of national audit backlogs and statutory backstop arrangements, rather than as an indication of identified material financial misstatement. A disclaimer reflects that the auditor has not been able to obtain sufficient evidence within the statutory timeframe to conclude their opinion, and this position is currently being experienced across a significant proportion of the local government sector.
- 2.3. These circumstances sit within a wider national reset of the local audit system, where backstop deadlines have been introduced to enable recovery of audit assurance over multiple years. As a result, audit opinions for this period should be viewed alongside this broader context, with the expectation that assurance will strengthen over subsequent audit cycles as timetables stabilise.
- 2.4. The report also sets out EY's findings in relation to value for money arrangements. It identifies several significant weaknesses in governance and financial management across the two years, including issues arising from the implementation of the Council's financial system, delays in financial reporting, capacity constraints within the finance function, regulatory judgements in relation to housing services and compliance issues such as late VAT submissions. These weaknesses are reported by exception and are explored in detail within the main report.
- 2.5. Since mid-2025, the Council has implemented a range of measures to strengthen governance, financial management and audit engagement. These include enhanced senior officer oversight arrangements, improved alignment between internal and external assurance functions, and strengthened processes for financial reporting and escalation. These actions are intended to support sustainable improvement and to provide a stronger platform for future audit assurance.

- 2.6. Members have the opportunity to review the attached report in full, noting the context for the audit opinions, the reported weaknesses in arrangements, and the recommendations for improvement, to inform their consideration of the Council's financial reporting, governance and value for money arrangements.
- 2.7. The recommendations contained within the report will be included in action plans. The Committee will continue to play a central role in overseeing delivery of the required improvement actions, including monitoring progress against audit recommendations and key milestones. Further updates will be provided through the Council's established governance framework to ensure continued transparency and accountability as the Council moves toward a more regularised audit cycle.
- 2.8. The production of the accounts for 2023/24 and 2024/25 precedes the appointment of the Council's current Section 151 Officer. The Section 151 Officer has reviewed the Audit Completion Report and, subject to consideration by the Audit, Governance and Standards Committee is content that the financial statements are appropriate for approval and formal sign off

3. FINANCIAL IMPLICATIONS

- 3.1. This report confirms the assurance that can be provided by EY following their audit of the accounts. The audit fees are set by PSAA and the total fee will be agreed at the completion of the audit process. The scale fee for core work for 2023/24 is £171,164 and for 2024/25 is £186,714.

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 Council has a corporate risk relating to the resolution of the section 24 notice issued by the predecessor external auditors on 31 October 2022 and 27 November 2023 in relation to
- the flawed implementation of the ERP (financial) system
 - the failure to publish financial statements in line with statutory deadlines.

- 6.2. The report confirms that EY has reviewed the Council's response to those recommendations and concluded that further statutory recommendations are not currently required.

7. APPENDICES and BACKGROUND PAPERS

- 7.1. Appendix 1 – Completion Report for Those Charged with Governance

Redditch Borough Council Completion Report for Those Charged with Governance

Years ended 31 March 2024 and 31 March
2025

Report issued 28 May 2026





Audit, Governance and Standards Committee
Redditch Borough Council
Town Hall
Walter Stranz Square
Redditch
B98 8AH

28 May 2026

Dear Audit, Governance and Standards Committee Members

Completion Report for Those Charged with Governance - 2023/24 and 2024/25 financial years

We attach our Completion Report for Those Charged with Governance. The purpose of this report is to provide the Audit, Governance and Standards Committee of Redditch Borough Council (the Council) with a detailed complete report covering our approach and outcomes for 2023/24 and 2024/25.

Our appointment by PSAA Ltd as the Council's external auditors occurred late in the process. The PSAA initially appointed another audit firm to undertake the external audit of the Council, however, they were unable to do so and the PSAA subsequently confirmed our appointment in October 2024 nearly six months after the end of the 2023/24 financial year. This late appointment together with the audit of the Council's 2022/23 financial statements not being concluded until 28 January 2025 (for the reasons set out in the Council's predecessor auditor's audit report) delayed our ability to start the 2023/24 audit. In addition, the Council published its draft 2023/24 financial statements on 17 January 2025 approximately 8 months after the statutory 31 May 2024 publication date specified in: Statutory Instrument 2024/907 - "The Accounts and Audit (Amendment) Regulations 2024". The Statutory Instrument also imposed backstop dates of 28 February 2025 and 27 February 2026 by which external auditors were required to issue the opinion on the 2023/24 and 2024/25 financial statements, respectively. As a result of the late publication of the draft 2023/24 financial statements and the late conclusion of the 2022/23 audit we determined that the time constraints imposed by the backstop dates meant that we could not complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK) and accordingly will be issuing a disclaimer of opinion on Council's 2023/24 financial statements.

We planned to undertake the procedures required to discharge our value for money reporting responsibilities and issue a disclaimed audit opinion by June 2025. However, there were significant delays in receiving the required information from management resulting in our planned audit having to be paused which subsequently impacted on our ability to commence our planned 2024/25 audit. As a result, we were unable to undertake all of our planned procedures for the 2024/25 financial statements to rebuild assurance ahead of the 27 February 2026 backstop date and we accordingly informed the Council that we would also be issuing a disclaimer opinion on the Council's 2024/25 financial statements.

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78).

In completing our work, we have taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance, We have also considered the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit, Governance and Standards Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by Management and the Council's wider arrangements to support the delivery of a timely and efficient audit.

We have, as required under the 2024 Code, considered whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. We have identified significant weaknesses in arrangements which we will be reporting on by exception, further details are provided in section 4 of this report.

We draw the Audit, Governance and Standards Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix B).

This report is intended solely for the information and use of the Audit, Governance and Standards Committee, and Management. It is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully



Hassan Rohimun

Partner

For and on behalf of Ernst & Young LLP

Enc

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04 Value for Money



05 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit, Governance and Standards Committee and Management of Redditch Borough Council. Our work has been undertaken so that we might state to the Audit, Governance and Standards Committee and Management of Redditch Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit, Governance and Standards Committee and Management of Redditch Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary

Executive Summary – System wide and local context

Context for the audit – Ministry of Housing Communities and Local Government and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- lack of capacity within the Local Authority financial accounting profession;
- increased complexity of reporting requirements within the sector;
- a lack of auditors and audit firms with public sector experience; and
- increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG worked collaboratively with the FRC and other system partners, to develop and implement measures to clear the backlog. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. For the reasons outlined in the Council's predecessor auditor's audit report, the 2022/23 audit of the Council was concluded after the backstop date on 28 January 2025 with a disclaimer opinion being issued.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements was 28 February 2025. This process of rebuilding assurance will take several years to achieve. The NAO, supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ Authority to Authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual Authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

Local Background and Context

SI 2024/907 imposed a backstop date of 28 February 2025 by which date we were required to issue our opinion on the 2023/24 financial statements.

The PSAA initially appointed another audit firm to undertake the external audit of the Council, however, they were unable to do so and the PSAA subsequently confirmed our appointment in October 2024 nearly six months after the end of the 2023/24 financial year. This late appointment together with the audit of the Council's 2022/23 financial statements not being concluded until 28 January 2025 (for the reasons set out in the Council's predecessor auditor's audit report) delayed our ability to start the 2023/24 audit. In addition, the Council published its draft 2023/24 financial statements on 17 January 2025 approximately 8 months after the statutory 31 May 2024 publication date. As a result of the late publication of the draft 2023/24 financial statements and the late conclusion of the 2022/23 audit, we determined that the time constraints imposed by the backstop dates meant that we could not complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK) and accordingly will be issuing a disclaimer of opinion on Council's 2023/24 financial statements.

Executive Summary - System wide and local context

We planned to undertake the procedures required to discharge our value for money reporting responsibilities and issue a disclaimed audit opinion by June 2025. However, there were significant delays in receiving the required information from management resulting in our planned audit having to be paused which subsequently impacted our ability to commence our planned 2024/25 audit. As a result, we were unable to undertake all of our planned procedures for the 2024/25 financial statements to rebuild assurance ahead of the 27 February 2026 backstop date and we accordingly informed the Council that we would also be issuing a disclaimer opinion on the Council's 2024/25 financial statements.

Responsibilities of Council's Management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of the expenditure and income for the years ended 31 March 2024 and 31 March 2025. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available within agreed deadlines. The Audit, Governance and Standards Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by Management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements;
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so;
- Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix C of this report together with, at Appendix B, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements; and
- Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

Executive Summary - Report structure

Report structure and work completed

This report covers the work we completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 1 - Executive Summary - this section sets out the national and local context and the structure of our report.

Section 2 - Work Plan - We have completed the following planning task:

- Completed required independence procedures;
- Set a level of materiality;
- Issued letters of inquiry to Management, Those Charged with Governance (Audit, Governance and Standards Committee), the Head of Internal Audit and the Monitoring Officer;
- Updated our understanding of the business, including through review of responses to inquiry letters, internal team meeting, minute reviews etc;
- Identified significant, inherent and other areas of higher risk or focus; and
- Considered any other matters that may require reporting to regulators or which may result in a modification to the audit report e.g. Non-compliance with laws and regulations (NOCLAR), Objections, Significant weaknesses in arrangements for securing value for money (VFM), any matters that may result in the use of the auditor's powers etc.

Section 3 - Results and findings - Work completed to issue the disclaimer, findings and results:

- Review of the financial statements;
- Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, and report as appropriate; and
- Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. NOCLAR, Objections, Significant weaknesses in arrangements for VFM, any matters that may result in the use of the etc.

Section 4 - Value for money reporting:

- The VFM report covering our findings in respect of our 2023/24 and 2024/25 audits.

Section 5 - Appendices.



BOARDROOM

02 Work Plan

Work Plan – Audit Scope

Audit scope

This Completion report covers the work that we performed in relation to:

- Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and 31 March 2025 and of the income and expenditure for the years then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant periods. We include further details on VFM in Section 4.

Our audit includes the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

Given that SI 2024/907 sets a backstop date of 28 February 2025 and 27 February 2026 for the 2023/24 and 2024/25 periods, respectively, by which we were required to issue our opinion on the financial statements, we have considered these time constraints and concluded that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2024 and 31 March 2025 we determined that we cannot meet the objectives of the ISAs(UK) and concluded that we will be issuing disclaimed audit reports.

Work Plan - Materiality

Materiality (Council and Group)

2023/24 Materiality Levels

Planning materiality

Materiality for the year ending 31 March 2024 has been set at £1.7 million, which represents 1.8% of 2024 gross expenditure.

£1.7m

Performance materiality

Performance materiality for the year ending 31 March 2024 has been set at £0.8 million, which represents 50% of planning materiality.

£0.8m

Audit differences

We will report all uncorrected misstatements relating to the primary statements greater than £0.08 million for the year ending 31 March 2024. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit, Governance and Standards Committee.

£0.08m

2024/25 Materiality Levels

Planning materiality

Materiality for the year ending 31 March 2025 has been set at £1.8 million, which represents 1.8% of 2025 gross expenditure.

£1.8m

Performance materiality

Performance materiality for the year ending 31 March 2025 has been set at £0.9 million, which represents 50% of planning materiality.

£0.9m

Audit differences

We will report all uncorrected misstatements relating to the primary statements greater than £0.09 million for the year ending 31 March 2025. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit, Governance and Standards Committee.

£0.09m

To ascertain the significance of issues in the draft financial statements we have set materiality based on the 2023/24 and 2024/25 audit years. We have considered updating this materiality for any key changes or known factors from that year. We determined that our audit procedures would be performed using the aforementioned materiality levels as they remain appropriate for the actual results for the respective financial years.

These materiality levels have been set based on the main Council and Group financial statements. These levels are being used to assess our response to any issues identified in the Council's financial statements.

Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work for 2023/24 and 2024/25 audits. It seeks to provide Those Charged with Governance with an overview of our initial risk identification. The risks below are applicable for both years ended 31 March 2024 and 31 March 2025.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Details
Management Override: Misstatement due to fraud or error	Fraud risk/ Significant risk	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and Fraud risk expenditure recognition	Fraud risk	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grant income, where management has more opportunity to manipulate the period in which the income is reported. Specifically, our risk is focused on the occurrence of income, where management may have overstated income in the current financial year. This is likely to occur around the end of the financial year (i.e. bringing forward income from the subsequent year) and would also lead to an overstatement of Debtors therefore we associate this risk to that balance too.</p> <p>In the public sector, the requirement of ISA 240 is also modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We assess that this risk manifests itself in the understatement of expenditure (completeness of expenditure and associated accruals balances) in order to manage the Council’s financial position. We consider this risk does not apply to payroll. This could also extend to non-recognition of required provisions.</p>
Valuation for Pension assets / liabilities and disclosures	Inherent Risk	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make disclosures within its financial statements regarding its membership of the Local Government Pension Scheme.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates for scheme assets.</p>
Valuation of property, plant and equipment	Inherent Risk	<p>PPE represent significant balances in the Council’s financial statements and are subject to valuation on a periodic basis. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet. We will specifically focus on assets where a higher degree of estimation uncertainty exists:</p> <ul style="list-style-type: none"> • Depreciated Replacement Cost (specialised operational assets for which an active market does not exist); • Fair Value (surplus assets valued at the price that would be received to sell an asset); and • Existing Use Value (operational assets for which there is an active market to provide comparable evidence). <p>The Council engages external property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements.</p>

Work Plan - Independence

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence to ensure full and fair disclosure by us on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards; and
- Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- For you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit/additional services provided and the fees charged in relation thereto;
- Written confirmation that EY and each covered person is independent and, if applicable, any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- An opportunity to discuss auditor independence issues.

Overall Assessment - No non-audit services have been provided for the years ended 31 March 2024 and 31 March 2025. We confirm that EY is independent and the objectivity and independence of Hassan Rohimun, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats - There are no other self interest threats at the date of this report.

A self interest threat arises when EY has financial or other interests in the group. Examples include an investment in the group; significant fees in respect of non-audit services; the need to recover long outstanding fees; or entering into a business relationship with you. We believe it is appropriate to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES). If the ratio of non-audit to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. At the time of writing, there are no non-audit services provided, no non-audit fees and no additional safeguards required. A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded for sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4

Self review, management and other threats - There are no such threats at the date of this report.

Self review threats arise if the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. Partners and employees of EY are prohibited from taking decisions on behalf of management of your organisation. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work. Other threats, such as advocacy, familiarity or intimidation, may arise.



03 Results and findings



Results and findings

Status of the audit

Our audit work for years ended 31 March 2024 and 2025 is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Completion of subsequent events procedures - 2023/24 and 2024/25;
- Receipt of approved and signed statement of accounts, annual governance statement and management representation letter - 2023/24 and 2024/25; and
- Completion of our closing procedures, including final partner review of outstanding areas and risk management procedures to finalize the wording of audits opinions - 2023/24 and 2024/25.

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion.

Value for Money

For 2023/24 and 2024/25 we identified six risks of significant weaknesses. Having completed our planned procedures, we will be reporting four and three significant weaknesses in the Council's governance and financial sustainability arrangements for 2023/24 and 2024/25, respectively. Further details of these significant weaknesses are outlined in Section 4 of this report.

Audit differences - Uncorrected

As explained in previous slides and considering the time constraints imposed by the backstop dates meant that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the audit opinions for 2023/24 and 2024/25 financial years. However, management have informed us of an uncorrected misstatement amounting to £0.67 million in relation to capital expenditure incurred over Townhall that should be written off as an expense considering that the capital project has since been abandoned and the amount no longer meets the capitalisation criteria for the 2024/25 financial statements. We have no further misstatements to report for 2023/24 or 2024/25 financial years.

Audit differences - Corrected

There are no corrected errors misstatements to report for 2023/24 and 2024/25 financial years.

Independence

Further to our review of independence in section 2 of this report we have not identified any issues to bring to your attention.

Results and findings

Other Reporting Issues

The draft Annual Governance Statements (AGS) for the 2023/24 and 2024/25 financial years, were not consistent with our knowledge of the Council as they did not provide details of the known significant weaknesses in the Council's financial reporting and internal control arrangements.

Management agreed to update the draft 2023/24 and 2024/25 Annual Governance Statements to reflect these known weaknesses and to present updated statements to the Audit, Governance and Standards Committee for approval.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7(2) of Section 24 of the Act. Statutory recommendations under Schedule 7(2) must be considered and responded to publicly and are shared with the Secretary of State.

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.

The failure of the Council to publish the draft 2023/24 financial statements represents a significant weakness in financial reporting arrangements (see section 4 of this report) for our 2023/24 audit.

Whilst management have implemented additional processes to mitigate ongoing functionality issues with the ERP system. During 2023/24 and 2024/25 the Council was not able to submit accurate and timely VAT returns, as required by HM Revenue and Customs (HMRC). The failure of the Council to properly administer VAT accounting requirements has had a significant impact with Council having to engage consultants to support officers and the Council agreeing with HMRC Error Correction Notices (ECNs) for the reimbursement of £20.6 million owed to the Council. These issues represent a significant weakness in arrangements for financial management (see section 4 of this report) and are an instance of noncompliance with laws and regulations (NOCLAR).

Areas of audit focus

Section 2 of this report includes the areas of audit focus for our audits of the 2023/24 and 2024/25 financial statements. We concluded we would disclaim the audits and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete. No detailed testing has been undertaken in relation to 2023/24 and 2024/25. We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues;
- You concur with the resolution of the issues; and
- There are no further significant issues you are aware of to be considered before the financial statements are finalised.

There are no matters, other than those reported by Management or disclosed in this report, which we believe should be brought to the attention of the Audit, Governance and Standards Committee.



Results and findings

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with Management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

In the context of audits for 2023/24 and 2024/25 financial years, such matters include the following:

- Significant qualitative aspects of accounting practices, reflecting significant weaknesses in the Council's financial reporting arrangements, including concerns regarding the organisational capacity and capability for both 2023/24 and 2024/25 financial years. Further details are set out in Section 4 of this report;
- Significant difficulties encountered during the audit, including the failure to prepare and publish the 2023/24 financial statements in accordance with statutory publication deadlines. Further details are set out in Section 4 of this report;
- Correspondence received from a member of public on which we have performed specific procedures and whilst we have not identified any issues impacting our financial statements or VFM responsibilities, we did note areas for improvement as further detailed in section 4 of this report;
- Expected modifications to the auditor's report, including the anticipated issuance of a modified (disclaimer) audit report, together with Value for Money (VfM) exception reporting to reflect significant weaknesses in the Council's arrangements to secure value for money for both 2023/24 and 2024/25 financial years. Refer to Section 4 for further details;
- Findings and issues relating to opening balances, as we are unable to obtain sufficient appropriate audit evidence over opening balances due to disclaimer opinions issued in prior years; and
- Going concern, noting that, as a consequence of the disclaimer of opinion, we do not conclude on, or report in respect of, the Council's use of the going concern basis of accounting for both 2023/24 and 2024/25 periods.

We have no other matters to report.

Results and findings - Audit Report

Expected modifications to our audit report

The predecessor auditor's report for 2022/23 included a disclaimer of opinion on the Council's 2022/23 financial statements, issued under the arrangements to reset and recover local government audit. The Council's 2020/21 and 2021/22 financial statements were also subject to a disclaimed audit opinions.

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 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 form and content of the Audit Report will be shared with the S151 officer to enable you to formally authorise the 2023/24 and 2024/25 financial statements for issue.



04 Value for Money

VFM - Executive Summary

Purpose

Under the 2024 Code, Auditors are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The report sets out the following areas which have been assessed up to the point of issuing this report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified; and
- Findings from our planned procedures.

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Chief Executive, Section 151 Officer, Monitoring Officer and Head of Internal Audit;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team, including the Section 151 Officer.

We completed our risk assessment procedures and identified several risks of significant weaknesses in the Council's VFM arrangements relating to Financial Sustainability and Governance. The procedures we undertook in considering these risks are outlined in the table on the next page.

VFM - Executive Summary (cont.)

Risks of Significant Weakness (Cont.)

Description of risk identified	What did we do?
<p>Section 24 recommendations were issued by the Council's predecessor auditor in relation to Council's financial sustainability and governance arrangements over timely financial reporting due to the flawed ERP system implementation.</p> <p>This risk is relevant for both 2023/24 and 2024/25.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> Discussions with management to assess whether the Council has the necessary knowledge and expertise to resolve the key issues with the ERP system in a timely manner; How the Council demonstrates that the issues with respect to flawed ERP implementation are resolved; When did the Council published the draft financial statements for 2023/24 and 2024/25 financial years; What reporting over budget outturns, government returns and in-year financial monitoring was done by the Council and whether the financial information used in such reporting reconciles with the published draft financial statements for 2023/24 and 2024/25; and The Council's compliance with laws and regulations.
<p>A significant weakness was reported by the Council's predecessor auditor on the Council's organisational capacity and capability concerning high staff turnover and a high number of the Council's positions being filled through interim / temporary arrangements leading to a loss of corporate knowledge and history, impacting the finance team and audit processes.</p> <p>This risk is relevant for both 2023/24 and 2024/25.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> Reviewing if there was stability and capacity in the Council's senior leadership team; Discussions with management to understand the progress made against the recommendations made by the predecessor auditor; Reviewing the Council's progress in implementing its Workforce Strategy by reviewing the Workforce Strategy Board minutes and related reports; Reviewing the Council's Annual Governance Statement; and Reviewing the Council's Risk Registers for 2023/24 and 2024/25.
<p>Risk of significant weakness in the Council's governance arrangements for ensuring:</p> <ul style="list-style-type: none"> there is compliance with legislative and regulatory requirements; and that the expected standards of officers and member behaviour is upheld. <p>This risk is relevant for both 2023/24 and 2024/25.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> Reviewing the whistleblowing log for 2023/24 and 2024/25; Reviewing the investigation report prepared by the Council and actions taken thereon; Meeting with relevant officers to understand the issues raised and the actions taken in response; Reviewing the legal advice received by the Council; and Reviewing relevant policies and procedures to understand how such matters are dealt with.

VFM - Executive Summary (cont.)

Risks of Significant Weakness (Cont.)

Description of risk identified

The Council did not submit VAT returns in accordance with statutory requirements. This represents a risk of weaknesses in the Council's financial management arrangements.

The risk is relevant for both 2023/24 and 2024/25.

What did we do?

Our approach focused on:

- Understanding the system reporting issues and the actions taken by management in response;
- Understanding the scope of tax advisor engaged by the Council to assist with VAT reporting to HMRC;
- Reviewing the correspondence between the Council and HMRC; and
- Reviewing the correspondence between the Council and tax advisor.

The Council has in recent years reported significant underspends against the approved capital budget. Underspends of £8.3m, £3.2m, £7.7m and £12.6m were reported for the 2021/22, 2022/23, 2023/24 and 2024/25 financial years, respectively, against approved respective budgets of £13.3m, £5.4m, £10.9m and £20.5m. This regular and material level of non delivery highlights challenges with the Council to set and realistic capital budgets and deliver the capital programme.

The risk is relevant for both 2023/24 and 2024/25.

Our approach focused on:

- Understanding Council's budget setting process;
- Understanding the reasons for reported underspends;
- Reviewing and comparing actual outturn with approved budgets; and
- Reviewing budget reports submitted to cabinet.

The Council received a C3 Regulatory Judgement as the Regulator found serious failings in how the Council is delivering the outcomes of the consumer standards and significant improvement was needed, specifically in relation to outcomes against the Safety and Quality Standard.

The risk is relevant for both 2023/24 and 2024/25.

Our approach focused on:

- Reviewing the regulatory judgement issued by Regulatory of Social Housing dated 30 July 2025;
- Reviewing minutes of Council and Executive Committee meetings; and
- Discussions with management for planned actions.

VFM - Executive Summary (cont.)

Reporting

The commentary on these risks summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) for 2023/24 and 2024/25.

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this report, we have concluded that there is a significant weakness in the body's arrangements.

Risks of significant weaknesses in arrangements identified?	Findings/ Recommendations	Actual significant weaknesses in arrangements identified?	Reporting criteria
<p>Section 24 recommendations were issued by the Council's predecessor auditor in relation to Council's financial sustainability and governance arrangements over timely financial reporting due to the flawed ERP system implementation.</p> <p>This risk is relevant for both 2023/24 and 2024/25 financial years.</p>	<p>The Council did not publish its draft statement of accounts for 2023/24 by the publication deadline of 31 May 2024 this represents a significant weakness in arrangements for financial reporting in 2023/24. However, the Council did prepare 2024/25 draft statements of accounts by the publication deadline of 30 June 2025.</p>	<p>Significant weakness identified for 2023/24 only.</p> <p>This issue is evidence of significant weaknesses in proper arrangements for governance and financial sustainability, specifically that 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; ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and support relevant, accurate and timely financial reporting, ensuring corrective action is taken where needed.</p>	<p>Financial Sustainability:</p> <ul style="list-style-type: none"> How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities <p>Governance:</p> <ul style="list-style-type: none"> How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships

VFM - Executive Summary (cont.)

