REDDITCH BOROUGH COUNCIL

Audit, Governance and Standards Committee 3rd November 2026

Financial Compliance Report

Relevant Portfolio Holder		Councillor Craig Warhurst
Portfolio Holder Consulted		Yes
Relevant Head of Service		Debra Goodall
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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 overall position relating to financial governance, assurance and compliance**
2) **The Committee are assured that appropriate arrangements are in place to manage and monitor the Council's key financial governance responsibilities, statutory financial reporting and treasury management requirements**
3) **The Committee notes the current position regarding external audit, statutory accounts and governance improvement actions**

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

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

2. BACKGROUND

Purpose of the report

2.1 This report forms part of the Council's wider governance and assurance framework and provides Members with regular oversight of key financial governance, compliance and assurance arrangements.

2.2 The report brings together the principal financial governance indicators monitored by the Council and provides assurance over:

- Statutory financial reporting.
- External audit activity.
- Treasury management.
- Financial governance and internal controls.
- Financial resilience and improvement activity.
- Legislative and regulatory compliance.
- Financial monitoring and reporting arrangements.

2.3 The purpose of the report is not only to identify exceptions or areas of concern but also to provide Members with assurance regarding the effectiveness of the Council's overall financial governance framework.

Financial Governance Framework

2.4 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.
- **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.

2.5 Together these arrangements establish the framework through which public resources are managed, monitored and safeguarded.

2.6 The 2026/27 budget was approved at Council on the 2 March 2026.

Legislative Requirements

2.7 Attached as Appendix A are the key legislative deliverables, which were circulated by the Government for the 2026/27 financial year. The Council has delivered against all the deadlines to date except for the Whole of Government Accounts Cycle 1 due in August 2026.

2.8 This appendix summarises the key statutory financial returns, reports and regulatory submissions required from the Council. These returns support both local accountability and national reporting requirements and form an important part of the Council's wider governance and assurance framework.

2.9 Historically, the Council has been unable to submit WGA returns on time due to the same underlying issues that affected the production of the Statement of Accounts, particularly those linked to ERP implementation, financial systems stabilisation and delays in the accounts closure process. As a consequence, the Council has not submitted completed WGA returns since 2019/20.

2.10 The Council did not meet the deadline for the initial draft WGA submission during 2026/27 and work is continuing to complete that return. However, the final statutory WGA submission deadline falls at the end of October 2026 and the current assessment is that this deadline will be achieved.

2.11 Progress is being monitored through the Financial Resilience Programme.

2.12 As formally reported to Audit, Governance and Standards Committee and Executive in June 2026, 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.

2.13 Appendix B reflects a wider set of deliverables (in addition to Appendix A). This appendix provides a forward-looking financial reporting and governance calendar and is included to support Audit, Governance and Standards Committee in discharging its oversight and assurance responsibilities. The appendix therefore acts as both a compliance tool and an assurance tool, enabling Members to understand when key financial decisions and reports are expected, monitor progress against deadlines and confirm that decisions are progressing through the appropriate governance and approval routes. The calendar is intentionally forward looking and includes both completed and future reporting requirements to support Audit Committee oversight

Financial Resilience Programme

2.14 Following the successful completion of the Financial Improvement Plan and the production of the Accounts for 2020/21 – 2024/25, the Council has now developed a Financial Resilience Programme.

Overall assurance Position

2.15 The overall position is that substantial progress has been made in strengthening the Council's financial governance environment over recent years.

2.16 Significant improvement activity has been undertaken across:

- Statutory accounts production.
- Financial controls.
- Governance arrangements.
- Treasury management.
- Risk management.
- Budget monitoring.
- Financial systems.
- Workforce resilience.

2.17 Whilst risks and areas for ongoing improvement remain, officers are satisfied that an appropriate programme of activity is in place to continue strengthening the financial control environment and support future resilience.

