



## **BROMSGROVE DISTRICT COUNCIL**

### **MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**THURSDAY 14TH SEPTEMBER 2017 AT 6.00 P.M.**

#### **PARKSIDE SUITE - PARKSIDE**

**MEMBERS:** Councillors M. J. A. Webb (Chairman), S. R. Colella (Vice-Chairman), C. Allen-Jones, R. J. Deeming, R. J. Laight, P. M. McDonald, S. R. Peters, P.L. Thomas, M. Thompson and Scurrall

Parish Councillors: Councillor C. Scurrall

### **AGENDA**

1. Apologies for Absence and Named Substitutes
2. Declarations of interest and Whipping Arrangements
3. To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 15th June 2017 (Pages 1 - 8)
4. Standards Regime - Monitoring Officers' Report (Pages 9 - 12)
5. Audit Findings Report - Grant Thornton (Pages 13 - 66)
6. Audited Statement of Accounts 2016/17 (including final Annual Governance Statement) (Pages 67 - 150)
7. Internal Audit Progress Report (Pages 151 - 168)
8. Risk Champion - Verbal Update Report (Councillor P. Thomas)

9. Audit, Standards and Governance Committee Work Programme (Pages 169 - 170)

K. DICKS  
Chief Executive

Parkside  
Market Street  
BROMSGROVE  
Worcestershire  
B61 8DA

6th September 2017

## BROMSGROVE DISTRICT COUNCIL

### MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

15TH JUNE 2017, AT 6.00 P.M.

PRESENT: Councillors M. J. A. Webb (Chairman), R. J. Deeming, R. L. Dent, P. M. McDonald, S. R. Peters (Present from Minute No. 1/17 to Minute No. 12/17), C. J. Spencer (Present from Minute No. 1/17 to Minute No. 11/17), P.L. Thomas (Present from Minute No. 13/17) and M. Thompson

Parish Council Representative: Parish Councillor C. Scurrall

Grant Thornton Representative: Mr. N. Preece

Officers: Ms. J. Pickering, Mrs. C. Felton, Mr. A. Bromage, Mr. P. Stephenson and Ms. A. Scarce

#### 1/17 ELECTION OF CHAIRMAN

A nomination for the position of Chairman was received in respect of Councillor M. J. A. Webb.

**RESOLVED** that Councillor M. J. A. Webb be elected Chairman of the Committee for the ensuing municipal year.

#### 2/17 ELECTION OF VICE CHAIRMAN

A nomination for the position of Vice Chairman was received in respect of Councillor S. R. Colella.

**RESOLVED** that Councillor S. R. Colella be elected Vice Chairman of the Committee for the ensuing municipal year.

#### 3/17 APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors S. R. Colella and J. M. L. A. Griffiths, with Councillor R. Deeming attending as substitute for Councillor Griffiths.

Members were also informed that Councillor P. L. Thomas may be late for the meeting.

Councillor C. J. Spencer advised the Chairman that she had a prior engagement and must leave at 6.50 p.m. whilst Councillor S. R. Peters advised that he would be leaving the meeting at 7.10 p.m.

4/17

## **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest nor of any whipping arrangements.

5/17

## **MINUTES**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 30th March 2017 were submitted.

**RESOLVED** that the minutes of the Audit, Standards and Governance Committee meeting held on 30th March 2017 be approved as a correct record.

The Chairman drew Members attention to the request for a written update in respect of the Corporate Risk Register and confirmed that this was included within the agenda at Item No. 16.

6/17

## **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Head of Legal, Equalities and Democratic Services presented the Monitoring Officer's report and in so doing highlighted the following:

- The level of complaints – currently two, both of which were ongoing.
- As there had been no District elections this year Member training would be provided where necessary and when requested through either the Group Leaders or the Member Development Steering Group.
- A programme of training being rolled out to the Parish Councils facilitated through the Shared Planning Team at Bromsgrove District and Redditch Borough Councils.

Members questioned whether a charge would be made for the training provided to the Parish Councils and Officers confirmed that the Council had a statutory obligation in respect of such training and whilst it was believed to be unlikely, an email confirming this would be sent to Members outside of the meeting.

**RESOLVED** that the report be noted.

7/17

## **DISPENSATION REPORT**

The Head of Legal, Equalities and Democratic Services presented the Dispensations report for Members' consideration. The Committee was informed that Members could apply for a dispensation when they had a pecuniary interest in a matter or where their spouse might have such an interest. The report also contained a minor administrative change to the way in which dispensations, which the Committee had granted in respect of appointments to Outside Bodies and Individual Member

Dispensations and for which the appointments/Members' circumstances had subsequently changed, as detailed under sections 3.14 and 3.17 of the report, were reported to the Committee.

Members discussed a number of areas within the report for clarification and made particular reference to the previously granted dispensation for Councillor B. Cooper. It was confirmed that following his appointment to the Cabinet he was no longer the Council's representative on the Worcestershire County Council Health Overview and Scrutiny Committee.

Following further discussion it was

**RESOLVED** that

- 1) it be noted that no new Individual Member Dispensations had been requested by Members;
- 2) the reason for the dispensation previously granted in respect of Councillor B. Cooper be amended "to allow participation in debates or decisions regarding health issues generally";
- 3) the unchanged position in relation to the existing General d Outside Body Appointment Dispensations granted by the Committee, as detailed under sections 3.10 and 3.13 of the report, be noted;
- 4) the proposed minor administrative changes detailed under sections 3.14 and 3.17 of the report be approved; and
- 5) for the avoidance of any doubt it be noted that, in all cases, any dispensations granted by the Committee will only take effect on receipt of a subsequent written request to the Monitoring Officer from the relevant Member(s), for a specific dispensation to be granted to them where appropriate business is due to be discussed/debated at a particular meeting, and where those Members have a Disclosable Pecuniary Interest in the matter which would otherwise preclude them from participating/voting in this.

8/17

**GIFTS AND HOSPITALITY: GUIDANCE FOR COUNCILLORS - UPDATE TO THE CONSTITUTION**

Officers explained to the Committee that the changes highlighted in this report were as a result of discussions held at the most recent meeting of the Constitution Review Working Group. The Group had asked for the Audit, Standards and Governance Committee to review the proposed changes in respect of Gift and Hospitality Guidance within the Constitution. Areas which had been reviewed were in respect of a threshold value of £25, the definition of gifts and hospitality, the Register which was kept by the Council and exceptions and other circumstances.

# Agenda Item 3

Audit, Standards and Governance Committee  
15th June 2017

Members debated the reasoning behind the proposed changes and the inclusion of a threshold value. The report also stated that the introduction of a threshold reduced the amount of officer time spent on the matter and before making a decision agreed that further information should be made available to substantiate this and that the current guidelines should remain in place.

**RESOLVED** that the Constitution Working Group should be advised that the Committee believe the current threshold should remain in place.

9/17

## **GRANT THORNTON - PROGRESS REPORT / ACTION PLAN VERBAL UPDATE**

Neil Preece, Engagement Manager, Grant Thornton provided Members with a brief verbal update on this occasion as a detailed written report had been received by the Committee at its previous meeting. Mr. Preece provided details on the following:

- The final account statements had been produced within the deadline and in the line with the revised timescale that would need to be met next in 2018.
- The final accounts would be brought before the Audit, Standards and Governance Committee at its meeting to be held on 14th September 2017.

10/17

## **EXTERNAL AUDIT - AUDIT FEE LETTER 2018/19**

Mr. Neil Preece, Engagement Manager, Grant Thornton presented the Audit Fee Letter for 2017/18. In so doing he drew Members attention to a number of areas, which he explained were currently unknown due to the changes taking place in respect of the appointment of External Auditors. Members were reminded that at its meeting in December the Committee had been asked to appoint an external auditor from 2018/19 and had chosen to accept the offer from PSAA to act on its behalf in this process. The fees for particular areas had not been set as yet but were not expected to change significantly as they were calculated on a percentage basis.

Following further discussion it was

**RESOLVED** that the fee as outlined within the Audit Fee Letter 2017/18 be agreed.

11/17

## **BENEFITS AND COMPLIANCE ANNUAL UPDATE REPORT - 2016/17**

The Senior Investigations Officer presented the report which provided Members with an update on the work of the Compliance Team following the transfer of benefit fraud to the DWP Single Fraud Investigation Service in February 2016 and information regarding the work of the Benefit Services.

Members raised a number of queries including the following:

- Whether the figures provided in respect of customer error/fraud and Local Authority error/administrative delay were acceptable in comparison to other authorities and whether information was available in order to carry out a benchmarking exercise. Officers agreed to contact other authorities to seek information in this respect.
- Overpayments received and written off during the financial year 2016/17 and whether these were customer debts which were written off or the Council errors. Officers agreed to confirm this outside of the meeting.
- The financial benefits to the other major preceptor and whether the rate of 10% of any additional income raised was acceptable. Officers agreed to speak to other local authorities to see if this was a reasonable rate.

**RESOLVED** that the report be noted subject to the additional information requested in the pre-amble above.

12/17

## **INTERNAL AUDIT - ANNUAL REPORT AND DRAFT AUDIT OPINION 2016/17**

The Head of internal Audit Shared Service presented the 2016/17 Internal Audit Annual Report. During that presentation Members' attention was drawn to the Overall Conclusion section of the report which identified several key points. In respect of the Audit Opinion it was highlighted that two areas had been identified with limited assurance. These areas would be addressed by management and had a clearly defined action plan in place in order to address the weaknesses and issues identified. It was confirmed that further work was required to embed risk management throughout the organisation with the outcomes now being monitored by the Executive Director, Finance and Resources.

Following presentation of the report Members discussed a number of areas in more detail including the impact to the Council of the length of time taken to deliver the required number of audits. It was confirmed by Officers that the plan had been delivered and there was no direct implications to the Council arising from the delay. Customer feedback was also discussed and it was explained that following the completion of each audit a feedback form was provided to the relevant officers at the Council who had been involved in that Audit, the information provided within the report was the result of these being returned, although it was noted that not everyone returned these forms.

Members were also asked to approve the Internal Audit Charter which defined what Internal Audit was and explained its purpose, role and responsibilities.

## **RESOLVED**

- 1) that the 2016/17 Internal Audit Annual Report be noted; and
- 2) that the Internal Audit Charter be approved.

13/17

## **INTERNAL AUDIT PROGRESS REPORT**

Officers explained that this report would usually have been brought before Members at the September meeting. However in light of the information provided within the Internal Audit Annual Report it was thought to be prudent to bring this report forward for completeness. The Audits that had been carried out had received significant or moderate assurance, with the Risk Management and Dashboard and Performance Indicators receiving limited assurance. A number of recommendations had been put forward to address the issues within these areas together with an update in respect of recommendations which had been made in respect of the Bereavement Services. All recommendations were prioritised in order to ensure the work needed was carried out in a timely manner. It was confirmed that those recommendations in respect of the Bereavement Services had been addressed.

The Executive Director, Finance and Resources confirmed that a number of areas were being addressed through the Senior Management Team and were closely monitored with a co-ordinated approach being taken to ensure that those outstanding from 2013/14 were completed as quickly as possible. A meeting of the Risk Management Group was due to be held on 16<sup>th</sup> June and a detailed update had been provided for Members within the agenda at this evening's meeting.

Following presentation of the report Members' raised a number of concerns including, the inability to trace payments between Worcestershire Regulatory Services and Bromsgrove District Council and whether this had led to a loss of income. Officers confirmed this was an administrative procedure and that the income would have been received. The appropriate procedure had now been put in place to ensure that this did not happen again in the future.

**RESOLVED** that the Internal Audit Monitoring Report of the Head of the Internal Audit Shared Service – Worcestershire Internal Audit shared Service be noted.

14/17

## **S11 ACTION PLAN UPDATE REPORT**

The Executive Director, Finance and Resources remind Members that this update report was presented following the Council receiving a S11 Notice (Audit Commission Act 1998) in relation to a number of recommendations relating to the financial management and accounting of the Authority. The Executive Director, Finance and Resources confirmed that the Accounts for 2016/17 had been prepared ahead of schedule and within the deadlines which would need to be met in



2017/18. Regular discussions had been held with Grant Thornton and there remained two areas which required further work to be undertaken. These were detailed within the report together with actions which would be carried out to complete this work. In respect of budget monitoring it was highlighted that the Overview and Scrutiny Board's Finance and Budget Working Group had help to ensure that the building blocks were in place in order to improve that process, with the support of the Grant Thornton Engagement Manager to ensure that those processes were robust going forward.

**RESOLVED** that the Section 11 Update Report be noted.

15/17

## **FINANCIAL SAVINGS MONITORING UPDATE REPORT FOR JANUARY TO MARCH 2017**

The Executive Director, Finance and Resources presented the Financial Savings Monitoring Report for 2016/17 which included the delivery of savings and additional income for the period April 2016 to March 2017. It was highlighted that the net savings to budgets had been delivered in line with the original estimates. It was confirmed that the detailed outturn report would be presented to Cabinet at its July meeting.

Members noted the savings and questioned where those savings would be used, the Executive Director, Finance and Resources explained that this had already been identified and was in fact agreed savings and not a "surplus", with any additional savings going into balances. Members also requested additional information in respect of the savings from Community Services of £112k and Legal, Equalities and Democratic Savings of £59k and the Executive Director, Finance and Resources agreed to provide Members with this detail outside of the meeting.

**RESOLVED** that the April – December 2016 Financial Savings Monitoring Report 2016/17 be noted.

16/17

## **CORPORATE RISK REGISTER**

The Executive Director, Finance and Resources presented the Corporate Governance and Risk Report and in so doing highlighted a number of areas. It was confirmed that the report would be brought to the Committee bi-annually in future and that a meeting of the Risk Management Group was due to be held on 16<sup>th</sup> June 2017. The register used the "traffic light" system to assess the risk associated with the issues and detailed both the controls and mitigating actions that were in place to reduce the risk to the organisation. Currently there were two areas with an Impact Level of 4, Managing the impact of national changes and Partners of the Councils fail to work together in a Proactive Way. The Executive Director, Finance and Resources assured Members that appropriate actions were being put in place to address the issues raised and that feedback on progress being made would be provided to Members at future meetings.

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Audit, Standards and Governance Committee  
15th June 2017

**RESOLVED** that the Corporate Governance and Risk Report be noted.

17/17

## **APPOINTMENT OF RISK CHAMPION FOR THE COMMITTEE**

There being no other nominations for Risk Champion it was

**RESOLVED** that Councillor P. Thomas be appointed Risk Champion for the ensuing municipal year.

18/17

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

Members considered the Committee's Work Programme for 2017/18.

**RESOLVED** that the Work Programme be noted.

The meeting closed at 7.25 p.m.

Chairman

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**14th September 2017**

### **MONITORING OFFICER'S REPORT**

Relevant Portfolio Holder	Councillor Geoff Denaro (for Governance)
Portfolio Holder consulted	Yes
Relevant Head of Service	Claire Felton, Head of Legal, Equalities and Democratic Services and Monitoring Officer
Wards affected	All Wards
Ward Councillor consulted	N/A

#### **1. SUMMARY OF PROPOSALS**

- 1.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Standards and Governance Committee since the last meeting of the Committee on 15th June 2017.
- 1.2 It is proposed that a report of this nature be presented to each meeting of the Committee to ensure that Members are kept updated with any relevant standards matters.
- 1.3 Any further updates arising after publication of this report, including any relevant standards issues raised by the Parish Councils' Representative(s), will be reported on orally by Officers/the Parish Representative(s) at the meeting.

#### **2. RECOMMENDATION**

**That, subject to Members' comments, the report be noted.**

#### **3. KEY ISSUES**

##### **Financial Implications**

- 3.1 There are no financial implications arising out of this report.

##### **Legal Implications**

- 3.2 The Localism Act became law on 15th November 2011. Chapter 7 of Part 1 of the Localism Act 2011 ('the Act') introduced a new standards regime effective from 1st July 2012. The Act places a requirement on authorities to promote and maintain high standards of conduct by Members and co-opted (with voting rights) Members of an authority. The Act also requires the authority to have in place arrangements under which allegations that either a district or parish councillor has breached his or her Code of Conduct can be investigated, together with arrangements under which decisions on such

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**14th September 2017**

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allegations can be made. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 were laid before Parliament on 8th June 2012 and also came into force on 1st July 2012.

### **Service / Operational Implications**

#### Member Complaints

- 3.3 No new complaints have been received since the last meeting of the Committee.
- 3.4 At the time of drafting this report both of the ongoing complaints reported at the June meeting (a Member to Member parish council complaint and a member of the public complaint about a parish councillor) were still ongoing.

#### Member training

- 3.5 Since the last meeting of the Committee a Finance training session has taken place at Bromsgrove. This was held on 28th June 2017 and was well attended.
- 3.6 Following a meeting of the Member Development Steering Group ('MDSG') on 31st July 2017, training sessions in relation to:
- Safeguarding;
  - Data Protection;
  - Social Media; and
  - Strategic Housing (a number of bite-size elements)

are in the process of being set up, and will hopefully take place in the autumn.

- 3.7 A further meeting of the MDSG is scheduled for 18th September 2017.

### **Customer / Equalities and Diversity Implications**

- 3.8 There are no direct implications arising out of this report. Details of the Council's arrangements for managing standards complaints under the Localism Act 2011 are available on the Council's website and from the Monitoring Officer on request.

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

14th September 2017

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### **4. RISK MANAGEMENT**

The main risks associated with the details included in this report are:

- Risk of challenge to Council decisions; and
- Risk of complaints about elected Members.

### **5. APPENDICES**

None.

### **6. BACKGROUND PAPERS**

Chapter 7 of the Localism Act 2011.

### **AUTHOR OF REPORT**

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#### GRANT THORNTON AUDIT FINDINGS REPORT 2016/17

Relevant Portfolio Holder	Councillor Brian Cooper
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

#### 1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Grant Thornton Audit Findings Report in relation to the final accounts 2016/17.

#### 2. RECOMMENDATIONS

- 2.1 **That the Committee considers and notes the Audit Findings Report 2016/17 as attached at Appendix 1.**
- 2.2 **That the Committee recommend to Council the approval of the draft letter of representation as included at Appendix 2.**

#### 3. KEY ISSUES

##### Financial Implications

- 3.1 The cost associated with the External Audit is funded from approved budgets. There are no additional charges for the 2016/17 Audit work.

##### Legal Implications

- 3.2 The Council has a statutory responsibility to comply with financial regulations. Included within the report is a recommendation to the Council under section 11(3) of the Audit Commission Act 1998. As can be seen within the Appendix, the recommendations relating to the final accounts have all been delivered to the satisfaction of Grant Thornton. There are two further recommendations that relate to the ongoing monitoring arrangements and these are being addressed by officers.

##### Service / Operational Implications

- 3.3 The report attached at Appendix 1 presents the Audit Findings Report in relation to the audit of the 2016/17 Statement of Accounts. Members are aware that there were a number of issues relating to completion and quality of the previous year accounts and a number of actions were put in place to ensure that deadlines were met and significant improvements were made to the working papers and reconciliations.

- 3.4 The accounts were submitted to the Auditors on 31<sup>st</sup> may 2017 which is a month prior to the statutory deadline. As included in the Appendix there have been improvements to the working papers and the information and responses to the Auditors have been timely and clear. There are no material issues or misstatements that have been identified by the Auditors. There are a number of recommendations including completion of pension reserves, authorisation of journal transfers, improvements to the timelines of valuation information and amendments to accounting policies. The recognition of the improvements made during 2016/17 and the achievement of closing down a month demonstrate the work that the finance team have undertaken to ensure that the accounts were delivered on time working papers of a suitable quality whilst accepting that further improvements are needed to close down accurately and on time for 2017/18.
- 3.5 Whilst minor areas of work are continuing it is anticipated that an unqualified opinion will be given on the accounts.
- 3.6 In relation to the Value for Money judgement, having taken into account the financial pressures facing the Council over the next 4 years, a qualified opinion has been given. Officers will work with the Auditors to assess the ongoing delivery of savings, business cases for funding and budget projections to support the recommendations in relation to Value for Money.

#### **Customer / Equalities and Diversity Implications**

- 3.7 There are no implications arising out of this report.

#### **4. RISK MANAGEMENT**

- 4.1 The recommendations from the External Auditors will be picked up within the financial services risk arrangements

#### **5. APPENDICES**

Appendix 1 – Grant Thornton Audit Findings Letter 2016/17

Appendix 2 – Letter of Representation

#### **AUTHOR OF REPORT**

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# The Audit Findings for Bromsgrove District Council

Year ended 31 March 2017

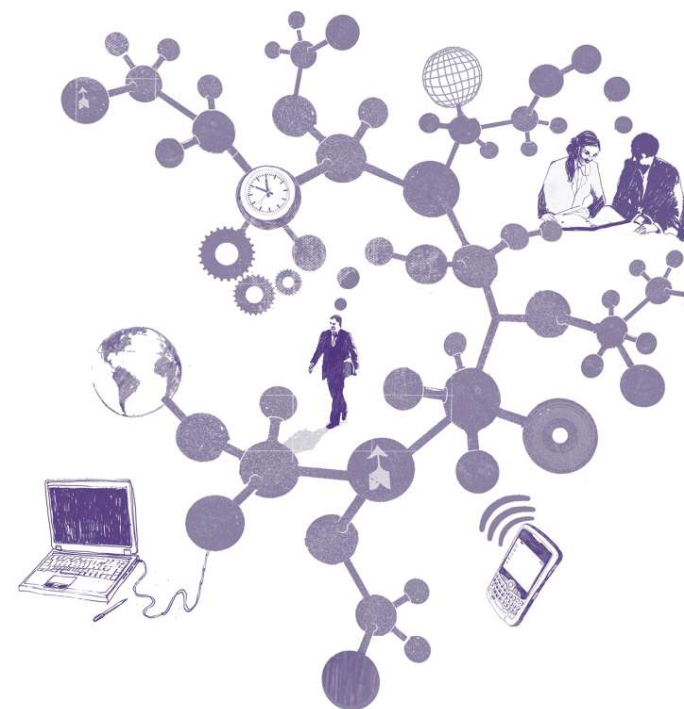
September 2017

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Agenda Item 5

Bromsgrove District Council  
Parkside  
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14 September 2017

Dear Members of the Audit, Standards and Governance Committee

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### **Audit Findings for Bromsgrove District Council for the year ending 31 March 2017**

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Bromsgrove District Council, the Audit, Standards and Governance Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours faithfully

Richard Percival

Engagement Lead

#### **Chartered Accountants**

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# Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

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We received a full set of financial statements on 31 May. This meets the earlier statutory deadline of 31 May 2018. The accounts were better prepared than previous years, and were supported by good quality working papers. However, there were more amendments required to the draft accounts than we would expect.

We anticipate giving an unqualified opinion on the financial statements and a qualified Value for Money Conclusion.

## Purpose of this report

This report highlights the key issues affecting the results of Bromsgrove District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We have not used any of these powers or duties.

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act. We have not received any questions.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements which includes the Prior Period Adjustment note;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review, to the date of signing the opinion.