Risks of significant weaknesses in arrangements identified?	Findings/ Recommendations	Actual significant weaknesses in arrangements identified?	Reporting criteria
<p>A significant weakness was reported by the Council's predecessor auditor on the Council's organisational capacity and capability concerning high staff turnover and a high number of the Council's positions being filled through interim / temporary arrangements leading to a loss of corporate knowledge and history, impacting the finance team and audit processes.</p> <p>This risk is relevant for both 2023/24 and 2024/25 financial years.</p>	<p>There has in recent years been significant turnover within the Council's senior leadership team, specifically in respect of the Section 151 Officer role. In addition, there have been capacity issues with the Council's finance team. These changes have weakened the Council's arrangements for ensuring that there is effective financial stewardship to support effective governance and decision making. There has also been a loss of corporate knowledge that has adversely impacted on the Council's financial management, including their ability to support the audit process.</p> <p>Although the Council agreed a Workforce Strategy in May 2023 and established a Workforce Strategy Board to oversee the implementation of the strategy, these arrangements were not fully effective during 2023/24 and 2024/25 and as a result actions to address the underlying capacity constraints to enable the Council to fully deliver its corporate priorities remained outstanding.</p> <p>This represents a significant weakness in the Council's governance arrangements for 2023/24 and 2024/25.</p> <p>Recommendations</p> <p>The Council should ensure that the actions required to deliver its Workforce Strategy are robustly monitored to achieve delivery and where relevant mitigating actions are identified and agreed for areas of non delivery.</p> <p>The Council also needs to ensure that the finance team has adequate resources to enable the effective discharge of financial management responsibilities.</p>	<p>Significant weakness identified for 2023/24 and 2024/25.</p> <p>This issue is evidence of significant weaknesses in proper arrangements for Governance, specifically how the Council ensures that it makes informed decisions and properly manages its risks.</p>	<p>Governance:</p> <ul style="list-style-type: none"> How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

VFM - Executive Summary (cont.)

Risks of significant weaknesses in arrangements identified?	Findings/ Recommendations	Actual significant weaknesses in arrangements identified?	Reporting criteria
<p>Risk of significant weakness in the Council's governance arrangements for ensuring:</p> <ul style="list-style-type: none"> • there is compliance with legislative and regulatory requirements; and • that the expected standards of officers and member behaviour is upheld. <p>This risk is relevant for both 2023/24 and 2024/25 financial years.</p>	<p>We received correspondence from a member of the public which raised concerns in respect of maintenance services relating to:</p> <ul style="list-style-type: none"> • workforce misconduct; • oversight failures; • lack of qualifications and safety compliance; and • service quality decline for reactive maintenance and voids. <p>In considering the issues above we did not identify a significant weakness in the Council's arrangements for 2023/24 or 2024/25, however, we did identify that:</p> <ul style="list-style-type: none"> • Findings and improvement actions arising from whistleblowing matters are not being routinely reported to the Audit, Governance and Standards Committee. • There was scope to ensure that the Monitoring Officer is engaged at an early stage and throughout the investigation process. • DBS checks were not undertaken for employees working under reactive maintenance and voids teams providing services to vulnerable individuals. <p>Recommendations</p> <ul style="list-style-type: none"> • The Audit, Governance and Standards Committee should receive regular reports on whistleblowing activities. • The Council should ensure that the Monitoring Officer is appropriately engaged throughout the whistleblowing investigation process. • The Council should review whether DBS checks are required for employees working with or providing services to vulnerable individuals. 	<p>No significant weakness with respect to this risk was identified for 2023/24 and 2024/25.</p>	<p>Governance:</p> <ul style="list-style-type: none"> • How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

VFM - Executive Summary (cont.)

Risks of significant weaknesses in arrangements identified?

The Council did not submit VAT returns in accordance with statutory requirements. This represents a risk of weaknesses in the Council's financial management arrangements.

The risk is relevant for both 2023/24 and 2024/25 financial years.

Findings/ Recommendations

Due to deficiencies arising from the flawed ERP system implementation, the Council did not have the required reporting mechanisms in place to prepare and complete monthly VAT returns. Consequently, VAT returns covering the period from 1 April 2021 to 31 October 2024 were not submitted on time. The Council engaged a tax advisor to support it in resolving this matter, including liaison with HMRC and the submission of an Error Correction Notice (ECN) in December 2024. Monthly VAT returns from November 2024 were submitted however, during 2025/26 management identified further system reporting impacting the accurate completion of VAT returns. This resulted in further ECNs being submitted to HMRC from November 2025. Which resulted in the Council being due in total a refund of £20 million from HMRC. This represents a significant weakness in Council's governance arrangements for both 2023/24 and 2024/25 financial years.

Recommendations

The Council should ensure that there is accurate and timely submission of all statutory returns.

Actual significant weaknesses in arrangements identified?

Significant weakness identified for 2023/24 and 2024/25.

This issue is evidence of significant weaknesses in proper arrangements for Governance, specifically that the Council did not have appropriate systems in place to ensure there were accurate and timely management information to support its financial reporting responsibilities.

Reporting criteria

Governance:

- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships

VFM - Executive Summary (cont.)

Risks of significant weaknesses in arrangements identified?	Findings/ Recommendations	Actual significant weaknesses in arrangements identified?	Reporting criteria
<p>The Council has in recent years reported significant underspends against the approved capital budget. Underspends of £8.3m, £3.2m, £7.7m and £12.6m were reported for the 2021/22, 2022/23, 2023/24 and 2024/25 financial years, respectively, against approved respective budgets of £13.3m, £5.4m, £10.9m and £20.5m. This regular and material level of non delivery highlights challenges with the Council to set and realistic capital budgets and deliver the capital programme.</p> <p>The risk is relevant for both 2023/24 and 2024/25 financial years.</p>	<p>Whilst our review of the capital programme noted that there have been significant underspends against budget, we noted that:</p> <ul style="list-style-type: none"> • Changes related to decisions by the Council not to proceed with certain programs, such as renovations to the Townhall. • Where the Council has made decisions to delay the commencement of capital projects the Council has agreed with central government funding departments the new project timetable and that funding will not need to be repaid. • As the areas of underspend predominately relate to externally funded Towns Fund schemes, there is no increased borrowing risk for the Council. <p>As a result, we have not identified a significant weaknesses Council's governance arrangement.</p> <p>Recommendations</p> <p>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.</p>	<p>No significant weakness with respect to this risk was identified for both 2023/24 and 2024/25 financial year.</p>	<p>Governance:</p> <ul style="list-style-type: none"> • How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships

VFM - Executive Summary (cont.)

Risks of significant weaknesses in arrangements identified?	Findings/ Recommendations	Actual significant weaknesses in arrangements identified?	Reporting criteria
<p>The Council received a C3 Regulatory Judgement as the Regulator found serious failings in how the Council is delivering the outcomes of the consumer standards and significant improvement was needed, specifically in relation to outcomes against the Safety and Quality Standard.</p> <p>The risk is relevant for both 2023/24 and 2024/25 financial years.</p>	<p>The Regulator of Social Housing, reported in July 2025 that the Council had received a C3 Regulatory Judgement as the Regulator found serious failings in how the Council is delivering the outcomes of the consumer standards and they identified that significant improvement was needed, specifically in relation to outcomes against the Safety and Quality Standard. The report noted that weaknesses were apparent, and improvement needed in relation to repairs and maintenance, fire safety, tenants' engagement, and data management.</p> <p>The outcome of the regulatory inspection, is evidence of a significant weakness in the Council's governance arrangements in respect of the provision of social housing.</p> <p>Recommendations</p> <p>The Council should ensure that it is robustly monitoring the delivery of the action plan which has been agreed to address the issues raised by the Regulator of Social Housing.</p>	<p>Significant weakness identified for 2023/24 and 2024/25</p> <p>This issue is evidence of significant weaknesses in proper arrangements for Governance, including how the body monitors and ensures it meets legislative and regulatory requirements.</p>	<p>Governance:</p> <ul style="list-style-type: none"> How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Results and findings - Recommendations

Financial controls

As part of our audit, we are required to communicate to you:

- Significant deficiencies in internal control; and
- Our views on the effectiveness of internal control relevant to risks that may affect financial reporting and other risks arising from the entity's business model and the effectiveness of related internal controls.

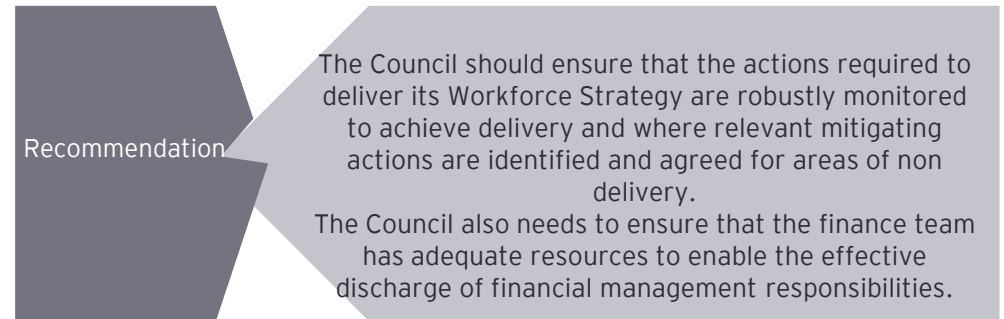
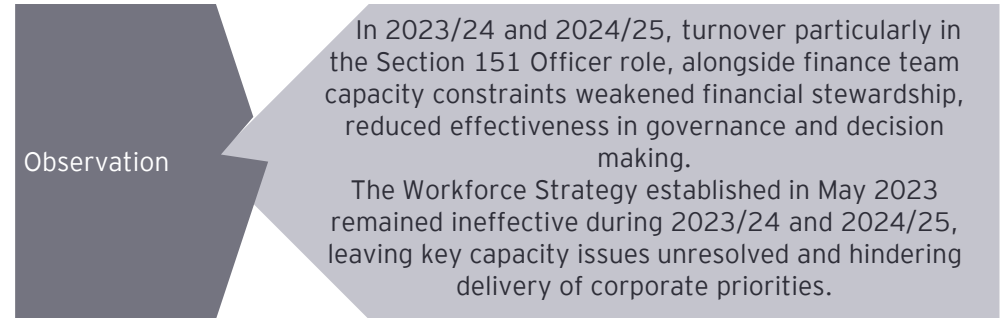
These communications need to be pre financial statement approval in order for the Audit, Governance and Standards Committee to be able to fulfil their duties.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2023/24 and 2024/25 audit.

	High	Moderate	Low	Total
Improvement recommendations	5	6	-	11

Key:

- A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
- Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.



Results and findings - Recommendations



Observation

Due to deficiencies arising from the flawed ERP system implementation, the Council did not have the required reporting mechanisms in place to prepare and complete monthly VAT returns. Consequently, VAT returns covering the period from 1 April 2021 to 31 October 2024 were not submitted on time.

Recommendation

The Council should ensure that there is accurate and timely submission of all statutory returns.

