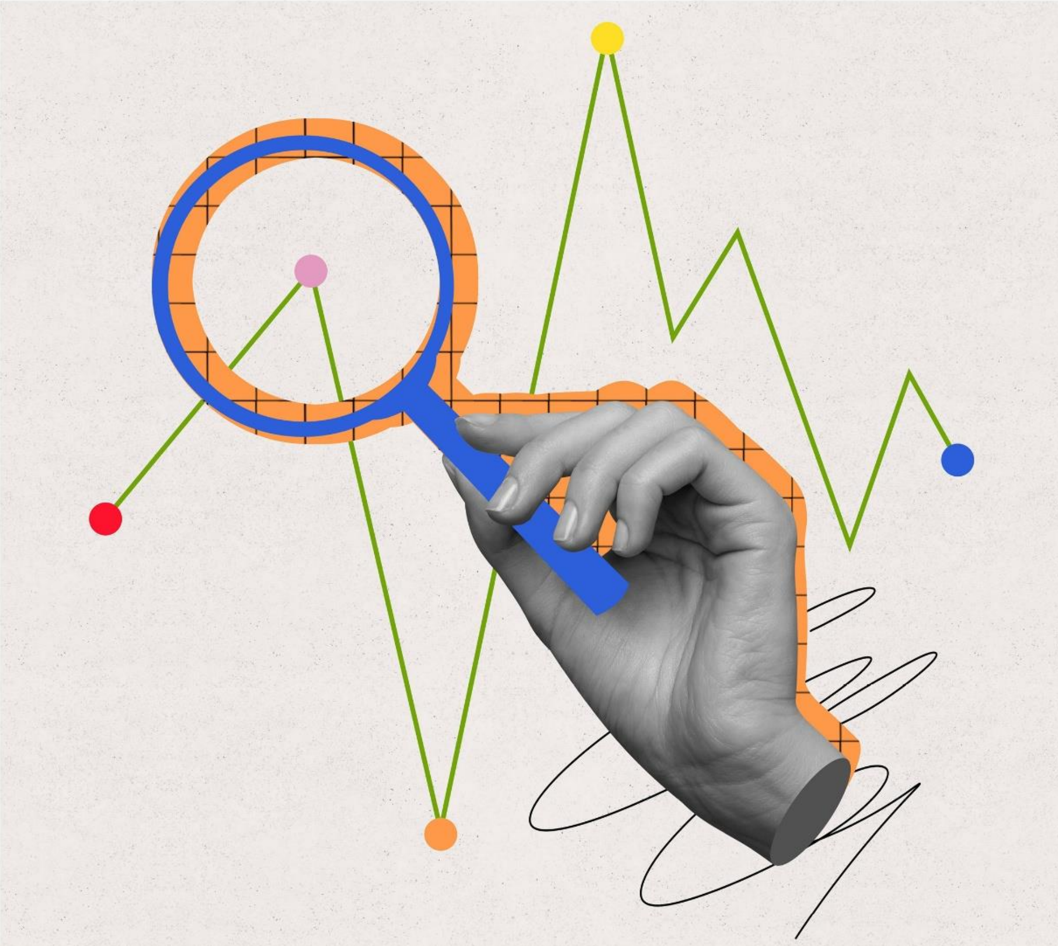
Redditch Borough Council



Audit, Governance and Standards Committee

ANNUAL REPORT

2025 - 2026

Redditch Borough Council
Working together for our communities

Contents

Chair's Foreword

It is with pleasure that I present this annual report, covering the work undertaken by the Audit, Governance and Standards Committee in the 2025/26 municipal year.

Following on from progress made in 2024/25 municipal year, 2025/26 has seen further work being undertaken to resolve the issues highlighted by the previous Auditors in their Interim Auditors Annual Reports for financial years 2020/21, 2021/22 and 2022/23. This includes assurance to the Committee on the significant work undertaken to rectify the outstanding issues with, and improve the capabilities of, the Council's financial system.

There had been some further delays experienced with the audits of Council's accounts for the financial year 2023/24, exacerbated by the impact of changes to the Council's external auditor arrangements for financial years 2023/24 onwards with an interim period in the 2024/25 municipal year when the Council had no appointed auditor. The positive step forward was that the Council's new auditors had been onboarded and were working on the audits of the Council's 2023/24 and 2024/25 Statements of Accounts, with the audit completion report expected to be reported to the Committee in June 2026.

The Committee had been gaining assurance over the financial statements through continued audit procedures reported to the Committee, including Value for Money reporting by the External Auditor and Internal Audit reports.

Throughout the 2025/26 municipal year, the Committee also closely monitored corporate and departmental risks and on occasions identified risk areas that require further review or recommended adding risks to the corporate risk register. The risks identified for a more in-depth review include cyber security, cash flow and treasury management, and a risk relating to the backlog of outstanding fire remedial actions across the Council's Housing stock. These risk areas are being followed up by the Committee in the 2026/27 municipal year.

I hope that the positive work of rebuilding assurance in the Council's financial statements and position, as well as managing risks, will continue over the next municipal year.

Councillor Gemma Monaco

Chair of the Audit, Governance and Standards Committee (2025-26)

Membership

Cllr Gemma Monaco (Chair)

Cllr Chris Holz (Vice-Chair)

Cllr William Boyd

Cllr Andrew Fry

Cllr James Fardoe

Cllr Wanda King

Cllr Gary Slim

Cllr Rita Rogers

Cllr Paul Wren

Feckenham Parish Council Representative: Alan Smith (Chair of Feckenham Parish Council)

Introduction

The purpose of this report is to provide a summary of the Audit, Governance and Standards Committee's activities during the 2025/26 municipal year.