## Key audit and financial reporting issues

### Financial statements opinion

We have identified four adjustments affecting the group and Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2017 recorded net expenditure on cost of services for the group of £13.442m; the audited financial statements show net expenditure on cost of services of £13.329m. This change is primarily driven by changes made to non current assets and the impact on the Cost of Services. We have also recommended a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- There was an improvement in both the timeliness and quality of the draft financial statements compared to previous years, but further improvements in timeliness and a reduction in the number of issues identified are needed to meet the statutory deadline of 31 July from 2018.
- In preparation for the earlier deadline the Council needs to consider available resources within the finance team as the Chief Accountant will not be present for the 2017/18 financial year end, the Council is heavily reliant on a contractor, and while a permanent replacement for the Financial Services Manager has recently appointed, the person has yet to start working for the Council.
- The financial statements were well supported by working papers and responses to audit queries were generally prompt and efficient. This is an improvement on previous years. However, further improvement is still required to meet the early deadline in 2018 as there were delays in responding to a number of our questions.
- One asset was identified which was not in the ownership of the Council. This related to a 30% holding in a property. All other 30% holdings have been agreed to title deeds to ensure this error identified was isolated.

- The new revenues and benefits system was not recognised as an intangible asset and was omitted from the Balance Sheet. This had the effect of increasing both Intangible Assets and Cost of Services by £277k.
- Officers have enhanced the disclosure in relation to the CIPFA “Telling the Story” project. However, the revised disclosures are not fully compliant with the CIPFA Code.
- Officers did not provide the Pension Fund administrator with the required returns in order for them to prepare the pension fund figures for the actuary. The Pension Fund administrators therefore had to estimate what the figures would be. Officers have subsequently checked that the estimated figures are reasonable.
- The Housing Subsidy claim submitted to DwP is overstated by £92,905. This means that the income recognised in the accounts and the amount owed by DwP to the Council are overstated by the same amount.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

### Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Annual Governance Statement (AGS) and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that, after enhancements, the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

## Controls

### Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

### Findings

We draw your attention in particular to control issues identified in relation to:

- Journal authorisation;
- Asset valuation reports;
- IT access controls.

Further details are provided within section two of this report.

## Value for Money

Our review of the Council's arrangements to secure economy, efficiency and effectiveness has highlighted the following issues which will give rise to a qualified VFM conclusion. There are weaknesses in:

- in year financial reporting; and
- Medium term financial sustainability.

Further detail of our work on Value for Money are set out in section three of this report.

## Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

## Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Audit, Standards and Governance Committee which is due in January 2018.

## The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Executive Director of Finance and Resources.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Finance and Resources and the finance team.

## Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP  
September 2017

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## Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

While the timeliness of the accounts production has improved, there were more errors in, and changes required to, the accounts than we would expect, especially for a council of this size. This means that more audit and officer time is required to address the errors, and undertake more testing where required. Improvements to the accuracy of the draft financial statements is required to meet the earlier audit completion deadline in 2018.



# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £839,000 (being 2% of gross revenue expenditure in the previous year). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £41,000. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

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Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	Due to the public interest in these disclosures. Individual misstatements will also be evaluated with reference to how material they are to the other party.	£20,000 but individual issues will be evaluated with reference to the other party as well.
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000

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Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

# Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Bromsgrove District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Bromsgrove District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• reviewed the accounting estimates, judgments and decisions made by management.</li> <li>• reviewed the journal entry process.</li> <li>• selected unusual journal entries for testing back to supporting documentation.</li> <li>• reviewed any unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.</p> <p>However, our testing identified a weakness in the journal authorisation controls. There are no controls within the system to prevent unauthorised personnel approving journals.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

# Audit findings against significant risks (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>CIES Disclosure Reconfiguration ('Telling the story')</b>                      CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2016/17 comparative figures is also required.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>documented and evaluated the process for the recording of the required financial reporting changes to the 2016/17 financial statements.</li> <li>reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure.</li> <li>reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS).</li> <li>tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES.</li> <li>tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger.</li> <li>tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements.</li> <li>reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>	<p>During the audit officers agreed to make some changes to the notes and disclosures in this area, in particular the inclusion of a Prior Period Adjustment note.</p> <p>While we are satisfied that the changes improve compliance with the Code requirements the disclosures still do not fully meet the requirements</p>
<p><b>Implementation of new revenues system (covering Housing Benefits, Council Tax and Business Rates)</b>                      The Council has introduced a new revenues system in November 2016 (Civica Open revenues). This includes Housing Benefits, Council tax and Business rates modules.</p> <p>As this is occurring part way through the year all of the transactions from the old system will need to be accurately transferred to the new system to ensure that the information on which the accounts are based is complete and reflects the entire financial year.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>confirmed that balances have been transferred completely and accurately to the new system.</li> <li>reviewed the project plan for the system implementation.</li> <li>reviewed control accounts for the relevant accounts affected by the system change.</li> <li>completed tests of data transfer.</li> </ul>	<p>We have completed our work as planned and have not identified any issues with the implementation of the new revenues system.</p> <p>However, we identified that the new system was not added to the Asset Register. Intangible Assets within the draft Balance Sheet were understated by £277k. This has been amended in the final version of the accounts.</p>

# Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>Valuation of pension fund net liability</b> The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• identified the controls put in place by management to ensure that the pension fund liability is not materially misstated.</li> <li>• assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.</li> <li>• reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation.</li> <li>• gained an understanding of the basis on which the valuation is carried out.</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> <li>• obtained assurance from the external auditor of the Worcestershire County Council Pension Fund (WCCPF) regarding the relevant controls and processes in place at the WMPF in order that we can rely on the outputs from the WCCPF.</li> </ul>	<p>A firm of consulting actuaries (Mercers) is engaged to provide the Council with expert advice about the assumptions to be applied when valuing pension liabilities. These assumptions cover areas such as mortality rates, inflation and future increases in salaries and pensions.</p> <p>Whilst audit work has not identified any issues which indicate the pension net liability is materially misstated, we have identified an internal control weakness which has been included in section two of this report.</p> <p>The Council has not been completing its PCF1 returns to the administering authority (Worcestershire County Council). These are monthly payroll returns which include pension costs. This meant that the administering authority has had to estimate the year end position and required Bromsgrove's Finance Team carrying out additional work to assess the accuracy of this.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Employee remuneration accruals understated (Remuneration expenses not correct).</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>walkthrough of your controls in place over payroll expenditure.</li> <li>reviewed the year-end reconciliation of your payroll system to the general ledger.</li> <li>trend analysis of the monthly payroll runs for the year.</li> <li>employee deductions testing for the year.</li> </ul>	<p>Our audit work has not identified any issues in respect of employee remuneration.</p>
Operating expenses	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Creditors understated or not recorded in the correct period (Operating expenses understated).</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>walkthrough of your controls in place over operating expenditure.</li> <li>reviewed the completeness of subsidiary interfaces and control account reconciliations.</li> <li>obtained an understanding of the accruals process and tested a sample of accruals (and other creditors balances).</li> <li>cut off testing of a sample of payments after the year end.</li> </ul>	<p>Our audit work has not identified any issues in respect of operating expenses.</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

# Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Bromsgrove Arts Development Trust (Artrix)	Yes	Targeted	Valuation of Artrix building	Bromsgrove Arts Development Trust (Artrix)	Our audit work has not identified any issues in respect of the valuation of the Artrix building. However, an adjustment of £113k was required within the income and expenditure account to reflect the revaluation which is detailed on page 22.

A targeted response is defined as follows –


The group audit team has identified one or more potential risks of material misstatement and has determined that the audit procedures at the component level are needed to respond to the risk(s).

The group audit team selects this approach whenever sufficient appropriate audit evidence for the audit of the group can be obtained by performing audit procedures that respond to the identified risk(s)

Audit procedures being targeted by either an accounting balance, class of transactions or disclosures.

# Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p><b>Revenue recognition</b></p>	<p>Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.</p> <p>Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.</p> <p>Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.</p> <p>Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.</p> <p>Accruals will be made for items of income and expenditure in excess of £500, lower amounts will only be actioned at the request of the relevant budget holder.</p>	<p>We have considered the:</p> <ul style="list-style-type: none"> <li>• Appropriateness of the Council's policies under International Financial Reporting Standards, as adopted through the Code of Practice on Local Authority Accounting for 2016/17.</li> <li>• Adequacy of disclosure of accounting policy. Our review has not highlighted any issues which we wish to bring to your attention</li> </ul>	<p style="text-align: center;">                       (Green)                 </p>



**Assessment**

● (Red) Marginal accounting policy which could potentially attract attention from regulators

● (Amber) Accounting policy appropriate but scope for improved disclosure



● (Green) Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
<p><b>Judgements and estimates</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 30</p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>- Valuation of Property, Plant and Equipment</li> <li>- Provision for NNDR appeals</li> </ul>	<p><b>Valuation of property, plant and equipment</b></p> <p>The Council revalues its assets on a rolling basis over a three year period. We have undertaken the following:</p> <ul style="list-style-type: none"> <li>• reviewed management's processes and assumptions for the calculation of the estimate;</li> <li>• reviewed the competence, expertise and objectivity of the valuation expert, the instructions issued to them and the scope of their work; and</li> <li>• tested the revaluations made during the year to ensure they are input correctly into the Council's asset register and financial statements.</li> </ul> <p>The final valuations were not received from the valuer until the 27 July. This is too late for any changes to be incorporated into the financial statements. For 2018 the valuations will need to be received much earlier to allow the financial statements to be produced by the end of May.</p> <p>The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. We are satisfied that this is the case. However, we asked officers to enhance the disclosures on asset valuations to show the year when different asset categories were last revalued. This is a CIPFA Code requirement.</p> <p><b>Business Rates Appeal Provision</b></p> <p>The Council has made a provision for the Business Rate appeals that have been received but not settled at year end. The Council's estimate is based on the likelihood of various types of claims having to be settled and the estimated value of the settlement. The Council's provision follows the same basis as in the previous year and overall we are satisfied with the approach taken and that the provision is not materially misstated.</p>	<p style="text-align: center;">                       (Amber)                 </p> <p style="text-align: center;">                       (Green)                 </p>



# Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	The Executive Director of Finance and Resources has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	 (Green)
<b>Other accounting policies</b>	Various	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.  Some amendments to accounting policies have been identified. These are summarised in the misclassification and disclosure changes section of the report.	 (Amber)

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit, Standards & Governance Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	<b>Matters in relation to related parties</b>	From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	<b>Written representations</b>	A standard letter of representation has been requested from the Council, including specific representations in respect of the Group which is included in the Audit, Standards & Governance Committee papers.
5.	<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to banks and councils with whom the Council had investments or borrowing. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6.	<b>Disclosures</b>	We identified changes to a number of other disclosures in the financial statements which the Council has agreed to amend.
7.	<b>Matters on which we report by exception</b>	We have not identified any issues that we are required to report by exception in our audit opinion. We agreed a number amendments to improve the clarity of the disclosure within the Annual Governance Statement and Narrative Report.
8.	<b>Specified procedures for Whole of Government Accounts</b>	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.  Work is not required as the Council does not exceed the threshold.


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# Internal controls

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 13 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 (Amber)	<p><b>IT systems review</b>                      Grant Thornton IT specialists have carried out a review of IT controls. It was identified that there are an inappropriate number of staff with administrator rights within Active Directory.</p> <p>The number of staff with administrator rights within the Active Directory is not limited. There are 26 staff members with Administrator rights and 78 people are Domain Admins, which is excessive.</p> <p>This poses the risk that internal access to information assets and administrative functionality may not be restricted on the basis of legitimate business need. The excessive numbers heighten the risk concerned and hence the priority of this recommendation.</p>	<p>A review of the staff assigned administrator rights should be performed on a periodic basis to ensure that administrator level access is given on a needs only basis. Least privilege should be the guiding principle when granting all system access.</p> <p>The Agresso accounts should be removed as the system has been replaced this year.</p> <p><u>Management Response:</u>                      A review of administrator rights within active directory has been implemented.                      Date due for completion 21 July 2017</p> <p>Agresso is switched off and only accessed by a formal request from Finance.</p>

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The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

**Assessment**  
 Significant deficiency (Red) – risk of significant misstatement  
 Deficiency (Amber) – risk of inconsequential misstatement

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

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# Internal controls (continued)

	Assessment	Issue and risk	Recommendations
2.	 (Red)	<p><b>Pension fund returns</b>                      The Council has not been completing monthly pension returns to Worcestershire County Council. This meant that the year end figures provided to the actuary had to be estimated by County Council officers.</p> <p>There is a risk that the figures generated by the actuary could be inaccurate, leading to inaccurate disclosures in the accounts.</p>	<p>The Council should ensure that all necessary returns are made to the County Council on a timely basis.</p> <p><u>Management Response:</u>                      Agreed. Awaiting a fix from Frontier (software supplier) but will find a manual way of calculating if this is not available by the 30<sup>th</sup> September 2017.</p>
3.	 (Amber)	<p><b>Journal authorisation</b>                      There are no controls within the system to prevent unauthorised personnel approving journals.</p> <p>There is a risk that journals are processed inappropriately and potentially could be fraudulently.</p>	<p>Parameters within the ledger should be reviewed to ensure that only those individuals set up to authorize journals can complete that process.</p> <p><u>Management Response:</u>                      Agreed. Preference is to remove the ability to create and post a journal but need to speak to the software producer (ABS).</p>
4.	 (Red)	<p><b>Asset Valuation reports</b>                      The Council did not receive the final asset valuation report from Place Partnership until 27th July 2017. The values within the financial statements are based on draft reports.</p> <p>There is a risk that final valuations are not in accordance with instructions issued to the valuer which could result in amendments to asset values within the financial statements. For 2018 the draft accounts will need to be produced by 31 May.</p>	<p>The Council should ensure that final version of valuation reports are received promptly from Place Partnership and that these are the basis for asset valuation adjustments within the financial statements.</p> <p><u>Management Response:</u>                      Agreed. We will also look to change the valuation date to the 31<sup>st</sup> December to avoid delay and speed up closure.</p>

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# Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue
1.	✓	<p><b>Shared Services Invoices</b> Throughout our testing we identified a large number of invoices in relation to the shared service agreements with Redditch Borough Council. Invoices are raised and received quarterly for the first three quarters based on the estimated cost and the final invoice on the actual costs. There are a high volume of invoices generated and it is both time consuming and resource intensive to process these.</p> <p><b>Recommendation</b> The Council should investigate whether alternative methods of agreeing the re-charges is more efficient, particularly as they look to produce the financial statements in a shorter timescales.</p>	<p>The process has been simplified as much as possible in terms of invoices now being raised centrally each quarter based on budget and then an actual adjustment is done at the year end which balances out the amount charged in year with the amount that should have been charged based on actuals.</p> <p>A review is being carried out about the charging structure for shared services but this is not related to the invoice process.</p>
2.	✓	<p><b>Time taken to receipt invoices</b> Our testing of expenditure identified an invoice that took over seven weeks to be receipted in the general ledger. Discussions with officers revealed that is not uncommon for it to take this length of time. This increases the risk for invoices being missed and delays in their payment.</p> <p><b>Recommendation</b> The Council should ensure that invoices are received only within creditor payments to ensure timely inclusion on the ledger. This will reduce time to payment and reduce the need for manual accruals.</p>	<p>The payments team have currently been going through a transformation process to look at the way the service is delivered. This involves all invoices being received centrally by payments and that all invoices should have an order before processing.</p> <p>We have also been reviewing the way users of the ordering system use it and the information available to them to try and make it easier to use.</p>
3.	✓	<p><b>Ledger Structure</b> Our testing of journals took considerable time. This is because the Council struggled to produce reports with the required information. This is in part due to the overly complex ledger structure.</p> <p><b>Recommendation</b> The Council should look to simplify its ledger coding structure.</p>	<p>A review of the coding structure has been completed and expenditure codes have been reduced with a view that income codes will be reviewed within in the coming year.</p> <p>We are also reviewing the ledger structure to have a standard structure across both councils to make it easier for users of the system especially on the new budget monitoring system that we are implementing.</p> <p>A new approach has been taken with respect of getting the information for journal testing for 2016/17 and this has been more efficient than in previous years.</p>

**Assessment**  
 ✓ Action completed  
 X Work is on going

# Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £000
<p><b>1 30% property charge</b></p> <p>As part of the agreement of title deeds we identified that for one item tested, where the Council owns a 30% charge of a dwelling, that this charge had been released in 2003 and as such should not be included within the assets of the Council. A Full review of all 30% holdings has been carried out and we are satisfied that this is the only adjustment required.</p>			
Other land and buildings		(52)	
CIES – PPE disposals	52		52
<p><b>2</b> The draft financial statements showed the Group Balance Sheet movement as £7.170m compared to the CIES movement of £7.057m, a difference of £113k. This difference has arisen as the group asset (Artrix centre) had a downward revaluation of £113k in the year which was reflected correctly in the Group Balance Sheet but the corresponding entries were omitted from the Group CIES, hence causing the imbalance.</p>			
CIES Cost of Service (Provide good things for me to do and visit)	20		20
Associates & Joint Ventures Accounted for on an equity basis	(6)		(6)
Surplus or Deficit on revaluation of PPE	99		99
<b>Overall impact (c/f)</b>	<b>£165</b>	<b>(£52)</b>	<b>£165</b>

## Adjusted misstatements (continued)

Detail		Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
<b>Overall impact (b/f)</b>		<b>£165</b>	<b>(£52)</b>	<b>£165</b>
3	The Council implemented a new revenues and benefits system in year, but did not add this to the Intangible Asset register. As this was initially financed through revenue the impact is to also increase Net Cost of Services.			
Page 37	Intangible Assets		277	
	Expenditure on Net Cost of Services	(277)		(277)
4	The Housing Subsidy claim submitted to DwP is overstated by £92,905. This means that the income recognised in the accounts and the amount owed by DwP to the Council are overstated by the same amount.			
	DwP debtor		(92)	
	Income on Net Cost of Services	92		92
<b>Overall impact</b>		<b>(£20)</b>	<b>£133</b>	<b>(£20)</b>

# Unadjusted misstatements

We have not identified any adjustments during the audit which have not been made within the final set of financial statements.



## Impact of uncorrected misstatements in the prior year

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1 Page 39 Whilst reviewing the asset listing the valuer identified three assets that are included within Operational buildings that are not owned by the Council. These assets do however have a charge against the property. Legal services have tried to look into the charges that give rise to the interest but this will take some time to resolve with the land registry.	Dr 224	Cr 224	Not material for 2015/16. Further work will be undertaken to ascertain the legal status of these assets/charges and whether these should be long term debtors or whether the charge had a limited life and has now ceased to be chargeable.
<b>Overall impact</b>	<b>Dr £224</b>	<b>Cr £224</b>	

As set out on page 22, this issue occurred again in 2016/17 with one property where the Council no longer had 30% ownership still being included in the accounts. All such properties have now been checked, and no other errors were identified.

# Misclassifications and disclosure changes

We set out below details of other disclosure amendments made to the draft financial statements

	Reference	Commentary
1.	<b>Narrative Report</b>	A number of amendments were made to bring the Narrative Report up to date.
2.	<b>Telling the Story</b>	Enhanced disclosures have been made regarding the 2016/17 Code changes and in particular the addition of a Prior Period Adjustment note. However, the amended disclosures are still not fully compliant with the CIPFA Code.
3.	<b>Note 14 Property, Plant and Equipment</b>	A table stating the dates of valuation of properties within Plant, Property and Equipment has been added.
4. Page 40	<b>Note 18 Financial Instruments</b>	Amendments have been made to debtors and creditors disclosures to reflect the removal of statutory debts which are not classed as "Financial Instruments".

## Misclassifications and disclosure changes (continued)

	Reference	Commentary
5.	<b>Related parties</b>	The draft related party note states that the Council discloses 'material' transactions. The Council has now amended this to state that they have considered the value of the transaction from both the Council's and related party perspective.
6.	<b>Throughout financial statements</b>	There were a number of typographical errors and formatting throughout the accounts which needed to be amended.
7.	<b>Accounting policies</b>	Our review of disclosures found the following required amendment: <ul style="list-style-type: none"> <li>• Xvii) Materiality note has been amended</li> <li>• Xviii) overheads and support services refer to SEROP which is no longer applicable. This note has been updated</li> <li>• An accounting policy has been added for Assets Held for Sale</li> <li>• Note 1 – general principles state that the accounts are prepared under SERCOP which is no longer applicable.</li> </ul>
8.	<b>Note 2 – Accounting Standards That Have Been Issued but Have Not Yet Been Adopted</b>	This note has been extended to refer to the specific standards.
9.	<b>Note 4 - Assumptions</b>	The references to 'bad debts' have been amended to 'impairment'.

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## Section 3: Value for Money

Page 42

01.	Executive summary
02.	Audit findings
03.	<b>Value for Money</b>
04.	Other statutory powers and duties
05.	Fees, non-audit services and independence
06.	Communication of audit matters

We intend to issue a qualified Value for Money Conclusion. The Council has made some progress in the areas we identified as risks. Some risks have been addressed completely, for example, the reporting of the impact on reserves. Others are work in progress, for example, in-year financial reporting and savings tracking. Some areas however have made little tangible progress, for example, some of the schemes to address the long term financial challenge.

## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out an initial risk assessment in and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

### Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- In year financial reporting - We have previously identified that improvement is needed in reliable and timely financial reporting that supports the delivery of strategic purposes.
- Financial sustainability - We have previously identified that improvement is needed to planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions in the medium term.

We have also considered the further progress against the statutory recommendations we issued in 2014/15.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 31 to 33.

### Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- except for the matters we identified in respect of in year financial reporting and financial sustainability, the Council had proper arrangements in all significant respects. We therefore propose to give a qualified 'except for' conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The text of our proposed report can be found at Appendix B.

### Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows:

- All savings plans are appropriately supported by a business case, all aspects of the savings are identified, it is clear when the planned savings will be delivered and what needs to happen to realise the savings.
- Further improvements to the overall reporting of savings is needed, including a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions.
- Progress against the action plans supporting the delivery of the Council Plan needs to be monitored and reported on a quarterly basis to Cabinet.
- Priority is given by Cabinet to ensuring that the management restructure is progressed on a timely basis.
- The performance dashboard needs to be reported to Members and Officers on a regular basis.

Management's response to these can be found in the Action Plan at Appendix A.

### Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>In year reporting to Members</b> We have previously identified that improvement is needed in reliable and timely financial reporting that supports the delivery of strategic purposes. We have identified the following risks for in year reporting to Members.</p> <ul style="list-style-type: none"> <li>Is the current and forecast financial position clearly identified?</li> <li>Is the delivery of savings to date and the risks to their achievement reported?</li> <li>Are changes from the start point budget tracked through, and is the impact on balances and reserves clear?</li> <li>Are budget variances identified and the reasons for the variance and mitigating actions explained in sufficient detail?</li> </ul>	<p>We have:</p> <ul style="list-style-type: none"> <li>reviewed the financial monitoring reports to determine whether any changes to the original budget are adequately explained to Members;</li> <li>reviewed reporting to Members to determine whether the impact on reserves and balances is clear;</li> <li>reviewed how the Council is monitoring the delivery of the Council Plan; and</li> <li>monitored how the Council is implementing the "Cabinet Response to the Overview &amp; Scrutiny Board Finance &amp; Budget Working Group".</li> </ul>	<p><b>We concluded that there were continuing weaknesses in the Council's arrangements for Informed decision making – “Reliable and timely financial reporting that supports the delivery of strategic priorities”.</b></p> <p>Our 2014/15 statutory recommendations included the following: “The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end outturn and action to be taken, where necessary, to address budget variances.”</p> <p>We have noted some improvements to reconciling budgets per monitoring reports to the originally agreed budget, but the supporting explanations need to be clearer. Reporting of savings has improved, but is still weak – it does not provide a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions. There is no RAG rating or similar.</p> <p>The updated MTFP is much clearer on the impact of proposals on General Fund balances.</p> <p>The revised Council Plan was agreed in 2016/17, but the action plans supporting this will not be in place until 2017/18. Officers have advised us that action plans have been developed and are now being agreed with Members. Delivery against these will then be monitored. We have not seen any evidence of this process and the arrangements were not embedded in 2016/17.</p> <p>We note that, with the exception of the management structure review, all other action plan recommendations were agreed for implementation by 1 April 2017.</p> <p>Overall, although we have seen progress since we issued our statutory recommendation, this is not yet sufficient to address the issues identified.</p>

**Key findings**

Significant risk	Work to address	Findings and conclusions
<p><b>Financial sustainability</b>                      We have previously identified that improvement is needed to planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions. We have identified the following risks.</p> <ul style="list-style-type: none"> <li>• How robust is the MTFP and how well developed are savings plans?</li> <li>• How is the performance dashboard for Members being implemented?</li> </ul>	<p>We have:</p> <ul style="list-style-type: none"> <li>• reviewed how the Council is monitoring delivery of the Efficiency Plan;</li> <li>• examined how robust the MTFP is by testing a sample of individual schemes to determine whether they are worked through appropriately and realistic;</li> <li>• considered progress on the review of the management structure; and</li> <li>• reviewed how the performance dashboard for Members is being implemented.</li> </ul>	<p><b>We concluded that there were weaknesses in the Council's arrangements for sustainable resource deployment – “Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions”, and Informed decision making – “Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management”.</b></p> <p>We noted that the Overview &amp; Scrutiny Finance and Budget Working Group reports and minutes refer to Members concerns that savings and income generation is not being achieved in line with the Efficiency Plan. They do not give any indication of how far adrift from plan the Council is or what action is being taken to bring it back into line. On the basis of the evidence provided we have to conclude that the monitoring of Efficiency Plan delivery is weak.</p> <p>We examined the business cases, decision making process and delivery of some of the major schemes in the MTFP.</p> <ul style="list-style-type: none"> <li>• The £528,000 Leisure Centre savings is adequately supported by a business case, and good progress has been made in delivering this. The new leisure centre is due to open in October 2017, and savings are projected to exceed the original plan.</li> <li>• The £120,000 Revenues and Benefits savings has a business case in place, but this does not clearly support all aspects of the savings identified. It is not clear when the planned savings will be delivered. We understand that since our review the savings target has been revised to £90,000 and are being delivered.</li> <li>• The £275,000 Alternative Delivery Model savings is not supported by clear and detailed delivery plans. The £130,000 delivery for 2017/18 is at risk and there is nothing in place to address this.</li> </ul> <p>The MTFP should only include savings which have been agreed by Members and these plans should have a robust business case to support them. One of the existing Member led groups would be well placed to agree business plans before they are included in the MTFP.</p>

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Agenda Item 5



**Key findings**

Significant risk	Work to address	Findings and conclusions
<p><b>Financial sustainability</b>                      We have previously identified that improvement is needed to planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions. We have identified the following risks.</p> <ul style="list-style-type: none"> <li>• How robust is the MTFP and how well developed are savings plans?</li> <li>• How is the performance dashboard for Members being implemented?</li> </ul>	<p>We have:</p> <ul style="list-style-type: none"> <li>• reviewed how the Council is monitoring delivery of the Efficiency Plan;</li> <li>• examined how robust the MTFP is by testing a sample of individual schemes to determine whether they are worked through appropriately and realistic;</li> <li>• considered progress on the review of the management structure; and</li> <li>• reviewed how the performance dashboard for Members is being implemented.</li> </ul>	<p>Implementation of the management structure review has been slow. This puts at risk the delivery of the savings of £81,000 due to be delivered in 2018/19.</p> <p>Although Members now have better access to information, this is limited to numeric measures and does not include, the impact on people or services. More work needs to be completed on this.</p>

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## Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

We have not used any statutory powers in 2016/17. While progress has been made to address the recommendations we made in 2014/15, in some areas there is still work to do.

## Other statutory powers and duties

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We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	<b>Issue</b>	<b>Commentary</b>
1.	<b>Public interest report</b>	<ul style="list-style-type: none"><li>We have not identified any matters that would require a public interest report to be issued.</li></ul>
2.	<b>Written recommendations</b>	<ul style="list-style-type: none"><li>We have not made any written recommendations that the Group is required to respond to publicly. We have provided an update on progress in addressing the 2014/15 statutory recommendations on pages 36 and 37.</li></ul>
3.	<b>Application to the court for a declaration that an item of account is contrary to law</b>	<ul style="list-style-type: none"><li>We have not used this duty.</li></ul>
4.	<b>Issue of an advisory notice</b>	<ul style="list-style-type: none"><li>We have not used this duty.</li></ul>
5.	<b>Application for judicial review</b>	<ul style="list-style-type: none"><li>We have not used this duty.</li></ul>

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance. In 2014/15 we issued four recommendations under section 11 (3) of the Audit Commission Act 1998 (this Act has now been superseded) to which we required a formal response. We have provided an update below.

	Recommendation	Progress update
Page 50	<p>1. The Council should put in place robust arrangements for the production of the 2015/16 financial statements, which meet statutory requirements and international financial reporting standards.</p> <p>In order to achieve this the Council should:</p> <ul style="list-style-type: none"> <li>- ensure sufficient resources and specialist skills are available to support the accounts production;</li> <li>- introduce appropriate project management skills to the production of the financial Statements.</li> </ul>	<p>In 2016/17 we have seen a significant improvement in the timeliness of the production of the financial statements. We received the financial statements on 31 May. However, we comment on page 6 “There was an improvement in both the timeliness and quality of the draft financial statements compared to previous years, but further improvements in timeliness and a reduction in the number of issues identified are needed to meet the statutory deadline of 31 July from 2018.”</p> <p>We further comment on page 6 “In preparation for the earlier deadline the Council needs to consider available resources within the finance team as the Chief Accountant will not be present for the 2017/18 financial year end, the Council is heavily reliant on a contractor, and while a permanent replacement for the Financial Services Manager has recently appointed, the person has yet to start working for the Council.”</p>
	<p>2. The Council should develop a comprehensive project plan for the preparation of the accounts which ensures that:</p> <ul style="list-style-type: none"> <li>• the financial statements are compiled directly from the ledger</li> <li>• the entries in the accounts are supported by good quality working papers which are available at the start of the audit</li> <li>• the financial statements and working papers have been subject to robust quality assurance prior to approval by the Executive Director (Finance and Resources)</li> <li>• provides additional training, where necessary, to ensure all staff involved in the accounts production process have the necessary skills and information;</li> <li>• the production of the financial statements is monitored through regular reporting to Directors and the Audit Board.</li> </ul>	<p>See comments above.</p>

	Recommendation	Progress update
3.	<p>The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions which enable an accurate forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates.</p>	<p>We comment on page 31 “The updated MTFP is much clearer on the impact of proposals on General Fund balances.</p> <p>The revised Council Plan was agreed in 2016/17, but the action plans supporting this will not be in place until 2017/18. Officers have advised us that action plans have been developed and are now being agreed with Members. Delivery against these will then be monitored. We have not seen any evidence of this process and the arrangements were not embedded in 2016/17.</p> <p>We note that, with the exception of the management structure review, all other action plan recommendations were agreed for implementation by 1 April 2017.</p> <p>Overall, although we have seen progress since we issued our statutory recommendation, this is not yet sufficient to address the issues identified.”</p>
4.	<p>The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end outturn and action to be taken, where necessary, to address budget variances.</p>	<p>We comment on page 31 “We have noted some improvements to reconciling budgets per monitoring reports to the originally agreed budget, but the supporting explanations need to be clearer. Reporting of savings has improved, but is still weak – it does not provide a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions. There is no RAG rating or similar.”</p>

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## Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

We have yet to finalise our audit fee.

We have no independence issues to report.

We confirm below our final fees charged for the audit and provision of non-audit services.

### Fees

	Proposed fee £	Final fee £
Council audit	48,680	TBC
Grant certification	7,545	TBC
<b>Total audit fees (excluding VAT)</b>	<b>56,225</b>	<b>TBC</b>

The final fees for the year have yet to be confirmed pending discussions with officers and agreement by Public Sector Audit Appointments Ltd (PSAA).

### Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

### Independence and ethics

- Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence.
- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The table below summarises all non-audit services which were identified.

### Fees for other services

Service	Fees £
<b>Audit related services:</b>	
• None	Nil
<b>Non-audit services:</b>	
CFO insights (to be confirmed)	7,500 (estimated)

# Independence and non-audit services

We have considered whether non-audit services might be perceived as a threat to our independence as the group's auditor and have ensured that appropriate safeguards are put in place.

	Service provided to	Fees (£)	Threat?	Safeguard
CFO insights – a data analytics tool through subscription (to be confirmed).	Bromsgrove District Council	7,500 (Estimated)	None	This fee is for one year only, and does not involve any members of the audit team.
	<b>TOTAL</b>	£7,500		



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## Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Audit matters have been communicated appropriately.

# Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓
Matters in relation to the group audit including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

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# Appendices

A. Action Plan

B. Audit Opinion

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# A. Action plan

## Financial Statements

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	<p><b>IT Systems review</b></p> <p>A review of the staff assigned administrator rights should be performed on a periodic basis to ensure that administrator level access is given on a needs only basis. Least privilege should be the guiding principle when granting all system access.</p> <p>The Agresso accounts should be removed as the system has been replaced this year.</p>	Amber	<p>A review of administrator rights within active directory has been implemented. Date due for completion 21<sup>st</sup> July 2017</p> <p>Agresso is switched off and only accessed by a formal request from Finance.</p>	<p>21st July 2017</p> <p>Completed.</p>
2.	<p><b>Pension fund returns</b></p> <p>The Council should ensure that all necessary returns are made to the County Council on a timely basis.</p>	Red	<p>Agreed. Awaiting a fix from Frontier (software supplier) but will find a manual way of calculating if this is not available by the 30<sup>th</sup> September 2017</p>	<p>30th September 2017</p> <p>Business Support</p>
3.	<p><b>Journal authorisation</b></p> <p>Parameters within the ledger should be reviewed to ensure that only those individuals set up to authorize journals can complete that process.</p>	Amber	<p>Agreed. Preference is to remove the ability to create and post a journal but need to speak to the software producer (ABS).</p>	<p>31st December 2017</p> <p>Financial Services Manager</p>
4.	<p><b>Asset valuation reports</b></p> <p>The Council should ensure that final version of valuation reports are received promptly from Place Partnership and that these are the basis for asset valuation adjustments within the financial statements.</p>	Red	<p>Agreed. We will also look to change the valuation date to the 31<sup>st</sup> December to avoid delay and speed up closure.</p>	<p>30th October 2017</p> <p>Chief Accountant</p>

**Assessment**  
 ● High (Red)  
 ● Medium (Amber)

## A. Action plan (continued)

### Value for Money

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
5.	All savings plans are appropriately supported by a business case, all aspects of the savings are identified, it is clear when the planned savings will be delivered and what needs to happen to realise the savings.	Red	Business case framework agreed to be used for development and presentation of business cases for 2018/19. This will include detailed calculations of planned saving and the rationale for the proposal.	November 2017 Executive Director of Finance and Resources
6.	Further improvements to the overall reporting of savings is needed, including a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions.	Red	Reporting is currently under review using templates from best practice councils as identified by the auditors. This is to be used for quarter 2 to improve capturing and reporting to members.	November 2017 Executive Director of Finance and Resources
7.	Progress against the action plans supporting the delivery of the Council Plan needs to be monitored and reported on a quarterly basis to Cabinet.	Amber	Officers are in discussion with members as to the most appropriate mechanism for reporting . Overview and Scrutiny have requested updates on the council plan actions.	October 2017 Head of Transformation
8.	Priority is given by Cabinet to ensuring that the management restructure is progressed on a timely basis.	Red	Proposals to be developed by Senior Management Team to be presented to Cabinet in late 2017.	December 2017 Chief Executive
9.	The performance dashboard needs to be reported to Members and Officers on a regular basis.	Amber	We will be undertaking a review of the dashboard in line with changes to our thinking as the organisation continues to change and transform.  We will be reporting performance to Members at both Councils in line with the Corporate Performance Strategy – this will commence in November 2017.	November 2017 Head of Transformation

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# B: Audit opinion

**We anticipate we will provide the Group with an unmodified opinion on the financial statements and a qualified VFM conclusion**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROMSGROVE DISTRICT COUNCIL**

We have audited the financial statements of Bromsgrove District Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Authority Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Executive Director of Finance and Resources and auditor**

As explained more fully in the Statement of Responsibilities, the Executive Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether

the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Finance and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

### **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

### **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

**Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

**Respective responsibilities of the Authority and auditor**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Basis for qualified conclusion**

In considering the Authority’s arrangements for securing efficiency, economy and effectiveness in its use of resources we identified the following matters:

***In year reporting to Members***

The Authority’s in year budgetary monitoring reports to Members do not adequately explain changes to the originally agreed budget. Reporting of savings is weak, and does not provide a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions. There is no risk assessment on the deliverability of schemes. Reports to

Members do not give any indication of progress with delivery of the Authority’s Efficiency Plan or actions being taken to bring it back into line.

This matter is evidence of weaknesses in proper arrangements for informed decision making – reliable and timely financial reporting that supports the delivery of strategic priorities.

***Financial Sustainability***

The Authority updated its Medium Term Financial Plan (MTFP) covering the period to 31 March 2021, in February 2017 in line with its annual planning process. The updated MTFP includes savings which have not been agreed by Members and not all savings plans included have a robust business case to support them.

This matter is evidence of weaknesses in proper arrangements for sustainable resource deployment – Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. It is also evidence of weaknesses in Informed decision making – Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.

**Qualified conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, except for the effects of the matters described in the Basis for qualified conclusion paragraphs above, we are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

**Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

**Richard Percival**

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT

XX September 2017



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Our Ref: JPWR

14 September 2017

Grant Thornton UK LLP  
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**From the Office of the Executive Director (Finance  
and Corporate Resources)**

Parkside, Market Street, Bromsgrove, B61 8DA

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Dear Sirs

**Bromsgrove District Council  
Group Financial Statements for the year ended 31 March 2017**

This representation letter is provided in connection with the audit of the group financial statements of Bromsgrove District Council and its subsidiary undertaking as shown in Appendix 1 of this letter, for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:  
Financial Statements

- i We have fulfilled our responsibilities for the preparation of the group and parent Council financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the group and parent Council financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:

# Agenda Item 5

- a there are no unrecorded liabilities, actual or contingent
- b none of the assets of the group or parent Council has been assigned, pledged or mortgaged
- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x All events subsequent to the date of the group and parent Council financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.

xiv We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

xv We have provided you with:

- a access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
- b additional information that you have requested from us for the purpose of your audit; and
- c unrestricted access to persons within the group and parent Council from whom you determined it necessary to obtain audit evidence.

xvi We have communicated to you all deficiencies in internal control of which management is aware.

xvii All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.

xviii We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.

xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the group and parent Council involving:

- a management;
- b employees who have significant roles in internal control; or
- c others where the fraud could have a material effect on the group and parent Council financial statements.

# Agenda Item 5

xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, regulators or others.

xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the group and parent Council's financial statements.

xxii We have disclosed to you the identity of all the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

## Annual Governance Statement

xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

## Narrative Report

xxv The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

## Approval

The approval of this letter of representation was minuted by the Council's Audit, Governance and Standards Committee at its meeting on 14 September 2017.

Yours faithfully



Name **Jayne Pickering**

Position **Executive Director (Finance and Corporate Resources)  
Bromsgrove District & Redditch Borough Councils**

Date **14<sup>th</sup> September 2017**

Name.....

Position.....

Date.....

Signed on behalf of the Council

Appendix 1:

The Bromsgrove Arts Development Trust

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#### STATEMENT OF ACCOUNTS 2016/17

Relevant Portfolio Holder	Brian Cooper
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering ( Exec Director)
Wards Affected	<b>All</b>
Ward Councillor Consulted	None specific

#### 1. SUMMARY OF PROPOSALS

- 1.1 To enable Members to consider the Statement of Accounts 2016/17 and to recommend to Council their approval.

#### 2. RECOMMENDATIONS

- 2.1 **That Audit Standards and Governance considers the Statement of Accounts 2016/17, including the Accounting Policies provided on pages 19 to 29 (or pages 91 – 101 of the agenda pack), and recommends the approval of the accounts to Council.**

#### 3. KEY ISSUES

##### Financial Implications

- 3.1 None other than those included in this report.

##### Legal Implications

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

##### Service / Operational Implications

- 3.3 The Statement of Accounts were approved by the Executive Director of Finance and Resources by 31<sup>st</sup> May 2017 and submitted to the External Auditors Grant Thornton on the same day. This was a month earlier than the statutory deadline for 2016/17 and was in preparation for the 2017/18 closedown which will be 31<sup>st</sup> May.

- 3.4 The Financial Statements have been audited by Grant Thornton and they have reported in their opinion that the accounts were better prepared than previous years and were supported by good quality working papers. The Grant Thornton audit opinion is included as an agenda item to this meeting. A copy of the Financial Statements is provided as Appendix 1.

- 3.5 In compliance with International Accounting Standards, the Council needs to disclose the accounting policies it has applied to all material balances and transactions, in compiling the Statement of Accounts. These relate to the accounting practices, as set down in the Code, which all local authorities follow. These are provided on pages 19 to 29 of the Statement of Accounts at Appendix 1.
- 3.6 There are some changes to the format of the accounts this year. For example the presentation of the Comprehensive Income and Expenditure Statement has been revised so that this will better reflect how the Council is structured and manages its resources. In addition, a new funding and expenditure note will reconcile the movement on the General Fund balance to the Surplus or Deficit on Provision of Services. The proposed changes are designed to help make the accounts clearer for readers. Although there will be changes to the appearance of the accounts, they do not directly impact on the underlying accounting policies and there have been no material changes to the policies that were included in the 2015-16 Statement of Accounts.
- 3.7 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:

#### 3.7.1 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. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council. This schedule shows the revenue balances for 2016/17 have increased to £4.224m by £67k and earmarked reserves have increased by £350k to £3.607m.

#### 3.7.2 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.

#### 3.7.3 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'.

#### 3.7.4 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. 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.

### **3.8 The Supplementary Financial Statements:**

#### 3.8.1 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.

### 3.9 Financial Summary

#### 3.9.1 General Fund Revenue Account

At its meeting on 24th February 2016 Bromsgrove District Council set a net revenue budget of £13.465m (including planned transfers to earmarked reserves). Band D equivalent Council Tax was set at £205.24, a £5 increase on the previous year.

The addition to achieving the 2016/17 saving requirement the Council has increased general fund balances to £4.224m and set aside resources to fund future expected payments in a number of areas including costs associated with the implementation of Housing schemes across the district and to fund the Economic Development opportunities costs. Details of individual earmarked reserves can be found in the notes to these financial statements.

A summary of the net expenditure as reported through the management accounts compared with the budget for 2016/17 is shown below:-

<b>Strategic Purpose</b>	<b>Budget £'000</b>	<b>Actuals £'000</b>	<b>Variance £'000</b>
Keep my place safe and looking good	4,939	4,850	(89)
Help me run a successful business	(614)	(539)	75
Help me be financially independent	534	416	(118)
Help me to live my life independently	(532)	(619)	(87)
Help me find somewhere to live in my locality	907	859	(48)
Provide good things for me to see, do and visit	1,749	1,659	(90)
Enable others to work/do what they need to do (to meet their purpose)	5,612	5,299	(313)
<b>Total</b>	<b>12,595</b>	<b>11,925</b>	<b>(670)</b>
Corporate Financing	<b>(12,595)</b>	<b>(12,163)</b>	<b>432</b>
<b>Surplus</b>	<b>0</b>	<b>(238)</b>	<b>(238)</b>
Planned use of balances	0	79	79
Contribution to reserves	0	(350)	(350)
Total as reported through management accounts	0	(509)	(509)
HB Grant Change	0	92	92
Revised EFA Position	0	(417)	(417)

The change to the pre audit figures as presented to members is an amendment of £92k in relation to housing benefit subsidy changes made.



The variances are explained in the narrative statement contained within the Statement of Accounts.

### 3.9.2 Capital Expenditure

Capital expenditure amounted to £8.9m against a planned budget of £11.6million. The main areas of expenditure were in, Environmental Services replacement of fleet vehicles and plant (£995k), Community Services with Grants to RSL's (£50k); and Disabled Facilities Grants & Discretionary Home Repairs (£563k); Leisure and Culture recreation areas for the new leisure centre (£5,843k); IT hardware and software (£62k).

### **Customer / Equalities and Diversity Implications**

3.10 None as a direct result of this report.

## **4. RISK MANAGEMENT**

4.1 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.

## **5. APPENDICES**

Appendix 1 – Bromsgrove District Council Statement of Accounts  
2016/17

## **AUTHOR OF REPORT**

Name: Jayne Pickering – Exec Director Finance and Resources  
E Mail: [j.pickering@bromsgroveandredditch.gov.uk](mailto:j.pickering@bromsgroveandredditch.gov.uk)  
Tel: 01527-881400

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## Bromsgrove District Council Financial Statements for the year ended 31 March 2017

Appendix 1

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## Bromsgrove District Council Financial Statements for the year ended 31 March 2017

### Narrative Report

#### Introduction

Bromsgrove District Council's financial performance for the year ended 31 March 2017 is as set out in the Comprehensive Income & Expenditure Summary and our financial position is as set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting the United Kingdom 2016/17 (the Code). It is the purpose of this report to explain, in an easily understandable way the financial facts and performance in relation to Bromsgrove

#### Overview

Bromsgrove faced a difficult time in financial funding arrangements with Revenue Support Grant received from the Government reducing from £1,229k in 2015/16 to £682k in 2016/17. In 2017/18 it will reduce further to £114k in the form of transitional grant and by 2018/19 there will be no Revenue Support Grant. The Council has sought to balance the budget through savings whilst attempting to protect the services that are most important to the community.

The budgets set for 2016/17 were challenging but aware of the need for additional savings in future years there has been a prudent approach to spending and a commercial approach to attracting income. This has enabled a surplus to be created from the prudent spending and additional income and this has allowed the Council to increase working balances and create specific reserves to help deliver our ambitious plans on economic development, an alternative housing solution and delivery of further savings as identified in the efficiency plan.