Management comment



Observation

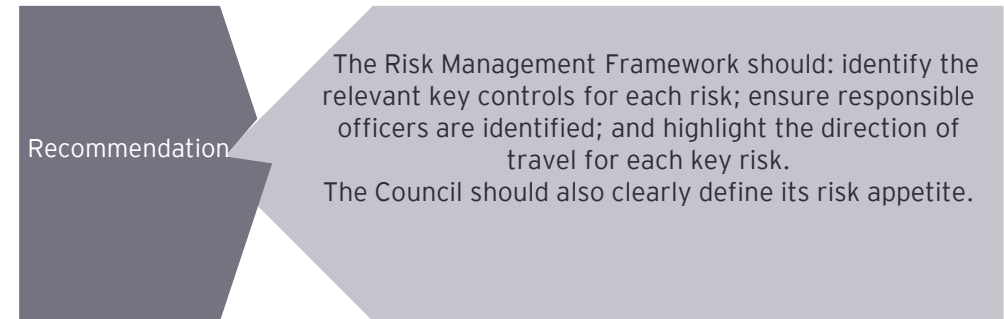
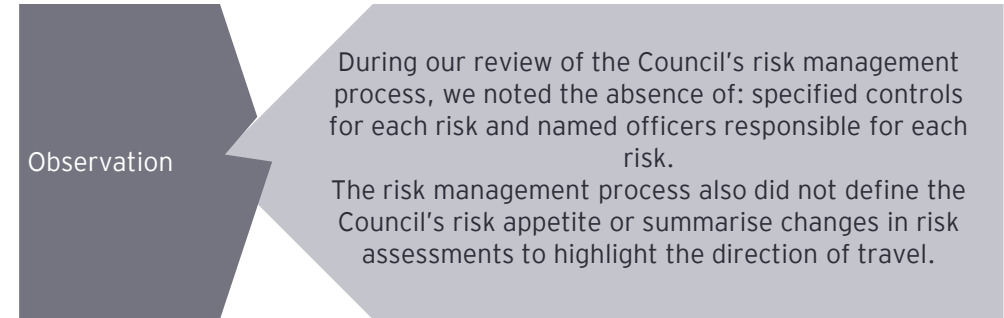
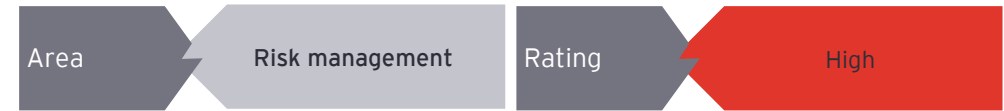
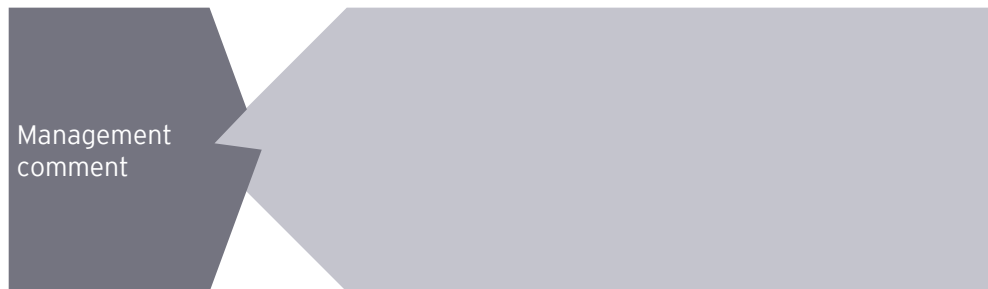
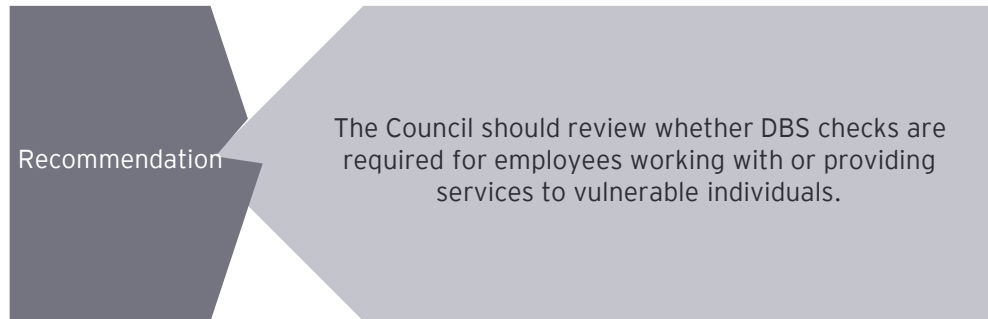
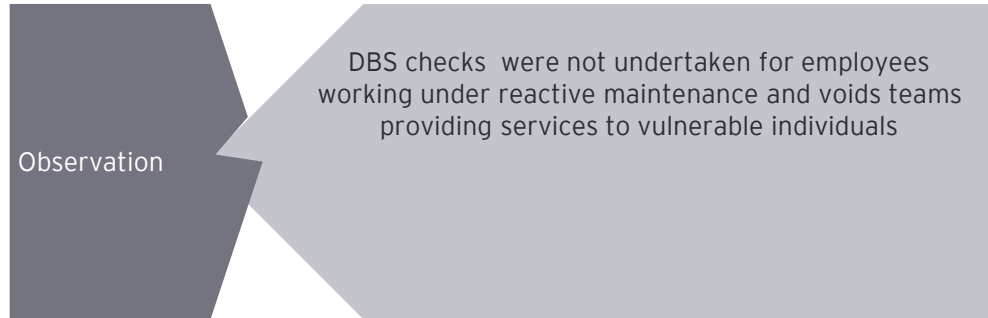
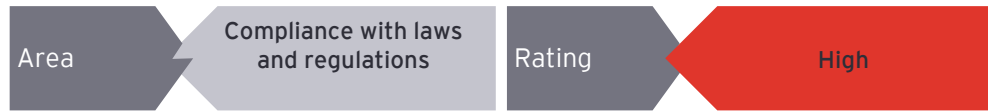
The Regulator of Social Housing, reported in July 2025 that the Council had received a C3 Regulatory Judgement as the Regulator found serious failings in how the Council is delivering the outcomes of the consumer standards and they identified that significant improvement was needed, specifically in relation to outcomes against the Safety and Quality Standard.

Recommendation

The Council should ensure that it is robustly monitoring the delivery of the action plan which has been agreed to address the issues raised by the Regulator of Social Housing.

Management comment

Results and findings - Recommendations



Results and findings - Recommendations

Area: Capital budgeting | Rating: Moderate

Observation

The Council has in recent years reported significant underspends against the approved capital budget. Underspends of £8.3m, £3.2m, £7.7m and £12.6m were reported for the 2021/22, 2022/23, 2023/24 and 2024/25 financial years, respectively, against approved respective budgets of £13.3m, £5.4m, £10.9m and £20.5m.

Recommendation

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.

Management comment

Area: Risk monitoring reports | Rating: Moderate

Observation

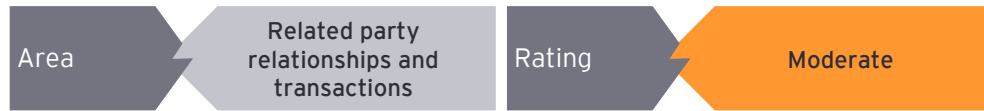
Quarterly risk monitoring reports were not being regularly prepared and presented to the Audit, Governance and Standards Committee.

Recommendation

Risk monitoring reports should be prepared and presented to the Audit, Governance and Standards Committee for review and consideration.

Management comment

Results and findings - Recommendations



Observation
There are currently no procedures established by the Council to monitor the completeness of related parties.

Recommendation
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

Management comment



Observation
A significant number of the Council's policies are old and there is a risk that they do not reflect current legislative or regulatory requirements. We also noted that the Anti-Fraud policy is hosted on modern.gov rather than on the Council's own website.

Recommendation
The Council should ensure that all policies have been reviewed, and where relevant updated, and are available on the Council's website.

The should have in place a framework to regularly review policies, with responsible officers clearly identified and expected dates for future reviews identified.

Management comment

Results and findings - Recommendations



Observation: There was scope to ensure that the Monitoring Officer is engaged at an early stage and throughout the investigation process..

Recommendation: The Council should ensure that the Monitoring Officer is appropriately engaged throughout the whistleblowing investigation process.

Management comment:



Observation: Whistleblowing matters were not routinely reported to the Audit, Governance and Standards Committee, limiting member oversight, transparency and assurance over how such concerns are managed.

Recommendation: The Audit, Governance and Standards Committee should receive regular reports on whistleblowing activities.

Management comment:



05 Appendices

Appendix A – Management representation letter

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Hassan Rohimun
Ernst & Young LLP
Manchester

This letter of representations is provided in connection with your audit of the consolidated and parent Authority financial statements of Redditch Borough Council ("the Group and Authority") for the year ended 31 March 202X. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Group and Authority financial position of Redditch Borough Council as of 31st March 202X and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Authority, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 [or 2024/25 as applicable].

We understand that the purpose of your audit of our consolidated and parent Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the

purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 [or 2024/25 as applicable].
2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and parent Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 [or 2024/25 as applicable], and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.
4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 [or 2024/25 as applicable] for the Group and Authority that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

Appendix A – Management representation letter (Cont.)

Management representation letter

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Management Rep Letter

6. We confirm the Group and Authority does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Authority financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Group or Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
 - Involving financial improprieties;
 - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements;
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the

operations of the Group and Authority's business, its ability to continue in business, or to avoid material penalties;

- Involving management, or employees who have significant roles in internal control, or others; and
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect on the consolidated and parent Authority financial statements.
3. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements
4. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which

Appendix A – Management representation letter (Cont.)

Management representation letter

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Management Rep Letter

minutes have not yet been prepared) held through 2023/24 [or 2024/25 as applicable] to the most recent meeting.

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Authority financial statements.
6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 [or 2024/25 as applicable].
7. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. From 1st April 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Authority financial

statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

9. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the consolidated and parent Authority financial statements, including disclosures.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 29 to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note XX to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes

Appendix A – Management representation letter (Cont.)

Management representation letter

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Management Rep Letter

thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment and Investment Properties and the IAS 19 actuarial valuation of Pensions and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and parent Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Estimates - IAS 19 actuarial valuation of Pensions and valuation of Property, Plant and Equipment and Investment Properties

1. We confirm that the significant judgments made in making the IAS 19 actuarial valuation of Pensions and valuation of Property, Plant and Equipment and Investment Properties estimates have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the IAS 19 actuarial valuation of Pensions and valuation of Property, Plant and Equipment and Investment Properties estimates.
3. We confirm that the significant assumptions used in making the IAS 19 actuarial valuation of Pensions and valuation of Property, Plant and Equipment and Investment Properties estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent Authority financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 [or 2024/25 as applicable].
5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 actuarial valuation of Pensions and valuation of Property, Plant and Equipment and Investment Properties estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent Authority financial statements.

Appendix A – Management representation letter (Cont.)

Management representation letter

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Management Rep Letter

K. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

L. Reserves

1. We have properly recorded or disclosed in the consolidated and parent Authority financial statements the useable and unusable reserves.

M. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Authority has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Authority's assets, nor has any asset been pledged as collateral. All assets to which the Group and Authority has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and parent Authority financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

Yours faithfully,

Section 151 Officer

Chief Executive Officer

Chair of the Audit and Governance Committee

Appendix B – PSAA Statement of Responsibilities

As set out on the next our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- assign responsibilities clearly to staff with the appropriate expertise and experience;*
- provide necessary resources to enable delivery of the plan;*
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix C – Fees



The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

The original fees for these years were based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- The Council has an effective control environment; and
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous .

Due to the reset, the above clearly will not be achieved and we will be liaising with PSAA Ltd to discuss and agree fees.

	2023/24	2024/25
	£'s	£'s
Scale Fee - Code Work	171,164	186,714
Determined Scale Fee Variation	Note 1	Note 1
Total audit	Note 1	Note 1
Total other non-audit services	-	-
Total fees	TBC	TBC

All fees exclude VAT

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2023/24 and 2024/25

In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Appendix D – Required communications with the Audit and Governance Committee

We have detailed the communications that we must provide to the Audit, Governance and Standards Committee.

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> The planned scope and timing of the audit; Any limitations on the planned work to be undertaken; The planned use of internal audit; and The significant risks identified. <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	This Completion report for Those Charged with Governance
Significant findings from the audit	<ul style="list-style-type: none"> Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures. Significant difficulties, if any, encountered during the audit. Significant matters, if any, arising from the audit that were discussed with management; Written representations that we are seeking. Expected modifications to the audit report. Other matters if any, significant to the oversight of the financial reporting process. Findings and issues regarding the opening balance on initial audits. 	This Completion report for Those Charged with Governance
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> Whether the events or conditions constitute a material uncertainty; Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and The adequacy of related disclosures in the financial statements. 	This Completion report for Those Charged with Governance

Appendix D – Required communications with the Audit and Governance Committee (Cont.)

		Our Reporting to you
Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation. The effect of uncorrected misstatements related to prior periods. A request that any uncorrected misstatement be corrected. Material misstatements corrected by management. 	This Completion report for Those Charged with Governance
Fraud	<ul style="list-style-type: none"> Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. Any fraud that we have identified or information we have obtained that indicates that a fraud may exist. Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> Management; Employees who have significant roles in internal control; or Others where the fraud results in a material misstatement in the financial statements. The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected. Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud. Any other matters related to fraud, relevant to Audit and Committee responsibility. 	This Completion report for Those Charged with Governance
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> Non-disclosure by management; Inappropriate authorisation and approval of transactions; Disagreement over disclosures; Non-compliance with laws and regulations; and Difficulty in identifying the party that ultimately controls the entity. 	This Completion report for Those Charged with Governance
Internal controls	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	This Completion report for Those Charged with Governance
External confirmations	<ul style="list-style-type: none"> Management's refusal for us to request confirmations. Inability to obtain relevant and reliable audit evidence from other procedures. 	This Completion report for Those Charged with Governance

Appendix D – Required communications with the Audit and Governance Committee (Cont.)