During the year the Committee had considered reports and updates on the following subjects:

- Monitoring Officer's Report – details Members complaints and training that had taken place during the period between meetings.
- Standards updates regarding Feckenham Parish Council – the only parished area in the Borough of Redditch.
- Updates from the Internal Auditor – including internal audit opinion for 2024/25 and the internal audit plan for 2025/26
- Updates from the External Auditors (including update on 2023/24 Accounts audit and the Value for Money audit for 2023/24).
- Annual Governance Statement
- General and Individual Dispensations Report (granting of dispensations)
- Annual Update Report on Regulation of Investigatory Powers Act 2000 (RIPA) Report.
- Financial Compliance Report (including updates on Statements of Accounts).
- Financial Savings Monitoring Report (July 2025 meeting)
- Risk Management Report/Quarterly Risk Update.
- Risk Champion Updates.
- Annual Review from the Local Government Ombudsman.
- Review of Accounting Policies (January 2026 meeting)
- Capital Strategy 2026/27 including Treasury Management Strategy
- Cyber Security Updates (including WhatsApp and Artificial Intelligence Policies)

Further information about some of the key responsibilities of the Committee are detailed within this report.

Meeting dates and minutes of the Audit, Standards and Governance Committee meetings can be found on the Redditch Borough Council website, link included below:

Audit, Governance and Standards Committee

The Role of the Audit, Governance and Standards Committee

Scope and Responsibility

The Audit, Governance and Standards Committee provides independent assurance to the Council in respect of:

- The effectiveness of the Council’s governance arrangements
- The adequacy of the Council’s system of internal control by ensuring that an adequate and effective system of internal financial controls is maintained, that financial procedures are regularly reviewed.
- The effectiveness of the Council’s financial (and non-financial) management through reviewing the Council’s Statements of Accounts, Annual Governance Statements, Financial Regulations and to ensure good stewardship of the Council’s resources by assisting the Council to achieve value for money in the provision of its services.
- The effectiveness of the Council’s Risk Management Framework and risk strategies and policies and monitor actions to address risk related issues.
- The promotion of transparency through monitoring of the Council’s Anti-Fraud arrangements, Whistle-blowing and anti-bribery strategies among others.

The Committee is also responsible for the Council’s Standards Regime which covers both the Borough Council and the Parish Council. Areas encompassed within the Standards Regime include:

- Promoting high standards of conduct by Councillors and co-opted members of Council bodies.
- Assisting Councillors and co-opted members to observe the Members’ Code of Conduct.
- Advising and training Members and co-opted members in respect of the Code of Conduct.
- Formulating advice to members and officers in declarations of gifts and hospitality.
- Granting dispensations to Councillors and co-opted members from requirements relating to interests as set out in the Code of Conduct.
- Considering reports from the Monitoring Officer following investigation into complaints about elected Members.

Standards Regime

The standards regime is monitored by the Committee mainly through regular Monitoring Officer’s reports. There are other annual reports in relation to standards (covered in individual meeting summaries) such as the annual review of Local Government and Social Care Ombudsman complaints data and the update on report on the Regulation of Investigatory Powers Act 2000.

Monitoring Officer’s Report

This covers Member Training, Member Complaints, and Council’s Constitutional matters.

If the elected Member was found to have breached the Authority's Code of Conduct, the powers available to the Authority include a formal letter of warning to the Member and formal censure by motion, of a committee, for the removal of the Member from a Committee (which does not legally prevent the Councillor in question from attending), in addition to adverse publicity.

The Council's Code of Conduct is designed primarily with the view of maintaining standards through a conciliatory approach and there is a high reliance on the Monitoring Officer working in cooperation with political Group Leaders when finding resolutions to Member complaints.

It was reported through the Monitoring Officer's report on the training that Members received throughout the 2025/26 municipal year. A small number of Member training sessions had been arranged for 2025/26. In line with the approach agreed, some of this training was delivered jointly with Bromsgrove District Council, whilst other sessions were bespoke and being delivered to Redditch Members only.

The Monitoring Officer's report also covers updates on the Constitution Review Working Party (CRWP). which is a cross-party group where any potential changes to the Council's constitution are discussed.

Member Complaints

An update on Member complaints had been provided at all Monitoring Officer's reports. It was noted that a number of complaints against Members had been received in 2025-26, most of which had been resolved locally. There had been no investigations about Members which required a Hearings Sub-Committee to be convened.

Dispensation Report

The Audit, Governance and Standards Committee considered a dispensations report at its meeting on 24th July 2025. The individual member and outside body appointment dispensations were granted at that meeting, in addition to the general dispensations for all councillors in respect of allowing members to vote at council meetings on budget matters. The dispensations agreed at these meetings remain valid until the first meeting of the Audit, Governance and Standards Committee following the next Borough Council Elections in May 2026 unless amended by the Committee prior to that date.

Parish Council Involvement

The Feckenham Parish Council's representative provided updates on Feckenham Parish Council standards matters on a quarterly basis and can request an item on the agenda as required (in line with the Committee's Terms of Reference). The Feckenham Parish Council's Representative for the municipal year 2025-26 was Mr Alan Smith.

Internal Audit Reports

During the year the Committee had continued to receive updates on the work of the Internal Audit team including the Internal Audit Plan 2025-26, Internal Audit Annual Report 2024-25, and the Internal Audit - Progress Report (presented at every meeting).

External Auditors

On the 3rd of October 2024, the Council appointed Bishop Fleming as the Auditors for the Council for the financial year 2023/24 onwards (i.e. for auditing the Council's financial statements for the years 2023/24 onwards). Subsequently, Bishop Fleming notified the Council that they were unable to take up the appointment. The Council, following liaison with Public Sector Audit Appointments Limited (PSAA) for the appointment of alternative Auditors, confirmed that Ernst & Young (EY) would officially become the Council's External Auditors.