#### Strategic Priorities

What matters: Bromsgrove District Council is committed to providing residents with effective and efficient services that not only meet their needs but understand them too. Through considering what really matters to our residents we have developed six key priorities for the next four years, supported by six strategic purposes. Working to these purposes will help us to understand the needs of the District and how, together with our partners, we can improve the lives of our residents and the prospects for Bromsgrove District as a whole.

#### Key Priorities 2017-2020



## Strategic Purposes



### Strategic purpose: Help me run a successful business

What matters:

- Encourage local business and inward investment
- Create a more vibrant Bromsgrove Town Centre and flourishing local centres
- Improve connectivity within Bromsgrove (Digital and Transport)
- Invest in our local workforce by supporting training and apprenticeships
  - ❖ Between January and June 2016 the highest number of business start-up's outside of London were in Bromsgrove – 29 for every 1,000 residents
  - ❖ In the last 9 years, there has been a 3 fold increase in the number of apprenticeships completed
  - ❖ Almost 700 apprenticeships were started in 2014/15

### Strategic purpose: Help me to be financially independent

What matters:

- Develop education and skills to sustain financial independence
- Support communities during changes to welfare and benefits
- Support residents to reduce levels of individual debt
- Support reductions in winter deaths and fuel poverty
- Support the provision of affordable housing in the District to meet the needs of the community
  - ❖ People who live in Bromsgrove have the highest average wage in Worcestershire
  - ❖ Fuel poverty in Worcestershire has reduced from 12.6% in 2011 to 9.1% in 2014

### Strategic purpose: Help me to live my life independently

What matters:

- Help and support the vulnerable
- Promote independence and reduce social isolation
- Help people to be fit and well
- Strengthening and supporting families and individuals
  - ❖ Over the last 2 years, nearly 300 people have been helped to continue to live at home through disabled facilities grants.
  - ❖ Over 1600 vulnerable or elderly residents have been supported by a Lifeline unit in their homes
  - ❖ More than 400 residents have received activity and falls prevention referrals in the last 2 years

# Agenda Item 6

## Strategic purpose: Help me to find somewhere to live in my locality

What matters:

- Support the development of appropriate and affordable housing in the district
- Assist in making the best of all housing across the district
- Prevent and respond to homelessness
  - ❖ In 2016/17, 278 homes were built in the district (net)
  - ❖ Between July 2015 and June 2016, over 200 households have been prevented from becoming homeless

## Strategic purpose: Keep my place safe and looking good

What matters:

- Help support and create communities where people feel safe
- Look after our district to provide clean and tidy streets and open spaces
- Protect and enhance the environment spaces
  - ❖ 2,769 bulky waste collections were undertaken between June 2016 to March 2017
  - ❖ On average, 4275 tonnes of waste was recycled
  - ❖ 19,000 customers are benefitting from a garden waste collection service
  - ❖ 19% reduction in carbon emissions

## Strategic purpose: Provide good things for me to see, do and visit

What matters:

- Provide a leisure, cultural and arts programme for the whole district
- Create a more vibrant Bromsgrove Town Centre and flourishing local centres
- Help people to be fit and well and reduce social isolation
  - ❖ Approximately 10,000 people attend the street theatre events
  - ❖ 140+ weekly attend the junior park run course
  - ❖ £188,000 has been allocated from the New Homes Bonus to community projects during 2015/16 and 2016/17

## **Expenditure and Funding Analysis**

The Expenditure and Funding Analysis is set out on page 33. The objective is to demonstrate to council tax payers how the funding available to the authority (ie Government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decisionmaking purposes between the Council's strategic purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

A summary of the net expenditure as reported through the management accounts compared with the budget for 2016/17 is shown below:-

<b>Strategic Purpose</b>	<b>Budget £'000</b>	<b>Actuals £'000</b>	<b>Variance £'000</b>
Keep my place safe and looking good	4,939	4,850	(89)
Help me run a successful business	(614)	(539)	75
Help me be financially independent	534	416	(118)
Help me to live my life independently	(532)	(619)	(87)
Help me find somewhere to live in my locality	907	859	(48)
Provide good things for me to see, do and visit	1,749	1,659	(90)
Enable others to work/do what they need to do (to meet their purpose)	5,612	5,299	(313)
<b>Total</b>	<b>12,595</b>	<b>11,925</b>	<b>(670)</b>
Corporate Financing	(12,595)	(12,163)	432
<b>Surplus</b>	<b>0</b>	<b>(238)</b>	<b>(238)</b>
Planned use of balances	0	79	79
Contribution to reserves	0	(350)	(350)
<b>Total as reported through management accounts</b>	<b>0</b>	<b>(509)</b>	<b>(509)</b>
HB Grant Change	0	92	92
<b>Revised EFA Position</b>	<b>0</b>	<b>(417)</b>	<b>(417)</b>

The actuals reported above are based on the management accounts for the authority. The management accounts are prepared on controllable budgets and there is a difference to the definitions used in the comprehensive income and expenditure summary (CIES) and the expenditure and funding analysis (EFA). As an example the management accounts would record and manage any direct revenue financing of capital expenditure within the strategic priority but this would be recorded as other income and expenditure in the EFA.

The surplus reported to members was £238k however an amendment for a £92k change in Housing Benefit Grant has been made and the surplus is now £146k, this has been reflected in the accounts and also the EFA so that the overall surplus of £417k has been reflected in the EFA.

The surplus is consistent with the management accounts reported throughout the year and the main reasons are outlined below:-

## **Keep my place safe and looking good**

Additional income has been generated from cesspool emptying, trade and garden waste, bulky collections, planning applications and other external work. In addition there have been savings on proactive works on engineering and savings on fuel costs.

## **Help me run a successful business**

There has been a shortfall on Car Parking and Civil Enforcement income as compliance has improved, in addition there has been a general reduction in car parking usage.

## **Help me be financially independent**

There have been a number of staff vacancies within the Revenues and Benefits Section in preparation for the restructure. Any resulting savings have been reflected in the 2017/18 budget.

## **Help me to live my life independently**

A number of new contracts which have generate income have been secured by the lifeline team. This income has been reflected in the 2017/18 budget.

## **Help me find somewhere to live in my locality**

Increased funding for Disabled Facilities Grants has enabled savings to be made in relation to fees paid. Savings have also resulted from a temporary vacancy.

## **Provide Good things for me to see, do and visit**

Additional income was realised at the bonfire whilst savings have been made on procurement of services.

## **Enable others to work/do what they need to do (to meet their purpose)**

Additional legal services which has generated income and funding received for elections posts. In addition the adjustments made for prepayment of IT contracts have resulted in savings. Savings have been made on corporate training whilst the staff survey and staff skills matrix is developed to ensure that staff have the required training to meet their needs.

Overall the significant additional income combined with the prudent approach to expenditure has delivered a £670k underspend in the delivery of services to the residents. A proportion of these savings have been utilised to setup reserves to continue to deliver the Strategic Purposes of the Council.

## **Corporate Financing**

Corporate Financing includes the savings resulting from a reduction in borrowing costs as a result of slippage in the capital programme (£286k) and net additional income from the Business Rates and collection fund (£124k). Various transfers to reserves to enable specific projects to be undertaken in the future have been made within corporate that have resulted in a net deficit position of £432k. The reserves position is outlined on page 39 of the Financial Statement.

## **Comprehensive Income and Expenditure Summary**

This statement, often referred to as the CIES, is on page 13 and shows the expenditure and income 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 which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## **The Movement in Reserves Statement**

This Statement, often referred to as MiRS, is set out on page 12. It shows movement in the year on the different reserves held by Bromsgrove, 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 our services, more details of which are shown in the Comprehensive Income and Expenditure Summary (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and for council tax setting purposes. The 'Net increase /Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## **The Balance Sheet**

The Balance Sheet is set out on page 15, shows the value of our assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category being usable reserves. These are reserves that the Council 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 are unusable reserves. These are those that the authority is not able to use to fund 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 on the disposal of an asset.

The main changes to the Balance Sheet as at 31st March 2017 are:-

Property, Plant and Equipment have increased from £32,477k to £38,713k and this mainly the construction of the new Leisure Centre in School Drive.

Assets held for sale have reduced from £1,423k to £1,033k and reflects the disposal of Hanover Street Phase 1.

There has been an increase in pension deficit from £35,211k to £42,470k. Note 37 on page 64 provides a detailed analysis of the pension changes but the main reasons for the change are increased liabilities from changes in actuary financial assumptions (£20,334k), experienced losses (£4,908k) offset by financial return on assets (£17,900k).

## **Group Accounts**

The Code requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Bromsgrove has a material interest in the Bromsgrove Arts Development Trust where we appoint the majority of the Members on the Trust. The interest is limited to the building which is known as the Artrix.

## **The Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of Bromsgrove during the reporting period. The statement shows how we generate and use 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 are funded by way of taxation and grant income or service user receipts. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to our future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by leaders to the Council.



## Bromsgrove District Council Financial Statements for the year ended 31 March 2017

### Annual Governance Statement

#### 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
- 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').

##### 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 2017 and its income and expenditure for the year ended on that date.

SIGNED

### ANNUAL GOVERNANCE STATEMENT 2016/17

#### 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 2017 and up to the date of approval of the statement of accounts.

## **The Governance Framework**

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

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan has recently been approved to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes.
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Council's aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard is in place 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
- Terms of reference for member working groups ( e.g. Scrutiny Task Groups) are clearly defined
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by Council. 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.
- 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 the Council is looking at increasing the revenue generated by taking a more commercial approach to its activities. With this in mind working groups of officers have been established to further identify and develop opportunities.
- 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
- 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 2016/17
- The Constitution clearly defines the roles of Monitoring officer, S151 and Head of Paid Service
- A whistleblowing policy is in place and is to be reviewed in 2017/18
- Regular press releases are submitted and 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 Committees all of which have fully understood governance responsibilities

Throughout 2016/17, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Standards and Governance Committee, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

### • **Audit, Standards and Governance Committee**

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

There have been 6 code of conduct complaints reported to the Audit Standards and Governance Committee. 4 have been investigated and resolved (one was withdrawn at a later date) and 2 are ongoing.

### • **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 2016/17 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 – bereavement, housing, ICT and customer services 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.

# Agenda Item 6

## Significant Governance Issues

The Council received a qualified value for money conclusion in 2015/16 and this is being addressed through improvements to the monitoring of budgets and the efficiency plan.

In relation to the internal audit reports for 2016/17 areas which returned an assurance level of 'limited' were performance measures and risk management. All areas where assurance was 'limited' have a clearly defined action plan in place in order to address the weaknesses and issues identified. Further work is required to embed risk management throughout the organisation with the outcomes now being monitored by the Executive Director - Finance and Resource. Actions include development of a new risk management strategy together with improvements to reporting of the Corporate Risk Register to Committee.

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.

## Local Government Ombudsman

There have been six reported cases to the Ombudsman within 2016/17, three have been resolved and three remain ongoing.

**Signed** ..... **Date** .....

**Signed** ..... **Date** .....

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

## Certificate of the Chief Financial Officer

I certify that:

- (a) the Statement of Accounts for the year ended 31 March 2017 been prepared in the form directed by the Code and under the accounting policies set out on pages 19 to 29.
- (b) 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**

.....  
**Date**

## Authority Approval of Statement of Accounts

These accounts were approved by resolution of the Council on \_\_\_\_\_.

.....  
**Chairman**

.....  
**Date**

## Worcestershire Internal Audit Shared Services Manager's Opinion on the Effectiveness of the System of Internal Control at Bromsgrove District Council for the Year Ended 31<sup>st</sup> March 2017.

### **1. Audit Opinion**

- 1.1 The internal audit of Bromsgrove District Council's systems and operations during 2016/17 was conducted in accordance with the Internal Audit Annual plan which was presented to the Audit Committee on 24<sup>th</sup> March 2016 and any subsequent revision.
- 1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City Council for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms with CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 as amended 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 and effective use of resources.
- 1.3 The Internal Audit Plan for 2016/17 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:
  - o 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,
  - o a number of operational systems, for example – bereavement, housing, ICT and customer services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 1.4 The 2016/17 internal audit plan and any revision thereto was delivered in full providing sufficient coverage for the s151 and the Head of Internal Audit Shared Service to form an overall opinion.
- 1.5 In relation to the 17 reviews that have been undertaken, 13 have been finalised and 4 are nearing completion at draft report sign off stage. Areas which returned an assurance level of 'limited' were performance measures and risk management. All areas where assurance was 'limited' or below will be addressed by management and have a clearly defined action plan in place in order to address the weaknesses and issues identified. Further work is required to embed risk management throughout the organisation with the outcomes now being monitored by the Executive Director - Finance and Resource. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer from the relevant Service Manager.
- 1.6 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. For all services no areas of significant risk have been identified. Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.
- 1.7 The majority of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of continuing significant transformation and change. Where a 'limited' assurance has been reported this has been in connection with the work undertaken in regard to further embedding risk management throughout the organisation and ensuring performance indicators have meaning and integrity.
- 1.8 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein. Based on the audits performed in accordance with the approved and revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2016/17 managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's Strategic purposes have been met.

**Andy Bromage**  
**Head of Internal Audit Shared Service**  
**Worcestershire Internal Audit Shared Service**  
**May-17**

# Bromsgrove District Council

## Movement in Reserves Statement For the current and comparative year

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie 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. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance*	Earmarked General Fund Reserves*	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority	Total Authority Reserves	Authority Share of Subsidiary	Total Authority Reserves Group
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 1 April 2015</b>	<b>4,274</b>	<b>2,994</b>	<b>7,268</b>	<b>31</b>	<b>10</b>	<b>7,309</b>	<b>(10,391)</b>	<b>(3,082)</b>	<b>(3,082)</b>	<b>5,040</b>	<b>1,958</b>
<b>Movement in reserves during the year</b>											
<b>Total Comprehensive Income and Expenditure</b>	(2,120)	0	(2,120)	0	0	(2,120)	3,678	1,558	1,558	0	1,558
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,266		2,266	(31)	(10)	2,225	(2,225)	0	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>146</b>	<b>0</b>	<b>146</b>	<b>(31)</b>	<b>(10)</b>	<b>105</b>	<b>1,453</b>	<b>1,558</b>	<b>1,558</b>	<b>0</b>	<b>1,558</b>
Transfers to or from earmarked reserves	(263)	263	0	0	0	0	0	0	0	(5)	(5)
<b>Increase/(Decrease) in Year</b>	<b>(117)</b>	<b>263</b>	<b>146</b>	<b>(31)</b>	<b>(10)</b>	<b>105</b>	<b>1,453</b>	<b>1,558</b>	<b>1,558</b>	<b>(5)</b>	<b>1,558</b>
<b>Balance as at 31 March 2016</b>	<b>4,157</b>	<b>3,257</b>	<b>7,414</b>	<b>0</b>	<b>0</b>	<b>7,414</b>	<b>(8,938)</b>	<b>(1,524)</b>	<b>(1,524)</b>	<b>5,035</b>	<b>3,511</b>
<b>Movement in reserves during the year</b>											
<b>Total Comprehensive Income and Expenditure</b>	(1,153)	0	(1,153)	0	0	(1,153)	(5,771)	(6,924)	(6,924)	0	(6,924)
Adjustments between accounting basis & funding basis under regulations	1,570	0	1,570	638	0	2,208	(2,208)	0	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>417</b>	<b>0</b>	<b>417</b>	<b>638</b>	<b>0</b>	<b>1,055</b>	<b>(7,979)</b>	<b>(6,924)</b>	<b>(6,924)</b>	<b>0</b>	<b>(6,924)</b>
Transfers to or from earmarked reserves	(350)	350	0	0	0	0	0	0	0	(113)	(113)
<b>Increase/(Decrease) in Year</b>	<b>67</b>	<b>350</b>	<b>417</b>	<b>638</b>	<b>0</b>	<b>1,055</b>	<b>(7,979)</b>	<b>(6,924)</b>	<b>(6,924)</b>	<b>(113)</b>	<b>(7,037)</b>
<b>Balance Sheet as at 31 March 2017</b>	<b>4,224</b>	<b>3,607</b>	<b>7,831</b>	<b>638</b>	<b>0</b>	<b>8,469</b>	<b>(16,917)</b>	<b>(8,448)</b>	<b>(8,448)</b>	<b>4,922</b>	<b>(3,526)</b>

# Bromsgrove District Council

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

This statement shows the accounting 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.

### Notes

		2016/17			RESTATED 2015/16		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Enabling of the Authority		7,325	(2,885)	4,440	8,382	(2,698)	5,684
Help me be financially independent		17,409	(17,156)	253	18,133	(18,350)	(217)
Help me find somewhere to live in my locality		1,149	(245)	904	1,393	(234)	1,158
Help me run a successful business		741	(1,373)	(632)	897	(1,379)	(481)
Help me to live my life independently		805	(299)	506	743	(297)	446
Keep my place safe and looking good		12,409	(6,791)	5,618	10,135	(4,791)	5,344
Provide good things for me to see do and visit		2,281	(192)	2,089	1,602	(179)	1,423
<b>Cost of Services</b>		<b>42,119</b>	<b>(28,941)</b>	<b>13,178</b>	<b>41,286</b>	<b>(27,929)</b>	<b>13,357</b>
Other Operating Expenditure	<b>11</b>	577	0	577	721	0	721
Financing and Investment Income and Expenditure	<b>12</b>	1,204	(19)	1,185	1,046	88	1,134
Taxation and Non-Specific Grant Income and Expenditure	<b>13</b>	9,424	(23,211)	(13,787)	9,225	(22,317)	(13,092)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>1,153</b>			<b>2,120</b>
Surplus or deficit on revaluation of Property, Plant and Equipment	<b>14</b>			(506)			(1,595)
Impairments of prior year Assets Under Construction	<b>14</b>			33			0
Remeasurement of the net defined benefit liability/(asset)	<b>37</b>			6,244			(2,083)
<b>Other Comprehensive Income and Expenditure</b>				<b>5,771</b>			<b>(3,678)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>6,924</b>			<b>(1,558)</b>

# Bromsgrove District Council

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

## Notes

	2016/17			RESTATED 2015/16		
	£000 Expenditure	£000 Income	£000 Net	£000 Expenditure	£000 Income	£000 Net
Enabling of the Authority	7,325	(2,885)	4,440	8,382	(2,698)	5,684
Help me be financially independent	17,409	(17,156)	253	18,133	(18,350)	(217)
Help me find somewhere to live in my locality	1,149	(245)	904	1,393	(234)	1,158
Help me run a successful business	741	(1,373)	(632)	897	(1,379)	(481)
Help me to live my life independently	805	(299)	506	743	(297)	446
Keep my place safe and Looking Good	12,409	(6,791)	5,618	10,135	(4,791)	5,344
Provide Good things for me to see do and visit	2,432	(192)	2,240	1,729	(179)	1,550
<b>Cost of Services</b>	<b>42,270</b>	<b>(28,941)</b>	<b>13,329</b>	<b>41,413</b>	<b>(27,929)</b>	<b>13,484</b>
Other Operating Expenditure	577	0	577	721	0	721
Financing and Investment Income and Expenditure	1,204	(19)	1,185	1,046	88	1,134
Taxation and Non-Specific Grant Income and Expenditure	9,424	(23,211)	(13,787)	9,225	(22,317)	(13,092)
Associates and Joint Ventures accounted for on an equity basis			(38)			(31)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>1,266</b>			<b>2,216</b>
Surplus or deficit on revaluation of Property, Plant and Equipment			(506)			(1,691)
Impairments of prior year Assets Under Construction			33			
Remeasurement of the net defined benefit liability/(asset)			6,244			(2,083)
<b>Other Comprehensive Income and Expenditure</b>			<b>5,771</b>			<b>(3,774)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>7,037</b>			<b>(1,558)</b>



## Bromsgrove District Council

Balance Sheet as at 31 March 2017

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, ie 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 2017 £000	31st March 2016 £000
Property, Plant & Equipment	<b>14/14a</b>	38,713	32,477
Investment Property	<b>16</b>	0	0
Intangible Assets	<b>17</b>	565	364
Long Term Debtors	<b>20</b>	210	41
<b>Long Term Assets</b>		<b>39,488</b>	<b>32,882</b>
Inventories	<b>19</b>	213	230
Short Term Debtors	<b>20</b>	6,397	6,236
Cash and Cash Equivalents	<b>21</b>	303	1,391
Assets held for sale	<b>22</b>	1,033	1,423
<b>Current Assets</b>		<b>7,946</b>	<b>9,280</b>
Short Term Borrowing	<b>18</b>	(4,022)	(82)
Short Term Creditors	<b>23</b>	(6,858)	(6,675)
Provisions	<b>24</b>	(948)	(915)
Revenue Grants received in advance	<b>33</b>	(18)	0
<b>Current Liabilities</b>		<b>(11,846)</b>	<b>(7,672)</b>
Other Long Term Liabilities	<b>37</b>	(42,470)	(35,211)
Capital Grants received in advance	<b>33</b>	(1,566)	(803)
<b>Long Term Liabilities</b>		<b>(44,036)</b>	<b>(36,014)</b>
<b>Net Assets</b>		<b>(8,448)</b>	<b>(1,524)</b>
Usable reserves	<b>25</b>	8,469	7,414
Unusable Reserves	<b>26</b>	(16,917)	(8,938)
<b>Total Reserves</b>		<b>(8,448)</b>	<b>(1,524)</b>

## Bromsgrove District Council

Group Balance Sheet as at 31 March 2017

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

	Notes	31st March 2017 £000	31st March 2016 £000
Property, Plant & Equipment	<b>14/14a</b>	43,635	37,512
Investment Property	<b>16</b>	0	0
Intangible Assets	<b>17</b>	565	364
Long Term Debtors	<b>20</b>	210	41
<b>Long Term Assets</b>		<b>44,410</b>	<b>37,917</b>
Inventories	<b>19</b>	213	230
Short Term Debtors	<b>20</b>	6,397	6,236
Cash and Cash Equivalents	<b>21</b>	303	1,391
Assets held for sale	<b>22</b>	1,033	1,423
<b>Current Assets</b>		<b>7,946</b>	<b>9,280</b>
Short Term Borrowing	<b>18</b>	(4,022)	(82)
Short Term Creditors	<b>23</b>	(6,858)	(6,675)
Provisions	<b>24</b>	(948)	(915)
Revenue Grants received in advance	<b>33</b>	(18)	0
<b>Current Liabilities</b>		<b>(11,846)</b>	<b>(7,672)</b>
Other Long Term Liabilities	<b>37</b>	(42,470)	(35,211)
Capital Grants received in advance	<b>33</b>	(1,566)	(803)
<b>Long Term Liabilities</b>		<b>(44,036)</b>	<b>(36,014)</b>
<b>Net Assets</b>		<b>(3,526)</b>	<b>3,511</b>
Usable reserves	<b>25</b>	8,469	7,414
Unusable Reserves	<b>26</b>	(11,995)	(3,903)
<b>Total Reserves</b>		<b>(3,526)</b>	<b>3,511</b>

## Bromsgrove District Council

### Cash Flow Statement at 31 March 2017

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. 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.