Our Reporting to you

Required communications	What is reported?	When and where
Independence	<ul style="list-style-type: none"> • Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, integrity, objectivity and independence. • Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as: <ul style="list-style-type: none"> • The principal threats; • Safeguards adopted and their effectiveness; • An overall assessment of threats and safeguards; and • Information about the general policies and process within the firm to maintain objectivity and independence. • Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. 	This Completion report for Those Charged with Governance
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur. • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of. 	This Completion report for Those Charged with Governance
Group audits	<ul style="list-style-type: none"> • An overview of the type of work to be performed on the financial information of the components. • An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components. • Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work. • Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted. • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	This Completion report for Those Charged with Governance
Representations	Written representations we are requesting from management and/or those charged with governance.	This Completion report for Those Charged with Governance

Appendix D – Required communications with the Audit and Governance Committee (Cont.)

Our Reporting to you

Required communications	What is reported?	When and where
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit.	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This Completion report for Those Charged with Governance
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor’s report. Any circumstances identified that affect the form and content of our auditor’s report. 	This Completion report for Those Charged with Governance

Appendix E - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of Management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics](#) (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and

Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- Suspected or known fraud or bribery
- Health and Safety incident
- Payment of an unlawful dividend
- Loss of personal data
- Allegation of discrimination in dismissal
- HMRC or other regulatory investigation
- Deliberate journal mis-posting or allegations of financial impropriety
- Transacting business with sanctioned individuals

Implication

- Potential fraud/breach of anti-bribery legislation
- Potential breach of section 2 of the Health and Safety at Work Act 1974
- Potential breach of Companies Act 2006
- Potential GDPR breach
- Potential non-compliance with employment laws
- Suspicion of non-compliance with laws/regulations
- Potential fraud / breach of Companies Act 2006
- Potential breach of sanctions regulations

Appendix E - Non-Compliance with Laws and Regulations (NOCLAR) (cont.)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both Management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of Management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with Management, TCWG and where necessary other auditors within the group or regulators

Appendix F – Other Communications

EY Transparency Report 2025

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2025 and can be found here: [EY UK 2025 transparency report](#)

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ED None

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REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee**
202611th June**Corporate Risk Update Quarter 4 2025/26**

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

1. RECOMMENDATIONS**The Committee is asked to RESOLVE that:**

- 1.1 Consider the strategic risks and mitigations detailed in the Corporate Risk Register.
- 1.2 Consider the changes to risk scores, owners/leads, and removal/addition of risks.

2. BACKGROUND

- 2.1 The Corporate Risk Register must continue to ensure that the Council's most significant strategic risks in relation to achievement of corporate priorities and objectives are identified, managed, monitored and reported. The Council has been seeking to improve our risk management activities and have undertaken a review of all corporate risks and our wider system of governance.
- 2.2 All Assistant Directors reviewed their Corporate Risks with their Service Managers. Following this action, Worcestershire Internal Audit Shared Service reviewed and provided feedback.
- 2.3 During March several training sessions were held in the use of 4Risk system, Julie Loraine (Interim Section 151) introduced those sessions with advice and guidance on required approach to risks.
- 2.4 Operational risk owners updated their risks early April and Worcestershire Internal Audit Shared Service are now undertaking a

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desktop review of the current position of the operational risk register. The findings will inform the development of a refreshed Corporate Risk Management Strategy.

2.5 On 23rd April, a Strategic Risk Management Group meeting was held.

The purpose of the group is to provide strategic, cross-organisational oversight of the Corporate Risk Register, to provide support and appropriate challenge to risk owners, to improve awareness of interdependencies between corporate and service-level risks, and to ensure that strategic risks effectively inform reporting to SLT, Cabinet, and the Audit & Governance Committee.

2.6 An audit of our risk management system is currently on the audit calendar for next January 2027.

3. CORPORATE RISKS

3.1 The following definition of how risks move from being “departmental” to being “corporate” in nature was recommended by the SRMOG, approved by CLT:

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

3.2 Corporate Risks are summarised in the following table

Corporate Risk Ref	Risk	Owner	Risk Lead	Inherent	Residual
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
COR003	Failure to meet requirements of Regulator for Social Housing	Guy Revans	Simon Parry	15	12
COR004	Protection from Cyber Attack	John Leach	Mark Hanwell	25	16
COR005	Adequate Workforce Planning	Hannah Corredor	Becky Talbot	12	9

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COR006	Resolution of Section 24 Notice	James Walton	Debra Goodall	6	6
COR010	Town Deal Programme	Rachel Egan	Neil Batt	12	8
COR011	Cost of Living Crisis	Judith Willis	Lisa Devey	12	9
COR015	Failure to meet waste requirements of the Environment Act 2021	Simon Parry	Matthew Austin	16	9
COR016	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	Remedial Fire Safety Actions	James Walton	Debra Goodall	9	9
COR018	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

3.3 There have been the following changes since the Q3 report.

Risk	Change and reason	Residual Risk Score
Section 151 Officer risk	A permanent S151 and Deputy S151 Officer are now in post. James Walton commenced role in April 2026.	Closed
Risk of Cash Flow Strain	While cash flow pressures had previously been identified as a potential risk, the receipt of a significant VAT refund from HMRC has substantially strengthened the Council's cash position. As a result,	Opened in March 26 and closed in April 26.

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	<p>the Council currently has sufficient liquidity to meet its operational commitments and manage the timing of cash outflows, including capital expenditure. Ongoing financial planning and monitoring will continue to ensure that this improved position is maintained and that any future cash flow risks are identified at an early stage.</p> <p>Training and monitoring are being put in place to ensure proper VAT administration.</p>	
Failure to meet waste requirements of the Environment Act 2021	<p>Progress has been made in planning for new statutory waste and recycling requirements, supported by confirmation of "new burdens" funding and Extended Producer Responsibility arrangements. As a result, the residual risk has reduced; however, the risk remains live due to ongoing financial and operational delivery pressures.</p> <p>Pro-active engagement with DEFRA and ongoing planning for commencing collections within this financial year reduce the risk of legal challenge related to the delay in implementing this statutory duty."</p>	9 – Medium (reduced from 16)
Compliance with the Procurement Act 2023	Significant progress has been made in preparing for the new legislative requirements, including updated policies and officer guidance. As a result, the residual risk has reduced this quarter.	4 – Low (reduced from 9)
Non-Implementation of the Renters Rights Act 2025	<p>This is a new risk reflecting capacity, training requirements and reliance on new burdens funding to ensure full compliance with the Act.</p> <p>Extensive preparations are in place to ensure successful implementation of the Renters' Rights Act. A monitored action plan is active, with</p>	4 – Low (NEW)
<i>The Renters Rights Bill became law on 27 October 2025, with key changes</i>		

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee**11th June**2026**

<i>effective from 1 May 2026.</i>	Cabinet/Committee approvals secured and updates made to the Constitution, delegated authorities, enforcement and civil penalties policies. Comprehensive staff training has been delivered, including Housing Options, PSH, customer services and partners, supported by an internal AI training assistant. CEO, Senior Leadership Team, elected Members and the appointed senior lead (Judith Willis) have all been briefed and are fully supportive. Communications, website updates, statutory notices, leaflets, landlord signposting and multi-agency work (including Operation Padlock and MHCLG working group involvement) further reduce the risk of non-implementation	
Remedial Fire Safety Actions	<p>The new MTFS has made new provision to address the fire remedial actions following fire risk assessments under the regulatory judgement. These will now take place under an accelerated programme.</p> <p>Wording, ownership and classification as a strategic risk requires reviewing and will be agreed between Debra (current lead) and Simon Parry (proposed lead).</p>	9-Medium

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3.4 There are 48 service (departmental) risks identified on the '4Risk' system; with no increase in total number since the last period. These are summarised in the following table:

Service Area	Last period	Red following mitigation	Last period	Amber following mitigation	Last period	Green following mitigation	Total number of risks last period	Total number of risks
Customer Services			1	1			1	1
Benefits			1	1	3	3	4	4
Revenues	1	1	1	2	2	1	4	4
Finance			2	1	1	2	3	3
Environmental Services			4	4	1	3	5	7
Planning, Leisure & Culture Services			1	1			1	1
Regen. & Property Services			4	4	2	2	6	6
ICT			2	1			2	1
Planning					1	1	1	1
Housing			9	9	7	7	16	16
Community Services			1	0	3	3	4	3
HR					1	1	1	1
Total departmental risks	1	1	26	24	21	23	48	48

4. FINANCIAL IMPLICATIONS

4.1 Effective risk identification, and management of those risks, is integral to the delivery of effective and efficient services to residents and businesses. Risk impacts can be both financial and reputational. Future risk reporting will increasingly align to a financial risk framework covering revenue, capital, cash flow and wider corporate dependencies.

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

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5. LEGAL IMPLICATIONS

5.1 No Legal implications have been identified.

6. OTHER - IMPLICATIONS**Local Government Reorganisation & Relevant Council Priority**

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

Climate Change Implications

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

Equalities and Diversity Implications

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

7. RISK MANAGEMENT

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

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee
2026****11th June****8. REPORT SIGN OFF**

Department	Name and Job Title	Date
Portfolio Holder	Councillor Warhurst, Portfolio Holder for Finance and Governance	1 st of June 2026
Assistant Director	Hannah Corredor	1 st of June 2026
	Strategic Risk Management Group	23 rd April 2026
	Senior Leadership Team	27 th April 2026
Financial Services	Debra Goodall	29 th April 2026 (CLT)
Legal Services	Claire Felton	29 th April 2026 (CLT)
Policy Team (if equalities implications apply)	N/a	
Climate Change Team (if climate change implications apply)	N/a	

VAT Recovery – Updated position report

Relevant Portfolio Holder		Councillor Craig Warhurst
Portfolio Holder Consulted		Yes
Relevant Assistant Director		Debra Goodall
Report Author: Debra Goodall	Job Title: Assistant Director of Finance and Customer Services Contact email: debra.goodall@bromsgroveandredditch.gov.uk	
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, Governance and Standards Committee is asked to RESOLVE that:-

- 1) The actions being undertaken to resolve the outstanding VAT matters are noted.**
- 2) The net cash gain of £19.9m is noted.**
- 3) The improvement of this on the cashflow position is noted and the corporate risk register duly updated to reflect the positive change to the council’s cash holding position.**
- 4) The Audit, Governance and Standards Committee maintains oversight of the delivery of actions to satisfy any agreed penalty suspension conditions.**

2. BACKGROUND

2.1 Redditch District Council did not submit periodic VAT returns to HMRC for a period of three and a half years between April 2021 and October 2024 as a result of issues with the TechnologyOne ERP system and key staffing changes.

The significant issues contributing to this included:

- TechnologyOne System issues from implementation
 - Incorrect configuration of the cash receipting back office.
 - Incorrect inter-entity processing
 - Incorrect payment and bank statement file processing.
- Failure to align work processes with the configuration of the TechnologyOne VAT module.
- Staff turnover and a consequent period of lack of internal VAT expertise.
- Weak reconciliation processes.

2.2 The Council managed the position by agreeing with HMRC to submit nil returns for each of the outstanding periods and then Error Correction Notices (ECNs) to reflect the returns that should have been made.

2.3 An initial ECN was prepared in December 2024 using data downloaded from the ‘General Ledger’ in the ERP. Subsequent work on the ERP identified that subsidiary ledgers (Project Ledger and Property Ledger) did not record VAT information on transactions disbursed to the General Ledger. Further issues, identified during the preparation of monthly VAT returns, were addressed by submission of a second ECN in November 2025.

2.4 The Council appointed specialist advisors (PSTax) to provide support and assurance. PSTax were instrumental in providing advice, agreeing the process with HMRC, reviewing the data, assisting with the preparation of ECNs, VAT Returns and liaising with HMRC. Accountability, approval and submission of all ECNs and VAT returns rests with the Council.

2.5 To date, all ECNs and VAT Returns have been prepared manually by an internally resourced team using data downloaded from the ERP, with detailed reconciliation and external data review processes.

