

Open

Audit Committee

Agenda

**To be held remotely
6pm
Wednesday, 22nd July 2020**



Audit Committee

Members of Committee:

Chairman: Councillor A Totty
Vice-Chairman: Councillor S E N Rook

Councillor V Caulfield
Councillor N J Desmond
Councillor C Rogers

Councillor B S Dawes
Councillor A L L'Huillier
Councillor P W M Young

Information for Members of the Public:

Members of the public will be able to hear and see the meetings by a live stream on the Council's website: <https://www.wyreforestdc.gov.uk/streaming.aspx>

This meeting is being held remotely online and will be recorded for play back. You should be aware that the Council is a Data Controller under the Data Protection Act 2018. All streamed footage is the copyright of Wyre Forest District Council.

Part I of the Agenda includes items for discussion in public. You have the right to request to inspect copies of Minutes and reports on this Agenda as well as the background documents used in the preparation of these reports.

Part II of the Agenda (if applicable) deals with items of "Exempt Information" for which it is anticipated that the public may be excluded from the meeting and neither reports nor background papers are open to public inspection.

Declaration of Interests by Members – interests of members in contracts and other matters

Declarations of Interest are a standard item on every Council and Committee agenda and each Member must provide a full record of their interests in the Public Register.

In addition, alongside the Register of Interest, the Members Code of Conduct ("the Code") requires the Declaration of Interests at meetings. Members have to decide first whether or not they have a disclosable interest in the matter under discussion.

Please see the Members' Code of Conduct as set out in Section 14 of this constitution for full details.

Disclosable Pecuniary Interest (DPI) / Other Disclosable Interest (ODI)

DPI's and ODI's are interests defined in the Code of Conduct that has been adopted by the District.

If you have a DPI (as defined in the Code) in a matter being considered at a meeting of the Council (as defined in the Code), the Council's Standing Orders require you to leave the room where the meeting is held, for the duration of any discussion or voting on that matter.

If you have an ODI (as defined in the Code) you will need to consider whether you need to leave the room during the consideration of the matter.

For further information:

If you have any queries about this Agenda or require any details of background papers, further documents or information you should contact Sian Burford, Assistant Committee Services Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF.
Telephone: 01562 732766 or email sian.burford@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Wednesday, 22nd July 2020

To be held remotely

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Appointment of Substitute Members To receive the name of any Councillor who is to act as a substitute, together with the name of the Councillor for whom he/she is acting.	
3.	Declarations of Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 22 nd January 2020 and also decisions taken under delegation from cancelled meeting of 25 th March 2020.	7
5.	Audit Progress Report and Sector Update To receive a progress report from Grant Thornton.	14
6.	Report on the Impact of COVID-19 on Local Authority Reporting To receive an in-depth insight from Grant Thornton on the impact of COVID-19 on financial reporting in the local government sector.	31
7.	External Audit Plan Update To receive an update from Grant Thornton to the planned scope and timing of the statutory audit of Wyre Forest District Council.	53

8.	Preparation and Audit of the 2019/20 Statement of Accounts To receive information from Grant Thornton on the preparation and audit of the 2019/20 statement of accounts.	56
9.	2019-20 Accounting Policies To receive a report from the Financial Services Manager presenting the accounting policies for use in preparing the Council's Statement of Accounts for 2019-20 and review the critical judgements used in applying the accounting policies and the assumptions about the future.	59
10.	Internal Audit - Annual Audit Plan 2020-2021- Addendum To receive a report from the Audit Manager informing Members of an addendum to the Internal Audit – Annual Audit Plan 2020–2021	86
11.	Internal Audit Monitoring Report Quarter Ended 31st March 2020 To receive a report from the Audit Manager informing members of the Internal Audit Monitoring Report for the Quarter ended 31 st March 2020.	93
12.	Internal Audit Annual Assurance Report 2019/20 To receive a report from the Audit Manager and Corporate Director: Resources informing Members of the Internal Audit Annual Assurance Report for 2019/20	108
13.	Annual Governance Statement 2019-20 To receive a report from the Corporate Director: Resources to approve the Annual Governance Statement declaring the degree to which it meets the Governance Framework for inclusion within the Statement of Accounts.	119
14.	Final Accounts Outturn Report To receive a report from the Corporate Director: Resources and Financial Services Manager the provisional outturn position in relation to the Final Accounts for 2019-20.	134
15.	Review of Corporate Risk Register – COVID-19 To receive a report from the Corporate Director: Resources to inform Members of an update to the 2020-21 Corporate Risk Register and the Budget Risk Matrix to reflect the impact of COVID-19.	141
16.	To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	

17.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	
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Part 2

Not open to the Press and Public

18.	<p>To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</p>	
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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

**COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,
KIDDERMINSTER**

22ND JANUARY 2020 (6PM)

Present:

Councillors: A Totty (Chairman), S E N Rook (Vice-Chairman), V Caulfield, B S Dawes, N J Desmond, A L L'Huillier, C Rogers and P W M Young.

Bodrul Zzaman – Independent Person.

Observers:

Councillor G W Ballinger.

AUD.27 Apologies for Absence

There were no apologies for absence.

AUD.28 Appointment of Substitutes

No substitutes were appointed.

AUD.29 Declarations of Interests by Members

No declarations of interest were made.

AUD.30 Minutes

Agreed: The minutes of the meeting held on 27th November 2019 be confirmed as a correct record of the meeting and signed by the Chairman subject to the following:

Bodrul Zzaman – Independent Person, attendance to be added.

AUD.31 Audit Progress Report and Sector Update

The Committee received a report from Grant Thornton (GT) giving an audit progress report and a sector update.

The Engagement Manager from GT informed Members that the 2018/19 audit had been completed to timetable and the 2019/20 audit was currently being planned. The proposed approach to the audit would be shared at the March Audit Committee meeting.

The Engagement Manager explained that the sector update was split into four reports: a summary of the key developments for 2019/20 annual reports of the

Agenda Item No. 4

Financial Reporting Council, a report on the future for local audits, the GT sustainable growth index report and a fiscal studies report. These reports were to give background as to why audit procedures and requirements change, why particular questions were asked and to give context to the external audit environment.

The Audit Progress Report and Sector Update were noted by the Committee.

AUD.32 External Audit Scope and Additional Work 2019-20

The Committee received a briefing from the Engagement Manager at GT on the letter received from Peter Barber, GT Engagement Lead, setting out the impact of the increased regulatory focus facing all audit suppliers on the scope of the external audit work for 2019-20 and beyond. The letter was supplemented by an email from Public Sector Appointment Ltd (PSAA) to the S151 Officer that provided additional context and background information for this item. The Engagement Manager explained that it was unusual to bring this to Audit Committee but GT had done so to ensure Members were aware of the situation and commented that many of the contextual matters were relevant to the whole sector rather than just Wyre Forest District Council (WFDC).

The Committee discussed the previous tender process for audit services, the increased regulatory focus and the effect on current market providers.

6:12pm Bodrul Zzaman entered the meeting.

The Engagement Manager clarified the costs involved and informed Members that in previous years fee variations were not discussed until after the event where as this year GT were aiming to make Members aware in advance. The Corporate Director: Resources thanked GT for the early information as this would assist with forward planning and reassured Members that this was a sector wide issue as shown by the PSAA email, and had partly been brought about by the increased need for more thorough audit processes. The information was to inform Members of the direction of travel but decisions would be made at a later date. The increased scrutiny in the audit process would also mean additional work for WFDC Officers.

The External Audit Scope and Additional Work 2019-20 Report was noted by the Committee.

AUD.33 Internal Audit Monitoring Report Quarter Ended 31st December 2019.

The Committee received a report from the Audit Manager/S151 Officer which informed Members on the Internal Audit Monitoring Report for the Quarter ended 31st December 2019.

The report gave details on the Housing Benefit Compliance Testing 2019/20 and a comprehensive progress report on the reviews that were currently in progress. Any issues found requiring action would be reported at future Audit Committee meetings.

Agenda Item No. 4

The Audit Manager explained that the team were slightly below the target for achievement compared to the Audit Plan than they would expect to be but this was due to a period of staff sickness and annual leave and the Christmas break and they are confident this would be resolved in the final quarter.

Cllr Rogers asked for clarification on what is classed as 'other' in the comparison chart of audit consultancy and advice for quarter 3, The Audit Manager explained that this included support for the Disabled Facilities Grant where the information had to be validated and she had supported with this. It also included work completed by a member of the finance team looking at performance indicators.

The Audit Manager informed the committee that the team's work was planned according to resources and that new staff had settled into their roles well and there were no concerns for her as the Audit Manager.

The Corporate Director: Resources explained the responsibilities around the budget deficit and where the Audit team supports this.

The Internal Audit Monitoring Report for the Quarter ended 31st December 2019 was considered by the Committee.

There being no further business the meeting ended at 6.31pm.

Wyre Forest District Council

Record of a Council Decision delegated to be made by an Officer

This includes a record of an Executive Decision made by an officer under Regulation 13, Part 4 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Item decided:	
Audit Committee decisions in relation to reports to be considered at meeting on 25 th March 2020 that was cancelled due to COVID-19 restrictions	
Officer who has taken the decision	Corporate Director: Resources
Date of the decision	31 st March 2020
Reason for the decision/alternatives considered	The Audit Committee meeting scheduled for the 25 th March did not take place due to COVID-19 restrictions. An information pack containing all of the reports due to be considered was emailed to all Members and Audit Committee Members were invited to comment, ask any questions of officers or Grant Thornton by email or phone. The email informed Members that the Corporate Director: Resources would be taking decisions required using delegated powers in consultation with the Chairman and Vice Chair of the Committee.
Date and source of Delegated Decision (if appropriate)	Reports for cancelled Audit Committee to be held 25 th March 2020 , see attached report and Delegated Decision List
Council/Cabinet member consulted – if applicable	Cabinet Member for Strategy and Finance and Chairman of Audit Committee
Any interest declared by the Consultee or officer	None

WYRE FOREST DISTRICT COUNCIL

AUDIT - Decision List from Cancelled Meeting (COVID-19) to be held on
25th March 2020

Paper Number	Decision
1.	<p><u>Audit Progress Report and Sector Update</u></p> <p>Members of the Audit Committee received the report from Grant Thornton and NOTED the content.</p>
2.	<p><u>Informing the Audit Risk Assessment for WFDC</u></p> <p>Members of the Audit Committee received the report from Grant Thornton and NOTED the content.</p>
3.	<p><u>External Audit Plan for WFDC</u></p> <p>Members of the Audit Committee received the report from Grant Thornton and NOTED the content.</p>
4.	<p><u>Internal Audit Plan 2020-21</u></p> <p>Under Delegated Powers and in consultation with Members of the Audit Committee and specifically the Chairman Councillor Alan Totty, the Corporate Director: Resources:</p> <p>1.1 CONSIDERED AND APPROVED the Internal Audit – Annual Audit Plan 2020~21 as circulated as appendix 1 of the report .</p> <p>1.2 DELEGATED any in-year amendments to the plan to the Section 151 Officer in consultation with the Audit Manager in light of developments arising during the year as described in paragraph 3.6 of the report.</p>