Update on the Statement of Accounts

2.18 During recent years, local government has faced significant challenges in relation to external audit timeliness and the national audit backlog. Backstop legislation has been introduced to ensure a national backlog of outstanding accounts could be managed and the backstop dates for 2026/27 and 2027/28 are 30 November 2027 and 30 November 2028 respectively.

2.19 The Council has received Disclaimer Opinions for the 2020/21, 2021/22, 2022/23, 2023/24 and 2024/25. The receipt of these opinions reflects both local challenges experienced during the period and the wider national audit recovery programme.

2.20 The Council has made significant progress in recovering its financial reporting arrangements following a period of substantial challenge associated with the implementation of the Council's ERP system, staffing capacity constraints within the finance function, difficulties in accessing historic financial information and working papers, and the wider national local audit backlog.

2.21 These local issues impacted the Council's ability to produce Statements of Accounts and supporting audit evidence on a timely basis and contributed to delays in the completion of audits and associated financial reporting processes. The challenges experienced were reflected in the production of the 2020/21 to 2024/25 Statements of Accounts and associated audit outcomes.

2.22 The Council has now successfully produced Statements of Accounts for the financial years 2020/21 to 2024/25 and has worked closely with External Audit to support the recovery process. Whilst the Council has received disclaimer opinions for these years, it is important to recognise that the position reflects a combination of local factors, including ERP-related challenges relating to Tech One, finance capacity constraints, limitations in historic audit evidence, together with the national audit backlog and statutory backstop arrangements.

2.23 The focus has now moved from historic recovery activity towards ensuring sustainable arrangements for future years.

2.24 For the 2025/26 financial year, the statutory backstop date is 31 January 2027. However, the Council is not working to this date. Instead, the Council is targeting completion of the draft Statement of Accounts by 30 November 2026 in order to align more closely with future reporting requirements and provide sufficient time for audit activity.

2.25 At the present time the Council expects the 2025/26 accounts to receive a disclaimer opinion. However, this should be viewed within the context of the Council's wider audit recovery programme and the continuing restoration of assurance over a number of years.

2.26 The production of the 2025/26 accounts to an accelerated timetable, together with improvements in working papers, reconciliations, balance sheet assurance, system controls and audit evidence, is considered an important step towards rebuilding assurance.

The Council's objective is to establish a stable platform during 2025/26 which will support a more sustainable accounts closedown and audit process for the 2026/27 financial year.

2.27 Whilst further work remains to be completed, the Council considers the 2025/26 accounts process to be a significant milestone in the transition from historic recovery activity towards longer-term improvement and a return to a normal annual reporting cycle.

2.28 The Council's external auditor is Ernst & Young, following appointment through the national Public Audit Appointments process.

2.29 The Section 151 Officer now holds regular monthly liaison meetings with the Council's external auditors, Ernst & Young, to monitor audit progress, discuss audit findings and review emerging financial governance matters.

Financial Governance and Assurance

Annual Governance Statement

2.30 The Annual Governance Statement remains the Council's principal governance assurance document.

2.31 The Statement provides assurance regarding the effectiveness of:

- Governance arrangements.
- Internal control frameworks.
- Risk management processes.
- Financial management arrangements.
- Performance management.
- Organisational compliance.

2.32 Improvement actions arising from governance reviews are monitored through established governance arrangements and are reported as part of the Annual Governance Statement Action Plan Update.

2.33 Several governance and assurance improvement actions continue to be monitored through the Annual Governance Statement Action Plan, including VAT performance reporting arrangements, capital programme governance and ERP recovery planning. Progress against these actions is reported separately through the Annual Governance Statement Action Plan updates.

2.34 In addition to the specific actions delivered through the Financial Resilience Programme and the Annual Governance Statement Action Plan, the Council has strengthened its governance and assurance arrangements during the year to provide increased oversight of financial management, audit recovery and control improvement activities.

