



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY 11TH MARCH 2021

AT 6.00 P.M.

VIRTUAL MEETING - TEAMS

SUPPLEMENTARY PAPERS 1

MEMBERS: Councillors L. C. R. Mallett (Chairman), P. J. Whittaker (Vice-Chairman), A. J. B. Beaumont, R. E. Jenkins, J. E. King, A. D. Kriss, M. Middleton, C. J. Spencer, K. J. Van Der Plank and Mr. J Cypher (Parish Councils' Representative)

AGENDA

7. Statement of Accounts 2019/2020 (Pages 1 - 10)

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

8th March 2021

K. DICKS
Chief Executive

This page is intentionally left blank

Audit Standards and Governance Committee 11th March 2021

Statement of Accounts 2019-2020

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Chris Forrester Head of finance and Customer Services
Report Author	Job Title: Head of Finance and Customer Services Contact email:chris.forrester@bromsgroveandredditch.gov.uk
Wards Affected	All
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	
This report contains exempt information as defined in Paragraph(s) of Part I of Schedule 12A to the Local Government Act 1972, as amended	

1. **RECOMMENDATIONS**

The Audit, Standards and Governance Committee **APPROVES** the Statement of Accounts elements requiring signature at Appendix 1

2. **BACKGROUND**

3. **FINANCIAL IMPLICATIONS**

3.1 None other than those included in this report.

4. **LEGAL IMPLICATIONS**

4.1 The Accounts and Audit Regulations 2015 require that the Council complies with statutory accounting legislation and changes.

5. **STRATEGIC PURPOSES - IMPLICATIONS**

Relevant Strategic Purpose

5.1 The Statement of Accounts have been audited by Grant Thornton and their audit opinion is included as an agenda item to this meeting. A copy of the elements of the Statement of Accounts required to be signed are provided as Appendix 1.

Audit Standards and Governance Committee 11th March 2021

5.2 Included within the Statement of Accounts there are a number of core financial statements that provide a summary of the financial position of the Council. These are:

5.3 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

5.4 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

5.5 The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

5.6 The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.

Audit Standards and Governance Committee 11th March 2021

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

5.7 The Collection Fund

The Collection Fund shows the transactions of the Council in relation to the collection of Council Tax, and National Non-Domestic Rates and the way in which these have been distributed to the preceptors (the police, fire authority, county council and parishes). It is a statutory requirement for billing authorities to maintain this account.

Climate Change Implications

5.8 None

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

6.1 None

Operational Implications

6.2 None

7. RISK MANAGEMENT

7.1 The risks associated with the effective and timely delivery of the Statement of Accounts are to be developed further to ensure that a robust plan is in place to address the concerns raised during this Audit.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 – elements of statements of accounts requiring authorisation.

Audit Standards and Governance Committee 11th March 2021

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor Geoff Denaro – Portfolio Holder Finance and Enabling	Various
Lead Director / Head of Service	Chris Forrester – Head of Finance and Customer Services	Various
Financial Services	Chris Forrester - Head of Finance and Customer Services	Various
Legal Services		
Policy Team (if equalities implications apply)	N/A	
Climate Change Officer (if climate change implications apply)	N/A	

Bromsgrove District Council Financial Statements for the year ended 31 March 2020

Statement of the Authority's and Chief Financial Officer's Responsibilities for the Statement of Accounts

The Authority's Responsibilities

Bromsgrove District Council is required to:

- make arrangements for the proper administration of its financial affairs and to
- secure that one of its officers has the responsibility for the administration of those affairs,
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets and
- approve the Statement of Accounts.

In this Authority, that officer is the Executive Director of Finance and Resources;

The Executive Director of Finance and Resources is responsible for the preparation of Bromsgrove District Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') and in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The latest principles have been adopted in this statement.

In preparing this Statement of Accounts, the Executive Director of Finance and Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Executive Director of Finance and Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounts present a true and fair view of the financial position of Bromsgrove District Council at 31 March 2020 and its income and expenditure for the year ended on that date.

SIGNED Date:

Certificate of the Chief Financial Officer

I certify that:

- the Statement of Accounts for the year ended 31 March 2020 has been prepared in the form directed by the Code and under the accounting policies set out on pages 30 to 42.
- in my opinion, the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

.....

Chief Financial Officer

Authority Approval of Statement of Accounts

These accounts were approved by resolution of the Council on

.....

Chairman

ANNUAL GOVERNANCE STATEMENT 2019/20

Scope of Responsibility

Bromsgrove District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Bromsgrove District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Bromsgrove District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bromsgrove District Council's Policies and Strategic Purposes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromsgrove District Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

The Governance Framework

The framework to deliver good governance across the Council's services in delivering the Strategic Purposes encompasses a number of elements;

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan 2019-2020 is in place and reflects the activities that need to be undertaken by the Council to further support the delivery of these purposes. The Plan was reviewed and revised during 2019 to reflect community needs with changes made to the Strategic Purposes and priorities which were approved by the Council.
- 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. The Council has a dedicated partnership manager who liaises with community groups and other partners
- Performance reports are presented to members on a quarterly basis in relation to the strategic purpose delivery and the associated measures in place.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the District.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Cabinet and the other Boards operated by the Council. The cross party Constitution working group considers changes and updates to the roles and responsibilities.
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined.
- Financial Regulations and Contract Procedure Rules have been approved by Council. 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, chairmanship 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. Updates are presented to the Audit, Standards and Governance Committee by the monitoring officer at each meeting.
- 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.
- Decision making is carried out through Cabinet, Planning Committee and Audit, Standards and Governance Committee. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and 4th 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 and managers are working with their teams to build up actions plans to support culture change in the Council

Agenda Item 7

- Robust financial management arrangements in place through regular budget monitoring, on line purchase ordering systems and robust financial internal controls ensure that the Council complies with statutory legislation. A new enterprise system was approved in 2018/19 to improve functionality of the systems and access for managers, which will be implemented in 2020/21.
- 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 issues raised during 2019/20.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service.