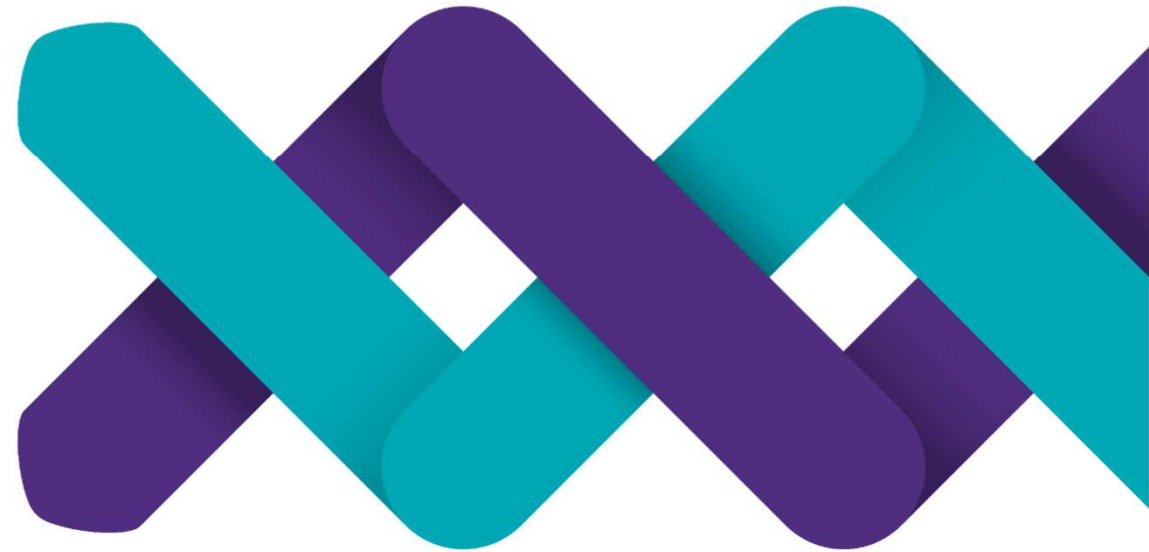
5.	<p><u>Internal Audit Monitoring Briefing Note</u></p> <p>Under Delegated Powers and in consultation with Members of the Audit Committee and specifically the Chairman Councillor Alan Totty, the Corporate Director: Resources:</p> <p>1. CONSIDERED the position as at 29th February 2020 of progress by the Internal Audit Team against the approved 2019~20 Internal Audit Plan.</p>
6.	<p><u>Annual Governance Statement Action Plan 2018~19</u></p> <p>Under Delegated Powers and in consultation with Members of the Audit Committee and specifically the Chairman Councillor Alan Totty, the Corporate Director: Resources:</p> <p>1. APPROVED the progress against the Annual Governance Statement Action Plan 2018/19 which was attached at Appendix 1 of the report.</p>
7.	<p><u>Update on Public Sector Audit Appointments Limited (PSAA) Audit Matters</u></p> <p>Members of the Audit Committee received the PSAA updates and NOTED the content.</p>
8.	<p><u>Risk Management - Corporate Risk Register</u></p> <p>Under Delegated Powers and in consultation with Members of the Audit Committee and specifically the Chairman Councillor Alan Totty, the Corporate Director: Resources:</p> <p>1. CONSIDERED AND NOTED the Corporate Risk Register and the associated mitigating actions as at 31st January 2020 and the 2020-23 Budget Risk Matrix.</p>

<p>C/M Confirmation</p>	<p>In the absence of a committee due to COVID-19 restrictions, the Audit Committee Chairman Councillor Alan Totty has confirmed the following points by email:</p> <ul style="list-style-type: none"> • that no questions have been raised by the committee members, • that he is content with the plan and has no comments • that the responses by officers on the informing the risk assessment are in line with his understanding and has no further observations, and • he is not aware of any frauds that have not been reported.
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Audit Progress Report and Sector Update

Wyre Forest District Council
Year ending 31 March 2020

22 July 2020



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Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of [the](#) Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at July 2020

Financial Statements Audit

We began our planning for the 2019/20 audit in December, and we undertook our interim audit in February 2020. We commenced our work on the draft financial statements for 2019/20 in late June and this is ongoing. Further details on progress are included within this report.

We issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements in March 2020. In addition to the audit risks included in our Audit Plan, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic.

Our work on this has resulted in an update to our audit plan identifying a new financial statements level significant risk. This has been included in an addendum to our audit plan issued in May 2020. Given the fast moving events and new policy announcements by government in response to Covid-19 clearly these risks are subject to change.

The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided.

We are continuing to monitor the COVID-19 situation and are discussing with the finance team the impacts this may have on the 2019/20 audit. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures. We have agreed a slightly later start date to the audit this year and we are using software including 'Inflo' and 'Teams' to support remote working. We are having regular catch up with your finance team during the audit process.

There are no issues that we need to bring to the Committee's attention from the work we have completed to date.

The statutory deadline for the issue of the 2019/20 opinion is 30 November 2020 but we are aiming to complete our work by September 2020. We are discussing our plan and timetable with officers. Our audit deadline is dependent on the Worcestershire Pension Fund audit being completed in order for us to gain assurance over IAS19 disclosures via a letter of assurance from the Pension Fund auditor.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body 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 three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach and significant risks can be seen at page 6 of this report. We identified one significant Value for Money Risk – Planning finances effectively to support delivery of strategic priorities and maintain statutory functions – and are currently carrying out our audit work on this.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion in the Auditor Report.

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2019/20 has started as we have issued the initial samples to your benefits team. We will agree with officers an overall project plan for completing this work.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2019/20.	April 2019	Complete
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.	February 2020	Complete
Progress Report We will report to you the findings from our audit to date and our initial value for money risk assessment within our Progress Report.	July 2020	Contained in this report
Audit Findings Report The Audit Findings Report will be reported to a future Audit Committee.	September 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	September 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	October 2020	Not yet due

Value for Money arrangements

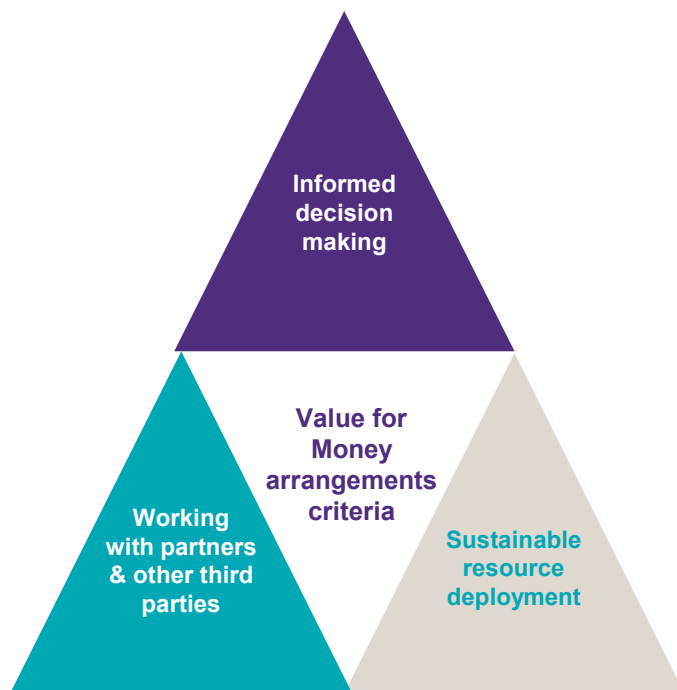
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance 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.”

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Sustainable resource deployment

Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

The financial strategy is anticipating a funding gap of £1.74m by 2022/23. There is a continuing focus at the Council on identifying savings along with some use of reserves over the period of the medium term financial plan. The Council has historically underspent against its budget and in-year forecasting.

We will consider the Council's financial strategy, with particular focus on the management of savings, reserves management and in-year budget delivery.

Results of Audit Work as at July 2020

The findings of our audit work to date, and the impact of our findings, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention. We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: <ul style="list-style-type: none">• Communication and enforcement of integrity and ethical values• Commitment to competence• Participation by those charged with governance• Management's philosophy and operating style• Organisational structure• Assignment of authority and responsibility• Human resource policies and practices	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Review of information technology controls	The local team are completing an assessment of the IT controls. The work was started at interim through discussions with the IT manager and the work will be completed as part of our final accounts visit.	This work is in progress and any matters will be reporting within our audit findings report..

Results of Audit Work as at July 2020 continued

	Work performed	Conclusions and recommendations
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a significant risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Audit Testing	<p>We undertook sample testing in the following key areas as part of our interim work. Following receipt of the draft accounts we have started to issue samples for the 'top up' testing and balance sheet items.</p> <p>We have also started our work on the 'significant risk' around property plant and equipment.</p> <ul style="list-style-type: none"> • Operating Expenditure • Capex • Precepts and Levies • Grant Receipts • Fees and Charges • Payroll • Revenue Fees and charges 	<p>The final visit is in its early stages at the date of drafting this report, however there are no matters arising from our interim work or final accounts work to date.</p> <p>We do note that the Council's valuer has issued a 'material valuation uncertainty' within the valuer's report and we will be making reference to this in our 'Audit Findings' report.</p>

Links

Grant Thornton

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

National Audit Office

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

<https://www.nao.org.uk/report/planning-for-new-homes/#>

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>

Ministry of Housing, Communities and Local Government

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Public Sector Audit Appointments

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

CIPFA

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>



Covid-19 and Local Government

A Grant Thornton briefing for audit committees



Context

Public services, including local government, have been at the forefront of the emergency response to the Coronavirus (COVID-19) pandemic. Very few local government services have not been impacted by COVID-19, as councils have had to create new service lines as part of the emergency response, such as their work in identifying and supporting shielded and vulnerable citizens. They have also had to redeploy people to new roles and repurpose assets to new functions. For example, by closing leisure centres and repurposing them as temporary mortuaries or food banks.

Prior to COVID-19 local government had to adapt to significant reductions in funding during a period of austerity. For example, spending on local services fell by 21% in real terms between 2009-10 and 2017-18. However, underlying this high level reduction are much larger reductions in expenditure on specific service lines. In broad terms, councils managed austerity by significantly reducing spending on discretionary services, in order to protect statutory services to the most vulnerable people, particularly social care services. In addition, councils had to place greater reliance on fees and charges income. They have also had to be innovative in generating new income sources, particularly taking more commercial approach. This commercialisation trend is now changing, however, as authorities seek to balance social outcomes with financial sustainability.