	Notes	2016/17 £000	2015/16 £000
<b>Net surplus or (deficit) on the provision of services</b>		(1,153)	(2,120)
Adjustment to surplus or deficit on the provision of services for non-cash movements	<b>27</b>	1,759	1,911
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<b>27</b>	(1,706)	(1,588)
<b>Net cash flows from Operating Activities</b>		<b>(1,100)</b>	<b>(1,797)</b>
<b>Investing Activities</b>	<b>28</b>	<b>(4,291)</b>	<b>(2,660)</b>
<b>Financing Activities</b>	<b>29</b>	<b>4,303</b>	<b>(252)</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(1,088)</b>	<b>(4,709)</b>
Cash and cash equivalents at the beginning of the reporting period		1,391	6,100
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>303</b>	<b>1,391</b>

## Bromsgrove District Council

Group Cash Flow Statement at 31 March 2017

	Notes	2016/17 £000	2015/16 £000
<b>Net surplus or (deficit) on the provision of services</b>		(1,266)	(2,216)
Adjustment to surplus or deficit on the provision of services for non-cash movements	27	1,872	2,007
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27	(1,706)	(1,588)
<b>Net cash flows from Operating Activities</b>		<b>(1,100)</b>	<b>(1,797)</b>
<b>Investing Activities</b>	28	<b>(4,291)</b>	<b>(2,660)</b>
<b>Financing Activities</b>	29	<b>4,303</b>	<b>(252)</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(1,088)</b>	<b>(4,709)</b>
Cash and cash equivalents at the beginning of the reporting period		1,391	6,100
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>303</b>	<b>1,391</b>

## Bromsgrove District Council

### Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

#### 1 Accounting Policies

##### General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2016 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

##### Summary of Significant Accounting Policies

#### i) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals will be made for items of income and expenditure in excess of £500, lower amounts will only be actioned at the request of the relevant budget holder.

#### ii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

#### iii) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

## iv) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non-current assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## v) Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

## vi) Employee Benefits Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post Employment Benefits

Employees of the Authority are members of the below pension scheme:

- The Local Government Pensions Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF)

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

## The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme

- The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on a basket of high quality corporate bonds, government gilts and other factors).
- The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

The change in the net pensions liability is analysed into the following components:

- **Service cost comprising:**
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability, ie net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the WPF – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## vii) Events After the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## xviii) Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability.

## ix) Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.



## **Available-for-sale assets**

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the authority can access at the
- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or
- Level 3 inputs - unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## **x) Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **xi) Heritage Assets**

### **Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)**

Heritage Assets are those with cultural, environmental or historical significance that make their preservation for future generations important.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note xix in this summary of significant accounting policies.

## **xii) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **xiii) Interests in Companies and Other Entities**

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

## **xiv) Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## **xv) Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

## **xvi) Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## **The Authority as Lessee** **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

## **The Authority as Lessor**

### **Finance Leases**

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## xvii) **Materiality**

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. Notes are only included where items are considered to be material by value or nature.

## xviii) **Overheads and Support Services**

In the Financial Statements overheads are reported under the Strategic Purpose where they are managed which is usually Enabling the Authority.

## xix) **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie, it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- council offices - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure Line in the Comprehensive Income and Expenditure Statement. Gains in fair value are only recognised up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified as non-current assets and valued at the lower of their carrying amount (before they were classified as held for sale) adjusted for depreciation, amortisation or revaluations and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## xx) **Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential

## xxi) **Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

## xxii) **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

**xxiii) Shared Services**

Bromsgrove District Council provides the hosting for a number of shared service arrangements with Redditch District and Wyre Forest District Council. A number of other shared services are hosted by Redditch District (including Worcestershire Regulatory Services which is a Jointly Controlled Operation), Worcester City Council and Wyre Forest District Council.

Each arrangement is accounted for within the records of Bromsgrove District Council with a monitoring report prepared for the partner authority on a monthly basis for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of Bromsgrove District Council. There is a responsibility for each partner Council to account for their share of the arrangement within their statement of accounts.

When entering into shared services with Redditch Borough Council. All capital assets that are purchased are financed by each authority separately and accounted for on their own Balance Sheet. Any assets purchased prior to the start of the shared service are not included in the shared service; the costs associated with this remain on the accounts of the Authority that purchased the asset only.

The Management team is shared across both authorities as well as other services. Cross-charging occurs where a resource is used by the other Authority where there is not a formal shared service in place.

Each Authority pays a fair share of services which are shared, in line with the Business Case; all direct expenditure is shared on this basis, with income staying with the home Authority. Where a cost is only in relation to one Authority, this falls outside the Business Case and the Authority that gains the benefit for this is fully charged.

**xxiv) Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The code requires that the Council disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. These amendments are listed below; it is expected that these will have no material impact on the Statement of Accounts.

- an amendment to the reporting of pension fund scheme transaction costs which will require the disclosure of the total amount of transaction costs of all major asset classes, including an explanation to enable users to understand the nature of the transaction costs and how they arise for different types of investment.
- an amendment to the reporting of investment concentration, requiring the disclosure of details of any single investment exceeding 5% of the net assets available for benefits.

### Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council holds earmarked reserves of £3,607k and a General Fund Balances of £4,316k.

The Council has determined that the Worcestershire Regulatory Services Shared Service meets the definition of a Jointly Controlled Operation. The Council has therefore accounted for its share of the Joint Committee's assets and liabilities and income and expenditure as documented in the Legal Agreement.

The Council has determined that a Group Accounting relationship exists with Bromsgrove Arts Development Trust as it has been identified that the Council is able to appoint the majority of the Board responsible for governing this Trust. Where material the Group position is disclosed on the face of the applicable Core Statement. Further information is disclosed in note 15.

The Council has made a provision against the potential cost of business rates appeals based on indicative information from the Valuation Office combined with other factors including the outcome of previous appeals and local knowledge, these are shown in note 24.

The Council has determined that it does not hold any assets solely for income or capital appreciation and therefore does not hold any investment properties.



## Bromsgrove District Council

### Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

#### Note 4 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for PPE would increase by £279k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate would result in a decrease in the pension liability of £2,957k. Further sensitivity analysis can be seen in the defined benefit pension scheme note.
Bad Debt Provisions	As at 31 March 2017 the Council had sundry debtor balances of £545k . Provisions for bad debts are made according to the age of the debt and past experience and a provision of £33k is in place in respect of these balances.	If recoverability of these balances were to fall the amount set aside as a provision for bad debts would have to increase. For example, if recoverability of all ages of debt fell by 10% an additional £10k would have to be set aside.
Provision for Business Rates Appeals	Since the introduction of the Business Rates Retention Scheme the Council has been liable for its share of the cost of successful appeals against business rates charged to businesses. A provision has been established for the estimated cost of outstanding appeals. The provision is based on the current list of appeals based on various factors including the outcomes of previous appeals, local knowledge and indicative information from the Valuation Office Agency.	Should the success rate of appeals increase the provision would need to increase accordingly. A 10% increase in the cost of successful appeals would increase Councils share of the provision required by £76k. The provision only covers appeals lodged to date. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk that national and local appeals may have a future impact on the accounts.

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 5 Material Items of Income and Expense

The following three material items have had an impact on the 2016/17 Financial Statements:-

Property, Plant and Equipment have increased from £32,477k to £38,765k and this mainly relates to the construction of the new Leisure Centre in School Drive.

Assets held for sale have reduced from £1,423k to £1,033k and reflects the disposal of part of Hanover Street Phase 1 site for the Waitrose Development.

There has been an increase in pension deficit from £35,211k to £42,470k. Note 37 on page 64 provides a detailed analysis of the pension changes but the main reasons for the change are increased liabilities from changes in actuary financial assumptions (£20,334k), experienced losses (£4,908k) offset by financial return on assets (£17,900k).

### Note 6 Events after the Reporting Period

Notice has been given to Wychavon Leisure Community Association Limited that the agreement for management of the Dolphin Leisure Centre will conclude in 2017/18 when the Dolphin Centre will close and a new Leisure Centre will open. The new contract has been awarded and is currently under discussion with the new operating company. The contract was awarded through a competitive process for a period of 21 years and 5 months.

On 30th April 2017 the Council made an advanced payment to Worcestershire Pension Fund for the deficit payments due 2017/18-2019/20 and 90% of the expected pension contributions for current employees for the same period. The total payment was £6,591k compared with a cost of £7,048k if the payments had been made monthly. After allowing for estimated interest costs (£46k) the net savings are estimated at £411k over the 3 years.

# Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

## Note 7 Expenditure and Funding Analysis For the current and comparative year

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's strategic purposes.

2016/17			Strategic Purpose	2015/16		
Net Expenditure Chargable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargable to the General Fund Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
5,250	810	4,440	Enabling of the Authority	5,123	(561)	5,684
507	254	253	Help me be financially independent	(219)	(2)	(217)
732	(172)	904	Help me find somewhere to live in my locality	428	(730)	1,158
(504)	128	(632)	Help me run a successful business	(489)	(8)	(481)
(58)	(564)	506	Help me to live my life independently	444	(2)	446
4,273	(1,345)	5,618	Keep my place safe and looking good	4,763	(581)	5,344
970	(1,119)	2,089	Provide good things for me to see do and visit	1,062	(361)	1,423
<b>11,172</b>	<b>(2,006)</b>	<b>13,178</b>	<b>Net Cost of Services</b>	<b>11,112</b>	<b>(2,245)</b>	<b>13,357</b>
(11,589)	436	(12,025)	Other Income and Expenditure	(11,258)	(21)	(11,237)
<b>(417)</b>	<b>(1,570)</b>	<b>1,153</b>	<b>Surplus or Deficit</b>	<b>(146)</b>	<b>(2,266)</b>	<b>2,120</b>
(7,414)			Opening General Fund Balance	(7,268)		
(417)			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(146)		
<b>(7,832)</b>			Closing General Fund Balance at 31 March	<b>(7,414)</b>		

### Prior Period Adjustment - Restatement of 2015/16 Comprehensive Income and Expenditure Statement

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 now required the service analysis in the Comprehensive Income and Expenditure Statement (CIES) to be based on the organisational structure under which the Council operates and managed its services which is based on Strategic Priorities. Previously the presentation was based on the service expenditure analysis set out in CIPFA's Service Reporting Code of Practice for Local Authorities (SERCOP). The 2015/16 comparative figures have been restated to reflect this change.

The other impact of the change in reporting based on organisational structure is that under SERCOP central departmental support recharges (CDC) were previously included. In line with the new reporting as the Council report their spend to management excluding central department support charges, these are no longer included.

The overall gross expenditure, gross income and net cost of services have remained the same. However the analysis of income and expenditure has changed and a broad illustration of SERCOP and Strategic Priorities is found below.

SERCOP Heading	Strategic Priorities
Central Services to the Public	Enabling
Corporate and Democratic Core	
Non-Distributed Costs	
Cultural and Related Services	Provide Good things for me to see, do and visit
Environmental and Regulatory Services	Keep my place safe and looking good Help me to live my life independently
Planning Services	Keep my place safe and looking good
Highways and Transport Services	Keep my place safe and looking good Help me to live my life independently Help me to run a successful business
Other Housing Services	Help me to be financially independent Help me find somewhere to live in my locality

# Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

## Note 7a Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement

2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Total
	£000	£000	£000	£000
Enabling of the Authority	(64)	884	(10)	810
Help me be financially independent	277	(22)	(1)	254
Help me find somewhere to live in my locality	(139)	(32)	(1)	(172)
Help me run a successful business	128	0	0	128
Help me to live my life independently	(564)	0	0	(564)
Keep my place safe and looking good	(678)	(643)	(25)	(1,345)
Provide good things for me to see do and visit	(1,119)	0	0	(1,119)
<b>Net Cost of Services</b>	<b>(2,157)</b>	<b>188</b>	<b>(37)</b>	<b>(2,006)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	1,287	(1,203)	352	<b>436</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(870)</b>	<b>(1,015)</b>	<b>315</b>	<b>(1,570)</b>

Adjustments between Funding and Accounting Basis

2015/16

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Total
	£000	£000	£000	£000
Enabling of the Authority	(578)	(22)	39	(561)
Help me be financially independent	0	(2)	0	(2)
Help me find somewhere to live in my locality	(728)	(2)	0	(730)
Help me run a successful business	(8)	0	0	(8)
Help me to live my life independently	(2)	0	0	(2)
Keep my place safe and looking good	(547)	(37)	3	(581)
Provide good things for me to see do and visit	(361)	0	0	(361)
<b>Net Cost of Services</b>	<b>(2,224)</b>	<b>(63)</b>	<b>42</b>	<b>(2,245)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	770	(1,129)	338	<b>(21)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(1,454)</b>	<b>(1,192)</b>	<b>380</b>	<b>(2,266)</b>

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 7b Segmental Income and Expenditure

Income and expenditure on a segmental basis are analysed below:

2016/17	Revenue from External Customers	Revenues from Transactions with Other Operating Segments of the Authority	Depreciation and Amortisation
	£000	£000	£000
Enabling of the Authority	(2,815)	(253)	152
Help me be financially independent	(340)	0	0
Help me find somewhere to live in my locality	(244)	0	126
Help me run a successful business	(1,374)	0	43
Help me to live my life independently	(299)	0	1
Keep my place safe and looking good	(6,398)	(6)	668
Provide good things for me to see do and visit	(185)	0	689
<b>Total Income Analysed on a Segmental Basis</b>	<b>(11,655)</b>	<b>(259)</b>	<b>1,679</b>

The authority's expenditure and income are analysed as follows:

2015/16	Revenue from External Customers	Revenues from Transactions with Other Operating Segments of the Authority	Depreciation and Amortisation
	£000	£000	£000
Enabling of the Authority	(2,592)	(291)	636
Help me be financially independent	(1,314)	0	0
Help me find somewhere to live in my locality	(234)	0	106
Help me run a successful business	(1,387)	0	45
Help me to live my life independently	(297)	0	2
Keep my place safe and looking good	(4,690)	(5)	546
Provide good things for me to see do and visit	(179)	0	387
<b>Total Income Analysed on a Segmental Basis</b>	<b>(10,693)</b>	<b>(296)</b>	<b>1,722</b>

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 8 Expenditure and Income Analysed by Nature

The authority's expenditure and income are analysed as follows:

Expenditure:	2016/17 £000	2015/16 £000
Employee Benefits Expenses	13,164	11,432
Other Expenditure	27,515	28,224
Depreciation, Amortisation, Impairment	1,679	1,784
Interest Payments	1,204	1,129
Precepts and Levies	805	741
Gain on the Disposal of Assets	(228)	(20)

Income:	2016/17 £000	2015/16 £000
Fees, Charges and other service Income	(11,655)	(10,693)
Interest and Investment Income	(19)	(35)
Income for Council tax, non-domestic rates, district rate income	(9,800)	(9,246)
Government grants and Contributions	(21,120)	(21,163)
Internal Recharges	(259)	(33)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>1,286</b>	<b>2,120</b>

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

#### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact upon the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Usable Reserves				
2016/17	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to the Revenue Resources</b>				
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.</b>				
Pension cost (transferred to (or from) the Pensions Reserve)	1,015	0	0	(1,015)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	0			0
Council tax and NDR (transfers to or from the Collection Fund)	(352)	0	0	352
Holiday pay (transferred to the Accumulated Absences reserve)	37	0	0	(37)
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	0			0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,044	0	0	(2,044)
<b>Total Adjustments to Revenue Resources</b>	<b>2,744</b>	<b>0</b>	<b>0</b>	<b>(2,744)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(647)	647	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	9	(9)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(100)	0	0	100
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(436)	0	0	436
<b>Total Adjustments to Revenue Resources</b>	<b>(1,174)</b>	<b>638</b>	<b>0</b>	<b>536</b>
<b>Adjustments to Capital Resources</b>				
<b>Total Adjustments</b>	<b>1,570</b>	<b>638</b>	<b>0</b>	<b>(2,208)</b>

Usable Reserves				
2015/16	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>				
<b><u>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.</u></b>				
Pension cost (transferred to (or from) the Pensions Reserve)	1,066	0	0	(1,066)
Council tax and NDR (transfers to or from the Collection Fund)	(338)	0	0	338
Holiday pay (transferred to the Accumulated Absences reserve)	(5)	0	0	5
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,666	0	0	(2,666)
<b>Total Adjustments to Revenue Resources</b>	<b>3,387</b>	<b>0</b>	<b>0</b>	<b>(3,387)</b>
<b><u>Adjustments between Revenue and Capital Resources</u></b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(839)	839	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	15	(15)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(38)	0	0	38
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(259)	0	0	259
<b>Total Adjustments to Revenue Resources</b>	<b>(1,121)</b>	<b>824</b>	<b>0</b>	<b>297</b>
<b><u>Adjustments to Capital Resources</u></b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	(855)	0	855
Application of capital grants to finance capital expenditure	0	0	(10)	10
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>(855)</b>	<b>(10)</b>	<b>865</b>
<b>Total Adjustments</b>	<b>2,266</b>	<b>(31)</b>	<b>(10)</b>	<b>(2,225)</b>



# Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

## Note 10 Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17

	Balance as at 1 April 2015	Transfers In 2015/16	Transfers Out 2015/16	Balance as at 31 March 2016	Transfers In 2016/17	Transfers Out 2016/17	Balance as at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund:</b>							
Building Control Other	7	0	0	7	0	0	7
Building Control Partnerships	46	27	0	73	16	(45)	44
Business Transformation	11	0	0	11	0	0	11
Commercialism	0	0	0	0	50	0	50
Community Safety	30	13	0	43	3	(13)	33
Community Services	0	40	0	40	0	0	40
Economic Regeneration	31	0	(26)	5	500	(4)	501
Election Services	87	25	0	112	91	0	203
Environmental Services	0	0	0	0	15	0	15
Financial Services	647	174	0	821	119	(354)	586
Health Improvement Initiatives	2	0	(2)	0	0	0	0
Housing Schemes	168	1	0	169	224	(26)	367
ICT/Systems	205	100	(39)	266	159	(203)	222
Leisure/Community Safety	566	183	(370)	379	180	(293)	266
Litigation Reserve	330	96	(178)	248	0	(243)	5
Local Development Framework	69	73	0	142	0	0	142
Local Neighbourhood Partnerships	16	0	0	16	0	0	16
Local Strategic Partnership	0	0	0	0	0	0	0
Organisation Development	0	0	0	0	0	0	0
Other	98	9	(19)	88	23	(12)	99
Planning & Regeneration	0	0	0	0	100	0	100
Regulatory Services (Partner Share)	4	9	0	13	20	0	33
Replacement Reserve (inc Recycling)	477	113	0	590	148	(182)	556
Shared Services (Severance Costs)	200	50	(16)	234	300	(223)	311
<b>Total General Fund</b>	<b>2,994</b>	<b>913</b>	<b>(650)</b>	<b>3,257</b>	<b>1,948</b>	<b>(1,598)</b>	<b>3,607</b>

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 11 Other Operating Expenditure

	2016/17	2015/16
	£000	£000
Parish council precepts	805	741
(Gains)/losses on the disposal of non current assets	(228)	(20)
<b>Total</b>	<b>577</b>	<b>721</b>

### Note 12 Financing and Investment Income and Expenditure

	2016/17	2015/16
	£000	£000
Interest payable and similar charges	1	0
Net interest on the net defined benefit liability (asset)	1,203	1,129
Interest receivable and similar income	(19)	(35)
Other investment income	0	40
<b>Total</b>	<b>1,185</b>	<b>1,134</b>

### Note 13 Taxation and Non-Specific Grant Income and Expenditure

	2016/17	2015/16
	£000	£000
<b>Income</b>		
Council Tax Income	(8,188)	(7,852)
Non Domestic Rates Income and Expenditure	(1,612)	(1,394)
Non-ringfenced government grants	(2,942)	(3,126)
Grants to Parishes	14	30
Capital Grants and Contributions	(1,059)	(750)
<b>Total</b>	<b>(13,787)</b>	<b>(13,092)</b>

# Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

## Note 14 Property, Plant and Equipment

### Current Year

Property, Plant & Equipment (PP&E)									Group Asset	Total Group PPE
	Land	Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E	£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000		
<b>Cost or Valuation</b>										
Balance as at 1 April 2016	8,958	13,858	12,048	611	832	3,028	1,750	<b>41,085</b>	5,035	<b>46,120</b>
Adjustments between cost/value & depreciation/impairment	0	(28)	(6)	0	0	0	0	<b>(34)</b>	<b>0</b>	<b>(34)</b>
Adjusted opening balance	<b>8,958</b>	<b>13,830</b>	<b>12,042</b>	<b>611</b>	<b>832</b>	<b>3,028</b>	<b>1,750</b>	<b>41,051</b>	<b>5,035</b>	<b>46,086</b>
Additions (Note 35)	0	371	1,186	24	0	5,856	0	<b>7,437</b>	0	<b>7,437</b>
Revaluation increases/decreases to Revaluation Reserve	466	20	0		0	0	20	<b>506</b>	(113)	<b>393</b>
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(4)	70	0	0	0	0	0	<b>66</b>	0	<b>66</b>
Derecognition - Disposals	0	0	(757)	0	0	0	0	<b>(757)</b>	0	<b>(757)</b>
Derecognition - Other	0	(54)	0	0	0	0	0	<b>(54)</b>	0	<b>(54)</b>
Impairments of prior year Assets										
Under Construction	0	0	0	0	0	(33)	0	<b>(33)</b>	0	<b>(33)</b>
Reclassifications & Transfers	0	(217)	2	0	0	(25)	0	<b>(240)</b>	0	<b>(240)</b>
<b>Balance as at 31 March 2017</b>	<b>9,420</b>	<b>14,020</b>	<b>12,473</b>	<b>635</b>	<b>832</b>	<b>8,826</b>	<b>1,770</b>	<b>47,976</b>	<b>4,922</b>	<b>52,898</b>
<b>Depreciation and Impairment</b>										
Balance as at 1 April 2016	0	(224)	(8,053)	(331)	0	0	0	<b>(8,608)</b>	0	<b>(8,608)</b>
Adjustments between cost/value & depreciation/impairment	0	28	6	0	0	0	0	<b>34</b>	<b>0</b>	<b>34</b>
Adjusted opening balance	0	(196)	(8,047)	(331)	0	0	0	<b>(8,574)</b>	0	<b>(8,574)</b>
Depreciation Charge	0	(758)	(802)	(29)	0	0	0	<b>(1,589)</b>	(131)	<b>(1,720)</b>
Depreciation written out on Revaluation Reserve	0	0	0	0	0	0	0	<b>0</b>	131	<b>131</b>
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	142	0	0	0	0	0	<b>142</b>	0	<b>142</b>
Derecognition - Disposals	0	0	737	0	0	0	0	<b>737</b>	0	<b>737</b>
Derecognition - Other	0	2	0	0	0	0	0	<b>2</b>	0	<b>2</b>
Reclassifications & Transfers	0	19	0	0	0	0	0	<b>19</b>	0	<b>19</b>
<b>Balance as at 31 March 2017</b>	<b>0</b>	<b>(791)</b>	<b>(8,112)</b>	<b>(360)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,263)</b>	<b>0</b>	<b>(9,263)</b>
<b>Net Book Value</b>										
<b>Balance as at 31 March 2017</b>	<b>9,420</b>	<b>13,229</b>	<b>4,361</b>	<b>275</b>	<b>832</b>	<b>8,826</b>	<b>1,770</b>	<b>38,713</b>	<b>4,922</b>	<b>43,635</b>
<b>Balance as at 31 March 2016</b>	<b>8,958</b>	<b>13,634</b>	<b>3,995</b>	<b>280</b>	<b>832</b>	<b>3,028</b>	<b>1,750</b>	<b>32,477</b>	<b>5,035</b>	<b>37,512</b>

# Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

## Note 14 a Comparative Year

Property, Plant & Equipment (PP&E)									Group Asset £000	Total Group PPE £000
	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000		
<b>Cost or Valuation</b>										
Balance as at 1 April 2015	9,825	9,837	11,121	601	832	4,379	0	36,595	5,040	41,635
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	(60)	0	(60)	0	(60)
Adjusted opening balance	<b>9,825</b>	<b>9,837</b>	<b>11,121</b>	<b>601</b>	<b>832</b>	<b>4,319</b>	<b>0</b>	<b>36,535</b>	<b>5,040</b>	<b>41,575</b>
Additions (Note 35)	0	420	980	10	0	2,980	0	4,390	0	4,390
Donations	0	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Revaluation Reserve	46	1,034	0	0	0	0	(350)	730	(5)	725
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(37)	(38)	0	0	0	0	0	(75)	0	(75)
Derecognition - Disposals	0	(209)	(608)	0	0	0	0	(817)	0	(817)
Reclassifications & Transfers	(876)	2,814	555	0	0	(4,271)	2,100	322	0	322
<b>Balance as at 31 March 2016</b>	<b>8,958</b>	<b>13,858</b>	<b>12,048</b>	<b>611</b>	<b>832</b>	<b>3,028</b>	<b>1,750</b>	<b>41,085</b>	<b>5,035</b>	<b>46,120</b>
<b>Depreciation and Impairment</b>										
Balance as at 1 April 2015	0	(571)	(7,886)	(303)	0	0	0	(8,760)	0	(8,760)
Adjusted opening balance	0	(571)	(7,886)	(303)	0	0	0	(8,760)	0	(8,760)
Depreciation Charge	0	(548)	(739)	(28)	0	0	0	(1,315)	(127)	(1,442)
Depreciation written out on Revaluation Reserve	0	865	0	0	0	0	0	865	127	992
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	13	0	0	0	0	0	13	0	13
Derecognition - Disposals	0	17	572	0	0	0	0	589	0	589
<b>Balance as at 31 March 2016</b>	<b>0</b>	<b>(224)</b>	<b>(8,053)</b>	<b>(331)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,608)</b>	<b>0</b>	<b>(8,608)</b>
<b>Net Book Value</b>										
<b>Balance as at 31 March 2016</b>	<b>8,958</b>	<b>13,634</b>	<b>3,995</b>	<b>280</b>	<b>832</b>	<b>3,028</b>	<b>1,750</b>	<b>32,477</b>	<b>5,035</b>	<b>37,512</b>
<b>Balance as at 31 March 2015</b>	<b>9,825</b>	<b>9,266</b>	<b>3,235</b>	<b>298</b>	<b>832</b>	<b>4,319</b>	<b>0</b>	<b>27,775</b>	<b>5,040</b>	<b>32,815</b>

## Bromsgrove District Council

### Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

#### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings - 8-75 years (Land is not depreciated but Buildings are based on Valuers Assessment)
- Vehicles, Plant and Equipment - 1-25 years
- Infrastructure - 5-20 years

#### Capital Commitments

The Council had a capital commitments of £13,700k in relation to the development of the new leisure centre. Expenditure on the scheme in 2016/17 was £5,843k and cumulative spend is £8,737k to 31st March 2017. This leaves an outstanding capital commitment of £4,963k which will be spent in 2017/18.

#### Revaluations

The basis for valuation of the individual classes of assets owned by the Council is explained in the Statement of Accounting Policies. The net book value as at 31 March represents the value of the assets belonging to the Council. The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by the Council's valuation provider, Place Partnership. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Valuations of non-current assets carried at current value:

Description	Land £000	Building £000	Surplus Assets £000	Other Asset Classes £000	Total £000
Valued at Historical Cost				14,294	14,294
Valued at current value in:					
2016/17	7,090	936	1,770		9,796
2015/16	2,270	9,281			11,551
2014/15	60	3,012			3,072
<b>Total</b>	<b>9,420</b>	<b>13,229</b>	<b>1,770</b>	<b>14,294</b>	<b>38,713</b>

Other Asset Classes include Vehicles, Plant and Equipment (£4,361k), Infrastructure (£275k), Community Assets (£832k) and Assets Under Construction (£8,826k).

#### Fair Value Hierarchy for Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2017 and 2016 are as follows:

2016/17 Recurring fair value measurements using:	Quoted Prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 2017 £000
Council House	0	1,770	0	1,770
<b>Total</b>	<b>0</b>	<b>1,770</b>	<b>0</b>	<b>1,770</b>

2015/16 Recurring fair value measurements using:	Quoted Prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 2016 £000
Council House	0	1,750	0	1,750
<b>Total</b>	<b>0</b>	<b>1,750</b>	<b>0</b>	<b>1,750</b>

#### Transfers between levels of the fair value hierarchy

There were no transfers between Levels 1 and 2 during the year.

#### Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets

##### Significant observable inputs – Level 2

The fair value for the asset have been based on the market value approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

##### Highest and best use of surplus assets

In estimating the fair value of the authority's surplus assets, the highest and best use of the assets is their current use.

##### Valuation Techniques

There has been no change in the valuation techniques used during the year for surplus assets.

##### Valuation Process for Surplus Assets

The fair value of the authority's Surplus Assets is measured at £1,770k. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

## Bromsgrove District Council

### Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

#### Note 15 Group Accounts

##### 1.1 Nature of the relationship between Bromsgrove District Council and Bromsgrove Arts

The Bromsgrove Arts Development Trust was established on 23 April 2003 by Trust Deed, the Trustees have been registered with the Official Custodian of Charities, these include Members of Bromsgrove District Council.

The Council appoints the majority of the Members to this Trust with a representation of 6 of the 8 Trustees. As such this gives them the ability to influence decisions made by this Board. The Council supplies no funding for this Trust which solely holds the building known as the Artrix, it is not responsible for service provision and any assets or liabilities arising there from. As such the figures used for consolidation are based on the property valuation which has been carried out by an independent valuation service, from Place Partnership.

The Arts Development Trust asset shown in the Group Balance Sheet (PPE) is the Artrix. This is used in the provision of Arts and Culture for the Community and is not the property of Bromsgrove District Council. It should be noted that although consolidation is being undertaken for this asset, not only does the Council not own it, in the event of a possible sale the Council has no right to a share in the proceeds nor can the Council determine whether or not sale of this property should be undertaken.

The Trust is not required to produce accounts by the Charities Commission because it has no actual income or expenditure during the year. The only entry for the Trust would be the depreciation calculated for the building.

There is no goodwill as the group did not arise through a purchase.

##### 1.2 Property, Plant and Equipment

	31/03/2017		31/03/2016	
	BDC £000	Trust £000	BDC £000	Trust £000
Property, Plant & Equipment	38,713	6,563	32,477	6,715

The Property, Plant and Equipment Asset being consolidated within the group accounts relates solely to the Artrix Building held by Bromsgrove Arts Development Trust.

##### 1.3 Reconciliation of Group Movement in Reserves Statement to the Group Balance Sheet

	31/03/2017 £000	31/03/2016 £000
Total Reserves in the Group Movement in Reserves	(3,526)	3,511
Minority interest's share of reserves in subsidiaries	1,640	1,679
Total Reserves in the Group Balance Sheet	(1,886)	5,190

##### 1.4 Usable Reserves

There is no impact on the Council's usable reserves as a result of preparing Group Accounts.

# Agenda Item 6

## 1.5 Unusable Reserves

	31/03/2017	31/03/2016
	£000	£000
Revaluation Reserve	5,828	5,822
Capital Adjustment Account	20,301	21,344
Pensions Reserve	(42,468)	(35,211)
Collection Fund Adjustment Account	(392)	(747)
Accumulated Adjustments Account	(186)	(148)
Group Revaluation Reserve	2,712	2,789
Building Reserve	2,210	2,246
<b>Total</b>	<b>(11,995)</b>	<b>(3,905)</b>

## 1.6 Group Comprehensive Income & Expenditure Statement

The group comprehensive income and expenditure mirrors the single entity accounts with the exception of the following items:-

- depreciation charged in relation to the Artrix Building (£131k) and revaluation adjustment (£20k) within Cultural Services and the recognition of the minority interest in this charge (£38k)

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 16 Income, Expenditure and changes in Fair Value of Investment Properties

The Council does not hold any investment property. During 2015/16 the investment property was reclassified operational land and buildings because they were held for purposes in addition to earning rent or capital a

	2016/17	2015/16 £000
Balance at start of the year	0	467
Transfers:		
- to/from Property, Plant and Equipment	0	(467)
<b>Balance at end of the year</b>	<b>0</b>	<b>0</b>

### Note 17 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generally software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £90k charged to revenue in the current year was charged to the service area using the software the largest being IT and Finance who report the strategic priority Enabling of the Authority.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are

	Other Assets
3 years	Software
5 years	Shared Software with Redditch BC
10 years	Large Projects with longer term benefits

The Movement in Intangible Assets for the Year is as Follows:

<b>Balance at start of year:</b>		
· Gross carrying amounts	3,623	3,416
· Accumulated amortisation	(3,259)	(2,852)
<b>Net carrying amount at start of year</b>	<b>364</b>	<b>564</b>
Additions:		
· Purchases	291	207
Derecognition Other	(284)	0
	<b>371</b>	<b>771</b>
Derecognition Other	284	0
Amortisation for the period	(90)	(407)
<b>Net carrying amount at end of year</b>	<b>565</b>	<b>364</b>
Comprising:		
· Gross carrying amounts	3,630	3,623
· Accumulated amortisation	(3,065)	(3,259)
<b>Total</b>	<b>565</b>	<b>364</b>



## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 18 Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31/03/2017 £000	31/03/2016 £000	31/03/2017 £000	31/03/2016 £000
Cash and Cash Equivalents	0	0	303	1,391
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>303</b>	<b>1,391</b>
<b>Debtors</b>				
Loans and receivables	210	41	4,210	4,889
<b>Total Debtors</b>	<b>210</b>	<b>41</b>	<b>4,210</b>	<b>4,889</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	0	0	(4,000)	0
Financial liabilities at fair value through profit and loss	0	0	(22)	(82)
<b>Total borrowings</b>	<b>0</b>	<b>0</b>	<b>(4,022)</b>	<b>(82)</b>
<b>Total other long term liabilities</b>	<b>0</b>	<b>0</b>	<b>(4,022)</b>	<b>(82)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(5,725)	(5,680)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(5,725)</b>	<b>(5,680)</b>

#### Soft Loans

	2016/17	2015/16
Opening Soft Loans	0	0
Nominal Value of New Loans Granted During the Period	29	0
The fair value adjustment on initial recognition	(6)	0
Reclassification	129	0
The fair value adjustment on reclassification	(38)	0
<b>Nominal value of loans at the end of the period</b>	<b>114</b>	<b>0</b>

The new advances are lifetime loans granted to owner occupiers which will be repaid on the sale of the property. No interest is charged on the loans and a fair value adjustment has been made assuming the loan is repaid after 10 years.

The reclassifications consist of lifetime loans granted in 2015/16 (£35k) and two rent-to-buy loans granted in 2002 and 2004 (£94k).

No interest is charged on any of the loans and a fair value adjustment is based on a lifetime loan being repaid after 10 years and rent to buy loans after 25 years.

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 19 Inventories

	Consumable Stores	
	2016/17	2015/16
	£000	£000
<b>Balance outstanding at start of year</b>	230	196
Purchases	506	551
Recognised as an expense in year	(519)	(497)
Written off balances	(4)	(20)
Reversals of write-offs in previous years		0
<b>Balance outstanding at year end</b>	<b>213</b>	<b>230</b>

### Note 20 Debtors

	Long term debtors		Short term debtors	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Central Government Bodies	0	0	1,463	548
Other Local Authorities	0	0	2,126	3,455
Other entities and individuals	210	41	2,808	2,233
<b>Total</b>	<b>210</b>	<b>41</b>	<b>6,397</b>	<b>6,236</b>

Included within the debtors balance are provisions for bad and doubtful debts which reduce the value of the related debtor as per the breakdown below:

	2016/2017	2015/16
	£000	£000
General Fund Debtors	33	63
Council Tax	183	194
NNDR	391	255
Housing Benefit	762	685

### Note 21 Cash and Cash Equivalents

Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the Balance Sheet as follows:

	2016/17	2015/16	2014/15
	£000	£000	£000
Cash and Bank balances	303	1,391	2
Short Term Investments	0	0	0
Short Term Deposits	0	0	6,400
Bank Overdraft	0	0	(302)
<b>Total</b>	<b>303</b>	<b>1,391</b>	<b>6,100</b>

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 22 Assets Held for Sale

	Current	
	2016/17 £000	2015/16 £000
<b>Balance outstanding at start of year</b>	<b>1,423</b>	<b>1,997</b>
Additions	0	2
Assets sold	(390)	(576)
<b>Balance outstanding at year-end</b>	<b>1,033</b>	<b>1,423</b>

During the year the Council sold Hanover Street Phase 1 for the Waitrose development and this reflects the £390k reduction in the balance held as at 31st March 2017. Assets held for sale are recorded at the lower of historical cost or fair value. The £390k was the historical cost and the sale proceeds were £523k as reported in Note 25.

### Note 23 Creditors

	Short term creditors	
	2016/17 £000	2015/16 £000
Central government bodies	(703)	(322)
Other local authorities	(2,396)	(2,997)
Other Entities and Individuals	(3,759)	(3,356)
<b>Total</b>	<b>(6,858)</b>	<b>(6,675)</b>

The sums owed to other local authorities is lower as at 31st March 2017 due mainly to being more up to date with the settlement of invoices with Redditch Borough Council for shared service arrangements.

Other Entities and Individuals are typically lower as at 31st March 2017 with the exception of Capital Creditors which are £1,192k more which mainly relates to the construction of the new Leisure Centre.

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 24 Provisions

	Balance as at 1 April 2016 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2017 £000
Business Rates Appeals	(766)	4	0	(762)
Employee Benefits	(149)	(37)	0	(186)
<b>Total</b>	<b>(915)</b>	<b>(33)</b>	<b>0</b>	<b>(948)</b>

### Comparative Year

	Balance as at 1 April 2015 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2016 £000
Business Rates Appeals	(1,129)	(273)	636	(766)
Employee Benefits	(153)	4	0	(149)
<b>Total</b>	<b>(1,282)</b>	<b>(269)</b>	<b>636</b>	<b>(915)</b>

### **Business Rates Appeals Provision**

The Council has set aside a provision for any potential liabilities as a result of business rates appeals against rateable value. The Council is responsible for a 40% share of any successful appeals backdated to 1st April 2015

## Bromsgrove District Council

**Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017**

### Note 25 Usable Reserves

	<b>31/03/2017</b>	<b>31/03/2016</b>
	£000	£000
General Fund Balances	4,224	4,157
Earmarked Reserves	3,607	3,257
Capital Receipts Reserve	638	0
<b>Total Usable Reserves</b>	<b>8,469</b>	<b>7,414</b>

#### Capital Receipts Reserve

These are receipts from the sale of Council assets, which have not yet been used to finance capital expenditure.

	<b>31/03/2017</b>	<b>31/03/2016</b>
	£000	£000
<b>Balance 1 April</b>	<b>0</b>	<b>31</b>
Capital Receipts in year	638	824
<b>Sub-Total</b>	<b>638</b>	<b>855</b>
<b>Less:</b>		
Capital Receipts used for financing	0	(855)
<b>Balance 31 March</b>	<b>638</b>	<b>0</b>

The largest capital receipt was £523k from the sale of Hanover Street Phase 1, the Waitrose site.

No capital receipts were used for financing in 2016/17 and the £638k will be carried forward for use in future years. The reason for this is that from 1st April 2016 local authorities have had more flexibility of the use of capital receipts. There is greater scope to use the capital receipts to fund upfront costs on projects that will generate ongoing savings and/or transform service delivery. The capital receipts carried forward will be used either for financing capital investment or funding projects qualifying for the flexible use.

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 26 Unusable Reserves

	31/03/2017	31/03/2016
	£000	£000
Revaluation Reserve	5,828	5,823
Capital Adjustment Account	20,301	21,341
Pensions Reserve	(42,468)	(35,209)
Collection Fund Adjustment Account	(392)	(744)
Accumulated Absences Account	(186)	(149)
<b>Total Unusable Reserves</b>	<b>(16,917)</b>	<b>(8,938)</b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31/03/2017	31/03/2016
	£000	£000
<b>Balance at 1 April</b>	<b>5,823</b>	<b>4,377</b>
Upward revaluation of assets	506	1,595
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>506</b>	<b>1,595</b>
Difference between fair value depreciation and historical cost depreciation	(485)	(149)
Amount written off to the Capital Adjustment Account	<b>(485)</b>	<b>(149)</b>
Derecognition of Property previously disposed of	(16)	0
<b>Balance at 31 March</b>	<b>5,828</b>	<b>5,823</b>

#### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

# Agenda Item 6

## Capital Adjustment Account

	31/03/2017		31/03/16	
	£000	£000	£000	£000
<b>Balance at 1 April</b>		<b>21,341</b>		<b>22,698</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	(1,589)		(1,315)	
Revaluation losses on Property, Plant and	175		(62)	
Amortisation of Intangible Assets	(90)		(407)	
Revenue expenditure funded from capital under statute	(1,137)		(828)	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(410)		(804)	
		<b>(3,051)</b>		<b>(3,416)</b>
Adjusting amounts written out of the Revaluation Reserve		485		147
<b>Net written out amount of the cost of non current assets consumed in the year</b>		<b>(2,566)</b>		<b>(3,269)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	0		855	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital	1,059		750	
Application of grants to capital financing from the Capital Grants Unapplied Account	0		10	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	100		38	
Capital expenditure charged against the General Fund and HRA balances	436		259	
		<b>1,595</b>		<b>1,912</b>
Derecognition of Property previously disposed of		(36)		0
Reclassification from Fixed Assets to Long Term Debtors		(33)		0
<b>Balance at 31 March</b>		<b>20,301</b>		<b>21,341</b>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31/03/2017	31/03/2016
	£000	£000
<b>Balance at 1 April</b>	<b>(35,209)</b>	<b>(36,226)</b>
Remeasurements of the net defined benefit liability/(asset)	(6,244)	2,083
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,327)	(3,133)
Employers pensions contributions and direct payments to pensioners payable in the year	2,312	2,067
<b>Balance at 31 March</b>	<b>(42,468)</b>	<b>(35,209)</b>

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31/03/2017	31/03/2016
	£000	£000
<b>Balance at 1 April</b>	<b>(744)</b>	<b>(1,082)</b>
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	352	338
<b>Balance at 31 March</b>	<b>(392)</b>	<b>(744)</b>

## Accumulated Absences Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31/03/2017	31/03/2016
	£000	£000
<b>Balance at 1 April</b>	<b>(149)</b>	<b>(153)</b>
Settlement or cancellation of accrual made at the end of the preceding year	149	153
Amounts accrued at the end of the current year	(186)	(149)
<b>Balance at 31 March</b>	<b>(186)</b>	<b>(149)</b>



## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 27 Cash Flow Statement - operating activities

The cash flows from operating activities include the following items

	2016/17 £000	2015/16 £000
Interest Paid	(1)	0
Interest Received	21	33

	2016/17 £000	2015/16 £000
<b>Adjustment to surplus or deficit on the provision of services for noncash movements</b>		
Depreciation	1,589	1,315
Impairment & downward valuations	(123)	62
Amortisation	90	407
(Increase)/Decrease in Debtors	(494)	(793)
Increase/(Decrease) in Creditors	(824)	(613)
(Increase)/Decrease in Inventories	18	(34)
Movement in pension liability	1,015	1,066
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	410	804
Other items charged to the net surplus or deficit on provision of services	78	(303)
<b>Total</b>	<b>1,759</b>	<b>1,911</b>

<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
Proceeds from the sale of PP&E, investment property and intangible assets	(647)	(839)
Any other items	(1,059)	(749)
<b>Total</b>	<b>(1,706)</b>	<b>(1,588)</b>

**Note 28 Cash Flow From Investing Activities**

	2016/17 £000	2015/16 £000
Purchase of PP&E, investment property and intangible assets	(6,704)	(4,232)
Purchase of Short Term Investments (not considered to be cash equivalents)	(84,250)	0
Other Payments for Investing Activities	(57)	97
Proceeds from the sale of PP&E, investment property and intangible assets	647	839
Proceeds from Short Term Investments (not considered to be cash equivalents)	84,250	0
Other Receipts from Investing Activities	1,823	636
<b>Net Cash flows from Investing Activities</b>	<b>(4,291)</b>	<b>(2,660)</b>

**Note 29 Cash flows from Financing Activities**

	2016/17 £000	2015/16 £000
Cash Receipts from Short and Long Term Borrowing	4,000	7
Repayment of Short and Long Term Borrowing	(60)	0
Other payments for Financing Activities	363	(259)
<b>Net Cash flows from Financing Activities</b>	<b>4,303</b>	<b>(252)</b>

## Bromsgrove District Council

### Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

#### Note 30 Members' Allowances

During the year Members allowances, including Employer's costs totalled £210k (2015/16 £215k) and are as follows:

	2016/17 £000	2015/16 £000
Basic Allowances	135	141
Special Allowances	61	62
Expenses inc. Car Allowances	14	12
<b>Total</b>	<b>210</b>	<b>215</b>

#### Note 31 External Audit Costs

The Council has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the Councils external auditors.

	2016/17 £000	2015/16 £000
Grant Certification Work 2014/15	0	12
Grant Certification Work 2014/15	0	10
Additional Audit Fee for 2014/15	0	9
Fees payable with regard to external audit services carried out by the appointed auditor for the year	49	49
Fees payable in respect of other services provided during the year	8	9
<b>Total</b>	<b>57</b>	<b>89</b>

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 32 Employee Remuneration

Since 2010/11 the management team has been shared between Bromsgrove District Council and Redditch Borough Council, with each Council charges 50% of the cost of each post.