2.35 The Section 151 Officer now holds formal monthly liaison meetings with the Council's external auditors, Ernst & Young, to monitor audit progress, discuss emerging issues and support closure of outstanding audit actions. These arrangements are complemented by quarterly meetings involving the external auditors and the Senior Leadership Team, together with six-monthly governance meetings involving External Audit, Internal Audit and

the Senior Leadership Team to provide collective oversight of assurance, governance and control matters.

2.36 Corporate governance oversight has also been enhanced through the introduction of regular "golden thread" governance meetings between the Section 151 Officer, Monitoring Officer and Chief Executive. These meetings provide a formal mechanism for reviewing governance matters, identifying emerging risks and ensuring alignment between financial management, legal governance and corporate leadership responsibilities.

2.37 In addition, members of the Corporate Leadership Team produce regular compliance reports covering their respective service responsibilities. Finance contributes a dedicated compliance report which is reviewed alongside the wider corporate compliance framework to provide assurance that key financial, regulatory and statutory obligations are being met.

2.38 Collectively, these arrangements provide a strengthened governance framework which supports effective oversight, accountability and continuous improvement across the Council's financial management, governance and assurance activities.

Internal Control Environment

2.39 Internal control improvement activity is monitored through the Finance Resilience Programme and AGS Action Plan.

VAT, Procurement and Regulatory Compliance

2.40 Significant work has been undertaken to strengthen VAT compliance and associated controls as reported in the Medium-Term Financial Plan.

Summary

2.41 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 most important for the Borough 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 five 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 & 2022/23 – Audit Governance and Standards Committee November 2023, Council December 2023.
Section 24 Report to Audit and Council – 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

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Appendix A Audit, Governance and Standards Committee 3 November 2026