The onboarding of the new auditors had been concluded by the start of 2025/26 municipal year. During the year the Committee received regular updates from Ernst & Young on the audit work for the Council and more specific updates such as on the audit of 2023/24 Accounts and Value for Money work.

Section 24 Notice

One of the legislative reporting requirements the Council had not achieved was the delivery of the 2020/21, 2021/22 and 2022/23 Statements of Accounts by the required statutory deadlines, due to the implementation of a new financial ledger and the delays and inherent financial risks that had been associated with that process.

The Section 24 Statutory Recommendation was first issued on 31st October 2022 (by the Council's External Auditors at the time, Grant Thornton) as a result of the non-delivery of the 2020-21 financial statements at that time. Grant Thornton issued an updated Section 24 Statutory Recommendation on 23rd November 2023 as the Council remained unable to publish the draft 2020-21 Accounts (and therefore had also not achieved the delivery of 2021/22 and 2022/23 Accounts).

Backstop Report

On 30th July 2024, the Minister of State for Local Government and English Devolution provided a written statement to Parliament confirming the Government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13th December 2024. A backstop date for 2023/24 was proposed of 28th February 2025 and a date for 2024/25 audits of 27th February 2026.

The Council's External Auditors at the time, Grant Thornton considered that there would be insufficient time to conclude their work in advance of the 13th December 2024 backstop deadline. On that basis, subsequently the backstop for the 2020/21, 2021/22 and 2022/23 years was applied. Given that several key audit areas remained outstanding, the Council's Statements of Accounts for these years received a disclaimer of opinion, effectively meaning Grant Thornton had been unable to gain the assurance necessary to give an audit opinion by the statutory backstop dates for these sets of accounts.

The Section 24 Recommendation around the delivery of the 2020/21 to 2022/23 accounts is still in place and has been extended to the subsequent accounting periods (extension to 2023/24 and 2024/25 accounts).

The Committee commented on the significant progress that had been undertaken by the Council's finance team, over the last two financial years, to rectify the outstanding issues and improve the capabilities of the Council's financial system, TechnologyOne. The amount of work over 2024/25, when the Council's finance team had effectively undertaken work on preparation of three sets of accounts within one year was also noted, and through the year 2025/26 the bulk of the work in catching up on outstanding accounts from previous years had been completed.

It was expected that in the 2026/27 financial year the Council would be back on track in the audit cycle. At the meeting on 11th June 2026, the Committee received the External Audit Completion Report for financial years 2023/24 and 2024/25, these accounts having received a 'disclaimer opinion'. A detailed Recovery Plan has been prepared to address the recommendations within that Completion Report.

The Committee was expected to receive the final (audited) Statements of Accounts for financial years 2023/24 and 2024/25, as well as draft Statement of Accounts for 2025/26 financial year, at its meeting on 23rd July 2026.

Risk Champion Updates

Councillor Rita Rogers was appointed as the member risk champion for 2025/26. She provided updates on any pertinent risk from a member perspective, when applicable.

Summary of Committee meetings 2025/26

Below is a summary of the main matters discussed at Audit, Governance and Standards Committee meetings in 2025/26:

24th July 2025

Feckenham Parish Council Representative's Report – Standards Regime

The Chairman of Feckenham Parish Council provided an update on Feckenham Parish Council standards matters and stated that there were no specific standards matters to update on. However, he provided a brief overview of matters of general concern for Feckenham Parish Council including local planning applications and house-building targets for the Parish area. Also, raised was the uncertainty with regard to the Local Government Reorganisation (LGR) and what this would mean for parish areas like Feckenham.

Standards Regime – Monitoring Officer's Report

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

- Since the last report to the Committee in January 2025, there had been two complaints submitted by members of the public against a Borough Councillor and one complaint submitted by a County Councillor against a Borough Councillor. After initial investigation, all three complaints were found not to be standards matters.

- It was confirmed there were no outstanding members' standards complaints awaiting decision.
- Concerns were raised about low Member attendance at some of the recent training sessions.
- Cyber security training had been mandated for all Members by the Executive Committee due to this being a high-risk area for the Council
- It was noted that member briefings and member engagement sessions on local government reorganisation (LGR) would continue in the run up to November 2025 when the LGR proposal for Worcestershire was due to be submitted to the Government.

Annual Update Report on Regulation of Investigatory Powers Act 2000 (RIPA)

During this meeting Members were asked to consider the annual update report on the Regulation of Investigatory Powers Act 2000 (RIPA). It was explained that the Council had not used RIPA powers in recent years. The policy document that the Council had been recently reviewed by inspectors with the document deemed to be of high standard nationally and only minor updates were required. The latest version of the Council's RIPA Policy was endorsed by the Committee.

Localism Act 2011 – Standards Regime – Dispensations

During consideration of this report the Committee considered the approval of Member dispensations with the following points discussed:

- Dispensations fell into four categories: general, council tax arrears, individual member and outside body appointment dispensations.
- The Committee approved the individual and outside body appointment dispensations requested by Members (detailed under paragraph 4.10 of the report) to participate in discussions where they might otherwise have a conflict of interest.
- The Committee also approved General dispensations.
- Members were reminded to update their dispensations as roles changed.

External Audit On Boarding Discussion Update

The External Auditor from Ernst and Young provided an update and explained that Ernst and Young onboarding procedures with the Council had now been completed. It was explained that the Council would receive a disclaimer opinion on its 2023/24 Accounts due to the backstop date requirement but that the Value for Money opinion for 2023/24 remained to be completed. It was anticipated that this work would be completed and reported to Members in September 2025. The External Auditor stated that the backstop date for the auditing of 2024/25 Accounts was in February 2026.

Annual Report of Internal Audit for 2024/25

This report provided the Annual Internal Audit Opinion for the financial year 2024/25, as required by the Accounts and Audit Regulations 2018 and the Public Sector Internal Audit Standards. It supported the Council's Annual Governance Statement by offering independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes.