COVID-19 has had a further significant impact on local government finances. This is the result of three main factors:

- increase in expenditure in managing the emergency response, such as purchase of PPE, provision of food and medical supplies to shielded citizens, and increased costs in relation to adult social care;
- lost income due to close services, such as leisure centres, and reductions in income from other sources, such as car parking, business rates and council tax; and
- non-delivery of savings plans

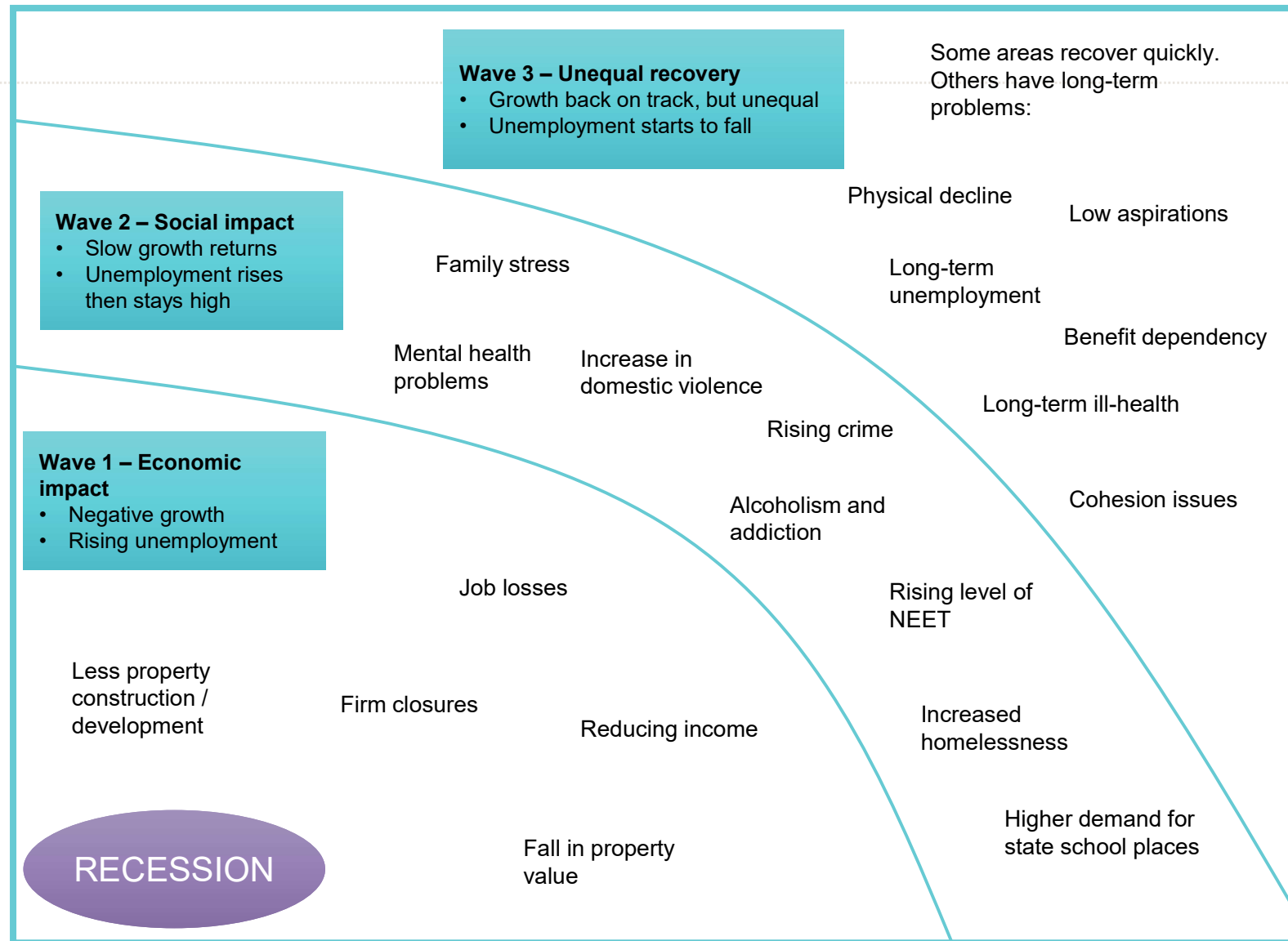
Whilst central government has made significant additional funding contributions to local government, in recognition of the financial consequences of COVID-19, the total funding gap for councils in England is currently estimated to be £6billion by the Local Government Association. The sector is still in the process of determining the longer term financial impact. Tranches of government funding provided so far have generally focussed on alleviating financial pressures created by COVID-19 related to additional council expenditures, so have limited benefit in offsetting lost income, such as that relating to leisure services, car parking income and other fees and charges.

This stark financial context has significant implications for the sector. Particularly as councils start to move from the emergency response stage to the recovery planning stage of COVID-19. The key risks councils will therefore need to consider include:

- how they stand up closed services such as leisure centres, the impact of COVID-19 on future demand, and the operational challenges of service delivery with on-going social distancing rules;
- how service delivery may need to change as a result of learning from COVID-19 and how long-lasting cultural and behavioural changes will impact on their operating models;
- the impact on local markets such as social care and transport, and the financial consequences of market and supply chain failure;
- how the economic impact of COVID-19 will impact on service need and on the demand for income generating services; and
- whether certain services will need to reduce or cease to manage the funding gap.
- exploration of opportunities for more radical change that may have arisen from COVID-19, such as building on the large-scale transfer of care that has taken place and the opportunities regarding reablement, and broader integration with health.

Given the fast moving events and new policy announcements by government in response to Covid-19 Clearly these risks are subject to change and this is not an exhaustive list. However, understanding these various scenarios, their potential financial implications, and resources available to deliver them will nevertheless be critical over the short to medium term.

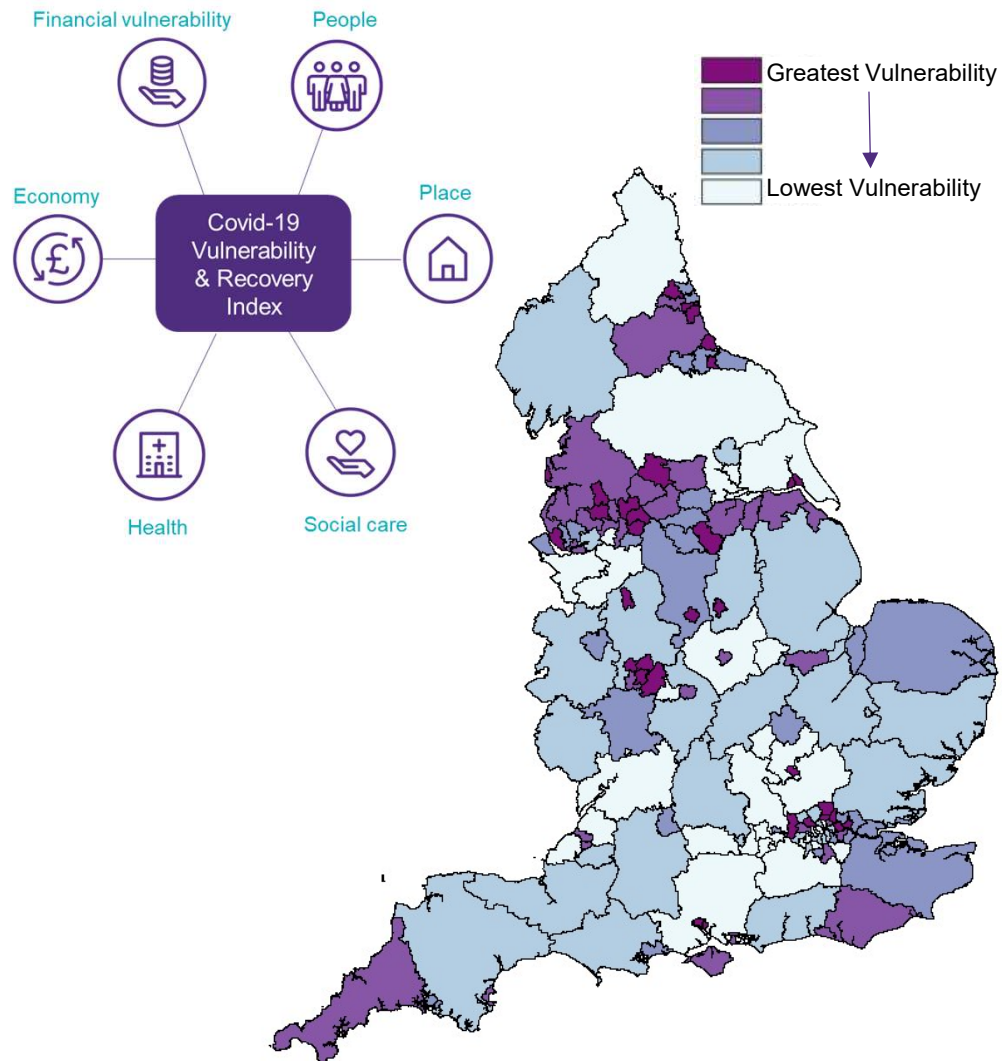
Can we learn from previous recessions?



Source: Audit Commission







Covid-19 Vulnerability Index

Overall Index (including Financial Recovery basket)



Scenarios and hypotheses

Local authority areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
People & community 	<ul style="list-style-type: none"> Multiple lockdowns and ongoing disruption Community dependency and expectation of sustained response Turbulence and activism within the VCS Socio-economic inequality is compounded Failure of leisure and cultural services 	<ul style="list-style-type: none"> Smooth exit from lockdown to a “new normal” Community mobilisation is channelled into ongoing resilience Strengthened VCS relationships and focus Systemic response to inequality is accelerated Leisure and cultural services adapted to social distancing
Business & economy 	<ul style="list-style-type: none"> 16% reduction in GVA for 2020 based on OBR reference scenario Slow / uneven economic recovery and “long tail” on unemployment Central gov / BEIS focus investment on areas furthest behind Loss of tourist & student spend causes unmitigated damage ‘V’ shaped recovery results in 2-3 year recovery period 	<ul style="list-style-type: none"> 5-10% reduction in GVA Rapid economic recovery with employment levels close behind Central government “back winners” with investment Adaptation allows resumption of tourist and student economy Business base is weighted towards growth sectors
Health & wellbeing 	<ul style="list-style-type: none"> Increased demand and escalating need due to fallout from lockdown Newly-vulnerable cohorts place strain on the system Unit costs increase further as markets deteriorate and providers fail SEND transport unable to adapt to social distancing Imposed disruption of care system 	<ul style="list-style-type: none"> Positive lifestyle changes and attitudes to care reduce demand Needs of newly vulnerable cohorts met through new service models New investment in prevention and market-shaping manage costs New ways of working leading to stronger staff retention Locally-led reform of health and care system
Political & regulatory 	<ul style="list-style-type: none"> Local government side-lined by a centralised national recovery effort Unfunded burdens (e.g. enforcement and contact-tracing) Councils in the firing line for mismanaging recovery 	<ul style="list-style-type: none"> Local government empowered as leaders of place-based recovery Devolution and empowerment of localities Councils at the forefront of civic and democratic renewal
Environment 	<ul style="list-style-type: none"> Opportunity missed to capture and sustain environmental benefits The end of the high street / town centres Emissions and air quality worsened by avoidance of public transport Capital programmes stuck 	<ul style="list-style-type: none"> Ability to invest in transport modal shift and green infrastructure Changed working patterns rejuvenate town centres Sustained impact on emissions due to new behaviours New, shovel-ready infrastructure programmes
Organisational 	<ul style="list-style-type: none"> Inadequate funding forces fiscal constraint Working practices return to status quo – increased operating costs Imposed structural change within the place Austerity 2 Commercial portfolio becomes a liability 	<ul style="list-style-type: none"> Adequate funding enables a programme of targeted investment Learning and adaptation to new operating environment Energised system-wide collaboration and reform Fiscal reform and civic renewal Commercial portfolio reshaped for economic and social gain

What strategy is needed in response?

From response to recovery

Learn, adapt and prioritise

- Develop and test hypotheses around impact on place, services, operations, finances
- Design rapid interventions - implement, test and evaluate
- Learning from the response to lock in the good stuff – reflection on operations, services and the system
- Set priorities and principles – what is the Council's purpose in an uncertain context and where will it focus?

