

**BROMSGROVE DISTRICT COUNCIL**

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

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

PRESENT: Councillors M. J. A. Webb (Chairman), C. Allen-Jones, R. J. Deeming, P.L. Thomas and M. Thompson

Observers: Richard D Percival, Neil Preece and Councillor B. T. Cooper

Officers: Ms. J. Pickering, Mrs. C. Felton, Mr. A. Bromage, Mr P. Field and Ms. J. Bayley

19/17 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received on behalf of Councillors S. R. Colella, R. J. Laight, P. M. McDonald and S. R. Peters. Apologies were also received on behalf of Parish Councillor C. Scurrall.

20/17 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

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

21/17 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 15TH JUNE 2017**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 15<sup>th</sup> June 2017 were submitted.

The Executive Director of Finance and Corporate Resources confirmed that all of the actions that had been raised in respect of the Benefits and Compliance Annual Update Report 2016/17 at Minute Item No. 11/17 had been addressed. Other treasurers in the county had been consulted about customer error and fraud and it had been clarified that in Bromsgrove overpayments received and written off during the year occurred in relation to customer debts rather than Council errors. Confirmation had also been received that the financial benefits to the other major preceptor and the rate of 10% of any additional income raised was considered to be acceptable.

During consideration of the Minutes the Chairman noted a typographical error at Minute No. 15/17 in respect of the Financial Savings Monitoring Update Report for January to March 2017. Incorrect dates had been recorded in the resolution for this item; this should have referred to April to March 2017.

**RESOLVED** that, subject to the amendment detailed in the preamble above, the minutes of the meeting of the Audit Standards and Governance Committee held on 15<sup>th</sup> June 2017 be approved as a correct record.

22/17

### **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 number of complaints, which were the same as those reported at the previous meeting.
- The arrangements for reporting the outcomes of any investigation into complaints involving Members. Members were advised that a report would be provided to the Committee on the outcomes of these investigations so that lessons could be learned for the future.
- There had been finance training provided since the last meeting which had been well received.

Following the presentation Members noted that in the report it was proposed that a report of that nature should be presented at each meeting of the Committee. The Chairman explained that the report was helpful and that he would like the Committee to continue to receive the report at every meeting. Members also noted that a planning training session had taken place during the period which had not been referred to in the report.

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

23/17

### **AUDIT FINDINGS REPORT - GRANT THORNTON**

Richard Percival, from Grant Thornton, presented the Audit Findings Report 2016/17 on behalf of the external auditor. Members were reminded that the final clearance of the Council's accounts would not be determined until the Council meeting on 20<sup>th</sup> September the external auditors was reserving their audit opinion until this had taken place.

During the presentation of this report the following matters were highlighted for Members' consideration:

- There had been an improvement year on year in the production of financial statements and in the timeliness of the Council's process.
- The deadline for local authority accounts would be coming forward in 2018/19 and the external auditors believed that further progress needed to be achieved to enable the Council to meet this new deadline.
- The resources available to the Council to process the accounts would need to be considered, with some staff absences likely to take place in 2018/19. The Executive Director of Finance and Corporate Resources reassured Members that a new Deputy S151

Officer would be starting in November and maternity cover was being arranged for a key post.