The overall audit opinion of the Council’s system of internal control was Reasonable Assurance (the second highest grading). This meant a reasonable level of independent assurance that the Council’s internal controls and risk management processes were effective and supported the achievement of its strategic objectives.

There were 13 graded internal audit assignments in 2024-25 of which three received substantial assurance, seven reasonable assurance, three limited assurance. There were no assignments that were graded as no assurance.

Of the three assignments that received limited assurance, the Accounts Payable received this level of assurance due to the internal auditors being unable to complete full review of this area as the finance team focused their efforts in 2024-25 on the work of completing the statements of accounts in line with statutory backstop dates.

Procurement and Contract Management received limited assurance pdue to the Council not yet being fully compliant with the new procurement regulations. Procurement team was supporting services to achieve full compliance with the rules, and a follow up review would be performed by Internal Audit in 2025-26. This would include comprehensive monitoring of compliance with the new regulations across departments.

The review of Corporate Credit / Procurement Cards found limited assurance owing to the current issues with authorisation controls and accountability for the overall process. To address this, the senior management team had vested authority and provided support to the Procurement Manager to monitor service-level compliance and challenge those officers who were not following the procurement procedure correctly.

It was noted that a review of council tax arrears in respect of single person discounts had not been undertaken for eight years, and this review would now be undertaken in 2025-26. It was highlighted that regular checks were undertaken by officers in this area but a review was now due and it needed to be fully assessed whether it was economic for the Council to undertake a full-scale approach to chasing arrears in this area.

Members raised concern about the Statutory Inspections internal audit review finding missing details and inconsistent approach in respect of fire safety controls and commented that this was a significant risk for the Council. Officers explained that internal audit reviews contained some mandatory actions for the Council to carry out in this area and relevant service managers had been tasked with rectifying the issues found in this review.

Internal Audit Plan 2025/26

The Internal Audit Plan for 2025/26 was presented to Members. It was noted that this Internal Audit Plan prioritised areas where there was high risk to the Council and areas where failings could have serious financial and/or reputational repercussions for the Council.

The Internal Audit Plan had a basic resource allocation of 261 chargeable days for undertaking specific audits. It was explained that there was a contingency within the overall Plan to enable the Council’s Chief Finance Officer to call on the Internal Auditors to undertake reviews to respond to emerging risks identified during the year, should the need arise.

The Internal Audit Plan for 2025/26 was approved by the Committee.

Financial Compliance Report including Update on Statement of Accounts

The report updated on the submission status of key legislative reporting requirements to central Government and the Council's position with regard to auditing of its Statements of Accounts.

In reference to Government reporting requirements, the Council continued to provide the majority of key legislative deliverables within timeframes and was compliant with national requirements. The key outstanding issue was the Council's VAT returns. It was highlighted that since December 2024 the Council had been submitting VAT returns to HMRC on a monthly basis, but discussions were ongoing with HMRC regarding the prior three years of VAT returns.

It was noted the Council had published and made their draft 2023-24 Accounts available for public inspection from 17 January 2025 to 3 March 2025. The Council was listed by the Ministry of Housing, Communities and Local Government (MHCLG) as one of the local authorities that had not met the statutory backstop deadline of 28 February 2025 for having the audited 2023-24 Accounts available, but a note was included to explain that the Council had no appointed auditor for 2023-24 at the time of the backstop deadline when the Accounts were being submitted.

It was noted that the new External Auditor, Ernst & Young, have now finished their onboarding checks and had begun the audit of 2023-24 Accounts with the expectation that these would receive a 'disclaimer opinion'. The backstop date for publishing the audited statements of accounts for 2024-25 was 27 February 2026 with Ernst & Young being the Council's auditors for that set of accounts.

Financial Savings Monitoring Report

The Committee received a report which set out the outturn (final) position on the financial savings for 2024/25:

- The Council ended the year with a £4k underspend on a full year revenue budget of £10.8 million. This was a marked improvement to quarter 3 at which point a revenue overspend of £138k for the year was predicted.
- The position at year 2023/24 in terms of departmental savings: two departmental savings items remained amber (indicating risk to delivery). This related to establishment (service) reviews, where it was found that the spending on establishment salaries and Agency was above budgeted figures and as such there remained a significant risk. The second item related to the Capacity Grid project, recouping old Council Tax and Business Rates debt, which was nearing the end of its allocated time.
- There was a surplus in the collection fund of £1.004m, of which £0.125m related to
- The 2024-25 savings position was presented in Appendix A. It was highlighted that the vast majority of savings items linked to increases in grant, agreed increases in tax or items no longer to be delivered until future financial years. The largest savings in recent years was on pension cost which linked to the 2023 triennial revaluation with revised figures applicable until the end of this financial year. Initial advice from actuaries indicated that these figures would not change in the next revaluation.
- Queries were raised on the additional spending on items including contract with Wychavon District Council to deliver parking civil enforcement service.
- It was reported that although one of the public sector tenants had not been secured as previously planned, the Town Hall hub project was overall progressing as planned and was at the RIBA 4 technical design stage at present. A question was asked with regard

to what contingency was in place if tenants could not be secured. It was responded that the hub redevelopment would allow the Council's customer service centre to move back to the Town Hall, and the additional office space capacity would in any case allow other Council assets such as the Greenlands Business Centre and the Oakenshaw Community Centre to be released for other purposes.

- It was noted that going forward, savings monitoring would be reported through the quarterly finance and performance monitoring reports, to be considered by the Executive Committee and scrutinised by the Budget Scrutiny Working Group rather than through the Audit, Governance and Standards Committee.