Return	Code	Description	Submission Deadline	Completed
Revenue Account Budget	RA	Local authority revenue expenditure and financing for 2026-27 Budget	03-Apr-26	YES
Capital Estimates Return	CER	Capital forecast for 2026-27	27-Mar-26	YES
Non Domestic Rates Outturn- unaudited	NNDR3	Collects information from all billing authority on the amount of non-domestic rates collected in 2025-26- provisional data	29-May-26	YES
Non Domestic Rates Outturn- audited	NNDR3	Collects information from all billing authority on the amount of non-domestic rates collected in 2025-26- final data	tbc	
Quarterly Borrowing & Lending - Quarter 4	QB4	Local authority borrowing and investments from all local authorities to the end of Q4 2025-26	09-Apr-26	YES
Capital payments & receipts Q4 and provisional outturn	CPR4	Cumulative capital expenditure and receipts for Q1, Q2, Q3, and Q4 2025-26. Expanded collection, used as provisional outturn.	24-Apr-26	YES
Council Tax & NDR Collection - Quarter 4	QRC4	Annual data of levels of council tax and non-domestic rates collected by local authorities in 2025-26; and receipts collected in Q4 and local council tax support claimants at the end of Q4	08-May-26	YES
Capital Outturn Return	COR	Final capital outturn figures for 2025-26	28-Aug-26	YES
Revenue Outturn suite - provisional	RO	Local authority revenue expenditure and financing, 2025-26 Outturn (first release)	24-Jul-26	YES
Revenue Outturn suite - certified	RO	Local authority revenue expenditure and financing, 2025-26 Outturn (second release)	09-Oct-26	
Exit payments	exit	Local authority exit payments, 2025-26	05-Jun-26	YES
Quarterly Borrowing & Lending - Quarter 1	QB1	Local authority borrowing and investments from all local authorities to the end of Q1 2026-27	07-Jul-26	YES
Quarterly Revenue Update - Quarter 1	QRU1	Q1 2026-27 data and forecast end year local authority revenue expenditure update	24-Jul-26	YES
Capital Payments & Receipts - Quarter 1	CPR1	Cumulative capital expenditure and receipts for Q1 2026-27	24-Jul-26	YES
Council Tax & NDR Collection - Quarter 1	QRC1	Quarterly return of how much council tax and non-domestic rates are collected in Q1 2026-27; Number of local council tax support claimants at the end of Q1 2026-27	10-Jul-26	YES
Local Government Pension Funds	SF3	Collect information on income and expenditure on local government pension schemes for 2025-26	11-Sep-26	
Council Tax Base/ Supplementary	CTB	Information about the 2026 council tax base for each billing authority.	09-Oct-26	
Quarterly Borrowing & Lending - Quarter 2	QB2	Local authority borrowing and investments from all local authorities to the end of Q2 2026-27	07-Oct-26	
Quarterly Revenue Update - Quarter 2	QRU2	Quarter 1 & 2 2026-27 data and forecast end year local authority revenue expenditure update	23-Oct-26	
Capital Payments & Receipts - Quarter 2	CPR2	Cumulative capital expenditure and receipts for Q1 and Q2 2026-27	23-Oct-26	
Council Tax & NDR Collection - Quarter 2	QRC2	Quarterly return of how much council tax and non-domestic rates are collected in Q2 2026-27; Number of local council tax support claimants at the end of Q2 2026-27	09-Oct-26	
Capital Payments & Receipts - Quarter 3	CPR3	Cumulative capital expenditure and receipts for Q1, Q2 and Q3 2026-27	22-Jan-27	
Non Domestic Rates Forecast	NNDR1	Billing authority forecasts of the amount of non-domestic rates to be collected in the 2027-28	31-Jan-27	
Quarterly Revenue Update - Quarters 3 & 4	QRU3	Quarter 1 to 3 2026-27 data and forecast end year local authority revenue expenditure update.	22-Jan-27	
Quarterly Borrowing & Lending - Quarter 3	QB3	Local authority borrowing and investments from all local authorities to the end of Q3 2026-27	07-Jan-27	
Council Tax & NDR Collection - Quarter 3	QRC3	Quarterly return of how much council tax and non-domestic rates are collected in Q3 2026-27; Number of local council tax support claimants at the end of Q3 2026-27	15-Jan-27	
Council Tax Requirement/ Parish Council Tax	CTR	Information on council tax levels set by local authorities in 2027-28. Council tax levels for 2027-28 set by parishes	11-Mar-27	
of which: Parish council tax	CTR1 parish	Information on council tax levels set by parish and town councils in 2027-28. This data is collected on the CTR1 form but published later	11-Mar-27	
Revenue Account Budget	RA	Local authority revenue expenditure and financing for 2027-28 Budget	02-Apr-27	
Capital Estimates Return	CER	Capital forecast for 2027-28	26-Mar-27	
Monthly Borrowing & Lending	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	Day 5 of each month	

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Appendix B – Calendar of Financial Requirements

Budget

Requirement	Body Approving	Date
2026/27 Budget and MTFP	Council	2 March 2026
2026/27 Council Tax Base	Executive	14 January 2026
2026/27 Council Tax Resolution	Council	2 March 2026
2027/28 Budget and MTFP	Council	Feb / March 2027
2027/28 Council Tax Base	Cabinet	12 January 2027
2027/28 Council Tax Resolution	Council	Feb / March 2027

Policies

Requirement	Body Approving	Date
Treasury and Asset Management Strategies 2026/27	Council	January 2026 / 2 March 2026
Treasury and Asset Management Strategies	Council	Feb / March 2027
Council Tax Support scheme	Executive	14 January 2026

Financial Monitoring

Requirement	Body Approving	Date
Financial Outturn Report 2025/26	Executive	28 July 2026
Quarter 1 Finance Report	Executive	8 September 2026
Quarter 2 Finance Report	Executive	24 November 2026

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Quarter 3 Finance Report	Executive	tbc

Risk Management

Requirement	Body Approving	Date
Quarter 1 Risk report	Audit, Governance and Standards Committee	23 July 2026
Quarter 2 Risk report	Audit, Governance and Standards Committee	3 November 2026
Quarter 3 Risk report	Audit, Governance and Standards Committee	19 January 2027
Quarter 4 Risk report	Audit, Governance and Standards Committee	8 April 2027