Mitigating the worst case

Consolidate and build resilience

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

Steering towards the best case

Invest in renewal

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

Recovery planning and implementation

Set out below are examples of recovery planning activity that are being considered by councils. This activity needs to align to the Government's recovery strategy and to existing Government priorities such as levelling-up and future proofing against covid related government policy shifts.

Recovery planning	Recovery implementation
Recovery planning strategy and framework development	Recovery plan implementation
Risk assessments, research into which parts of the local economy have been most severely hit and which groups of people will need additional support.	Reviews of long term corporate plans/strategies, place vision, service plans, in context of phased lockdown release
Planning for standing up closed services	Place-based leadership – working with other public services, private and third sector to redefine place
Integrating social distancing into the public realm, eg offering supplies of hand sanitiser and masks. Increased need for digital advertising and awareness raising	Redefining front-line services, council as match-maker, convener and incentiviser as well as service deliverer or commissioner. Removal of internal silos (eg supporting vulnerable families).
Review of supply chain vulnerability	More long-term and strategic partnerships and funding models for third sector
Supporting local businesses evolve to a new normal post-COVID-19 world, including more trading on-line	Re-evaluation of vulnerability, including eligibility criteria. Likely to put in place structures that outlast the crisis, such as provisions to help the homeless and those in gig economy jobs
Providing leadership for longer-term investment and delivery, to support economic recover rather than just focusing on short-term actions	Review and update Local Plan
Reframe capital programme to support economic, social and environmental recovery / sustainability	Reconfiguration of municipal estate and property portfolio and commercial investments
Renewed strategic financial planning and focus on financial management	Emergency planning reviews and learning
Data recognised as core pillar of city resilience, barriers to data collaboration and information governance removed/standardised	Long-term financial sustainability planning
Government monitoring regime on additional funding for councils and covid funding administered by councils	Increase in outcomes based procurement and focus on social value

In-depth insight into the impact of Covid-19 on financial reporting in the local government sector

June 2020

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Introduction

Local authorities across the country are now working in an environment that is completely different to the one they were in just months ago as the Covid-19 pandemic continues to impact their daily operations. In such uncertain times, now more than ever communities will be looking towards local authorities to do what they do best, providing essential local public services and particularly care and support to the most vulnerable members of our society.

The virus and measures taken to contain it have undoubtedly impacted financial and economic activity and the effects will not be contained to the 2019/20 and 2020/21 financial years but will be felt for a considerable time. This has several ramifications that local authorities will need to carefully consider in preparing and finalising their 2019/20 Narrative Report, financial statements and Annual Governance Statement.

For the year end 31 March 2020, effects of Covid-19 will need to be taken into account in measuring assets and liabilities at the balance sheet date. There may also be additional, non-adjusting, post balance sheet events relating to the ongoing pandemic that require disclosure in 2019/20 financial statements. For those local authorities yet to conclude their financial statements for years prior to 2019/20, the emergence of new information about Covid-19 and its impact is a non-adjusting post balance sheet event requiring disclosure in those financial statements.

The aim of this report is to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, we have identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. We have also included a number of useful links to other resources.



Executive summary

As a nation we are likely to feel the societal and financial consequences of the Covid-19 pandemic, and the measures to contain and mitigate its effects, for years, and possibly decades, to come.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way. Grant Thornton's 'Financial Foresight' model, developed in collaboration with CIPFA, can help local authorities bring together future spend forecasts with future income streams and combine this with placed based data to reflect the impact of local demographic and economic changes. Narrative reports, as presented in local authorities' statements of accounts, provide an important platform to communicate key information relating to the external environment, risks and opportunities, financial outlook and plans for dealing with potential budget shortfalls. Within the report we explore key considerations for local authority Narrative reports arising from the pandemic.

Local authorities hold a wide range of statutory and non-statutory receivables, including Council Tax and Non-domestic rate debtor balances, trade receivables, loans receivable and bank balances. Measures taken to control Covid-19 are leading to heavy economic losses and this has and will continue to affect collection rates, as some individuals and businesses experience financial effects of the pandemic. In preparing financial statements authorities will need to consider the recoverability of debt and the potential need to recognise impairments.

The uncertainties created by the pandemic have also significantly increased volatility and uncertainty in markets. In this environment it is important to maintain regular dialogue with management experts where they have roles in relation to asset valuations used in the preparation of accounts. This applies not only to non-current operational and non-operational property assets held by authorities, but also to investment properties, financial assets and many assets held by pension funds. Additional disclosures in financial statements in relation to major sources of estimation uncertainty may prove to be necessary.

We hope that you find our report insightful and helpful in preparing your accounts in this new reality.

Operational challenges and the related financial reporting/regulatory impact

Operational challenge Related financial reporting/regulatory impact

Increase in demand from service recipients both in the short and long-term

Financial sustainability and use of reserves – This is clearly a significant challenge for the majority of local authorities. Ten years of austerity has severely stretched finances across the sector, leaving many with depleted reserves as they seek to manage the delicate balancing of demand-led pressures and available resources. The challenges associated with Covid-19 are unprecedented in modern times and as well as increasing demand for a wide range of services including adult social care, children's social care, services for the homeless, public health and support for the vulnerable it resulted in immediate pressures on local authority cash flows. The pandemic has heightened uncertainty and will continue to impact into the longer term.

Local authorities want to support service recipients as best as they can, however it is essential to consider long-term financial sustainability and ensure that reserves are not depleted to levels that put authorities in danger of insolvency. Priorities need to be established, and kept under review, and strategies will need to be re-worked to ensure that funds are being used as efficiently and effectively as possible. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

In extreme circumstances some local authorities may be considering issuing notices under s114 of the Local Government Finance Act 1988. A s114 notice can have serious operational implications, including bringing a halt to all non-statutory expenditure, potentially hindering the response to the pandemic. The Ministry of Housing Communities and Local Government (MHCLG) has urged any local authorities with serious concerns about its financial sustainability to approach the department in the first instance.

Local authorities are required to publish a narrative report with the financial statements, providing information on the authority (including any group interests), its main objectives and strategies and the principal risks it faces. The impact of the pandemic will need to be taken into account in drafting the 2019/20 report and further commentary on the issues which may need to be addressed is included on page 13 of this report.

Operational challenge Related financial reporting/regulatory impact

Reduction in key sources of income

Impairment of statutory and non-statutory debt – At the same time as responding to new challenges in providing vital public services, local authorities are also faced with a significant squeeze on several of their sources of income.

Income from fees and charges, rental income, returns on investments including interest and dividends have all been affected to a greater or lesser degree, with significant uncertainty over the timing and extent to which these sources of income will return to pre-Covid-19 levels.

Measures taken to control the pandemic are leading to heavy economic losses and most large economies will see unprecedented falls in economic output. Increasing levels of unemployment and reducing tax revenues associated with global recession will affect collection rates for Council Tax and Non-domestic rates as individuals and businesses experience the financial effects of the pandemic, resulting in further pressure on authorities' cash flows and finances.

In preparing 2019/20 financial statements, authorities will need to take into account the potential for impairment of statutory Council Tax and Non-domestic rate debtor balances. Assessment of impairment needs to take place for both individually significant debtors, and also collectively for balances that are not individually significant. Observable data indicating a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments, should be taken into account. Recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions. Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

IFRS 9 *Financial Instruments* is adopted by the Code of Practice on Local Authority Accounting ('the Code') and includes a three-stage impairment model which is applicable to financial assets including trade receivables, loan receivables, deposits and other debtors. IFRS 9 requires that forward-looking information (including macro-economic information) is considered both when assessing whether there has been a significant increase in credit risk and when measuring expected credit losses. The Covid-19 pandemic is likely to have caused significant deterioration in the credit quality of some businesses – this clearly varies from sector to sector with, for example, the hotel industry more severely affected than say the grocery sector. Authorities should re-assess expected credit losses in light of the pandemic, as the probability of losses occurring is likely to have increased.

Operational challenge Related financial reporting/regulatory impact

Closure of local authority offices, premises and facilities

Valuation of non-current assets – The Code requires that where assets, including Council dwellings and operational land and buildings, are revalued to ‘current value’ the revaluations shall be sufficiently regular to ensure that carrying amounts do not differ materially from current value at the end of the reporting period. Surplus assets and investment properties are required to be measured at fair value, reflecting market conditions at the end of the reporting period.

We note a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including ‘material valuation uncertainty’ disclosures within their reports. Our expectation is that authorities will assess the impact of such comments, taking account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty.

Where such comments are included in management’s experts’ reports, and appropriate disclosure is correspondingly included within financial statements, auditors are likely to consider the need to include an ‘emphasis of matter’ paragraph within their audit report. An emphasis of matter paragraph is not a qualification or modification of the auditor’s report. It is used to draw the reader’s attention to a matter that has been appropriately presented or disclosed in the financial statements and which, in the auditor’s judgement, is of such importance that it is fundamental to the users’ understanding of the financial statements.

Onerous leases and other onerous contracts – It is uncertain as to when the lockdown restrictions may be lifted and when local authority premises can feasibly re-open, due to availability of staff and ability to implement required social distancing measures. Where premises are not owned but are being rented, authorities will need to consider the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received and whether an onerous lease provision is required. This is equally applicable to other contracts the authority might have where, especially due to the pandemic, the unavoidable costs of meeting their obligations under the contract exceed the economic benefits expected to be received under it. See section 8.2 of the Code for further detail.

Inventories – Authorities will need to consider whether at the reporting date the value of any stock needs to be written down, particularly for items which may not be used within their shelf-lives or other conditions which might make them unusable or mean they have a reduced value when lockdown restrictions are eased.

Operational challenge Related financial reporting/regulatory impact

Pausing significant projects

Capital projects – In applying the Code, authorities capitalise directly attributable costs of items of property, plant and equipment as an asset on the Balance Sheet if and only if it is probable that future economic benefits or service potential associated with the item will flow to the authority and the cost can be measured reliably.

Costs relating to schemes that are discontinued or abortive costs should be excluded from capitalisation. An authority will capitalise expenditure while it is reasonably assured that operative property, plant and equipment will eventually be constructed or acquired. This expenditure could remain on the balance sheet even while work on a scheme is suspended, provided that the outcome of the expenditure to date can be mothballed and there is sufficient certainty that the scheme will be reactivated within a reasonable timescale. Where an authority is not reasonably assured that a scheme will proceed, costs should be written off within service expenditure in the comprehensive income and expenditure statement.

Grant income – For any grants received or due to be received, local authorities may need to re-assess whether they can fulfill the performance measures or requirements of the grants, particularly where the activities have had to be adapted to the current circumstances and resources re-allocated. These might include achieving certain levels of output or using the grant within a specified time period, which may no longer be possible.

The Code adapts IAS 20. Grants and contributions are required to be recognised as income, except where an authority has not complied with any attached conditions.

If funding bodies make changes to the conditions set out in existing agreements then authorities will need to re-assess the recognition of grants in the financial statements.

Managing cashflow to meet liabilities as they fall due

Going concern – The Code requires local authorities, that can only be discontinued under statutory prescription, to prepare their financial statements on a going concern basis.