Risk Management Report/Quarterly Risk Update (Q1 2025-26)

The Committee considered an update report about corporate and departmental risks with the following key points discussed:

- A new, simplified risk report format was introduced.
- There were 13 Corporate risks with a number of those risks RAG-rated red (being high risk).
- There were 47 departmental risks of which 1 risk relating to revenues was red.
- The Council's insurance team was commended for their successful effort to insure the Council for the right assets, including appropriate premiums and excesses. It was highlighted that through this work £250,000 saving was delivered across shared service councils (Redditch and Bromsgrove Councils).

23rd October 2025

Feckenham Parish Council Representative's Report – Standards Regime

The Chairman of Feckenham Parish Council provided an update on Feckenham Parish Council standards matters and in doing so explained that although there were no specific standards matters to report in relation to the Parish Council, he wished to update on matters of concern in the Feckenham Parish, as this Committee was the main forum where Feckenham Parish Council matters could be raised with Borough Councillors. The Committee was updated on these issues.

Standards Regime – Monitoring Officer's Report

During this meeting the committee considered the Monitoring Officer's report which provided updates on Member Complaints, Constitution Review and Member training as follows:

- Since the last report to the Committee (24th July 2025) there had been one complaint submitted from a member of the public against three Borough Councillors, which was currently at the initial assessment stage.
- One other complaint submitted by a member of the public against a Borough Councillor, which, following assessment, was found not to be a code of conduct matter.

Annual Review Letter of the Local Government and Social Care Ombudsman

During this meeting Members considered a report on the Local Government Ombudsman's Annual Review Letter, which set out the statistics for complaints made against the Council covering the year ending 31st March 2025.

Members were informed that the Local Government Ombudsman had changed its reporting approach. Annual letters would only be issued in cases of exceptional practice or concerns about complaint handling. Redditch Borough Council (RBC) was one of the authorities that had not received such a letter for the period ending 31st March 2025.

During the reporting period, the Ombudsman received 14 complaints relating to the Council, of which all 14 were decided within that year. Of these cases, there was one case where the LGSCO upheld the complaint and found the Council to be at fault. This related to a decision made under the Council's housing allocations policy. It was noted that this was a complex case and whilst the Ombudsman did not criticise the Council's decision making, the Council was found to be at fault for not having offered the complainant the right to appeal when the original homelessness decision was reversed in that case. The remedy was for the Council to offer the complainant the option to appeal.

Of the remaining 13 complaints, in two cases the complaint was closed by the Ombudsman after initial inquiries, in seven cases early advice was given by LGSCO to customer, three cases were referred back to Council for local resolution and in one case the complaint was deemed incomplete by Ombudsman as there was insufficient information to proceed.

External Audit Update Report 2023/24

The External Auditor (Ernst & Young) provided an update on the audit status of the Council's Statements of Accounts, including the audit of 2023/24 Accounts.

Context was provided regarding the Government's legislation aimed at clearing the backlog of local audits and establishing a sustainable audit system. The backstop legislation was an approach to address the audit backlog in three phases.

The first phase involved clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. The second phase involved recovery starting from 2023/24 financial statements to ensure that audit assurance across the sector was rebuilt across multiple audit cycles.

The External Auditor reported that the Council did not meet the deadline for phase 1 and phase 2 of the recovery plan due to delays in the preparation of the financial statements for 2020/21, 2021/22 and 2022/23, and the challenges with changes to the Council's auditor arrangements for financial years 2023/24 onwards, respectively.

The Committee was reminded that the Council had produced draft statement of accounts for 2023/24 in mid-January 2025 with the inspection period ending on 28 February 2025. Due to Ernst & Young's confirmation as auditor to the Council by PSAA only after the 2024/25 financial year started, and due to the necessary time needed to complete acceptance and onboarding procedures, the audit of 2023/24 Accounts did not commence until June 2025.

The External Auditor highlighted that challenges had been experienced following the commencement of their audit of the Council's 2023/24 Accounts. This included the Council's resources being initially focused on meeting the 30 June 2025 deadline for publishing the 2024/25 draft statement of accounts. External Audit resource was reallocated to July and August; however, further challenges were met, including matters requiring further investigation being identified including VAT, capital budgeting, compliance with laws and regulations and Value for Money which had led to further information requests.

It was reported that it was now highly unlikely the External Auditor would have available resource to recommence the audit of the 2023/24 financial statements until the 2024/25 planned audit period. As such, there would be an impact on the delivery of the 2024/25 audit.

Despite the disclaimer of opinion on the 2023/24 financial statements, EY confirmed that auditing standards required certain procedures to be performed, which were underway. The local regulations also required Value For Money (VFM) work to be completed, which was also in progress.

Internal Audit Progress Report

The Committee received the internal audit progress report. It was noted that at the time of this report being written, of the internal audit assignments planned for 2025-26, one audit assignment had been fully completed, two assignments were at the draft report stage, one assignment was at the fieldwork completion stage with report to be issued shortly, six assignments were in progress, three assignments were at the planning stage, and five assignments had not yet been started.

It was highlighted that this year's plan remained on track to achieve the targets set out in the Annual Plan. It was noted that the internal audit service was now fully resourced.

Progress against the key performance indicators for internal audit service was provided, including that at the current stage the target of 90 per cent delivery of audit days against the full year plan target was on track to be achieved.

It was reported that there were no emerging issues to report arising in relation to Council's internal controls. There were 23 outstanding internal audit recommendations which remained to be fully actioned by the Council, 1 of which was high-risk overdue recommendation in relation to the provision of assurance that cyber security awareness training had been completed by all Members.

In view of the cyber security risk, the Committee requested that presentation be provided at the next meeting of the Committee from the Council's Emergency Planning / Resilience team regarding the ramifications that a cyber-attack would have on the Council and the response and recovery processes that the Council had in place to respond in the event of a cyber security breach.