2.6 Chronology

Redditch Borough Council Action	Date
Technology One System Implemented	February 2021
First Missed VAT Return	April 2021
Last Missed VAT Return	October 2024

Monthly VAT Returns Reinstated	November 2024
Initial Error Correction Notice Submitted	19 December 2024 (£9.653m to RBC)
RBC aware of potential additional submission relating to subsidiary ledgers	HMRC informed August 2025
Subsequent Error Correction Notice Submitted	November 2025 (£10.251m to RBC)
HMRC combined into one resolution process (capping provisions applied by HMRC to protect out of time position)	November 2025 (£19.904m to RBC)
Pre resolution, HMRC invited RBC to propose appropriate suspension conditions.	RBC provided these to HMRC on 13/02/2026

Penalty Suspension

- 2.7 HMRC impose mandatory financial penalties in the event an organisation fails to submit timely and accurate VAT returns. HMRC can, at its discretion, agree to suspend the financial penalties should HMRC deem the failure not to be “deliberate” and if the organisation agrees to meet conditions.

- 2.8 With the assistance of PSTax, Redditch Borough Council and HMRC reached agreement on the suspension of the penalties, subject to the council meeting the following conditions.
 - i) The council must meet all its notification and filing obligations.
 - ii) The adoption of a dedicated internal email mailbox for VAT enquiries from staff.
 - iii) Finance Business Partners are to be kept updated on changes affecting their service areas and a record of the communications is to be retained.
 - iv) All finance staff to attend training provided by PSTax to focus on adopting best practice. A record of the date, attendees and a synopsis of the training content is to be retained.
 - v) Relevant service-based staff to attend training, to ensure they understand the importance of seeking VAT advice when considering or entering into new contractual arrangements and, that they understand the internal processes. A record of the date, attendees and a synopsis of the training content is to be retained.

Current Position

- 2.10 Monthly VAT returns are being submitted on time, following a robust quality assurance process providing an independent review of prepared monthly returns ahead of submission. The outcome of the monthly review is reported to the Section 151 Officer /Deputy 151 Officer to formally approval submission of the return. This process will be reviewed annually and should remain in place until such time as the section 151 Officer determines that independent assurance is no longer needed.
- 2.11 PSTax were commissioned to develop and deliver the training needed to the finance team and wider staff group. Session dates from May 2026 were agreed with CLT and mop up sessions provided to those staff unable to attend the scheduled events.
- 2.12 Control improvements have been agreed with CLT to apply across the organisation including:
- i mandatory attendance on the training programme for all staff involved in the raising and processing of orders and invoices. Only trained staff will have system permissions granted to them.
 - ii An escalation process has been agreed where any issues of inaccurate data entry or coding will be reported to the relevant Assistant Director.
 - iii non-compliance with the required VAT processes can and will result in the removal of system access privileges.
- 2.13 The Internal Audit Plan for 2026/27 will include a review of key VAT processes and the actions outlined above to provide independent assurance that the necessary internal controls are now in place and operating satisfactorily.
- 2.14 Ultimately, the expectation is that the ERP system will ensure accurate VAT processing without manual intervention.

3. FINANCIAL IMPLICATIONS

- 3.1 Two ECNs have been submitted to deliver a total VAT repayment of £19.904m.
- 3.2 It should be noted that the VAT repayments represent an improvement to the Council's cash position and this may be of interest to the Committee in consideration of the impact on the Council's Treasury

Management decisions. The associated accounting entries, however, have already been reflected in the relevant prior years.

4. LEGAL IMPLICATIONS

- 4.1 Submitting timely and accurate VAT returns is a statutory obligation. The actions set out in this report alongside the delivery of the agreed penalty suspension conditions reflect obligations the council must meet.

5. OTHER – IMPLICATIONS

Local Government Reorganisation

- 5.1 Resolving the long-standing issues around VAT will enable the council to enter LGR from a sound position of good standing and compliance financial management.

Relevant Council Priority

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

Climate Change Implications

- 5.3 None directly as a result of this report.

Equalities and Diversity Implications

- 5.4 No adverse impacts as a result of the content of this report

6. RISK MANAGEMENT

- 6.1 The council recognises cashflow pressures as a potential risk and the cash receipt from HMRC mitigates this risk significantly.

7. APPENDICES and BACKGROUND PAPERS

None.

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REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****11th June 2026****Financial Compliance Report**

Relevant Portfolio Holder	Councillor Craig Warhurst Finance & Performance Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
Report Author Debra Goodall	Job Title: Assistant Director Finance & Customer Services Contact email: Debra.Goodall@bromsgroveandredditch.gov.uk
Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Council Priorities	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

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

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

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

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

2. BACKGROUND

2.1 The financial framework for the Council is set out in the Constitution alongside necessary legislative reporting requirements. The Financial Governance Framework is reported to Audit, Governance and Standards Committee annually including:

- **The Budget and Policy Framework Procedure Rules**

The framework for Cabinet decisions, decisions outside the budget or policy framework, urgent decisions outside of the budget or policy framework, virement rules, in-year changes to the policy framework and, call-in of decisions outside the budget or policy framework. These rules set out how decisions can be made, by whom, and how they can be challenged.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****11th June 2026****• Financial Procedure Rules**

Set out in the Constitution “operational policies” set out how the organisation financially runs its day to day business. These were updated in May 2026.

• Finance Protocols

Set out requirements and expectations of the Finance Team and Services in terms of financial administration and demarcation of duties.

2.2 Delays in the publication and audit of the statutory accounts (2020/21 to 2022/23) resulted in the issue of a section 24 Statutory Recommendation. The accounts from these years have now been audited with Disclaimer Opinions.

2.3 The Statement of Accounts for the 2023/24 and 2024/25 financial years are due to be issued with Disclaimer Opinions in June 2026.

2.4 The 2025/6 budget was approved at Council on the 24 February 2025.

Legislative Requirements

2.5 Attached as Appendix A are the key legislative deliverables, which were circulated by the Government for the 2025/26 financial year. The Council has delivered against all of the deadlines to date with the exception of the Whole of Government Accounts Cycle 1 which was due on 29 August 2025 and meeting the backstop date for the Accounts for 2023/24 and 2024/25. The Council will be unable to complete the Whole of Government Accounts for this financial year (in line with a number of other Councils) but will work to complete the return for 2026/27. A Chief Accountant is now in post and will be responsible for the completion of these as part of the duties of the post.

2.6 As formally reported to Audit, Governance and Standards Committee and Cabinet previously, the Council has been required to submit two Error Correction Notices (ECN) to reclaim VAT and complete a series of actions to improve internal controls and satisfy HMRC. Two ECNs for £9.653m and £10.251m to RBC have been submitted and settled by HMRC.

2.7 Appendix B reflects a wider set of deliverables (in addition to Appendix A). These have now been fully delivered.

Financial Stability Plan

2.8 Following the successful completion of the Financial Improvement Plan and the delivery of the Accounts for 2020/21 – 2024/25, the Council has now developed a Financial Stability Plan Covering the following areas:

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****11th June 2026****Tech One system**

- 2.9 A full root and branch review of the Tech One system has taken place relating to the cash receipting functionality and a health check by Tech One is due to be completed in June. A Project Plan will be developed clarifying requirements for technical support, project management, system administration and testing resource. A report will be brought to a future meeting of this Committee.

Stabilisation of the Council's finance service

- 2.10 The Council appointed a permanent Section 151 Officer from 13 April 2026. The Section 151 Officer is currently reviewing the structure, roles, responsibilities and capacity of the Finance Team. Several roles are vacant and being recruited to or covered by temporary agency support. A resilient Team structure will be developed over the summer and permanent recruitment undertaken, utilising agency support for specific time-limited project work.

Update on the Statement of Accounts

- 2.11 Backstop legislation has been introduced to ensure a national backlog of outstanding accounts could be managed. The key dates are shown in the table below.

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

- 2.12 The Council has received Disclaimer Opinions for the 2020/21, 2021/22, and 2022/23. The 2023/24 and 2024/25 Accounts are currently being audited by Ernst and Young. An update is given in a later section of this report.

- 2.13 The council's position on these key closure deliverables are as follows:

Financial year	Auditor	Body approving	Date	Comments
2020/21	Grant Thornton	Audit, Governance and Standards Committee	5 th December 2024	Written recommendation in relation to the Draft External Auditor Report 2021/22 and 2022/23 on 27 th November 2023 requiring production of true and fair accounts for this year signed off by

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****11th June 2026**

				the S151 Officer and supported by working papers. Accounts produced and Disclaimer Opinion received and approved
2021/22	Grant Thornton	Audit, Governance and Standards Committee	5 th December 2024	Written recommendation in relation to the Draft External Auditor Report 2021/22 and 2022/23 on 27 th November 2023 requiring production of true and fair accounts for this year signed off by the S151 Officer and supported by working papers. Accounts produced and Disclaimer Opinion received and approved
2022/23	Grant Thornton	Audit, Governance and Standards Committee	5 th December 2024	Written recommendation in relation to the Draft External Auditor Report 2021/22 and 2022/23 on 27 th November 2023 requiring production of true and fair accounts for this year signed off by the S151 Officer and supported by working papers. Accounts produced and Disclaimer Opinion received and approved
2023/24	Ernst & Young	Audit, Governance and Standards Committee	11 th June 2026	Draft Accounts have been available for public consultation since the 14 th January 2025. Disclaimer opinion for these accounts expected.
2024/25	Ernst & Young	Audit, Governance and Standards Committee	11 th June 2026	Completed by 30 th June deadline as required for public inspection period. Disclaimer opinion for these accounts expected.

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- 2.14 As has been reported previously the combined 2021/21 & 2022/23 Draft External Audit Report set the following key and improvement recommendations. The actions taken against these to date are outlined against them:

Year	Key and Improvements recommendations	Resulting actions
2020/21	The Council should address the issues with ledger implementation to ensure accurate financial reporting and sustainability, as the council had not produced complete accounts for 2020/21.	<p>Accounts have now been produced for 2020/21, 2021/22, 2022/23 and signed off as 'disclaimed' by Grant Thornton. Accounts for 2023/24 were produced by the Government backstop date of 28 February 2025. These are awaiting audit by Ernst & Young. Draft accounts have been produced and published on the Council website for public inspection in line with the Government date of 30 June 2025.</p> <p>The Accounting Policies Report goes to every Audit Committee.</p> <p>The key closure deliverables for each financial year are clearly set out. The owners of these deliverables are the S151 and Deputy S151 Officers.</p> <p>Progress on key financial and compliance indicators are reported quarterly to CLT and to both Audit Committees bi-monthly by the S151/Deputy 151 Officers. There is a requirement to report all finance deliverables as per the Recommendations of the Audit Task Group.</p> <p>Delivery of Financial training detailed in this document will move staff to right level of skills.</p> <p>TechOne has been upgraded to version 25B in December 2025.</p> <p>Quarterly financial and performance monitoring started in the 2022/23 financial year and has continued in 2025/26.</p> <p>The 2024/25, 2025/26 and 2026/27 MTFP process has been completed in both Councils.</p> <p>A Treasury Management strategy, half yearly report, and outturn report are now part of the work programme. 2024/5 Half Yearly Reports have been delivered and an Outturn Report went to July Cabinet. 2025/26 Half Yearly Reports have also been delivered. The Treasury Management Strategy for 2026/27 was agreed as part of the Council meeting on 25th February 2026.</p>

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2020/21	The Council must enhance Workforce Strategy Objectives by committing to succession planning, innovative recruitment and workforce development.	The Council now has a Workforce Strategy in place and regular meetings in place.
2020/21	The Council should consult stakeholders in developing savings plans, monitor savings delivery independently, challenge variances, and assess the quality impact of proposed savings during and after implementation to identify any quality risks.	Included in response for 2021/22
2020/21	The Council should review and evaluate how it sets its capital budget. Consideration of this will enable it to set more realistic budgets going forward.	Included in response for 2021/22
2020/21	IR3-The Council should include trend analysis and extrapolation, risk and sensitivity analysis and evidence of alternative proposals and scenarios considered and the corresponding impact in the budget setting process	Included in response for 2021/22
2020/21	The council should include greater evidence of external engagement in the budget setting process.	Included in response for 2021/22
2020/21	The Council should define its risk appetite in the Risk Management Framework and ensure that each reported risk includes key controls, RAG ratings, mapping to corporate objectives, senior officer allocation, and direction of travel. Internal audit has identified weaknesses that need addressing.	Work has been undertaken to fully review and update our risks.
2020/21	The internal audit service should be externally assessed to ensure it is compliant with PSIAS	Included in response for 2021/22
2020/21	The Council should evaluate appointing two qualified independent members to the Audit, Governance & Standards Committee, ensuring the committee remains apolitical in its operations	Included in response for 2021/22
2020/21	Counter fraud. The Council should update its whistleblowing policy every one to three years	Included in response for 2021/22
2020/21	Procurement. The Council should update its Contract Procedure Rules annually and report on the number and value of waivers to Audit, Governance & Standards quarterly	Included in response for 2021/22
2021/22	The Council should consult stakeholders in developing savings plans, monitor savings delivery independently, challenge variances, and assess the quality impact of proposed savings during and after implementation to identify any quality risks	More budget consultation was addressed in Stage 1 of the budget for 2025/26 through a targeted budget consultation process which finished in January 2025. Wider savings monitoring has been undertaken through the Audit, Standards and Performance Committee.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****11th June 2026**