The international financial reporting framework on which the Code is based still requires disclosure of material uncertainties related to events or conditions that may cast significant doubt upon entities ability to continue as a going concern. In view of the Covid-19 pandemic, and pressures on local authority finances, consideration of this requirement will come into sharper focus in audits of 2019/20 financial statements and further commentary on the issues which may need to be addressed is included on page 14 of this report

Government support schemes – considering the accounting implications

The government has announced a variety of packages to support local authorities, businesses and individuals following the outbreak of Covid-19. In recognition of the essential role that councils have to play in the nation's response to the pandemic, MHCLG announced £1.6 billion of initial emergency funding to the sector on 20 March 2020 and a further £1.6 billion on 18 April 2020.

Councils also have a key role to play in distributing coronavirus grants to small and medium sized businesses. By 17 May 2020 the sector had distributed over £9.5 billion of grant funded by the Department for Business, Energy and Industrial Strategy (BEIS) via nearly 800,000 grant payments.

Note, the government support provided is changing regularly and the details of entitlement and how any claims will be settled are still being developed.

Government scheme

Covid-19 emergency funding for local government

MHCLG made available emergency funding to support local authorities in meeting increased demand for adult social care, children's social care, additional support for the homeless and those at higher risk of severe illness from Covid-19.

Initial funding of £1.6 billion was announced on 20 March and paid prior to the end of the 2019/20 financial year, on 27 March. An additional £1.6bn was announced early in the 2020/21 financial year, on 18 April.

Covid-19 grants to small and medium businesses

In the Budget delivered to Parliament on 11 March 2020, the Chancellor announced all businesses eligible for Small Business Rates Relief and Rural Rates Relief would receive a grant of £3,000 to help with the impact of Covid-19.

Subsequently the scheme was expanded to include businesses in the retail, hospitality and leisure sectors and the amount of grant increased to £10,000 for businesses with a rateable value under £15,000 and to £25,000 for businesses with a rateable value between £15,000 and £51,000.

On 1 May BEIS announced a Local Authority Discretionary Grants Fund, aimed at small and micro businesses not eligible for the earlier schemes, with funding of up to 5% of the small businesses and retail, hospitality and leisure schemes available.

Accounting considerations

Government grants

In line with the Code, Government grants represent "assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities."

Section 2.3 of the Code sets out the required accounting treatment for government grants.

Government grant income should be recognised when there is reasonable assurance that the recipient authority will comply with attached conditions and that the grant will be received.

The government has confirmed that this emergency funding has been provided on an un-ringfenced basis and as such it should be credited to the comprehensive income and expenditure statement as income immediately in the relevant financial year, in accordance with 2.3.2.9 of the Code. Authorities should also note the disclosure requirements set out at 2.3.4.

Principal and agent transactions

The eligibility criteria for these schemes are set out in government guidance and local authorities which are billing authorities are required to use their business rates information system to identify the properties that meet the eligibility criteria and pay over the grants to businesses. Local authorities are reimbursed by government for the grant payments made using a grant under section 31 of the Local Government Act 2003.

Billing authorities will need to assess whether they should be accounting for the s31 grants paid to them by BEIS and the distribution of the grants to eligible businesses, as either principal or agent transactions in accordance with Section 2.6 of the Code and the principles set out in paragraphs B34-B38 of IFRS 15.

Where billing authorities have no control over the amount to be awarded, there is no mandatory application process, eligibility is related to business status and billing authorities only have discretion not to award the grant until they identify the correct recipient then these features may indicate that authorities are not acting on their own behalf, but as agents of BEIS.

Paragraph 2.6.2.4 of the Code requires that where an authority acts as an agent, transactions will not be reflected in an authority's financial statements, with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal. In these cases a debtor or creditor will be recognised and the net cash position included in financing activities in the cash flow statement.

Government scheme

Expanded Retail Discount – 100% business rates relief

In response to the coronavirus pandemic, in the Budget on 11 March the Government announced that it would increase the Business Rates Retail Discount to 100% for 2020/21 and extend it to include the leisure and hospitality sectors.

Following the announcement on 23 March 2020 of further measures to limit the spread of coronavirus, the Government confirmed that some of the exclusions for this relief have been removed, so that retail, leisure, and hospitality properties that have had to close as a result of the restriction measures will now be eligible for the relief.

Accounting considerations

Collection Fund

The collection fund statement is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate fund in accordance with Section 89 of the Local Government Finance Act 1988. The fund 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.

For 2019/20 and 2020/21, we would expect non-domestic rates income credited to the Collection Fund to represent amounts receivable, net of any discretionary and mandatory reliefs.

Government grants

The Government has indicated that it will fully reimburse local authorities for the local share of the discretionary relief granted under section 47 of the Local Government Finance Act 1988 (as amended), using a grant under section 31 of the Local Government Act 2003.

Local authorities will have completed their NNDR1 for 2020/21 already. Therefore, billing authorities will provide a further and separate estimate of their likely total cost for providing the 100% extended relief in 2020/21.

We would expect authorities to recognise these s31 grants as a credit to General Fund via the 'Taxation and non-specific grant income' line of the Comprehensive Income and Expenditure Statement.

Significant financial reporting issues to consider



Covid-19 is likely to have a significant impact on a number of other areas:

Narrative report

Additional disclosure is likely to be required around Covid-19 in most areas of the narrative report, with particular consideration given to providing information on:

- the external environment and significant changes to services and key objectives
- any significant changes to governance arrangements as a result of lockdown controls, cross-referencing to the Annual Governance Statement where appropriate
- risks and opportunities, this could include key risks and uncertainties in relation to future service provision, including financial risks, risks arising from the financial performance of subsidiaries and investments in other entities, risk mitigation measures, the acceleration of digital access to services
- the outlook for the authority including factors that may affect future cash flows, details of known future budget pressures or changes in resources and the authority's plans for dealing with any shortfalls.

Whilst it isn't possible to predict the ultimate extent and duration of the pandemic, or its wider impact on the economy, stakeholders will look to authorities to use best endeavors to explain the specific known impacts on their organisation to date, as well as the anticipated future impacts under different scenarios. The specific areas affected by uncertainty are discussed below in more detail, however we would expect that many authorities will have to reconsider their strategies and outlook going forward given the significant impacts of Covid-19. Further, measures to contain the pandemic have likely put pressure on governance processes and on elected members in discharging their responsibilities.

Accordingly, apart from the specific aspects of the narrative report detailed below, we would expect the report to include detailed and specific explanations of the current impact of Covid-19, how the authority has responded and the resilience of the organisation in the face of longer-term uncertainty.

Future plans and activities

This is an area which will require significant consideration by authorities as strategies are likely to have changed from those previously agreed and planned for. As noted above, whilst it isn't possible to predict the ultimate long-term impact of the virus, disclosure is required regarding the current impact as well as the anticipated future impact and how their strategies have had to change in light of the current pandemic.

Financial review and outlook

Consistency between the narrative report and amounts recorded in the financial statements, as well as the adequacy of disclosures made in the financial statements, is important. Authorities will need to ensure appropriate disclosure of material movements in amounts recorded is provided.

In line with paragraph 3.1.1.15 of the Code authorities are required to provide sufficient information to allow the reader to assess the future sustainability of the organisation including cash flows during the year and the factors that may affect future cash flows, information on the authority's key commitments and details of known future budget pressures, or changes in resources, and the authority's plans for dealing with any shortfalls.

Reserves

This is an area which is likely to be affected by the pandemic and some authorities may have to reduce their reserves to below their original target level. Authorities are required to include a description of the nature and purpose of their reserves either in the narrative report or with the financial statements themselves and additional commentary may be required in authorities' 2019/20 statement of accounts.

Risks and opportunities

Stakeholders will be especially interested in the authority's risk assessment regarding the impact of Covid-19 and the actions the authority has taken or is planning in response to the pandemic. The narrative report should include key risks and uncertainties in relation to future service provision and associated risk mitigation measures. Where there is a potential material impact on the authority's operational model or performance further details of the future outlook, risks and uncertainties should be provided. The report should be balanced and achievements and opportunities, for example in relation to rolling out digital access to the authority's services should also be addressed.

When disclosing principal risks and uncertainties, authorities should consider the specific resources, assets and relationships that are most at risk and the mitigating steps being taken to protect them. The principal risks and uncertainties would be expected to include the aspects which may be crucial to an authority's ability to withstand the various market and operational disruptions and rebuild when the opportunity arises. For example, risks and uncertainties arising from the disruption of service operation, the potential loss of key sources of income or the absence of key individuals.

Governance

The Code requires that where there have been significant changes in, or issues around, governance arrangements during the year, these should be highlighted in the narrative report. Paragraph 3.7.4.3 of the Code extends requirements in relation to the Annual Governance Statement to include significant events or developments relating to the governance system that occur between the reporting date and the date on which the statement of accounts is signed by the responsible financial officer.

Social distancing measures and staff absences are likely to have had a significant impact on authorities' governance arrangements. MHCLG laid regulations before Parliament in April 2020 to provide flexibility in relation to local authority and police and crime panel meetings held between 4 April 2020 and 6 May 2021. These regulations provide for remote access to meetings of local authorities by members of a local authority and by the press and public. The regulations also enable local authorities to hold and alter the frequency and occurrence of meetings without requirement for further notice and they disapply provisions requiring local authorities to hold annual meetings.

Given the fundamental importance of local democracy, openness and transparency, accountability and the overarching responsibility to serve the public interest we would expect authorities to describe the new arrangements they have put in place to hold meetings virtually, allow elected members to fully engage in taking key decisions and allow for public participation, within their Annual Governance Statement.

Going concern

Local authorities can only be discontinued under statutory prescription and as such should continue to prepare their financial statements on a going concern basis. In preparing their financial statements authorities are required to disclose material uncertainties related to events or conditions that may cast significant doubt upon their ability to continue as a going concern. In view of the Covid-19 pandemic and pressures on local authority finances, consideration of this requirement will come into sharper focus in audits of 2019/20 financial statements.

Going concern and any associated material uncertainties will need significant consideration and may have an impact on the audit report, narrative reporting and accounting policy disclosures in the accounts.

Some key areas to consider around going concern are:

- **Forecasting** – Forecasts will need to be revisited in light of the current circumstances and a variety of sensitivities and stress testing performed. Authorities should ensure that cash forecasts cover a period up to at least 12 months after

the date of approval of the audited financial statements, and base these on cash flows. If any government support schemes are included in forecasts these should only be included up to the point that the government have committed to date.

- **Material uncertainties** – Although expected to be unusual in a local government context, paragraph 25 of IAS 1 requires that when management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern these shall be disclosed within the financial statements.

Significant judgements and estimation uncertainty

Many areas of the financial statements involve management's judgements and assumptions as of the reporting date. Disclosures of significant judgements and areas of material estimation uncertainty should be focused, sufficiently detailed and up to date to reflect the current situation and any changes in underlying assumptions and sources of estimation uncertainty.

Careful consideration should be given to areas where management has made assumptions and taken judgements which are highly sensitive and have a material impact on amounts recognised and disclosed in the statements.

Valuation of investment property

The Code requires investment property to be measured at fair value, reflecting market conditions at the end of the reporting period. As with operational and surplus property valuations, investment property valuations are being impacted by current market uncertainty created by the Covid-19 pandemic. This has led RICs to instruct all of its member firms to consider including additional disclosure within valuation reports where valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Where this is the case valuers advise that less certainty and a higher degree of caution should be attached to valuations than would normally be the case.