Annual Governance Statement

The Committee received the Annual Governance Statement (AGS) for the financial year ending 31st March 2025 (2024/25). It was explained that the AGS was a statutory requirement under the Accounts and Audit Regulations 2015 and provided a corporate overview of governance arrangements. Although it formed part of the Statement of Accounts process, it was not a financial report.

The AGS set out the Council's key governance components were set out which included internal controls, such as corporate risk register, performance monitoring, constitutional arrangements, overview and scrutiny function, audit functions, including internal audit control, external audit arrangements and decision-making governance of Council, including the council-owned company, Rubicon Leisure.

It was noted that the AGS identified significant governance issues. The main governance challenge was in relation to the Council in November 2023 having received a Section 24 Statement from its External Auditor at the time for non-delivery of the 2020/21 to 2022/23 Accounts within the required timescales due to the challenges with the implementation of a new financial ledger. Other governance issues were also highlighted including the disclaimer audit opinions being received on the 2020/21 to 2022/23 Statements of Accounts, as well as disclaimer opinion being expected for 2023/24 Accounts, and a C3 Regulatory Judgment following a comprehensive inspection by the Regulator of Social Housing, with failings identified in key service areas of social housing including repairs, fire safety, tenant engagement, and data management.

The Committee was informed that although disclaimer opinions were expected for 2023/24 and 2024/25, each audit cycle would be leading to improvements in the levels of assurance that could be provided. The Council was working towards achieving a full audit opinion in future years.

The Annual Governance Statement (AGS) for 2024/25 was approved by the Committee.

Financial Compliance Report

The report updated on the submission status of key legislative reporting requirements to central Government, it was noted that the Council continued to provide the majority of key legislative deliverables within timeframes. The key outstanding returns were the VAT returns and Whole of Government accounts.

It was recapped that although the Council's VAT returns were now up to date, and, from December 2024 onwards, monthly VAT returns were being submitted to HMRC. Work continued to provide assurance to HMRC regarding VAT return that had been submitted in December 2024, which covered the previous three years. In order to provide additional assurance, the Council had employed an experienced VAT accountant to work alongside the existing VAT consultants, PS Tax. The Council had also arranged mandatory VAT training for all finance department staff and budget managers.

It was reported that the Whole of Government Accounts (WOGA) returns had not been submitted by the Council for a number of years due to delays in producing the Statement of Accounts for years 2020/21 onwards, which followed the introduction of the TechOne system in February 2021. These were no longer required for previous years but remained outstanding for cycle 1 2024/25. It was unlikely that the Council would submit that return by the required deadline as its Accounts for 2023/24 and 2024/25 remained unaudited.

Members were reminded that the Council had closed their Accounts for the financial years 2020/21 to 2022/23, receiving a 'disclaimer' audit opinion for these three sets of accounts. For 2023/24 Accounts, the draft accounts had been presented for public inspection, and this ended on 27 February 2025. The draft 2024/25 Accounts had been prepared and had been ready for public consultation by 20 June 2025 in line with timescales set out in the existing Government legislation. The public inspection period end date for this set of accounts was 11 August 2025. The backstop date for having the 2024/25 Accounts audited was 27 February 2026.

The key recent deliverables being achieved by the Council were set out in the report. This included the drafting of the Financial Stability Plan following the successful completion of the Financial Improvement Plan, the health check on the TechOne system being undertaken in collaboration with the system provider following the successful remedy of the miscodings on the system, and the staff arrangements put in place in the finance department team including the recruitment of a chief accountant and interim staffing arrangements around the senior business partner posts.

Cyber Security Update (including WhatsApp and AI Policy)

The report concerning the proposed staff policies on Artificial Intelligence (AI) Acceptable Use and WhatsApp Use was presented to the Committee.

It was explained that the purpose of developing the AI Acceptable Use Policy was to ensure the ethical, transparent, and responsible use of AI technologies across the Council. The draft Policy as set out in Appendix 2 to the report covered key principles that the Council and its employees would need to adhere to when utilising AI technologies.

Officers explained that explained that the use of AI tools by the Council was currently limited to basic processes such as to assist with presentations and document summaries. It was reiterated that the Council exercised caution with the phasing out of AI and the AI Acceptable Use policy was designed to provide guidelines for the use of this technology across the Council.

The WhatsApp Policy at Appendix 3 was developed to guide Council staff as to appropriate use of WhatsApp for Council-related communication. The main aspects of this policy included:

- Permitted Use – If utilised, WhatsApp may only be used by staff for non-sensitive, logistical communication (e.g. meeting times, location changes chats).
- Prohibited Use – WhatsApp must not be used for customer communication or sharing of personal/confidential data (e.g. personal data, internal decisions).
- Security and Compliance – WhatsApp was not deemed secure for handling any sensitive data by the Council. It was reiterated that any use of WhatsApp by staff on personal devices may be subject to Freedom of Information (FOI) requests.
- Photos and Media – Images of people required consent and staff must exercise caution when sharing photos to ensure photos did not contain sensitive information in the background.

Members requested that consideration be given to producing specific AI Acceptable Use and WhatsApp policies for Councillors, alternatively to expend the scope of these policy documents to cover both the Council's Elected Members and Officers.

Members expressed the view that training on AI was essential requirement for Councillors. As such it was requested that arrangements for provision of AI training for elected members be considered at the next meeting of Member Support Steering Group.

The Audit, Governance and Standards Committee recommended that the Executive approve the Artificial Intelligence (AI) Acceptable Use Policy, and the WhatsApp Policy as formal policy documents for the Council.

Feckenham Parish Council Representative's Report – Standards Regime

The Parish Council Representative provided an update on the Parish Council's standards matters. It was reported that Feckenham Parish Council now had a full representation of councillors with no vacancies. All Parish Councillors had recently undertaken a course on data protection / GDPR. In addition, the Parish Council had recently updated its documentation relating to conduct matters.