- Regular press releases and social media updates are provided. Better Bromsgrove Together is sent to residents to inform them of the Council's activities and services provided. In addition information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

Review of Effectiveness

Bromsgrove has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within Bromsgrove District who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors.

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

Throughout 2018/19, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Standards and Governance Committees, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

• **Audit, Standards and Governance Committee**

The Committee played a role by reviewing and monitoring internal control issues throughout the year. This included approval of the treasury management strategy, savings reports, regular progress reports from Internal Audit and reports and updates from the External Auditors.

• **Internal Audit**

BDC'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 2019/20 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, compliments and complaints, safeguarding, markets were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

Internal Audits work programme helps to assure Audit, Standards and Governance Committee that the framework and statement can be relied upon based on the following:

- Evidence streams which were verifiable and could be relied upon,
- Monitoring and reporting mechanisms were in place to report issues,
- These streams and reporting mechanisms are embedded in the BDC governance process.

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

Significant Governance Issues

In relation to the internal audit reports for 2019/20 areas which returned an assurance level of 'limited' included Document Retention and Markets, further detail is given in the Internal Audit report in this statement of accounts. This was a significant improvement on 2018/19 in terms of the limited assurances. A clear management action plan has been formulated to address the issues identified where 'limited' assurance was identified to mitigate the risk. The progress and actions on the previous year limited audit in relation to Health and Safety has been reported regularly to the Audit, Standards and Governance Committee for consideration.

The Heads of Service have actions in place to address any recommendations from Audit reviews and all assessed as being either of high or medium importance have been reported to the Audit Standards and Governance Committee. The Internal Audit team will continue to review the actions as they are implemented.

Conclusion and Evaluation

As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We are also satisfied that over the coming year, the Council will take appropriate steps to address any significant governance issues and we will monitor their implementation and operation as part of our next annual review.

Signed

Date :

Signed

Date :

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

Bromsgrove District Council

Balance Sheet as at 31 March 2020

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31st March 2020 £000	31st March 2019 £000
Property, Plant & Equipment	14/14a	42,535	43,421
Intangible Assets	16	416	314
Long Term Debtors	19	330	320
Long Term Assets		43,281	44,055
Short Term Investments	17	2,000	0
Inventories	18	229	229
Short Term Debtors	19	7,558	6,824
Cash and Cash Equivalents	20	1,393	1,687
Assets held for sale	21	0	0
Current Assets		11,180	8,740
Bank Overdraft	20	0	0
Short Term Borrowing	17	(4,772)	(13,522)
Short Term Creditors	22	(12,682)	(5,122)
Provisions	23	(189)	(1,561)
Revenue Grants received in advance	33	(17)	(17)
Current Liabilities		(17,660)	(20,222)
Other Long Term Liabilities	37	(48,431)	(44,095)
Capital Grants received in advance	33	(1,442)	(819)
Long Term Liabilities		(49,873)	(44,914)
Net Liabilities		(13,072)	(12,341)
Usable reserves	24	11,283	11,691
Unusable Reserves	25	(24,355)	(24,033)
Total Reserves		(13,072)	(12,342)

Bromsgrove District Council

Group Balance Sheet as at 31 March 2020

Information relating to the Group Balance Sheet is included in Note 15 - Group Accounts

	Notes	31st March 2020	31st March 2019
		£000	£000
Property, Plant & Equipment	14/14a	43,545	48,640
Heritage Assets	15	0	0
Intangible Assets	16	416	314
Assets held for sale	22	0	0
Long Term Investments	19	0	0
Long Term Debtors	19	330	320
Long Term Assets		44,291	49,274
Short Term Investments	19	2,000	0
Inventories	18	229	229
Short Term Debtors	19	7,558	6,824
Cash and Cash Equivalents	20	1,393	1,687
Assets held for sale	21	0	0
Current Assets		11,180	8,740
Bank Overdraft	20	0	0
Short Term Borrowing	17	(4,772)	(13,522)
Short Term Creditors	22	(12,682)	(5,122)
Provisions	23	(189)	(1,561)
Revenue Grants received in advance	33	(17)	(17)
Current Liabilities		(17,660)	(20,222)
Other Long Term Liabilities	37	(48,431)	(44,095)
Capital Grants received in advance	33	(1,442)	(819)
Long Term Liabilities		(49,873)	(44,914)
Net Liabilities		(12,062)	(7,122)
Usable reserves	24	11,283	11,691
Unusable Reserves	25	(23,345)	(18,813)
Total Reserves		(12,062)	(7,122)