Where such disclosure is included in management's experts' reports, and appropriate disclosure is correspondingly included within financial statements, auditors are likely to consider the inclusion of an 'emphasis of matter' paragraph within their audit report. An emphasis of matter paragraph is not a qualification or modification of the auditor's report and is used where a matter is appropriately presented or disclosed in the financial statements that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial statements.

Management's experts' reports may also include additional caveats or limitations beyond the material uncertainty mentioned above. For example, the expert may not have been able to physically attend a property when forming their valuation. This limitation will be carefully considered by the auditor to determine whether the scope limitation stops the expert being able to produce an appropriate valuation. If appropriate valuations are unable to be produced auditors will need to consider whether modification of their audit reports is necessary.

Impairment

There are many areas of the financial statements which will need to be assessed for impairment considering the financial impact of the pandemic. At each reporting date, management must assess whether there is any indication that an asset may be impaired.

To put this into context for the local authority sector we have highlighted some key areas below where impairment assessments may be necessary in the current climate.

Non-current assets

Many authorities are currently going through a period of significant disruptions due to the lockdown as well as changes in the wider external economic and financial markets, which has resulted in significant changes to their operations, therefore undoubtedly authorities may be holding assets which become less utilised.

Further, it is important to note that where demand for an authority's services significantly decreases or ceases, this may be a trigger that the assets used to provide those services are impaired. Similarly, major social, demographic or environmental changes may have an impact on the number, nature or needs of an authority's service recipients and may therefore also provide an indicator of impairment.

Both IAS 36 and the Code require non-financial assets such as property plant and equipment (including PPE measured at historic cost at current value or at fair value, and whether owned, leased, financed via PFI or donated), intangible and heritage assets to be impaired if their carrying value exceeds their recoverable amount, with the recoverable amount being the higher of fair value less costs of disposal (FVLCD) and value in use (VIU).

It is not always necessary to determine both an asset's FVLCD and its VIU as, if either amount is equal to or exceeds the asset's carrying amount, then the asset is not impaired. The VIU of an asset held by a local authority is the present value of the asset's remaining service potential, or the present value of the future cash flows expected from cash generating assets.

It is important to note that most local authorities hold assets primarily to provide services rather than for generating cash flows. In such circumstances, it would be inappropriate to measure VIU by reference to the asset's cash flow and appropriate to instead measure it as the present value of the asset's service potential (VIU-SP).

The Code notes that impairment may also be due to physical damage, obsolescence breakage, a commitment to a significant reorganisation, or other factors. In the current climate the indicators of impairment are likely to be much wider and manifest in a number of ways through external and internal sources of information.

Furthermore, the reliability of valuations is affected by the volatility of the economic environment and various markets, including the property market. On-site valuations are harder to achieve with social distancing measures in place. For those assets under the revaluation model, there is a possibility that some valuations will be issued with 'material valuation uncertainty' declarations and authorities will need to ensure that disclosures regarding valuations are sufficient for readers of the accounts to understand key estimates or judgements involved in determining valuations at the year end.

This is an area of management judgement and detailed consideration will be required for each authority given its own set of facts and circumstances. Further detailed guidance is contained within Section 4.7 of the Code and IAS 36.

Financial instruments

Local authorities hold a variety of financial instruments including bank deposits, trade receivables, loans receivable and investments. Section 7.2.9 of the Code is concerned with impairment of financial instruments and is based upon the requirements of IFRS 9. This standard requires that forward-looking information (including macro-economic information) is considered, both when assessing whether there has been a significant increase in credit risk and when measuring expected credit losses. Authorities are required to recognise a loss allowance for expected credit losses on financial assets where the counterparty is not central government or a local authority for which statutory provisions prevent default.

Where credit risk on a financial asset has increased significantly since its initial recognition, as could be the case following the Covid-19 pandemic, authorities are required to measure the loss allowance at an amount equal to the lifetime expected credit loss. In making an assessment of whether credit risk has increased significantly it is necessary to consider the change in the risk of default occurring over the expected life of the financial asset, taking account of reasonable and supportable information available without undue cost or effort. Regardless of how this assessment is performed, there is a

rebuttable presumption that the credit risk on a financial asset has increased significantly when contractual payments are more than 30 days past due, although it is not necessary to wait 30 days before determining that there has been significant increase in credit risk.

Authorities are required to measure expected credit losses on financial assets in a way that reflects unbiased, probability-weighted amounts determined by evaluating a range of possible outcomes, the time value of money and information available at the reporting date about past events, current conditions and forecasts of future economic conditions. Authorities need not identify every possible scenario but need to assess the possibility credit losses do or do not occur.

Investment in joint ventures/investment in subsidiaries

Some authorities have complex group structures and will need to consider whether the impact of Covid-19, including any measures taken to control it, are an indicator that the investments in joint ventures/subsidiaries are impaired. Authorities may also need to consider if there are any additional losses or contingencies in group entities for which they may become liable.

Employee benefits such as holiday pay accruals, sick pay and termination costs

Authorities will need to consider whether additional provisions and disclosures are necessary due to employee layoffs and other employee related items as a result of Covid-19.

Sick pay – Sick pay is likely to increase during this period and authorities should recognise a liability for sick pay in the period in which employees are off, even if it is not paid until a later period.

Termination costs – Under IAS 19 authorities should recognise a liability and expense for termination benefits at the earlier of when it can no longer withdraw the offer of those benefits and when it recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Any plans communicated after the reporting date should be treated as a non-adjusting post-balance sheet event in line with paragraph 3.8.2.13 of the Code.

Investments

Financial markets across the world have been very volatile due to the current uncertainty surrounding the economic impact of the pandemic. Where investments are measured at fair value, based on a quoted price in an active market for an identical asset (i.e. 'Level 1' in the fair value hierarchy) then, whilst such fair values might change materially within the next financial year, disclosure of the risk of material change is not required.

Where, however, investments (including financial assets and investment property) are measured using valuation techniques involving observable inputs other than quoted prices or unobservable inputs (i.e. at 'Level 2' or 'Level 3' of the fair value hierarchy as defined in section 2.10 of the Code and IFRS 13), and there is a significant risk of material adjustment to the carrying amount of the investment within the next financial year, then the estimation uncertainty disclosure requirements of 3.4.2.90 of the Code will apply.

The possibility of assets needing to be measured using unobservable inputs as a result of the pandemic should also be taken into account. Where measurement does move from 'Level 2' to 'Level 3' then authorities should note the additional disclosure requirements set out in section 2.10.4 of the Code.

Increased volatility and uncertainty will also have an impact on the valuation of defined benefit pension schemes as discussed below.

Pensions

Movements in the value of investments will affect the valuation of defined benefit pension schemes overall and in some cases, authorities may see a noticeable change in their defined benefit pension position. Some actuarial methodologies may also traditionally use forecast investment valuations to determine an estimate for the year end fund asset position. Given the volatility of the financial markets, the possibility of significant change in asset valuations as at the year-end should be considered and the fair value of plan assets updated where there has been a material movement compared to the forecast position. Using any estimated asset valuations increases the likelihood of a significant misstatement in the overall defined benefit pension scheme position at the year end.

Post balance sheet events

For 2019/20 financial statements, the existence of Covid-19 was recognised during the financial year and some of its impacts and actions taken by the Government were known by the reporting date of 31 March 2020, Covid-19 is an adjusting event and the effects of the pandemic must be taken into account in measuring assets and liabilities wherever relevant, based on facts and circumstances at year-end. However, new information about the likely severity and duration of the effects of Covid-19 will continue to emerge. Careful analysis and judgement, with reference to Section 3.8 of the Code and IAS 10, will be required to determine whether this information is 'adjusting' on the basis that it provides new evidence about the year-end situation, or is a non-adjusting event that should be disclosed.

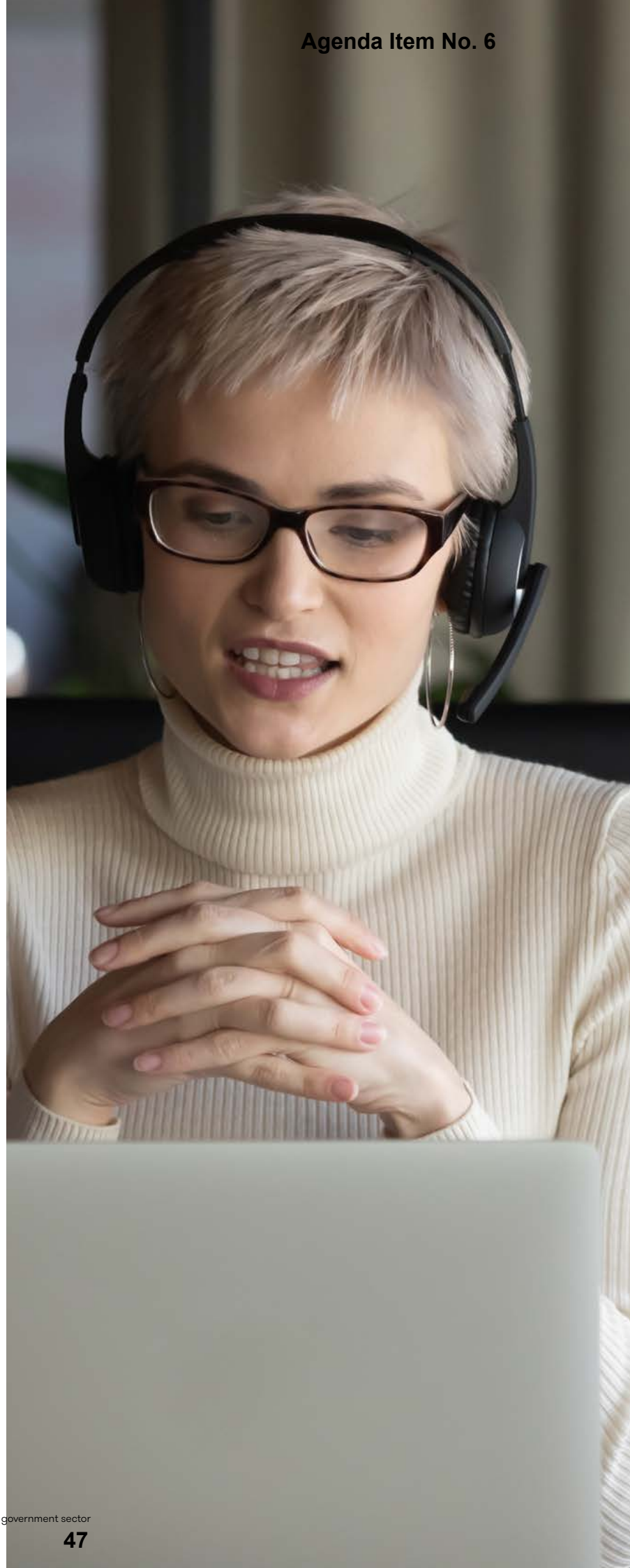
For those local authorities yet to conclude their financial statements for years prior to 2019/20, the emergence of new information about Covid-19 and its impact is a non-adjusting post balance sheet event requiring disclosure in those financial statements. The outbreak of the virus, its identification as Covid-19 by the WHO and actions subsequently taken by the Government do not provide additional evidence about the conditions that existed at the reporting date. Therefore, for 2018/19 (or earlier) financial statements the emergence of Covid-19 and its impact is a non-adjusting event. In line with section 3.8.3.2 of the Code, disclosure is still required for non-adjusting events regarding the nature of the event and estimate of the financial effect if possible.