Request was made for more regular information on the Local Government Reorganisation (LGR) to be passed to the Parish Council whenever there was new information. It was clarified that in Worcestershire two LGR proposals had been submitted to the Government – one for the creation of two unitary authorities, the other advocating for a single unitary authority. The Government was expected to make a decision on the proposals in summer 2026. The unitary arrangement decided on would then come into force on 1st April 2028 according to the Government's timetable.

Standards Regime – Monitoring Officer's Report

During this meeting the committee considered the Monitoring Officer's report which provided updates on Member Complaints, Constitution Review and Member training as follows:

- Since the last report to the Committee (23rd October 2025) there had been one complaint submitted from a member of the public against a Borough councillor, which did not pass the initial assessment stage.
- Several complaints against Borough councillors were received from County councillors and a member of the public. It was expected these complaints would be resolved informally.
- The complaint which was reported at the last Committee meeting (23rd October 2025), submitted by a member of the public against three Borough councillors, was still at the initial stage awaiting further information from the complainant.
- The complaint received after this meeting's agenda publication, relating to the Council meeting on 13th January 2026, was currently being assessed.
- The meeting of Constitutional Review Working Group (CRWG) took place on 6th January 2026, relating to the taxi licensing scheme of delegations and the recommendation to permanently delegate authority to officers to determine hackney carriage and private hire vehicle renewal applications that fell outside of the Council's age criteria policy. The recommendations from the CRWG would be reported to full Council.

External Audit Progress Report and Sector Update

An update was provided on behalf of the External Auditors, Ernst & Young, the following key updates being raised:

- External Auditors were currently undertaking the work to audit the Council's 2023/24 Statement of Accounts concurrently with work on the Council's 2024/25 Accounts in order to meet the backstop deadline of 27th February 2026 for publishing the audited Accounts for the 2024/25 financial year.
- Meetings continued to take place between Council officers and the External Auditor in relation to outstanding queries, including with regard to whistleblowing cases and how these cases were being actioned by the Council.

- The 2023/24 Value for Money (VfM) part of the audit had been completed by the External Auditors. The two main issues identified related to the outstanding VAT returns for the period prior to December 2024 as well as the write-off value for the Town Hall Hub project as a result of the change to the project remit (i.e. the existing library in Redditch no longer being relocated to the Town Hall).

Internal Audit – Progress Report

During this item the Committee received the routine internal audit progress report with the following key points raised:

- 186 productive days of internal audit work for the Council had been delivered against the full year plan of 308. It was anticipated that the objective of delivering 90 per cent of the full year plan would be achieved by year end (31st March 2026).
- As of end of December 2025, four audit assignments had been fully completed, one assignment was at the draft report stage, seven assignments were in progress, two assignments were at the planning stage, and one assignment had been put on hold until February due to a request from management.
- Of the four fully completed audit assignments, three had been finalised since the last meeting of the Audit, Governance and Standards Committee. These were Payroll, General Ledger, and Corporate Health and Safety.
- Payroll had received ‘substantial assurance’ following internal audit with only minor issues identified.
- The General Ledger was given ‘limited assurance’, although it was recognised that considerable progress had been achieved since the last internal audit review. However, at the time of the audit control suspense account reconciliations had not yet been completed for 2024/25 and completion of bank reconciliations was behind schedule for both authorities (i.e. Redditch and Bromsgrove). It was noted that this was mainly due to the legacy issues following implementation of the new finance system after February 2021 and the subsequent focus on managing the issues with the system and bringing statutory accounts up to date. Internal Audit was due to revisit this area in 2026/27.
- The audit of Corporate Health and Safety resulted in ‘limited assurance’ being provided. This audit was requested by the Council’s senior management and resulted in a number of major issues being identified including 59 per cent of new starters since September 2023 not having received Health and Safety Induction training and no standardised means of ensuring role specific health and safety training was being provided. Furthermore, a significant number of service areas did not provide health and safety risk assessments when requested by the auditor.
- There were 29 outstanding internal audit recommendations and 1 high priority overdue action in relation to assurance that cyber security awareness training had been completed by all elected Members. It was stated that five Members were yet to start this training, and one Member had an outstanding module to complete.
- It was requested that the deadline be set for the remaining Members to complete this training and that political Group Leaders be notified of those members of their Groups who had not completed the training. In addition, it was asked that the Internal Auditor contact these Members directly with a reminder to complete the training and that an in-person ‘mop up’ session be organised to provide opportunity for Members to receive help if they struggled with completing the training due to IT barriers.

Capital Strategy 2026/27 including Treasury Management Strategy

Details of the Capital, Treasury Management and Investment Strategies were presented to the Committee. The following was discussed in more detail:

- Capital Strategy provided an overarching framework of how the Council planned, financed, and managed capital expenditure to deliver services and maintain financial sustainability. The planned capital expenditure for 2026/27 was £15.5 million of which £3.3 million was for General Fund projects, £11.5 million Housing Revenue Account, and £0.7 million for Towns Fund schemes. Funding sources to cover this capital expenditure were borrowing (£12 million), Council resources (£2.8 million), and external grants (£0.7 million).
- As of 31 March 2026, the Capital Financing Requirement (CFR) was forecast at £159.8 million, reducing to £158.2 million by March 2027. This included £10.5 million General Fund and Regeneration and £147.7 million for Housing Revenue Account.
- The Treasury Management Strategy detailed how the Council managed its cash flows, borrowing and investments, and the associated risks. The current long-term borrowing by the Council was at £103.9 million related to the Housing Revenue Account (HRA). £6.2 million was invested by the Council with an average return rate of 4.2 per cent. The Council's investment priorities were security and liquidity over yield with environmental, social and governance principles embedded.
- The associated Minimum Revenue Provision (MRP) statement showed, for areas where the Authority finances capital expenditure by debt, the amount charged to the revenue budget for the repayment of debt. It was noted that the purpose of the policy was to ensure borrowing for capital projects was repaid over the life of the asset. It was stated that the Council typically used the annuity method for depreciation, which apportioned depreciation in regular and equal amounts over the life of the asset.
- The Investment Strategy covered investments made by the Council. It was noted that the Council only invested for service and regeneration purposes and did not invest for profit. It was highlighted that there were no commercial investments planned by the Council for 2026/27.