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Redditch £	Revised Total
Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council):						
Chief Executive	2016/17	131,401	15,067	146,468	73,234	<b>73,234</b>
	2015/16	127,500	14,408	141,908	70,954	<b>70,954</b>
Executive Director of Finance & Resources	2016/17	95,906	11,149	107,055	53,527	<b>53,528</b>
	2015/16	94,945	10,662	105,607	52,804	<b>52,803</b>
Head Of Legal & Democratic Services	2016/17	79,365	9,284	88,649	44,325	<b>44,324</b>
	2015/16	78,806	8,894	87,700	43,850	<b>43,850</b>
Total	2016/17	306,672	35,500	342,172	171,086	<b>171,086</b>
	2015/16	301,251	33,964	335,215	167,608	<b>167,607</b>
Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Total
Deputy Chief Executive and Executive Director of Leisure, Environmental &	2016/17	103,856	13,187	117,043	58,522	<b>58,522</b>
	2015/16	102,189	12,546	114,735	57,368	<b>57,367</b>
Total	2016/17	103,856	13,187	117,043	58,522	<b>58,522</b>
	2015/16	102,189	12,546	114,735	57,368	<b>57,367</b>

#### Senior Employees' Remuneration

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

##### Bromsgrove District Council

	2016/17	2015/16
£50,001 to £55,000	4	2
£55,001 to £60,000	9	8
£60,001 to £65,000	0	0
£65,001 to £70,000	0	0
£70,001 to £75,000	0	0
£75,001 to £80,000	3	4
£80,001 to £85,000	0	1
£85,001 to £90,000	1	0
<b>Total</b>	<b>17</b>	<b>15</b>

##### Redditch Borough Council

	2016/17	2015/16
£50,001 to £55,000	0	1
£55,001 to £60,000	4	2
£60,001 to £65,000	0	0
£65,001 to £70,000	1	1
£70,001 to £75,000	0	0
£75,001 to £80,000	3	3
£80,001 to £85,000	0	0
£85,001 to £90,000	0	0
<b>Total</b>	<b>8</b>	<b>7</b>

#### Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0-£20,000	0	0	15	1	15	1	134,550	3,442
£20,001 - £40,000	0	0	1	0	1	0	25,398	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	2	0	2	0	165,679	0
£101,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	1	0	1	0	186,393	0
<b>Total cost included in bandings</b>							<b>512,020</b>	<b>3,442</b>
Recharge to Redditch Borough Council							(67,655)	(1,721)
Recharge to Worcestershire Regulatory Services							(351,439)	0
<b>Total cost included in CIES</b>							<b>92,926</b>	<b>1,721</b>

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 33 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17

Credited to Taxation and Non-Specific Grant Income	2016/17 £000	2015/16 £000
Revenue Support Grant	(682)	(1,229)
Non-ringfenced revenue grants	(2,260)	(1,897)
Capital Grants	(1,059)	(750)
Donations	0	0
<b>Total</b>	<b>(4,001)</b>	<b>(3,876)</b>

Credited to Services	2016/17 £000	2015/16 £000
DCLG Local Council Tax Support Admin Subsidy	(80)	(69)
DCLG New Burdens	(28)	(91)
DCLG NNDR Cost of Collection	(124)	(123)
Other DCLG Grant Income	(37)	(8)
Department of Energy Climate	0	(40)
DWP Admin Grant	(190)	(232)
DWP Discretionary Housing	(73)	(52)
DWP Housing Benefit Subsidy	(16,330)	(16,413)
Other DWP Grant Income	(50)	(59)
Heritage Lottery Funding	(129)	(42)
Cabinet Office Grants	(16)	(26)
WCC Council Tax Hardship Fund	(44)	(25)
WCC Essential Living Fund	0	(96)
WCC Recycling Incentive	0	(11)
Sport England Grant	(7)	0
Improvement and Development Agency	(11)	0
<b>Total</b>	<b>(17,119)</b>	<b>(17,287)</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

#### Current Liabilities

Grants Received in Advance (Revenue)	2016/17 £000	2015/16 £000
DEFRA	(6)	0
Improvement and Development Agency - Productivity Expert	(6)	0
Other Grants	(6)	0
<b>Total</b>	<b>(18)</b>	<b>0</b>

#### Long-term Liabilities

Grants Received in Advance (Capital)	2016/17 £000	2015/16 £000
Disabled Facilities Grants	(146)	0
Section 106	(1,403)	(786)
Energy Efficiency	(17)	(17)
<b>Total</b>	<b>(1,566)</b>	<b>(803)</b>

## Bromsgrove District Council

### Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

#### Note 34 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. The Council have considered the materiality of the transactions from both the Council's and the related parties perspective.

#### Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

#### Members

Members of the council have direct control over the council's financial and operating policies. The total of members allowances paid in 2016/17 is shown in Note 30. The Council maintains a register of Councillors interests that is regularly updated and available online for public inspection.

During 2016/17, many Bromsgrove District Councillors were also County Councillors and/or elected members of the parish council. The Council also has member representatives on various outside bodies, including Bromsgrove Arts Centre Trust and Bromsgrove District Housing Trust. Members also represent the Council on the Worcestershire Regulatory Shared Service Joint Committee.

The Council has paid a grant to Bromsgrove Arts Centre Trust of £76k. The Council has entered into a contract with BDHT for the provision of homelessness services and is also part of the Worcestershire wide choice based lettings housing allocations service. Bromsgrove paid to BDHT £310k for the homelessness service.

#### Officers

There were no disclosures made by officers in 2016/17.

#### Entities Controlled or Significantly Influenced by the Council

As part of the shared services with Redditch Borough Council, Bromsgrove paid £2,787k for Redditch hosted services and received £5,552k for services hosted at Bromsgrove.

The Council has been involved in shared service arrangements for Markets, Economic Development, Land Drainage and Shared Emergency Planning with Wyre Forest District Council. The Council has paid £301k to Wyre Forest for services hosted by them.

A shared service arrangement has also been set up between the Council, Redditch Borough and Wyre Forest for the provision of Building Control. Bromsgrove received receipts of £136k from Wyre Forest.

For the provision of Car Park Services, the Council paid £203k to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £48k to Worcester City Council.

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As host of the Worcester Regulatory Shared Service Bromsgrove has received £372k from Malvern Hills District Council, £450k from Wyre Forest District Council, £673k from Wychavon District Council, £505k Worcester City Council, £330k Worcester County Council, £535k from Redditch Borough Council.

At 31 March 2017 the following amounts were owed to the partners of shared service:

	£000
Worcester City Council	46
Redditch Borough Council	48
Wychavon District Council	62
Wyre Forest District Council	61
Malvern Hills District Council	41
Worcestershire County Council	21

The following amounts were owed to Bromsgrove for hosting the shared service:

	£000
Worcester City Council	14
Redditch Borough Council	35
Wychavon District Council	14
Wyre Forest District Council	12
Malvern Hills District Council	9
Worcestershire County Council	26

These balances have been included within the relevant debtors and creditors balances.

From June 2016 Worcestershire County Council withdrew from Worcester Regulatory Services.

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 35 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing	2016/17 £000	2015/16 £000
Opening Capital Financing Requirement	7,194	3,791
<b>Capital Investment</b>		
Property, Plant and Equipment	7,437	4,390
Intangible Assets	291	62
Long Term Debtor	30	35
Revenue Expenditure Funded from Capital under Statute	1,137	828
<b>Total</b>	<b>8,895</b>	<b>5,315</b>
<b>Sources of finance</b>		
Capital receipts	0	(855)
Government grants and other contributions	(1,059)	(760)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions:		
General	(436)	(259)
MRP	(100)	(38)
	<b>(1,595)</b>	<b>(1,912)</b>
Closing Capital Finance Requirement	<b>14,494</b>	<b>7,194</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government)	7,299	3,401
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>7,299</b>	<b>3,401</b>



## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 36 Leases

#### Operating and Finance Leases

##### Authority as Lessee:

##### *Operating Leases (Authority as lessee)*

The Authority has entered into an agreement for a lease of land to operate a car park within the district that comes into affect in 2017/18.

The future minimum lease payments due under operating leases in future years are set out below:

	2016/17 £000	2015/16 £000
Minimum lease rentals payable:		
No later than 1 year	0	0
Later than 1 year and no later than 5 years	125	0
Later than 5 years	250	0
<b>Total</b>	<b>375</b>	<b>0</b>

No expenditure has been incurred within 2016/17 in relation to this lease.

##### Authority as Lessor:

##### *Operating Leases (Authority as lessor)*

The Authority, in accordance with its statutory and discretionary responsibilities, leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for small local
- any other purposes

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31/03/2017 £000	31/03/2016 £000
No later than 1 year	58	53
Later than 1 year and no later than 5 years	231	206
Later than 5 years	323	356
<b>Total</b>	<b>612</b>	<b>615</b>

The Authority leases out Land and Buildings on operating leases these include Sanders Park, Victoria Ground and Barnsley Hall Football Pitches. The income for these have been credited to the CIES. The amounts received in 2016/17 were £40k and 2015/16 £41k.

## Bromsgrove District Council

Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 37 Defined Benefit Pension Schemes

#### Retirement Benefits

##### Participation in the Local Authority Pension Scheme

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- \* The Local Government Pension Scheme, administered locally by Worcestershire County Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- \* Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.
- \* The Worcestershire County Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Worcestershire County Council. Policy is determined in accordance with the Public Service Pensions Act 2013.
- \* The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

##### Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

##### Transactions relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	2,079	1,969	0	0
Past service cost	45	35	0	0
(Gain)/loss from settlements	0	0	0	0
<b>Financing and Investment Income and Expenditure:</b>				
Net Interest expense	1,137	1,065	66	64
<b>Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services</b>	<b>3,261</b>	<b>3,069</b>	<b>66</b>	<b>64</b>

<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>				
<b>Remeasurement of the net defined benefit liability comprising:</b>				
Return on plan assets (excluding the amount included in the net interest expense)	(17,900)	2,550	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(1,332)	0	(31)	0
Actuarial gains and losses arising on changes in financial assumptions	24,860	(4,596)	382	(68)
Other	265	31	0	0
<b>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>9,154</b>	<b>1,054</b>	<b>417</b>	<b>(4)</b>

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<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code				
	(3,261)	(3,069)	(66)	(64)
<b>Actual amount charged against the general fund balance for pensions in the year:</b>				
Employers' contributions payable to scheme	2,172	1,928		
Retirement benefits payable to pensioners			140	139

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits</b>	
	<b>2016/17</b> £000	<b>2015/16</b> £000	<b>2016/17</b> £000	<b>2015/16</b> £000
Present value of the defined obligation	(111,795)	(84,683)	(2,210)	(1,933)
Fair value of plan assets	71,535	51,405	0	0
<b>Sub-total</b>	<b>(40,260)</b>	<b>(33,278)</b>	<b>(2,210)</b>	<b>(1,933)</b>
Other movements in the liability (asset)	0	0	0	0
<b>Net liability arising from the defined benefit obligation</b>	<b>(40,260)</b>	<b>(33,278)</b>	<b>(2,210)</b>	<b>(1,933)</b>

## Reconciliation of movements in the fair value of scheme assets

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits</b>	
	<b>2016/17</b> £000	<b>2015/16</b> £000	<b>2016/17</b> £000	<b>2015/16</b> £000
Opening fair value of scheme assets	51,405	52,412	0	0
Interest income	1,820	1,683	0	0
Remeasurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	17,900	(2,644)	0	0
Change of Reg Services share of assets	588	94	0	0
The effect of changes in foreign exchange rates				
Contributions from employer	2,172	1,928	140	139
Contributions from employees into the scheme	609	527	0	0
Benefits/transfers paid	(2,924)	(2,564)	(140)	(139)
Administration Expenses	(35)	(31)	0	0
<b>Closing value of scheme assets</b>	<b>71,535</b>	<b>51,405</b>	<b>0</b>	<b>0</b>

## Reconciliation of present value of the scheme liabilities:

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits</b>	
	<b>2016/17</b> £000	<b>2015/16</b> £000	<b>2016/17</b> £000	<b>2015/16</b> £000
<b>Opening balance at 1 April</b>	(84,683)	(86,565)	(1,933)	(2,076)
Current service cost	(2,079)	(1,969)	0	0
Interest cost	(2,957)	(2,748)	(66)	(64)
Contributions from scheme participants	(609)	(527)	0	0
Remeasurement (gains) and losses:				
Actuarial (gains)/losses from changes in demographic assumptions	1,332	0	31	0
Actuarial (gains)/losses from changes in financial assumptions	(20,044)	4,727	(290)	68
Experience (gains/losses)	(4,816)	0	(92)	0
Change of Reg. Services share of liabilities	(818)	(131)	0	0
Losses/(gains) on curtailments where relevant	(45)	(35)	0	0
Liabilities assumed on entity combinations				
Benefits/transfers paid	2,924	2,565	140	139
<b>Balance as at 31 March</b>	<b>(111,795)</b>	<b>(84,683)</b>	<b>(2,210)</b>	<b>(1,933)</b>

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## Local government pension scheme assets comprised:

	Fair value of scheme assets	
	31/03/2017	31/03/2016
	£000	£000
<b>Cash and cash equivalents</b>	1,638	1,089
<b>Equities:</b>		
UK Quoted	374	377
Overseas Quoted	19,987	17,556
PIV- UK Managed	19,286	14,395
PIV- UK Managed (overseas)	21,396	10,226
PIV- Overseas Managed	0	379
<b>Sub-total equity</b>	<b>61,043</b>	<b>42,933</b>
<b>Bonds:</b>		
Corporate	236	213
Overseas Corporate	3,655	2,937
<b>Sub-total bonds</b>	<b>3,891</b>	<b>3,150</b>
<b>Property:</b>		
European Property Fund	2,010	1,609
UK Property Debt	665	602
Overseas Property Debt	357	115
<b>Sub-total property</b>	<b>3,032</b>	<b>2,326</b>
<b>Private equity</b>		
UK	0	0
Overseas	0	0
<b>Sub-total private equity</b>	<b>0</b>	<b>0</b>
<b>Other investment funds:</b>		
UK Infrastructure	1,931	1,907
<b>Sub-total other investment funds</b>	<b>1,931</b>	<b>1,907</b>
<b>Total assets</b>	<b>71,535</b>	<b>51,405</b>

All scheme assets have quoted prices in active markets

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercers, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2013.

The significant assumptions used by the actuary are set out below:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17	2015/16	2016/17	2015/16
<b>Mortality assumptions:</b>				
<i>Longevity at 65 current pensioners:</i>				
Men	22.6	23.5	22.6	23.5
Women	25.6	25.9	25.6	25.9
<i>Longevity at 65 for future pensioners:</i>				
Men	24.8	25.8	24.8	25.8
Women	27.9	28.2	27.9	28.2
<b>Financial assumptions:</b>				
Rate of inflation	2.3%	2.0%	2.3%	2.0%
Rate of increase in salaries	3.8%	3.5%	3.8%	3.5%
Rate of increase in pensions	2.3%	2.0%	2.3%	2.0%
Discount Rate	2.5%	3.5%	2.5%	3.5%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The longevity assumptions, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption £000	Decrease in assumption £000
Longevity (increase or decrease in one year)	3,111	(3,111)
Rate of inflation (increase or decrease by 0.1%)	3,139	(3,139)
Rate of increase in salaries (increase or decrease by 0.1%)	3,047	(3,047)
Rate for discounting liabilities (increase or decrease by 0.1%)	(2,957)	2,957

## Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis.

The scheme takes into account the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2016/17 (18 years 2015/2016).

On 30th April 2017 the Council made an advanced payment to Worcestershire Pension Fund for the deficit payments due 2017/18-2019/20 and 90% of the expected pension contributions for current employees for the same period. The total payment was £6,591k compared with a cost of £7,048k if the payments had been made monthly. After allowing for estimated interest costs (£46k) the net savings are estimated at £411k over the 3 years.

## Bromsgrove District Council

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### **Note 38**      **Contingent Liabilities**

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events that are not wholly within the council's control.

Various NHS trusts and limited companies have made applications for relief for business rates, this is an on-going issue and the outcome of these appeals will not be known until future years, no provision has been made for this.

### **Note 39**      **Contingent Assets**

A Contingent Assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

There are no Contingent Assets as at 31 March 2017.

## Bromsgrove District Council

Notes to the Financial Statements  
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### Note 40 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Cabinet in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch Ratings Services.

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used (for example the rating assigned to a secured investment), otherwise the counterparty credit rating is used.

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For Money Market Funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

The credit criteria in respect of financial assets held by the Council are as detailed below:

Financial Asset Category	Minimum Criteria (Fitch ratings)	Maximum Investment
Term Deposits	Long Term: A-	£3 million
Deposits with Debt		£no upper limit *

\* Investments with the DMADF are guaranteed by HM Treasury. Following advice from the Council's treasury advisers, no upper limit was imposed on investments with the DMADF.

#### Debtors

At 31st March 2017, Bromsgrove District Council had no investments held in our call accounts, the Council did hold £790k in the Current Account.

The Council does not generally allow credit for customers. An aged analysis of the Council's sundry debtor balances at 31st March 2017 is shown in the table below:

	2016/17 £000	2015/16 £000
Less than three months	491	520
Three to six months	9	24
Six months to one year	12	19
More than one year	33	468
<b>Total</b>	<b>545</b>	<b>1,031</b>

## **Liquidity Risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

## **Market Risk**

### **Interest Rate Risk**

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2016/17, the Council had no variable long term investments or borrowings.

### **Price Risk**

The Council, excluding its exposure to the Pension Fund, does not invest in equity shares.



## Bromsgrove District Council

Collection Fund Statement  
FOR THE YEAR ENDED 31 MARCH 2017

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2015/16			Collection Fund	2016/17		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000	£000	£000	£000	
			<b>INCOME</b>			
	(55,727)	(55,727)	Council Tax Receivable		(58,349)	
(26,808)		(26,808)	Business Rates Receivable	(27,894)	(27,894)	
(252)		(252)	Transitional Protection Payments Receivable		0	
<b>(27,060)</b>	<b>(55,727)</b>	<b>(82,787)</b>	<b>Total amounts to be credited</b>	<b>(27,894)</b>	<b>(58,349)</b>	
			<b>EXPENDITURE</b>			
			<b>Apportionment of Previous Year Surplus/Deficit</b>			
(607)		(607)	Central Government	(1,051)	(1,051)	
(485)	127	(358)	Billing Authority	(840)	(673)	
(109)	608	499	County Council	(189)	624	
(12)	43	31	Fire Authority	(21)	119	
	105	105	Police Authority		58	
			<b>Precepts, demands and shares</b>			
13,865		13,865	Central Government	13,984	13,984	
11,092	7,731	18,823	Billing Authority	11,187	19,258	
2,496	37,693	40,189	County Council	2,517	42,252	
277	2,670	2,947	Fire Authority	280	3,042	
	6,490	6,490	Police Authority		6,713	
			<b>Business Rate Supplement:</b>			
		0	Payment to levying authority's Business Rate Supplement Revenue Account		0	
		0	Administrative Costs		0	
		0	Doubtful debts		0	
			<b>Charges to Collection Fund</b>			
		0	Write-offs of uncollectable amounts		0	
216	264	480	Increase/(decrease) in allowance for impairment	474	711	
(906)		(906)	Increase/(decrease) in allowance for appeals	(9)	(9)	
252		252	Transitional Protection Payments Payable	437	437	
123		123	Charge to General Fund for allowable collection costs for non-domestic rates	124	124	
<b>26,202</b>	<b>55,731</b>	<b>81,933</b>	<b>Total amounts to be debited</b>	<b>26,893</b>	<b>58,696</b>	
<b>(858)</b>	<b>4</b>	<b>(854)</b>	<b>(Surplus) /deficit arising during the year</b>	<b>(1,001)</b>	<b>347</b>	
3,208	(1,397)	1,811	(Surplus)/deficit b/f at 1 April	2,350	957	
<b>2,350</b>	<b>(1,393)</b>	<b>957</b>	<b>(Surplus)/deficit c/f at 31 March</b>	<b>1,349</b>	<b>303</b>	

## Bromsgrove District Council

Collection Fund Statement  
FOR THE YEAR ENDED 31 MARCH 2017

### Note 1 - Council Tax Income

The amount of Council Tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings expressed in relation to those dwellings in Band D. Once this has been determined, the Council Tax payable for each band is established as follows: (The actual amount payable for each property is also subject to discounts where applicable.)

#### FOR THE YEAR ENDED 31 MARCH 2017

Band		Valuation band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
					2.95		1.64	
A	Up to & including	40,000		3,582	1,928.52	6/9	1,285.68	136.82
B		40,001	-	7,168	5,396.49	7/9	4,197.27	159.63
C		52,001	-	8,682	7,225.12	8/9	6,422.33	182.43
D		68,001	-	7,668	6,767.43	9/9	6,767.43	205.24
E		88,001	-	6,776	6,217.28	11/9	7,598.90	250.85
F		120,001	-	3,481	3,264.02	13/9	4,714.70	296.45
G		160,001	-	2,672	2,508.54	15/9	4,180.90	342.06
H	More Than		320,001	339	296.83	18/9	593.66	410.47

Adjustment 0.99

Council tax base 35,404.88

#### FOR THE YEAR ENDED 31 MARCH 2016

Band		Valuation band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£					
					4		1.96	
A	Up to & including	40,000		3,448	1,757	6/9	1,171.64	133.49
B		40,001	-	7,070	5,279	7/9	4,105.66	155.74
C		52,001	-	8,531	7,118	8/9	6,327.50	174.99
D		68,001	-	7,557	6,727	9/9	6,726.55	200.24
E		88,001	-	6,636	6,168	11/9	7,538.24	244.74
F		120,001	-	3,379	3,192	13/9	4,610.10	289.24
G		160,001	-	2,641	2,515	15/9	4,191.10	333.73
H	More Than		320,001	333	294	18/9	587.71	400.48

Adjustment 0.99

Council tax base 34,907.86

The breakdown above is for Bromsgrove District Council only, below is the total payable for band D equivalent for the district for all Preceptors:

	2016/17 £	2015/16 £
Bromsgrove District Council	205.24	200.24
Worcestershire County Council	1,122.31	1,079.77
Police and Crime Commissioner for West Mercia	189.60	185.90
Hereford and Worcestershire Fire and Rescue	78.00	76.50
Parish Councils (Average)	22.73	21.24
<b>Total Council Tax for the District</b>	<b>1,617.88</b>	<b>1,563.65</b>

### Note 2 - Non-Domestic Rates

Non-Domestic Rates are organised on a local basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2016/17 the amount was 49.70p (49.03p 2015/16). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. This is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 13. The total rateable value at 31 March 2017 was £68,988,913 (31 March 2016 £69,239,171).

## Bromsgrove District Council

### Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2017

#### Glossary

##### **AAA FITCH RATING**

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

##### **AA FITCH RATING**

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

##### **A FITCH RATING**

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

##### **ACCOUNTING PERIOD**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

##### **ACCRUALS**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

##### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

##### **ASSET**

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer

##### **AUDIT OF ACCOUNTS**

An independent examination of the Authority's financial affairs.

##### **BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

##### **BORROWING**

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

##### **BUDGET**

The forecast of net revenue and capital expenditure over the accounting period.

## **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

## **CAPITAL FINANCING**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

## **CAPITAL PROGRAMME**

The capital schemes the Authority intends to carry out over a specific period of time.

## **CAPITAL RECEIPT**

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy

## **COLLECTION FUND**

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

## **COMMUNITY ASSETS**

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

## **CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

## **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

## **CONTINGENT LIABILITY**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

## **CREDITOR**

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

## **CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

## **DEBTOR**

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

## **DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

## **DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

## **DISCRETIONARY BENEFITS (PENSIONS)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

## **EQUITY**

The Authority's value of total assets less total liabilities.

## **EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

## **EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

## **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

## **FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

## **GOING CONCERN**

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

## **GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

## **HOUSING BENEFITS**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

## **IMPAIRMENT**

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

## **INFRASTRUCTURE ASSETS**

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

## **INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

## **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

## **LIABILITY**

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

## **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

## **MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

## **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

## **NET BOOK VALUE**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

## **NET DEBT**

The Authority's borrowings less cash and liquid resources.