We would encourage all authorities to consider all these points when preparing their financial statements.

Deferral of IFRS 16 Leases

At its meeting on 27 March CIPFA/LASAAC agreed to defer the implementation of IFRS 16 Leases to the 2021/22 financial year, with an effective date of 1 April 2021. This decision aligns with the proposals across the public sector.

Although the implementation of IFRS 16 has been delayed to 1 April 2021, in our view authorities still need to include disclosure in their 2019/20 statements to comply with the requirement at 3.3.4.3 of the Code and the underlying requirement of IAS 8 paragraphs 30 and 31. As a minimum, we would expect authorities to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, we would expect the financial statements to state this.



Other sector issues and practicalities to consider



Cyber security

Sadly more instances of cyber-crime are occurring as fraudsters are taking advantage of an increase in on-line activity, and in some cases a weakening of controls. The most common types of cyber-crime currently are:

- **Procurement fraud** – companies claiming to sell personal protective equipment and then not delivering the goods
- **Phishing emails** – with links leading to fake website which can cause viruses or steal personal details or passwords
- **Mandate/CEO fraud** – these involve official looking emails requesting changes to bank details for either suppliers/employees; and
- **Unsolicited goods/services/financial support** – these goods are never delivered and often require advanced fee payment.

As the majority of staff will be working on-line it is of utmost importance that local authorities make all employees aware of the type of cyber-crimes that are prevalent, to be particularly vigilant, and to maintain strong internal controls.

Impact on audit work/ external scrutiny process

- **Audit approach** – Planned audit approaches are likely to change due to logistical issues as well as a heightened risk in several areas of the financial statements, resulting in additional testing being required. Social distancing will have a significant impact on how auditors obtain the evidence they require as well as how they communicate. You will see an increase in use of technology as may see more substantive testing, particularly if the operation of internal controls has been affected. Auditors and local authorities will need to work together to identify what alternative measures are possible in the current environment without reducing the quality of audit evidence.

The amount of audit work and length of audits are therefore likely to increase due to the impact on financial reporting and additional scrutiny over key estimates and significant judgments made by management should be anticipated.
- **Audit reports** – Due to the uncertainties arising from the pandemic there is a greater likelihood of audit reports containing emphasis of matter paragraphs and potentially being modified or qualified. Where the auditor anticipates a potential modification they will communicate the circumstances to officers and those charged with governance.
- **Audit Committee and other significant meetings** – Audit Committee meetings may be impacted if physical meetings are still prohibited or advised against at the time of concluding audits. Audit committees will need to discuss with their auditors how best to communicate, holding virtual meetings where possible. Annual and other significant meetings may also have to be held virtually, postponed or cancelled.
- **Accounts preparation and audit timetable** – MHCLG laid the Accounts and Audit Regulations (Coronavirus) (Amendment) Regulations 2020 before Parliament in April 2020. The effect of the Regulations is to extend the timetable for local authorities to prepare their draft 2019/20 statement of accounts to 31 August 2020, with the period for the exercise of public rights to commence on or before 1 September 2020. The Regulations also extend the deadline for the publication of statements of accounts, together with any certificate or opinion of the local auditor, to 30 November 2020. Local auditors will already have liaised with local authorities over the anticipated timetable for the preparation and audit of the 2019/20 financial statements.
- **Inspection of documents** – Section 26 of the Local Audit and Accountability Act 2014 gives any interested person the right to inspect the accounting records for the financial year and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records. The Accounts and Audit Regulations 2015 prescribe that these rights may only be exercised in a single 30 working day period, with the responsible financial officer required to advise the relevant period via publication of a statement including publication on the authority's website. In light of the pandemic and with social distancing measures in place, authorities will need to consider how they will allow the public the opportunity to exercise their rights in relation to the accounts. Authorities must publish the dates of their public inspection period, and given the removal of the common inspection period and extension of the overall deadlines for this year, authorities may wish to include public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2019/20 accounts.

The National Audit Office is currently reviewing its publication 'Local authority accounts – a guide to your rights' and updates will be made to take account of the changes announced in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

Engagement with experts



In uncertain times, it is particularly important to maintain regular dialogue with management experts where they have roles in relation to the preparation of accounts. Some examples include:

- **Valuation experts** – These should be contacted as soon as possible to establish how they will apply the most accurate valuation method, in light of the current uncertainty and with social distancing measures in place. RICS have issued some advice¹ to its members on that matter, including highlighting the possibility that some valuations may need to be issued with ‘material valuation uncertainty’ declarations.
- **Actuaries** – Discussions with actuaries, engaged to support with defined benefit pension schemes, should be held regarding updates to the assumptions used and timing of their report, in order to obtain the most accurate valuation possible.

¹ <https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/valuation-coronavirus/>

Further resources and guidance

The amount of information and constant updates can be overwhelming and therefore we have included some key websites for guidance on both the operational and financial aspects that are being updated regularly so that you have these to hand.

Grant Thornton Covid-19 Hub

Grant Thornton have a dedicated Covid-19 hub², which covers a number of topics including: navigating government support, cyber security, contingency planning, impact on businesses and option to join weekly webinars which provide practical steps to dealing with the impact of the pandemic.

CIPFA

CIPFA have issued guidance³ on the financial reporting implications of Covid-19 covering some key areas including the impact on the narrative report, events after the reporting period and impact on Property Plant and Equipment, Investment Property and Financial Instruments.

National Audit Office

The National Audit Office will publish an updated guide⁴ to public rights in relation to the accounts, taking into account the impact of the pandemic.

Financial Reporting Council

The Financial Reporting Council (FRC) are continuously updating their advice on the impact of the pandemic on financial reporting and audits.⁵ This is relevant for both authorities and auditors.

Local Government Association

The Local Government Association has published guidance and resources relating to Covid-19 on its website.⁶

Ministry of Housing Communities and Local Government

The Ministry of Housing Communities and Local Government (MHCLG) has published extensive Covid-19 related guidance for the local government sector.⁷

Please note that this is a constantly evolving situation and therefore information included within this report may change over time.

Contact us



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² <https://www.grantthornton.co.uk/en/insights/responding-to-coronavirus-covid-19/>

³ <https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-05-closure-of-the-201920-financial-statements>

⁴ <https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/>

⁵ <https://www.frc.org.uk/about-the-frc/covid-19/>

⁶ <https://www.local.gov.uk/our-support/coronavirus-information-councils>

⁷ <https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-local-government>

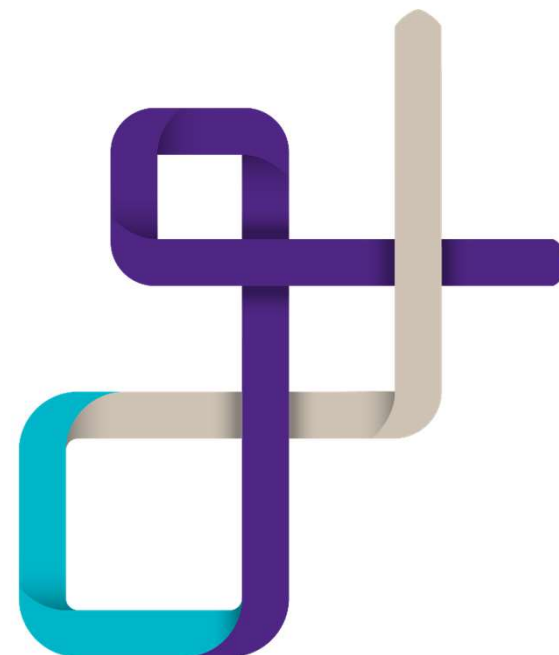




External Audit Plan update

Year ending 31 March 2020

Wyre Forest District Council
15 May 2020



Introduction & headlines

Purpose

This document provides an update to the planned scope and timing of the statutory audit of Wyre Forest District Council ('the Authority') as reported in our Audit Plan dated March 2020 for those charged with governance.

The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 25 March 2020, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

Impact on our audit and VfM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020. We have been liaising with management and have agreed a deferred start date of the 29 June 2020 for our 2019/20 audit. We continue to be responsible for forming and expressing an opinion on the Authority's financial statements and VfM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2021/22.

Changes to our audit approach

To date we have:

- Identified a new significant financial statement risk, as described overleaf
- Reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19.

Changes to our VfM approach

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

Significant risks identified – Covid – 19 pandemic

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid – 19	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.



Our ref:
Your ref:

Tracey Southall
Chief Financial Officer
Wyre Forest District Council
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Kidderminster,
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Date 3 June 2020

Grant Thornton UK LLP

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Dear Tracey

Preparation and audit of the 2019/20 Statement of accounts

I hope you and your colleagues are all keeping safe and well in these very unusual and difficult times.

Preparation of the statement of accounts is the responsibility of the responsible financial officer. In this letter we set out some key issues relating to the preparation and audit of 2019/20 financial statements, some of which are also covered by CIPFA's recent Bulletin 05 Closure of the 2019/20 Financial Statements. We would welcome early engagement with you on these matters and will make arrangements to discuss them with you further.

Financial reporting issues arising as a result of the Covid-19 pandemic

As noted in Bulletin 05, there are numerous issues that will impact local authorities as a result of the Covid-19 pandemic.

Possible implications for the 2019/20 statement of accounts include:

- impairment of non-current assets
- impairment of investments, including investments in group entities
- changes in expected credit losses
- changes in the fair value of investment properties, surplus assets and financial instruments affecting measurement and disclosure
- events after the reporting period requiring adjustment to the accounts or disclosure
- increased estimation uncertainty
- commentary on the effects of the pandemic on the authority within the narrative report

Bulletin 05 provides guidance in relation to these matters and references the requirements of the Code. We will discuss with you the Council's assessment of the impact of the pandemic on its 2019/20 statement of accounts.

Going Concern basis of accounting

Paragraphs 43-45 of Bulletin 05 refer to the Going Concern basis of accounting. It confirms that local authorities can only be discontinued under statutory prescription and as such should continue to prepare their financial statements on a going concern basis. The bulletin also discusses whether an authority needs to make an assessment of its ability to continue as a going concern.

Agenda Item No. 8

Grant Thornton UK LLP's view is that in preparing their financial statements authorities are required to disclose material uncertainties related to events or conditions that may cast significant doubt upon their ability to continue as a going concern. In view of the Covid-19 pandemic and pressures on local authority finances, consideration of this requirement will come into sharper focus in audits of 2019/20 financial statements.

In conducting your audit we will comply with our responsibilities under International Standard on Auditing 570 *Going Concern*, and also with Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom* issued by the Public Audit Forum to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern.

Accounting for the McCloud and Sargeant judgements in 2019/20

CIPFA published a McCloud Briefing (<https://www.cipfa.org/services/networks/pensions-network/event-documents/cipfa-mccloud-briefing-note>) on 9 March to assist local, police and fire authorities and LGPS funds in commissioning IAS19 valuations for inclusion in the 2019/20 statements of accounts. This Briefing provided some background to the McCloud and Sargeant judgements.

Subsequently on 30 April CIPFA has published Bulletin 05 Closure of the 2019/20 Financial Statements (<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-05-closure-of-the-201920-financial-statements>).

Grant Thornton's UK LLP's view remains as communicated during our 2018/19 audit. The two tribunals give rise to a legal obligation that is required to be measured under IAS 19. Disclosure of a contingent liability in relation to the McCloud and Sargeant judgements is not, in our view, appropriate, and where this has a material impact on the financial statements, we would have to consider the implications for our opinion.