- Whilst reviewing the accounts Grant Thornton had identified one asset that was not in the Council's ownership; following investigation it had been found that this was an isolated incident.
- There had also been an amendment made to the housing benefit subsidy figure included in the accounts of £93k. This was a very small element of the £16m benefit payment
- The requirements for reporting on the Council's revenue account had changed in 2017/18 and the external auditors had reviewed closely the local authority's approach to managing this.
- A weakness was highlighted in relation to the submission of the pension returns to County. Whilst this did not impact on the figures in the accounts it was recognised that a process needed to be robust to submit the returns. The Executive Director of Finance and Corporate Resources explained that this related to the payroll system which was being addressed.
- The external auditors would be issuing a qualified value for money (vfm) conclusion. There had been some improvements made by the Council but these were not sufficient to enable Grant Thornton to give an unqualified vfm conclusion.
- Grant Thornton had undertaken work to review key areas that had been identified as risks for the Council in the audit plan.
- A number of recommendations had been made to senior officers, as detailed in the appendix to the plan, and the external auditors were satisfied with the response that they had received to these.
- Members requested that the action plan in the report be provided for the Committee's consideration at every meeting.
- The external auditors had reviewed the Council's financial monitoring and budget reports and had found that it was not always clear where the Council's ability to achieve proposed savings might be at risk. Officers were in the process of addressing this.
- Grant Thornton had also reviewed the robustness of the Medium Term Financial Plan (MTFP) and had found this to be mixed. Members were advised that at Councils with the most robust MTFP the business cases had often been subject to detailed and effective pre-scrutiny.
- The Executive Director of Finance and Corporate Resources advised Members that heads of service had been challenged to review actual expenditure alongside planned expenditure and budgets

Following the presentation the Committee discussed a range of matters in further detail:

- The process for submitting information to the actuary who provided the Council with an annual estimate of the authority's pension liabilities.

- The process followed by external auditors when reaching a vfm conclusion. Members were advised that the National Audit Office (NAO) proscribed the approach to reaching this conclusion.
- The extent to which the vfm conclusion took into account outcomes and outputs. Members were advised that the focus was more on identifying risks and the auditor's confidence in the Council's financial process rather than on assessing outcomes.
- The extent to which proposed savings were achieved according to timescales set by the Council would, however, be taken into account involving some assessment of output.

At the end of these discussions the Committee

**RESOLVED** that the Audit Findings Report 2016/17 be noted; and

**RECOMMENDED** that Council approve the draft letter of representation.

24/17

**AUDITED STATEMENT OF ACCOUNTS 2016/17 (INCLUDING FINAL ANNUAL GOVERNANCE STATEMENT)**

The Executive Director of Finance and Corporate Resources delivered a presentation on the subject of the audited statement of accounts 2016/17 (Appendix 1). During the delivery of this presentation a number of points were highlighted for Members' consideration:

- Managers received updates on the budgets within their remit on a monthly basis, with figures being reported to Members every quarter.
- The statement of accounts had to be submitted in a particular way. The Council followed the CIPFA model when doing so.
- The Council had balances of £4.2 million. This position was considered to be good, with Members having previously set a limit of £1.1 million below which the balances could not fall.
- The Council's balances were not considered to be unreasonable by the external auditors.
- The balances took into account funds that had been underspent in 2015/16.
- Reserves were set aside to be spent on specific projects.
- The total position for balances and reserves was £7.8 million.
- The Council did not have many capital receipts. As a consequence if the Council wanted to deliver capital projects it needed to borrow funds.
- In the event that the Council sold land or assets the funding from the sale could only be spent on capital projects.
- The local authority also had unusable reserves. These were assets which had a value that could not be accessed without selling the asset.
- The Council had a pension deficit of £42 million which distorted the position on unusable reserves

- The deficit position of the Council's pension liabilities was comparable to many local authorities in the country.
- Every three years the actuary re-evaluated the contributions that the Council and staff needed to pay towards their pensions.
- The pension deficit was paid off in instalments over time.
- All Councils were trying to reduce their pension deficits but this could be impacted by factors outside the local authority's control such as longevity and the return on pension investments.
- Whilst staff employed by each of the district Councils were part of Worcestershire County Council's pension scheme the liabilities for the different Councils would vary according to the number of staff employed by the authority and the proportion of those staff who were paying into the pension scheme.
- If the Council's pension deficit was excluded from the figures the local authority would be in credit with £26 million in usable reserves.