2021/22	The Council should review and evaluate how it sets its capital budget. Consideration of this will enable it to set more realistic budgets going forward	The Capital budget is fully reviewed as part of the MTFP process. Each capital project is reviewed between finance and the project manager to ensure that progress to date is understood and planned progress going forward is undertaken on a quarterly basis as part of the quarterly monitoring
2021/22	The Council should include trend analysis and extrapolation, risk and sensitivity analysis and evidence of alternative proposals and scenarios considered and the corresponding impact in the budget setting process	The Council now includes benchmarking, sensitivity analysis and consideration of alternative proposals along with long term impact.
2021/22	The council should include greater evidence of external engagement in the budget setting process	More Budget Consultation was addressed in Stage 1 of the budget through a targeted consultation process which finished in early January 2026.
2021/22	The Council should define its risk appetite in the Risk Management Framework and ensure that each reported risk includes key controls, RAG ratings, mapping to corporate objectives, senior officer allocation, and direction of travel. Internal audit has identified weaknesses that need addressing	The Council now produces a quarterly risk report that is presented to Corporate Leadership team and goes to the Audit, Governance and Standards Committee. The risks are recorded on the 4 Risk system and are identified as Corporate or Departmental risks. Each risk is allocated to a senior officer and identifies the RAG rating, controls and the direction of travel
2021/22	The internal audit service should be externally assessed to ensure it is compliant with PSIAS	The Internal Audit Service was externally assessed in early 2024 and passed that assessment.
2021/22	The Council should evaluate appointing two qualified independent members to the Audit, Governance & Standards Committee, ensuring the committee remains apolitical in its operations	The Council is seeking an independent Audit Committee member and ensures the Committee remains apolitical in nature.
2021/22	Counter fraud. The Council should update its whistleblowing policy every one to three years	Whistleblowing policy was updated in 2025
2021/22	The Council should enhance the presentation and accessibility of performance monitoring reports while ensuring timely reporting. This includes defining key performance indicators aligned with strategic objectives, explaining their derivation, setting performance targets for service quality, and stating performance against these targets, including historical changes and benchmarking where applicable	Performance Indicators have been reviewed and updated following the Strategic Priority setting sessions and the delivery of simplified Business Plans during the summer of 2024. The first updated performance indicators were part of the Q3 monitoring.
2021/22	The Council should update its Contract Procedure Rules annually and report on the number and value of waivers to Audit, Governance & Standards quarterly	Procurement and contract rules have been updated (to reflect changes to legislation in February 2025).

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****11th June 2026**

- 2.15 It was confirmed by the PSAA that Ernst and Young would become the Councils External Auditors on the 24 October 2025. The onboarding process has now been completed and Ernst and Young have completed the audit of the 2023/24 Statement of Accounts. They have confirmed that they expect these to be fully disclaimed.
- 2.16 In terms of the 2024/25 Closure position, the draft accounts were ready for Public Consultation at the end of June 2025 as per existing Government legislation. The Public Consultation end date was Thursday 7 August 2025. The Government backstop date was 27 February 2026. The auditors were unable to complete the audit by this date as they were still working through a number of issues with the Council at that time. These accounts are expected to be completed and fully disclaimed by June 2026.

Compliance Items

- 2.17 In their meeting in January 2024, Members requested further training to ensure they were informed in their decision making in this committee. Two sessions have been held in May and July 2024 and a further session was held on the Accounts in July 2025.
- 2.18 There are a number of areas where compliance is now being measured going forwards. Compliance to process and timetable is a key underlying theme of the Draft External Audit Report 2020/21 and the Combined 2021/22 & 2022/23. These items are being measured to improve how we work and change behaviours. This will lead to an improved financial health/knowledge across both Councils.

Training:

- Mandatory Budget Manager Training (including the use of TechOne) took place in September 2023 – upskilling budget managers with the tools to input their forecasts directly onto TechOne. This will be reviewed again as part of the Financial Stability Plan.
- Mandatory Financial Awareness Training for managers took place in August and September 2024. It is planned that this training will take place again in Summer 2026.
- Payments Purchase Order Training takes place monthly.
- Mandatory Purchase Order Retraining is now taking place annually.
- Mandatory VAT training for all finance staff took place in November 2025, with an additional session in March 2026. As part of the agreed penalty suspension conditions with HMRC for Redditch, VAT training has now been rolled out across the organisation to budget holders. This took place in May 2026.

New tranches of training are being organised regularly and have been embedded as part of the induction process.

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****11th June 2026****Errors:**

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

Procurement:

- The new 'No Compliance No Order' process has been live since April 2023.
- Council in February 2024 approved an increase of the Key Decision Level from £50k to £200k. The Finance and Performance Monitoring Reports now set out:
 - All contracts requiring renewal over the next year that are over the present £200k threshold.
 - All contracts requiring renewal over the next year that are between £50k and £200k for reference.
 - All contracts that are being procured by Bromsgrove over this period that relate to Redditch Services.

- 2.19 The issues with cash receipting work is ongoing but the closure of 2020/21 through to 2023/4 has reallocated over £125m of income wrongly allocated to suspense accounts. This ongoing work is being picked up as part of the Financial Stability Plan and the Tech One project.

Summary

- 2.20 This report sets out the policies (local and national) that underpins the Council finances and the key deliverables. This report is produced on a quarterly basis to ensure Audit, Governance and Standards Committee have visibility of, and are able to bring challenge to, the key financial processes, procedures and risks managed by Redditch Borough Council.

3. FINANCIAL IMPLICATIONS

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

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising as a result of this report; however, the frameworks are linked to statute or the Council's Constitution.

5. STRATEGIC PURPOSES - IMPLICATIONS**Relevant Strategic Purpose**

- 5.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee****11th June 2026**

most important for the District and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

Climate Change Implications

- 5.2 There are no direct climate change implications arising as a result of this report.

6. OTHER IMPLICATIONS**Equalities and Diversity Implications**

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

Operational Implications

- 6.2 Operational implications have been dealt with as part of the 2026/27 MTFP, quarterly monitoring and the Closedown process.

7. RISK MANAGEMENT

- 7.1 The financial stability and sustainability of the Council is a core underlying theme of the Council's Risk Management Strategy and part of this Committees remit to scrutinise.
- 7.2 The Impact of the government imposed backstop position, which has led to disclaimer opinions being provided both to Redditch Borough Council and numerous other Councils remains a significant risk, especially as the Council has received these opinions on three occasions to date. The resilience of future accounts is built on the historic data from these financial years.
- 7.3 Delivery of financial data to government is important in their allocation of resources process. It is key that the Council deliver this information to timetable and the required standards.

8. BACKGROUND PAPERS

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

Section 24 Report to Audit and Council – November 2022, November 2023.

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

Finance Recovery Report – June 2023 and October 2023, January and September 2024 – Executive

Programme Management Office Requirements – July 2023 – Executive

Approvals to Spend Report - July 2023 – Executive

Constitution – May 2026

9. Appendices

Appendix A – DLUHC Deliverables timetable

Appendix B – Timetable of other deliverables

REDDITCH BOROUGH COUNCIL

Appendix A Audit, Governance and Standards Committee 11th June 2026

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

REDDITCH BOROUGH COUNCIL

Appendix A Audit, Governance and Standards Committee 11th June 2026

Return	Council	Return Type	Code	Description	Period End	Submission Deadline	Completed?
Quarterly Revenue Update - Quarter 2	BDC/RBC	GVT	QRU2	Quarter 1 & 2 2025-26 data and forecast end year local authority revenue expenditure update	Q2 2025-26	17-Oct-25	Complete
Capital Payments & Receipts - Quarter 2	BDC/RBC	GVT	CFR2	Cumulative capital expenditure and receipts for Q1 and Q2 2025-26	Q2 2025-26	24-Oct-25	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	MB	Monthly sample used to provide an estimate of the level of net borrowing by local authorities to go into the ONS/HMT monthly publication Public Sector Finance Statistics	31-Oct-25	07-Nov-25	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	MB	Monthly sample used to provide an estimate of the level of net borrowing by local authorities to go into the ONS/HMT monthly publication Public Sector Finance Statistics	30-Nov-25	05-Dec-25	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	MB	Monthly sample used to provide an estimate of the level of net borrowing by local authorities to go into the ONS/HMT monthly publication Public Sector Finance Statistics	31-Dec-25	08-Jan-26	Complete
Quarterly Borrowing & Lending - Quarter 3	BDC/RBC	GVT	QB3	Local authority borrowing and investments from all local authorities to the end of Q3 2025-26	Q3 2025-26	08-Jan-26	Complete
Council Tax & NDR Collection - Quarter 3	BDC/RBC	GVT	QRC3	Quarterly return of how much council tax and non-domestic rates are collected in Q3 2025-26; Number of local council tax support claimants at the end of Q3 2025-26	Q3 2025-26	16-Jan-26	Complete
Capital Payments & Receipts - Quarter 3	BDC/RBC	GVT	CFR3	Cumulative capital expenditure and receipts for Q1, Q2 and Q3 2025-26	Q3 2025-26	23-Jan-26	Complete
Quarterly Revenue Update - Quarters 3 & 4	BDC/RBC	GVT	QRU3	Quarter 1 to 3 2025-26 data and forecast end year local authority revenue expenditure update.	Q3 2025-26	23-Jan-26	Complete
Non Domestic Rates Forecast	BDC/RBC	GVT	NNDR1	Billing authority forecasts of the amount of non-domestic rates to be collected in the 2026-27	2026-27 Forecast	31-Jan-26	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	MB	Monthly sample used to provide an estimate of the level of net borrowing by local authorities to go into the ONS/HMT monthly publication Public Sector Finance Statistics	31-Jan-26	06-Feb-26	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	MB	Monthly sample used to provide an estimate of the level of net borrowing by local authorities to go into the ONS/HMT monthly publication Public Sector Finance Statistics	28-Feb-26	06-Mar-26	Complete
Council Tax Requirement/ Parish Council Tax	BDC/RBC	GVT	CTR1/2/3/4	Information on council tax levels set by local authorities in 2026-27. Council tax levels for 2026-27 set by parishes	2026-27 Forecast	11-Mar-26	Complete
of which: Parish council tax	BDC/RBC	GVT	-	Information on council tax levels set by parish and town councils in 2026-27. This data is collected on the CTR1 form but published later		11-Mar-26	Complete
Capital Estimates Return	BDC/RBC	GVT	CER	Capital forecast for 2026-27	2026-27 Forecast	27-Mar-26	Complete
Revenue Account Budget	BDC/RBC	GVT	RA	Local authority revenue expenditure and financing for 2026-27 Budget	2026-27 Forecast	03-Apr-26	Complete
Monthly Borrowing & Lending	BDC/RBC	GVT	MB	Monthly sample used to provide an estimate of the level of net borrowing by local authorities to go into the ONS/HMT monthly publication Public Sector Finance Statistics	31-Mar-26	07-Apr-26	Complete

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 11th June 2026****Appendix B – Calendar of Financial Requirement**

Budgets	Body Approving	Date
2026/27 Budget and MTFP	Council	2 March 2026
Council Taxbase	Council	14 January 2026
Council Tax Resolution	Council	2 March 2026
Council Tax Billing	Council	Yearly

Policies

Requirement	Body Approving	Date
Treasury and Asset Management Strategies including Minimum Revenue Provision	Audit, Governance and Standards Committee / Council	January 2025 / 2 March 2026
Council Tax Support Scheme	Executive	14 January 2026

Financial Monitoring

Requirement	Body Approving	Date
Quarter 1 2025//26 including Treasury Management	Executive	September 2025
Quarter 2 2025/26 including Treasury Management	Executive	November 2025
Quarter 3 including Treasury Management	Executive	March 2026