The Committee recommended that the Capital Strategy, the Treasury Management Strategy (and the associated MRP policy), and the Investment Strategy all be approved by full Council.

Review of Accounting Policies

During this meeting Members were updated on the Council's accounting policies. The policies were designed to ensure that the accounts presented a true and fair view of the Council's financial position. The Interim Director of Finance and Section 151 Officer reassured Members that the policies presented continued to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) code and International Financial Reporting Standards (IFRS).

Financial Compliance Report

The Financial Compliance Report was presented which detailed the position regarding legislative reporting requirements and the position on submission of the Council's Statements of Accounts.

In reference to the key legislative reporting requirements to central Government, it was noted that the Council continued to provide the majority of these legislative deliverables within timeframes. The key outstanding returns remained the Value Added Tax (VAT) returns and Whole of Government Accounts (WOGA).

As reported at previous meetings, although from December 2024 the Council returned to monthly VAT returns, work had continued to provide assurance to HMRC regarding VAT return that had been submitted in December 2024, which covered the previous three years. Additional resources had been added to strengthen the finance team in relation to VAT including a VAT Accountant and mandatory VAT training for all finance staff.

The Whole of Government Accounts (WOGA) had not been produced by the Council for a number of years and required a substantial mapping exercise in order to be undertaken. It was unlikely that the Council would be able to achieve this before the Cycle 2 deadline of 3 October 2026. However, the Council was working to achieve a submission for the 2026/27 financial year.

In relation to the Council's Statements of Accounts, Members were reminded that the Council's External Auditor, Ernst & Young, had started its audit work on the 2023/24 Accounts and it was expected this set of accounts would be disclaimed. The 2024/25 Accounts had been completed by the Government's deadline of 30 June 2025 and the public consultation period for inspection of draft accounts finished on 11 August 2025. These Accounts were expected to be audited close to the Government backstop date of 27 February 2026.

The key recent deliverables achieved since the last meeting were set out which included upgrading the Council's finance system, TechOne to the latest version and setting up a project team to reinstall the cash receipting functionality within the system. A question was raised by a Member whether this was the most appropriate option given the issues experienced by the Council with the TechOne cash receipting module following implementation of the TechOne system.

It was explained that the Council had three options in relation to its financial system which were: to fix its current system which was tried and did not work successfully, to purchase a new and different system altogether which would involve a substantial cost, or to reinstall the functionality that is already available as part of the TechOne package. It was highlighted that more local authorities in the UK were now using the TechOne cash receipting module than when the Council first tried to implement it, including Worcestershire County Council. In addition, Officers were in discussion with TechOne around specific resource requirements and exact mechanism which would be in place to operate the cash receipting module. Therefore, the Council was proceeding with the option to reinstall the functionality that is already available as part of the TechOne system in order to strengthen the system's capabilities.

Cyber Security Update

An update was considered in exempt (closed) session on the current position with regards to cyber security within the Council. The position statement discussed outlined the Council's ongoing cyber security initiatives, current threats and achievements, and future planned improvements.

24th February 2026

External Audit – Accounts Backstop Report

This item had been withdrawn. It was clarified that the External Auditors would submit a backstop accounts report for 2023/24 financial year to a future meeting of the Committee (most likely in June 2026).

Risk Management Report/Quarterly Risk Update (Q3 2025/26)

The corporate risk register as well as departmental risks were reviewed by Members. In particular, Members requested the addition of two risks to the Corporate Risk Register: Cash Flow and Treasury Management and Backlog of Fire Remedial Actions.

Cash Flow and Treasury Management:

The Interim Director of Finance and Section 151 Officer explained that this was not a risk from a single event but has arisen out of a combination of related factors. This included:

- Uncertainty around council tax collection rates - There was a risk highlighted that if Worcestershire County Council's (WCC) went ahead with increasing their element of council tax by 8.98%, there could be an increased number of residents who were unable to pay council tax, which would significantly affect the Borough Council's (as the council tax billing authority) cash flow in the short term.
- VAT Recovery – It was noted that the Council had been unable to submit periodic VAT returns for period from April 2021 to October 2024 as a result of issues with the TechnologyOne ERP (ledger) system and was in the process of working out a resolution with HMRC. 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 as there remained a reliance on the council tax income to sustain the revenue budget at a time of year when council tax income was unstable due to the end of old billing period in February and March, and before regular collection was resumed from April – start of new financial year.

It was agreed by Members that the combination of the factors above necessitated adding this item to the Corporate Risk Register.

Backlog of Fire Remedial Actions:

This risk related to overdue fire remedial actions in social housing properties in the Borough. The Deputy Leader and Portfolio Holder for Performance, Engagement and Governance (present at the meeting) explained that she attended the Housing Improvement Board meeting and noted that insufficient detail was available with regard to mitigations to address these overdue 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 progress had been slow in the Council clearing the backlog, especially 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.

The Interim Director of Finance and Section 151 Officer 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, including investment in expediting fire remedial actions works. 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 back to Members.

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 most of the outstanding fire remedial actions were in relation to fire doors. It was clarified that most of fire risks in this area were now classed as a fire risk due to a recent tightening of regulations in regard to the fire doors safety, rather than because there were no fire doors in place.

Response and Recovery to a Possible Cyber Attack on the Council - Presentation

A bespoke update on the Council's cyber security arrangements and procedures in case of a serious cyber attack was provided. Members considered this update in private (exempt) session.

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