Following the presentation Members discussed a range of issues in detail:

- The incorporation of the Council's strategic purposes into the presentation of the accounts.
- The meaning of the Council's strategic purposes.
- The background to the development of the strategic purposes. The Executive Director of Finance and Corporate Resources explained that these had been approved by the Council approximately 3/4 years previously
- The need for the Council's accounts to be reported in accordance with the Council's priorities which were the strategic purposes.
- The potential for accounts listed in accordance with departmental spending to enhance Members' awareness of problem areas as well as accountability.
- The Council's pension liabilities and the fact that many companies in the private sector also had this problem.

At the end of the Committee's discussions Members

**RECOMMENDED** that the Statement of Accounts 2016/17, including the Accounting Policies, be considered and the accounts approved by Council.

25/17

### **INTERNAL AUDIT PROGRESS REPORT**

The Head of the Internal Audit Shared Service provided an update on the progress that had been achieved by the Internal Audit team in the first quarter of 2017/18 up to 31<sup>st</sup> July 2017. During the presentation of this update the following points were raised for the Committee's consideration:

- The outcomes of the shared services review for North Worcestershire Building Control had been recorded. This included a medium priority recommendation for consideration.
- Comparative data had been provided for Members' consideration to help assess the progress of Internal Audit compared to previous years.
- Some of the budgets for Internal Audit could fluctuate between quarters.
- Attempts were made in the report to address the outcomes of Internal Audit reviews and Officers would revisit services to assess the impact.
- A number of the recommendations that had previously been outstanding for some time had now been addressed.
- The Internal Audit team had clear escalation arrangement in place and were able to pick up on non-delivery, should it occur, far quicker than in previous years.

**RESOLVED** that the report be noted.

26/17

**RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR P. THOMAS)**

The Council's Risk Champion, Councillor P. L. Thomas, advised that a Risk Management Strategy had been developed which would be provided for Members' consideration at the following meeting of the Committee.

The Committee was asked to note that 2 Members had taken on the role of the Risk Champion over the last 2 years and it would be useful to provide another Member with an opportunity to assume this responsibility. In the absence of many Members of the Committee it was agreed that no decision would be taken on this matter at this meeting but the Committee would be invited to consider an alternative appointment to the position of Risk Champion at the next meeting. In the meantime Councillor Thomas agreed to continue in the role.

27/17

**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 7.22 p.m.

Chairman

# Audit Standards and Governance Committee

Audited Statement of Accounts  
2016/17



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# 2016/17 Finance Process

- Set budget 24<sup>th</sup> February 2016
- Management accounts are prepared throughout the year comparing budget to actuals
- Statement of accounts – conclusion of financial figures (IFRS reporting)

# Management Accounts – Outturn (P76)

Strategic Purpose	Budget £'000	Actuals £'000	Variance £'000
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>

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# Statement of Accounts – Expenditure and Funding Analysis (EFA) (P105)

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2016/17				
Net Expenditure Chargable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Strategic Purpose
£000	£000	£000	£000	
5,250	810	4,440		Enabling of the Authority
507	254	253		Help me be financially independent
732	(172)	904		Help me find somewhere to live in my locality
(504)	128	(632)		Help me run a successful business
(58)	(564)	506		Help me to live my life independently
4,273	(1,345)	5,618		Keep my place safe and looking good
970	(1,119)	2,089		Provide good things for me to see do and visit
<b>11,172</b>	<b>(2,006)</b>	<b>13,178</b>		<b>Net Cost of Services</b>
(11,589)	436	(12,025)		Other Income and Expenditure
<b>(417)</b>	<b>(1,570)</b>	<b>1,153</b>		<b>Surplus or Deficit</b>
(7,414)				Opening General Fund Balance
(417)				Less/Plus Surplus or (Deficit) on General Fund Balance in Year
<b>(7,832)</b>				Closing General Fund Balance at 31 March