## **NON-DISTRIBUTED COSTS**

These are overheads for which no user now benefits and as such are not apportioned to services

## **NON-DOMESTIC RATES (NDR)**

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

## **NON-OPERATIONAL ASSETS**

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

## **OPERATING LEASE**

A lease where the ownership of the fixed asset remains with the lessor.

## **OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## **PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

## **PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

## **PRECEPT**

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

## **PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## **PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

## **PUBLIC WORKS LOAN BOARD (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

## **RATEABLE VALUE**

The annual assumed rental of a hereditament, which is used for NDR purposes.

## **RELATED PARTIES**

The definition of related parties for the Council's purposes are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

## **RELATED PARTY TRANSACTIONS**

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

## **REMUNERATION**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

## **RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

## **RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life.

## **RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

## **REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

## **REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)**

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction

## **REVENUE SUPPORT GRANT**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

## **STOCKS**

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

## **TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

## **TRUST FUNDS**

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

## **USEFUL ECONOMIC LIFE (UEL)**

The period over which the Authority will derive benefits from the use of a fixed asset.

## **WORCESTERSHIRE PENSION FUND (WPF)**

The Worcestershire Pension Fund is administered by Worcestershire County Council and consists of the County and Districts within Worcestershire together with admitted bodies such as Academy Schools.



### AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 14<sup>th</sup> SEPTEMBER 2017

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#### THE INTERNAL AUDIT MONITORING REPORT OF THE HEAD OF THE INTERNAL AUDIT SHARED SERVICE ~ WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.

Relevant Portfolio Holder	Councillor Brian Cooper
Portfolio Holder Consulted	Yes
Relevant Head of Service	Paul Field, Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non-Key Decision

#### 1. SUMMARY OF PROPOSALS

1.1 To present:

- the monitoring report of internal audit work and performance for 2017/18

#### 2. RECOMMENDATIONS

2.1 **The Committee is asked to RESOLVE that the report be noted.**

#### 3. KEY ISSUES

##### Financial Implications

3.1 There are no direct financial implications arising out of this report.

##### Legal Implications

3.2 The Council is required under Regulation 5 of the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

##### Service / Operational Implications

3.3 The involvement of Members in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council’s Annual Governance Statement.

3.4 This section of the report provides commentary on Internal Audit’s performance for the period 01<sup>st</sup> April 2017 to 31<sup>st</sup> July 2017 against the performance indicators agreed for the service.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (15<sup>th</sup> June 2017):

### **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**Date: 14<sup>th</sup> SEPTEMBER 2017**

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#### 3.5 2017/18 AUDIT SUMMARY UPDATES AS AT 31<sup>st</sup> JULY 2017:

##### **Shared Service – North Worcestershire Building Control.**

The review found the following areas of the system were working well:

- Operations outlined in agreement are being carried out;
- Consistent and clear approach of handling applications;
- Uniform system is up to date with notes and applications;
- Fees and charges are in line with what is approved and consistent against applications;
- Payments are taken before the processing of application;
- There are regular updates to the authorities on the position of Building Control;
- Payments were all accounted for against the ledger;
- There is a good working relationship between finance and building control.

The review found the following areas of the system where control could be strengthened:

- A signed Financial Charging Statement
- Check on payment codes

There was 1 'medium' and 1 'low' priority recommendation reported.

Type of Audit: Full System Audit

Assurance: Significant

Draft Report Issued: 10<sup>th</sup> August 2017

Summary of Assurance Levels:

<b><u>Audit</u></b>	<b><u>Assurance Level</u></b>
<b><u>2017/18</u></b>	
Shared Service – North Worcestershire Building Control	Significant

#### 3.6 2017/18 AUDITS ONGOING AS AT 31<sup>st</sup> July 2017

The following audits were at draft report stage:

- Community Services – Disabled Facilities Grants
- Environmental – Waste Management
- Planning and Regeneration - Land Charges

Audits progressing through fieldwork stages included:

- Financial - Treasury Management
- ICT - Transformation
- ICT - Records Management

### **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Date: 14<sup>th</sup> SEPTEMBER 2017

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The summary outcome of the above reviews will be reported to Committee in due course when they have been completed and management have confirmed an action plan.

#### 3.7 AUDIT DAYS

Appendix 1 shows that progress continues to be made towards delivering the Internal Audit Plan and achieving the targets set for the year. As at 31<sup>st</sup> July 2017 a total of 61 days had been delivered against a target of 230 days for 2017/18.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit, Standards and Governance Committee on the 30<sup>th</sup> March 2017 for 2017/18.

Appendix 3 shows a summary of the 'high' and 'medium' priority recommendations for those audits that have been completed and final reports issued.

Appendix 4 provides the Committee with an analysis of audit report 'Follow Ups' that have been undertaken to monitor audit recommendation implementation progress by management.

#### 3.8 OTHER KEY AUDIT WORK

Much internal audit work is carried out "behind the scenes" but is not always the subject of a formal report. Productive audit time is accurately recorded against the service or function as appropriate. Examples include:

- Governance for example assisting with the Annual Government Statement
- Risk management
- Transformation review providing support as a critical review
- Dissemination of information regarding potential fraud cases likely to affect the Council
- Drawing managers' attention to specific audit or risk issues
- Audit advice and commentary
- Internal audit recommendations: follow up review to analyse progress
- Day to day audit support and advice for example control implications, etc.
- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative over view.
- Investigations

There has been on going work undertaken in regard to the National Fraud Initiative. This year is the 2 yearly cycle of data extraction and uploading to enable matches to be reported. The initiative is over seen by the Cabinet Office. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to this investigative exercise in Bromsgrove District Council.

### **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Date: 14<sup>th</sup> SEPTEMBER 2017

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WIASS is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards. WIASS recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

WIASS confirms it acts independently in its role and provision of internal audit.

#### 3.9 **Monitoring**

To ensure the delivery of the 2017/18 plan there is close and continual monitoring of the plan delivery, forecasted requirements of resource – v – actual delivery, and where necessary, additional resource will be secured to assist with the overall Service demands. The Head of Internal Audit Shared Service remains confident his team will be able to provide the required coverage for the year over the authority's core financial systems, as well as over other systems which have been deemed to be 'high' and 'medium' risk.

#### 3.10 **Customer / Equalities and Diversity Implications**

There are no implications arising out of this report.

#### 4. **RISK MANAGEMENT**

The main risks associated with the details included in this report are:

- failure to complete the planned programme of audit work for the financial year; and,
- the continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

#### 5. **APPENDICES**

Appendix	1 ~ Internal Audit Plan delivery 2017/18
Appendix	2 ~ Key performance indicators 2017/18
Appendix	3 ~ 'High' and 'Medium' priority recommendations summary for finalised reports
Appendix	4 ~ Follow up summary

#### 6. **BACKGROUND PAPERS**

Individual internal audit reports held by Internal Audit.

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Date: 14<sup>th</sup> SEPTEMBER 2017

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7. **KEY**

N/a

**AUTHOR OF REPORT**

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### AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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#### APPENDIX 1

#### Delivery against Internal Audit Plan for 2017/18 1<sup>st</sup> April 2017 to 31<sup>st</sup> July 2017

Audit Area	2017/18 Total Planned Days	Forecasted days to the 30 <sup>th</sup> September 2017	Actual Days Used to the 31 <sup>st</sup> July 2017
Core Financial Systems (see note 1)	71	7	3
Corporate Audits	5	0	0
Other Systems Audits (see note 2)	118	87	48
<b>SUB TOTAL</b>	<b>194</b>	<b>94</b>	<b>51</b>
Audit Management Meetings	15	8	5
Corporate Meetings / Reading	5	3	2
Annual Plans and Reports	8	4	2
Audit Committee support	8	4	1
Other chargeable (see note 3)	0	0	0
<b>SUB TOTAL</b>	<b>36</b>	<b>19</b>	<b>10</b>
<b>TOTAL</b>	<b>230</b>	<b>113</b>	<b>61</b>

#### Notes:

Audit days used are rounded to the nearest whole.

Note 1: Core Financial Systems are audited predominantly in quarters 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts but not interfere with year end.

Note 2: A number of the budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters.

Note 3: 'Other chargeable' days equate to times where there has been, for example, significant disruption to the ICT provision resulting in lost productivity.

### AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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#### APPENDIX 2

#### Performance against Key Performance Indicators 2017-2018

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2017/18. Other key performance indicators link to overall governance requirements of Bromsgrove District Council e.g. KPI 4 to KPI 6. The position will be reported on a cumulative basis throughout the year.

	<b>KPI</b>	<b>Trend/Target requirement</b>	<b>2017/18 Position (as at 31<sup>st</sup> July 2017)</b>	<b>Frequency of Reporting</b>
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 13  Delivered = 1  plus 3x drafts	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	26%	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	67%	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward  (minimal)	Nil to report	When Audit Committee convene
5	No. of moderate or below assurances	Downward  (minimal)	1	When Audit Committee convene
6	'Follow Up' results  (Using 2017/18 reviews onward)	Management action plan implementation date exceeded  (nil)	Nil to report	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward  (increasing)	Nil to report	When Audit Committee convene

WIASS considers it operates within, and conforms to, the Public Sector Internal Audit Standards 2013.

# **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**APPENDIX 3**

**Definition of Audit Opinion Levels of Assurance**

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	<p>The system of internal control meets the organisation’s objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
<b>Significant Assurance</b>	<p>There is a generally sound system of internal control in place designed to meet the organisation’s objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Moderate Assurance</b>	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Limited Assurance</b>	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation’s objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>No Assurance</b>	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation’s objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>



## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

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### Definition of Priority of Recommendations

<b>Priority</b>	<b>Definition</b>
<b>High</b>	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
<b>Medium</b>	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
<b>Low</b>	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

# AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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**APPENDIX 3**

**‘High’ & ‘Medium’ Priority Recommendations Summary for finalised audits.**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>Audit: North Worcester Building Control</b>					
<b>Assurance: Significant</b>					
1	Medium	<p><b>Financial Statement</b></p> <p>There is no evidence of a separate annual financial statement with the breakdown required by the Building Regulations 2010 with an approved Local Authority Signature</p>	<p>Risk of non compliance with legislation to demonstrate that Building Control is breaking even leading to potential reputational damage.</p>	<p>Bromsgrove District Council to satisfy itself that they are acting in accordance with the Building (Local Authority Charges) Regulations 2010 by ensuring that a Fee Charging financial statement is produced at the end of each financial year and is signed off by an appropriate financial officer of the Council</p>	<p><b>Responsible Manager:</b> Building Control Manager</p> <p>Agreed. The need for a financial statement was complied with by Finance however this was not sufficiently separate from that required by regulation. A separate financial statement will be produced for the end of this current financial year.</p> <p><b>Implementation date:</b> Close of financial year 17 / 18</p>
<b>end</b>					

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

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### **APPENDIX 4**

#### **Follow Up**

##### **Planned Follow Ups:**

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action taken against those audits and whether further follow up is planned. Commentary is provided on those audits that have already been followed up and audits in the process of being followed up.

For some audits undertaken each year follow-ups may not be necessary as these may be undertaken as part of the full audit. Other audits may not be time critical therefore will be prioritised as part of the overall work load so to minimise resource impact on the service area.

Follow up in connection with the core financials is undertaken as part of the routine audits that are performed during quarters 3 and 4.

##### **Follow Up Assurance:**

In summary:

- 2013/14 recommendations; satisfied.
- 2014/15 recommendations; one remains, expecting to be completed by end of 2017;
- several 2015/16 reviews continue to have recommendations outstanding and further follow up is scheduled. 3 reviews have been satisfied for 2015/16;
- the majority of 2016/17 recommendations scheduled for follow up during August and September 2017.

## AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up or outcome</u>	<u>2<sup>nd</sup> Follow Up</u>	<u>3<sup>rd</sup> Follow Up</u>
					High and Medium Priorities 6mths after final report issued as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed	
<b>2013-14 Audits</b>							
Corporate Fraud	10th December 2014	Executive Director (Finance and Resources) and Head of Legal, Equalities and Democratic Services	Moderate	2 'medium' priority recommendations in relation to Corporate Anti Fraud Awareness, Corporate Fraud Strategy Policy and Protocol	The follow up in March 2016 found that the 2 'medium' priority recommendations were in progress awaiting approval of draft policies.	A follow up was undertaken in Dec 2016 finding the 2 medium priority recommendations remained in progress. The Anti fraud and corruption policy was due approval by committee after this follow up had occurred. The final recommendation can be implemented after approval as it refers to "reviewing the policy in a timely manner". A follow up will take place in three months time.	Approved by Cabinet 14 <sup>th</sup> June 2017.  <b>No further follow up required.</b>
<b>2014-15 Audits</b>							
Equality and Diversity	28 <sup>th</sup> August 2014	Corporate Senior Management Team	Moderate	1 'high' and 2 'medium' priority recommendations made in relation to training, policy and terms of reference.	Followed up March 15- Policy Manager have confirmed that all recommendations are currently outstanding and not fully implemented but are in progress. Given the impending completion date it would not be appropriate to follow the recommendations up until July 2015.	Follow up in November 2015 found that 1 'medium' priority recommendation in relation to policy has been implemented and the 1 'high' priority recommendation and the other 'medium' priority recommendation in relation to training and terms of reference are in progress. Workshops are to be introduced first half of 2016.	A follow up in September 16 found there was one recommendation outstanding relating to the Equality and Diversity training. All the others have been satisfied. A further follow up will take place in 3 months time.  Follow Up 14 February 2017: Discussion with E&D Manager - induction progress is still in progress. Quotes from

## AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

							<p>contractors for in house training are currently being received. Follow up to take place in June when more progress made.</p> <hr/> <p>Follow Up 19th June 2017: Policy Manager confirmed although progress has been made towards implementing training for new starters and existing staff nothing has yet been implemented. Need to go to tender to procure training provider. Aiming for completion of this process and E&amp;D training within 2017.</p>
<b>2015-16 Audits</b>							
Corporate Governance – AGS	22th February 2016	Financial Services Manager	Moderate	1 'high' priority and 3 'medium' priority recommendations; No action plan, compilation of AGS, review of terminology and circulation of document	A follow up took in September 2016 and found 3 recommendations were in progress these related to the circulation of the AGS, action plan and the responsibility for compilation of the AGS. 1 recommendation was still to be actioned relating to a review of the AGS. A follow up will take place in four months time.	Follow up undertaken February 2017. Due to change of Financial Service Manager, the interim manager will pick up AGS as part of job.	A follow-up was undertaken in July 2017. The follow up has found that full implementation of the 1 'medium' priority recommendation detailed above was not required, as there is a sufficient process in place to enable Heads of Service to challenge and comment on the Annual Governance Statement, and therefore reduce the risk of challenge to the authority. Sufficient action has been taken regarding the

## AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

							recommendation, further follow-up is required.	No further follow-up is required.
S106s - Planning obligations	08th February 2016	Head of Planning and Regeneration, Financial Services Manager, Principal Solicitor	Critical review	Challenge points and good practice in relation to Committee Reporting, Policies/Procedures, Waste Services Contributions, Project Contribution areas, Central Finance Spreadsheet, Withdrawn Planning Applications, Online Publication and Retention and Income Management	The follow up in September 2016 found that the service is progressing with the challenges. The follow up confirmed out of the nine challenges made Management have actioned five of them and have/are giving due consideration to the remaining ones relating to the contributions formula being updated, process to monitor amount of developers per project and uploading of S106 agreements. Further follow up planned in 6 months time.	The follow-up was undertaken in June 2017. Of the remaining four challenges, two relating to monitoring developments and uploading agreements to the public website have been actioned, the one relating to updating the contribution formula is progressing, and the one relating to committee reporting format is under consideration. Internal audit are satisfied with the overall direction of travel in addressing these issues.		<b>No further follow-up is required.</b>
CCTV	31th March 2016	Head of Community Services	Critical review	Challenge points and good practice in relation to Training and the CCTV system.	Follow up in September 2016 found two of the challenges have been actioned but there is more progress to be made relating to access rights to CCTV and a new anti-social behaviour policy. A further follow up will take place in April 2017	Follow up undertaken in April 2017.  Audit had a discussion with both responsible managers on 10.05.17, both positions same as previous follow up. Restructure is still to take place and the Anti-social behaviour policy still to be finalised. Agreed to go back in 6 months.  Further follow up date November 17		
Accounts Reconciliations	31th March 2016	Executive Director - Finance and Resources and Financial Services Manager	Critical Review	Challenge points and good practice in relation to Frequency and Training, Procedure Notes, Responsibilities and the	A follow up undertaken in October 2016 found that the service have a clear direction of travel in relation to the challenges made	A follow up undertaken in January 2017 found that the service have a clear direction of travel in relation to the challenges made however one	Follow up undertaken April 2017. Implementation was delayed due to change in staffing.	

## AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

				Saffron System	however one challenge relating to reconciliation procedure notes still needs to be actioned therefore there will be a further follow up in 3 months time.	challenge relating to reconciliation procedure notes still needs to be actioned therefore there will be a further follow up in 3 months time.	A further follow-up was undertaken in July 2017. The remaining recommendation in relation to procedural notes is no longer required due to changes in how the reconciliation practices are managed, which have lead to greater resilience within the team for ensuring these are done correctly and in a timely manner. <b>No further follow-up is required.</b>
Consultancy and Agency	13th June 2016	Corporate and Senior Management Team	Limited	2 'high' and 3 'medium' priority recommendations in relation to Matrix, Procurement procedures, Post transformation reviews, professional indemnity Insurance and accuracy of invoices received.	A follow up took place in December 2016 which found that 4 recommendations are still in progress relating to the use of Matrix, the procurement procedures, outcomes set for the use of agency staff and processing invoices. One recommendation is still to be actioned reliant on the outcome of a recommendation. A further follow up will take place in 6 months time.	Follow up undertaken in May 2017.  Audit had a discussion with the Director of Finance and Resources on 10.05.17, the review of Matrix is still in progress. As several recommendations rely on the matrix review being completed no official follow up will take place until this date.  Further follow up date November 2017	
Regulatory Services	08th June 2016	Head of Regulatory Services	Critical Review	Time recording challenges in relation to Systems Specification, Policies & Guidance, Coding Structure, Fee Earners, Performance Measurement and Database Accuracy.	A follow up took place in December, it found that 2 challenges had been actioned, 4 considered, and, 1 considered however still awaiting further action. The direction of travel the service is making is positive. A further follow up will take place in 6 months time.	Follow up undertaken in July 2017 which found all the challenges raised had been satisfied. <b>No further follow up is required.</b>	

# **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

<b>2016-17 Audits</b>							
Customer Services	28th September 2016	Customer Services	Significant	2 medium priority recommendations were made in relation to training records and health and safety training and the formally documenting the minutes of meetings	A follow up was undertaken in February and found that 1 recommendation relating to training has been implemented and 1 recommendation relating to documenting meetings is in progress. A further follow up will take place in 6 months time.	Aug 17	
Human Resources Training and Development	30th December 2016	Human Resources Manager	Moderate	Business Transformation This audit report made 1 high priority recommendation relating to employee mandatory and refresher training, and 3 medium priority recommendations relating to purpose of training, employee induction and identifying training needs. A follow up will take place in 4 months time.	A follow up took place in March 17 and found 2 recommendations are in progress relating to meeting training needs and mandatory / refresher training. 2 recommendations are still to be actioned dependent on the implementation of HR21. A follow up will take place in 6 months time.	Sept 17	
Insurance	13th January 2017	Corporate	Critical Friend	This audit gave 3 recommendations to all 5 authorities, these related to, documentation of claims, insurance risk on risk register and admin and claim handling fee. This will be follow up in 6 months time.	Aug 17		
Dash Board & Performance Measures	3rd May 2017	Business Transformation	Limited	An audit took place in May 2017 and made 3 high and 1 medium priority recommendations relating to resilience, timeliness of reporting, integrity of information and information held.	Aug 17		



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Worcester Regulatory Services	26th May 2017	WRS	Moderate	This audit made 1 high priority recommendation and 2 medium priority recommendations relating to payment for licences granted, cheque payment and application forms. A follow up will take place in 3 months time.	1st follow up took place on 30/8/17 no recommendations have been implemented but work towards had been progressed and there is research looking at moving into electronic application which all districts will have to agree to. A further follow up will take place in 6 months	Feb 18	
Risk Management	24th May 2017	Executive Director	Limited	This audit made 5 medium priority recommendations relating to corporate risk management strategy, risk management group, risk register updates, portfolio holder monitoring and training. A follow up will take place in 3 months time.	Sept 17		
<b>2017-18 Audits</b>							
Building Control	10th August 17	Planning & Regeneration	Significant	The report made one medium recommendation relating to the production of a financial statement regarding Building Control. This is to be produced at the end of the financial year.	May 2018		
end							

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### AUDIT, STANDARDS & GOVERNANCE COMMITTEE

#### **WORK PROGRAMME 2017/18**

##### **15<sup>th</sup> June 2017**

- Monitoring Officer's Report
- Dispensations Report
- Gifts and Hospitality: Guidance for Councillors – Constitution Update
- External Audit – Progress / Action Plan Update Report
- External Audit – Audit Fee Letter 2018/19
- Internal Audit – Progress Report
- Internal Audit – Annual Report and Draft Audit Opinion 2016/17
- Annual round up of other data relating to Benefits and Revenues Report
- S11 Action Plan Update Report
- Corporate Risk Register
- Risk Management Champion Annual Appointment
- Financial Savings Monitoring Report for January to March 2017
- Work Programme

##### **14<sup>th</sup> September 2017**

- Monitoring Officer's Report
- External Audit – Audit Findings Report
- External Audit – Update Report (including oral update on Value for Money Conclusion)
- Accounting Standards (Statement of Accounting Policies)
- Audited Statement of Accounts 2016/17 (including final Annual Governance Statement)
- S11 Action Plan Update Report
- Financial Savings Monitoring Report for April to June 2017
- Internal Audit – Progress Report
- Risk Champion's Update Report
- Work Programme

##### **18<sup>th</sup> January 2018**

- Monitoring Officer's Report
- External Audit – Progress Report/Action Plan Update
- External Audit – Annual Audit Letter
- Internal Audit – Progress Report
- Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2018/19
- S11 Action Plan Update Report
- Financial Savings Monitoring Report June to September 2017
- Risk Management Strategy
- Risk Champion's Update Report
- Work Programme

## **AUDIT, STANDARDS & GOVERNANCE COMMITTEE**

**15<sup>th</sup> March 2018**

- Monitoring Officer's Report
- Annual Report
- External Audit – Progress / Action Plan Update Report
- External Audit – Certification Work Report 2016/17
- External Audit – Audit Plan March 2018/19
- External Audit – Auditing Standards 2018/19
- Internal Audit – Progress Report
- Internal Audit – Draft Audit Plan 2018/19
- Benefits Investigations Monitoring Update Report
- S11 Action Plan Monitoring
- Financial Savings Monitoring Report for September to December 2017
- Risk Champion's Update Report
- Work Programme