REDDITCH BOROUGH COUNCIL**Audit, Governance and Standards Committee 11th June 2026****Appendix B – Calendar of Financial Requirement****Risk Management**

Requirement	Body Approving	Date
Quarter 1 2025/26	Audit, Governance and Standards	July 2025
Quarter 3 2025/26	Audit, Governance and Standards	February 2025

Transparency Agenda

Requirement	Body Approving	Date
£500 reporting	N/A	Monthly

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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE –
WORK PROGRAMME 2026-27**

11th June 2026 (Thursday)Procedural

- Annual Appointment of Risk Champion

Standards

- Localism Act – Standards Regime – General Dispensations

Governance

- Financial Compliance Report

Accounts/External Audit

- External Audit Completion 'Backstop' Report – 2023/24 and 2024/25
- Revised Annual Governance Statement 2023/24 and 2024/25

Risk Management/Risks

- Risk Management Report / Corporate Risk Register (Q4 2025/26)

Assurance

- VAT Recovery Progress Report

Other

- Committee Work Programme

23rd July 2026 (Thursday)Standards

- Localism Act 2011 – Standards Regime – Individual Member Dispensations
- Monitoring Officer's Report
- Feckenham Parish Council Representative's report - Standards Regime
- Annual Update Report on Regulation of Investigatory Powers Act 2000 (RIPA)
- Whistleblowing Policy Update (Becky Talbot)

Governance

- Audit Committee Annual Assurance Report to Council

Accounts/External Audit

- Final Statement of Accounts 2023/24 and 2024/25
- Draft Statement of Accounts 2025/26
- Annual Governance Statement 2025/26
- Financial Outturn Report 2025/26
- External Audit Progress Report and Sector Update

Internal Audit

- Internal Audit Strategy, Charter and Mandate
- Internal Audit Annual Report and Audit Opinion 2025-26
- Internal Audit Plan 2026-27

Risks:

- Risk Management Report / Corporate Risk Register (Q1 2026/27)
- Council's Cyber Security Report

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE –
WORK PROGRAMME 2026-27**

- Corporate Risk Report – Action Plan to Tackle the Backlog in Fire Remedial Actions

Assurance

- Annual Treasury Report (2025/26)

Other Items:

- Committee Work Programme
- Risk Champion Update

3rd November 2026 (Tuesday)Standards:

- Monitoring Officer's Report
- Feckenham Parish Council Representative's report - Standards Regime

Governance

- Financial Compliance Report
- Audit, Governance and Standards Committee Terms of Reference
- Audit, Governance and Standards Committee Self-Assessment

Accounts/External Audit

- External Audit Progress Report and Sector Update

Internal Audit:

- Internal Audit Progress Report

Risk Management/Risks

- Risk Management Report / Corporate Risk Register (Q2 2026/27)
- Council's Cyber Security Report

Assurance

- Annual Review Statistics of Local Government and Social Care Ombudsman

Other items:

- Committee Work Programme
- Risk Champion Update

19th January 2027 (Tuesday)Standards:

- Monitoring Officer's Report
- Feckenham Parish Council Representative's report - Standards Regime

Governance

- Financial Compliance Report
- Audit, Governance & Standards Committee Annual Work Programme and Future Training Requirements

Accounts/External Audit

- Review of Accounting Policies

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE –
WORK PROGRAMME 2026-27**

- External Audit Progress Report and Sector Update
- External Audit – Audited (Final) Statement of Accounts 2025-26
[Provisional date]
- External Audit – Audit Findings Report (SoA 2025-26) [Provisional date]
- External Auditor’s Annual Report (VfM 2025-26) [Provisional date]
- External Audit – Audit Plan 2026/27 [Provisional date]
- Annual Governance Statement 2025/26 [Provisional date]

Internal Audit

- Internal Audit Progress Report

Risk Management/Risks

- Risk Management Report / Corporate Risk Register
- Council’s Cyber Security Report

Assurance

- Capital Strategy 2027/28 including Treasury Management Strategy

Other

- Committee Work Programme
- Risk Champion Update

8th April 2027 (Thursday)Standards:

- Monitoring Officer’s Report
- Feckenham Parish Council Representative's report - Standards Regime

Governance

- Financial Compliance Report

Accounts/External Audit

- External Audit Progress Report and Sector Update

Internal Audit:

- Internal Audit Progress Report

Risk Management/Risks

- Risk Management Report / Corporate Risk Register

Other

- Committee Work Programme
- Risk Champion Update

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Audit, Governance & Standards Committee

Tuesday, 24th February,
2026

MINUTES

Present:

Councillor Gemma Monaco (Chair) and Councillors William Boyd, Andrew Fry, Rita Rogers, Gary Slim and Paul Wren

Also Present:

Councillor Jane Spilsbury – Deputy Leader of the Council and Portfolio Holder for Performance, Engagement and Governance
Nick Moon – Chief Executive, Applied Resilience
Robin Church – Incident Management & Resilience Specialist, Applied Resilience

Officers:

Julie Lorraine

Democratic Services Officers:

M Sliwinski

47. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received from Councillors James Fardoe, Chris Holz and the co-opted member, Parish Councillor Alan Smith. Apologies were also received from Councillor Ian Woodall, in his capacity as the Portfolio Holder for Finance.

48. DECLARATIONS OF INTEREST

There were no declarations of interest.

49. PUBLIC SPEAKING

There were no public who had registered to speak at this meeting.

50. EXTERNAL AUDIT - ACCOUNTS BACKSTOP REPORT - WITHDRAWN

Chair

Audit, Governance & Standards Committee

Tuesday, 24th February, 2026

This item was withdrawn and was not considered at this meeting.

51. RISK MANAGEMENT REPORT (Q3 2025-26)

The report on Risk Management was presented by the Interim Director of Finance and Section 151 Officer who reported that all corporate risks and the outstanding high-risk actions to be undertaken by the Council had been subject to rigorous consideration and were independently reviewed by the internal auditor. The actions had also been reviewed by the Council's senior leadership and steps were being taken to complete those actions which were overdue. The progress and improvement made as a result was significant and opportunity was taken to thank the Assistant Director – Corporate Services and Transformation for oversight and input into this work.

It was explained that the Council faced a significant potential risk in the short-term that merited addition to the Corporate Risk Register - Cash Flow & Treasury Management. The Interim Director of Finance clarified that this was not a risk from a single event but arising out of a combination of a series of related factors.

As local authorities relied on income from council tax to support cashflow, there was a significant risk over the next few months that Worcestershire County Council's (WCC) plans to raise their element of council tax by 8.98%, if approved by WCC at their Full Council meeting, could contribute to the increase in the numbers of residents not paying / being able to pay council tax, affecting the Borough Council's cash flow in the short term, especially as the Borough Council was the billing authority for council tax.

Whilst the Council hoped to be credited by HMRC in VAT refund in the near future, there remained a cash flow risk to the Council as long as the funding was not in the Council's account and there remains reliance on the council tax income to sustain the revenue budget at the time of year (February and March). The Interim Director of Finance explained that as part of the set of recommendations on the Budget, it was recommended that a review of cash flow and treasury management, including such areas as Council's use of supportive financial facilities, should take place in quarter 1 of 2026/27 financial year. It was explained that this would provide an opportunity to apply latest best practice to the Council's policy in these areas.

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In response to a Member question, the Interim Director of Finance explained that once the Council received the VAT rebate the risk to cash flow would be alleviated to a large extent. Currently, this money was still with HMRC and the Council continued to work with its tax advisors to expedite the resolution of this issue. It was explained that the Council provided a series of commitments to the HMRC that the previously reported issues experienced by the Council with VAT accounting would not occur again. In response, the HMRC had been fair and reasonable and the process was now nearing an amicable resolution. It was noted that from the date the correction notice was accepted by HMRC, interest on the money was paid until that money was refunded.

The Deputy Leader and Portfolio Holder for Performance, Engagement and Governance addressed the Committee and brought to the Committee's attention the risk of overdue fire remedial actions in social housing properties in the Borough. The Deputy Leader explained that she attended the Housing Improvement Board meeting and noted that insufficient detail was available with regard to mitigations to address the fire remedial actions. The Committee agreed with the seriousness of the risk and requested that it be added to the Corporate Risk Register. It was noted that there had been slow progress in the Council clearing the backlog of high-risk fire remedial actions, with 695 outstanding actions at Q2 2025/26, this only reducing by 18 to 677 as of end of Q3 2025/26.

It was noted that the high-risk remedial fire actions needed to be urgently addressed as this issue presented a potential risk to life. The Interim Director of Finance explained that the resolution of this risk required a review of capital financing for the Housing Revenue Account (HRA) which was scheduled to take place at Quarter 1 of 2026/27. It was noted that the Council was legally required not to run a deficit on its HRA account and therefore the review of financing would seek to identify headroom for borrowing to enhance the Council's ability to grow and invest in existing housing stock more quickly. Members commented that there needed to be a detailed plan produced that set out how the works would be undertaken. It was requested that an update on this area be reported to the next meeting of the Committee.

It was explained that in addressing the backlog of fire remedial actions, in addition to a requirement for additional funds from the HRA being freed up, there were also issues with capacity of the housing team and contractors to deliver the works. It was noted that

Audit, Governance & Standards Committee

Tuesday, 24th February, 2026

most of the outstanding fire remedial actions were in relation to fire doors. It was clarified that most of fire risks were now classed as a fire risk due to a recent tightening of regulations in regard to the fire doors safety. In response to a question by Members about the specific change in regulations with regard to fire doors, Officers present undertook to contact the Assistant Director of Environmental and Housing Property Services to provide a detailed response on this question.

The Committee approved the resolutions as stated in the report and approved the additional resolution that the risk of Cash Flow & Treasury Management and the risk of Backlog of Fire Remedial Actions both be added to the Corporate Risk Register.

RESOLVED that

- 1) The strategic risks and mitigations detailed in the Corporate Risk Register are noted.**
- 2) The changes to risk scores, owners/leads and removal/addition of risks since the last report be noted.**
- 3) The new access capabilities for 4Risk dashboard on Power BI and the improvement process that has been underway and endorse the continuation of this work.**
- 4) The risks of Cash Flow & Treasury Management and Backlog of Fire Remedial Actions be added to the Corporate Risk Register.**

52. COMMITTEE WORK PROGRAMME

It was requested that an update report on the plan to address the backlog in fire remedial actions in social housing properties be added to the work programme for the next Committee meeting which was due to take place on 9th April 2026. The other items scheduled on the agenda for that meeting were noted.

RESOLVED that

the Audit, Governance and Standards Committee Work Programme be updated as per the pre-amble above.

53. EXCLUSION OF THE PUBLIC AND PRESS

Audit, Governance & Standards Committee

Tuesday, 24th February, 2026

RESOLVED that

Under S.100 (A) (4) of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, the public be excluded from the meeting for the following matters on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12 (A) of the said Act, as amended:

Minute Item 54 – Response and Recovery to a Possible Cyber Attack on the Council – Presentation (Exempt)

Minute Item 55 – Minutes (of 20th January 2026) – including exempt minutes record.

54. RESPONSE AND RECOVERY TO A POSSIBLE CYBER ATTACK ON THE COUNCIL - PRESENTATION (EXEMPT)

A presentation was provided by the providers of emergency resilience and business continuity for the Council, Applied Resilience, covering the Council's preparedness for a cyber attack and processes that were in place for dealing with cyber incidents of different degrees of severity.

RESOLVED that

the presentation provided on the Council's response and recovery in the event of a cyber attack be noted.

(During consideration of this item, Members discussed matters that necessitated the disclosure of exempt information. It was therefore agreed to move to exclude the press and public prior to any debate on the grounds that information would be revealed that included information relating to the financial or business affairs of any particular person (including the authority holding that information)).

55. MINUTES

The minutes of the meeting of Audit, Governance and Standards Committee held on 20th January 2026, including the minutes record for the exempt item considered at that meeting, were submitted for Members' consideration.

RESOLVED that

Audit, Governance & Standards Committee

Tuesday, 24th February, 2026

the minutes of the Audit, Governance and Standards Committee meeting held on 20th January 2026 be approved as a true and correct record and signed by the Chair.

(During consideration of this item, Members discussed matters that necessitated the disclosure of exempt information. It was therefore agreed to move to exclude the press and public prior to any debate on the grounds that information would be revealed that included information relating to the financial or business affairs of any particular person (including the authority holding that information)).

The Meeting commenced at 6.31 pm
and closed at 7.49 pm

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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