# Movement in Reserves (MIRS) (P84)

	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
Balance as at 1 April 2015	4,274	2,994	7,268	31	10	7,309	(10,391)	(3,082)	(3,082)	5,040	1,958
<b>Movement in reserves during the year</b>											
Total Comprehensive Income and Expenditure	(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>
Balance as at 31 March 2016	4,157	3,257	7,414	0	0	7,414	(8,938)	(1,524)	(1,524)	5,035	3,511
<b>Movement in reserves during the year</b>											
Total Comprehensive Income and Expenditure	(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>
Balance Sheet as at 31 March 2017	4,224	3,607	7,831	638	0	8,469	(16,917)	(8,448)	(8,448)	4,922	(3,526)



# Comprehensive Income and Expenditure Statement (CIES) (P85)

Enabling of the Authority  
 Help me be financially independent  
 Help me find somewhere to live in my locality  
 Help me run a successful business  
 Help me to live my life independently  
 Keep my place safe and looking good  
 Provide good things for me to see do and visit  
**Cost of Services**

Other Operating Expenditure

Financing and Investment Income and Expenditure

Taxation and Non-Specific Grant Income and Expenditure

**(Surplus) or Deficit on Provision of Services**

Surplus or deficit on revaluation of Property, Plant and Equipment

Impairments of prior year Assets Under Construction

Remeasurement of the net defined benefit liability/(asset)

**Other Comprehensive Income and Expenditure**

**Total Comprehensive Income and Expenditure**

	2016/17		
	£000	£000	£000
	Expenditure	Income	Net
	7,325	(2,885)	4,440
	17,409	(17,156)	253
	1,149	(245)	904
	741	(1,373)	(632)
	805	(299)	506
	12,409	(6,791)	5,618
	2,281	(192)	2,089
	<b>42,119</b>	<b>(28,941)</b>	<b>13,178</b>
11	577	0	577
12	1,204	(19)	1,185
13	9,424	(23,211)	(13,787)
			<b>1,153</b>
14			(506)
14			33
37			6,244
			<b>5,771</b>
			<b>6,924</b>

# Balance Sheet (P87)

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

# Collection Fund Statement (P143)

Collection Fund	2016/17		
	Business Rates	Council Tax	Total
	£000	£000	£000
<b>INCOME</b>			
Council Tax Receivable		(58,349)	(58,349)
Business Rates Receivable	(27,894)		(27,894)
Transitional Protection Payments Receivable			0
<b>Total amounts to be credited</b>	<b>(27,894)</b>	<b>(58,349)</b>	<b>(86,243)</b>
<b>EXPENDITURE</b>			
<b>Apportionment of Previous Year Surplus/Deficit</b>			
Central Government	(1,051)		(1,051)
Billing Authority	(840)	167	(673)
County Council	(189)	813	624
Fire Authority	(21)	140	119
Police Authority		58	58
<b>Precepts, demands and shares</b>			
Central Government	13,984		13,984
Billing Authority	11,187	8,071	19,258
County Council	2,517	39,735	42,252
Fire Authority	280	2,762	3,042
Police Authority		6,713	6,713
<b>Business Rate Supplement:</b>			
Payment to levying authority's Business Rate Supplement Revenue Account			0
Administrative Costs			0
Doubtful debts			0
<b>Charges to Collection Fund</b>			
Write-offs of uncollectable amounts			0
Increase/(decrease) in allowance for impairment	474	237	711
Increase/(decrease) in allowance for appeals	(9)		(9)
Transitional Protection Payments Payable	437		437
Charge to General Fund for allowable collection costs for non-domestic rates	124		124
<b>Total amounts to be debited</b>	<b>26,893</b>	<b>58,696</b>	<b>85,589</b>
<b>(Surplus) /deficit arising during the year</b>	<b>(1,001)</b>	<b>347</b>	<b>(654)</b>
(Surplus)/deficit b/f at 1 April	2,350	(1,393)	957
<b>(Surplus)/deficit c/f at 31 March</b>	<b>1,349</b>	<b>(1,046)</b>	<b>303</b>