Deferral of the implementation of IFRS 16 Leases

At its meeting on 27 March CIPFA/LASAAC agreed to defer the implementation of IFRS 16 Leases to the 2021/22 financial year, with an effective date of 1 April 2021. This decision aligns with the proposals across the public sector.

Although the implementation of IFRS 16 has been delayed to 1 April 2021, in our view authorities still need to include disclosure in their 2019/2020 statements to comply with the requirement at 3.3.4.3 of 2019/20 Code and underlying requirement of IAS 8 paragraphs 30 and 31 and we will therefore still need to undertake some work in that area. As a minimum, we would expect authorities to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, we expect the financial statements to state this.

Valuation uncertainty and RICS Covid-19 Valuation practice alert

The Code requires that where assets are revalued the revaluations shall be sufficiently regular to ensure that carrying amounts do not differ materially from current value at the end of the reporting period.

We note a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19, and that different markets will react differently. RICS has issued a Valuation practice alert following the pandemic, and in practice we are noting that a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Our expectation is that authorities will assess the impact of such disclosures, taking account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in relation to major sources of estimation uncertainty.

Agenda Item No. 8

I hope this is helpful and I look forward to engaging with you on the issues raised in this letter.

Yours sincerely



Peter Barber

Engagement Lead and Key Audit Partner

For and on behalf of Grant Thornton UK LLP

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE REPORT

22nd July 2020

REPORT ON ACCOUNTING CONCEPTS AND POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

OPEN ITEM	
Cabinet Member	Councillor G. Ballinger Leader of the Council and Cabinet Member for Strategy and Finance
DIRECTOR:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall Ext. 2100 tracey.southall@wyreforestdc.gov.uk Helen Ogram Ext 20907 Helen.ogram@wyreforestdc.gov.uk Lisa Hutchinson Ext 2120 Lisa.hutchinson@wyreforestdc.gov.uk
APPENDIX 1	Appendix 1 – Accounting Policies Appendix 2 – Critical Judgements Appendix 3 – Major sources of estimation uncertainty

1. PURPOSE OF REPORT

1.1 The purpose of the report is to:-

- i) present the Accounting Policies for use in preparing the Council's Statement of Accounts for 2019-20 for approval.
- ii) review and note the critical judgements used in applying the accounting policies and the assumptions about the future and other major sources of estimation uncertainty.

2. Recommendations

2.1 The Audit Committee are asked to:

- i) approve the Accounting Policies to be used in preparing the Council's 2019-20 Statement of Accounts (Appendix 1)
- ii) to note the critical judgements made by management when producing the Statement of Accounts (Appendix 2) and assumptions made about the future and other major sources of estimation uncertainty (Appendix 3).

3. Background

- 3.1 The Council's Annual Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Local Authority Accounting in the UK (the 'Code') which is based on International Reporting Standards (IFRS's). This means the Council's accounts are presented in a format which should make comparison with the accounts of other local authorities and other organisations generally as easy as possible. This report presents the accounting policies that will be used in the preparation of the 2019-20 Statement of Accounts and summarises the changes from 2018-19 that have been introduced as a result of amendments to the Code of Practice or as part of the Council's annual review process. The report also explains the requirement to disclose the critical judgements made by management when producing the Statement of Accounts.

4. Key Issues

4.1 Accounting Policies

- 4.1.1 The Council's accounting policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the annual financial statements.
- 4.1.2 The Accounting Policies to be used in preparing the 2019-20 Statement of Accounts are disclosed as a note to the annual accounts and a copy of the policies is attached as Appendix 1 to this report. These are in line with the Code for 2019-20 and vary from the 2018-19 policies as follow:
- 4.1.3 A new policy has been included following approval on 17th May 2019 for the Kidderminster Business Improvement District (BID). The BID levy will be collected by the Council on behalf of the BID body as agent under the scheme. As agent most BID transactions would not be recognised in the Comprehensive Income and Expenditure statement. The BID levy collection costs and associated reimbursement income will be shown in the Resources Directorate outturn line.
- 4.1.4 International Financial Reporting Standards (IFRS) 16 Leasing was to have been introduced for, Local Government from 1 April 2020. However, due to Covid-19 and the additional pressure local authorities and auditing bodies are facing, the Financial Reporting Advisory Board (FRAB), on 20 March 2020, deferred implementation until 2021/22.

4.2 Critical Accounting Judgements

- 4.2.1 Under Section 151 of the Local Government Act 1972, the appropriate Chief Finance Officer is charged with the proper administration of the Council's financial affairs and as such must make good judgements and estimates that are

reasonable and prudent. However, it is considered good practice for the Audit Committee to consider these judgements and the major sources of estimation uncertainty that are going to be applied to these accounts.

- 4.2.2 In applying the Authority's accounting policies, the Council has to make certain judgements about future events. In line with IFRS and the Code, the Council is required to disclose those judgements. The judgements taken include which assets should be included on the Council's balance sheet, whether a property should be classed as an operational property, an investment property or a heritage asset; whether the local business rates appeals provision experience since 2017 is a better indication of likely future experience than reference to national assumptions; the classification of financial assets within financial instruments; whether a lease should be classed as a finance or operating lease and whether an organisation should be included within the Council's group accounts.
- 4.2.3 There is a degree of uncertainty about future levels of government funding. The Council has had to consider a range of options on how to continue to provide some elements of its services with a reduced level of funding. Further, the Covid 19 pandemic and social distancing requirements has required a review of the Council's use of assets and this work is on-going. There is not currently a sufficient indication that the assets of the Council might be impaired as a result of a need to either close facilities or reduce levels of service provision for this to be reflected in the accounts.
- 4.2.4 A review of the entities related to the Authority in 2019-20 has taken place and it has been concluded that single entity accounts should be prepared.
- 4.2.5 In accordance with International Accounting Standards, the notes to the accounts contain details of the critical judgements made. Critical judgements relate to:
- Asset classification
 - Treatment of Business Rates Appeals
- 4.2.6 Critical accounting judgements are set out in Appendix 2.

4.3 Key Sources of Estimation Uncertainty

- 4.3.1 The Statement of Accounts contains some estimated figures that are based on the assumptions made about the future or that are otherwise uncertain. These include:
- useful lives/valuations of assets which are estimated by qualified valuers;
 - valuations of investments;
 - provision for business rate appeals based on claims received and previous experience of the outcome of appeals;

- the amount of arrears that will not be collected which are estimated based on expectation of collection of different types of debt and level of impairment provisions; and
- the liability for future pension payments which is estimated by qualified actuaries.

4.3.2 Estimates are made taking into account historical experience, current trends and other relevant factors. However, because some balances cannot be determined with certainty, actual results could be different from the assumptions and estimates. The items in the Council's balance sheet at 31 March 2020 for which there is a risk of adjustment in the following year are set out in Appendix 3.

4.3.3 The Committee is asked to note in particular the on-going effect that the Covid 19 pandemic has had on these critical judgements and major sources of estimation uncertainty.

4.3.4 The council's valuers have advised that material uncertainty attaches to the valuations of property held at current value or fair value, due to the disruption in property markets arising from the pandemic. Guidance issued by RICS (the Royal Institute of Chartered Surveyors) advises valuers that the impact of the pandemic on property market activity could mean that during the period of market disruption, for valuations which rely on comparable market data it may be appropriate to attach less weight to market evidence than would be usual. Therefore, less certainty and a higher degree of caution would be attached to such valuations than would normally be the case. The balance sheet date of 31st March 2020 falls shortly after the start of the period during which disruption to the UK property market has been experienced. The full impact of Covid-19 on property markets and the construction industry is unlikely to be quantifiable until any market disruption has eased. Given that the balance sheet date falls near the start of an extended period of disruption to the property market and the wider economy, it can be assumed that the bulk of any resulting movement in property values will have taken place after the balance sheet date. The council's valuers have advised that the valuation of its properties should be kept under review, as market evidence becomes available. A review for possible impairment may be necessary when the consequences for property values of the coronavirus pandemic become clearer. However, it is not yet possible to say when property markets will stabilise to a sufficient extent to provide robust evidence for such a review to be carried out. A subsequent impairment review would provide evidence of any falls in property values as at the date of the review, but would not provide any evidence for the timing of such falls in value.

4.3.5 The council has assessed the collectability of its financial assets and raised impairment provisions accordingly. However, it should be noted that in the current unprecedented economic circumstances arising from the Covid 19 pandemic,

there is very little objective evidence available to assess future conditions, and therefore more uncertainty than usual attaches to the level of impairment provisions.

5. FINANCIAL IMPLICATIONS

- 5.1 The appropriate adoption of accounting policies and application of critical judgements ensures that information within the accounts is relevant and reliable.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 None.

7. RISK MANAGEMENT

- 7.1 The financial health of the Authority as demonstrated within its Statement of Accounts will be used to inform the Council's overall financial risk assessment and the Council's reserve strategy. The accounting policies, critical judgements and assumptions made about the future and other major sources of estimation uncertainty are key to the presentation and understanding of the Council's financial health. The principal risk to the Council is a material misstatement due to inappropriate judgements and estimation techniques. Officers continue to work in close liaison with Grant Thornton to response to queries or additional evidence requests to mitigate the risk of material misstatement.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 Accounting policies and critical accounting judgements underpin the preparation of the annual statement of accounts. The reporting of income and expenditure is prescribed by regulation and the CIPFA Code. This is a financial report and there is no requirement to undertake an Equality Impact Assessment.

9. CONCLUSION

- 9.1 This report details the provisional outturn position as at 31st March 2020 and provides information on the creation of further significant earmarked reserves.

10. CONSULTEES

- 10.1 CLT
10.2 Grant Thornton – External Auditors

11. BACKGROUND PAPERS

Appendix 1 Accounting Policies

Appendix 2 Critical judgements

Appendix 3 Major sources of estimation uncertainty

Accounts and Audit Regulations 2015

ACCOUNTING POLICIES (Note 1 to the Statement of Accounts)

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position at 31st March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020; those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code) 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.

The Accounts have been drawn up under the going concern concept; i.e. that, under the Code, it is assumed that the services of the Council will continue to operate for the foreseeable future.

1.2 Accruals of Income and Expenditure

All revenue and capital expenditure is accounted for on an accruals basis in accordance with the Code and International Accounting Standard (IAS) 1; that is, sums due to or from the Council during the year are recorded, irrespective of whether the cash has actually been received or paid during the year. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies and services are recorded as expenditure when they are consumed (when supplies are held for future use 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 is accounted for 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 income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 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 no more than three months 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 Council's cash management.

1.4 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 Council'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.

1.5 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 assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. 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.

1.6 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled 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 the employees render service to the Council. 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 that employees

can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus and Deficit on the Provision of Service, but then reversed out through the Movement in Reserve Statement so that holiday entitlements 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 Council 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 relevant service or, where appropriate, to a corporate service at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Redundancy payments are based upon an employee's actual week's pay and the number of weeks as defined in the Employment Relations Act 1998, up to a maximum of 30 weeks pay.

Post Employment Benefits

The Council participates in one defined benefit scheme for its employees (retirement lump sums and pensions), earned as employees work for the Council, administered by Worcestershire County Council. Pension costs are assessed in accordance with the advice of an independent qualified Actuary (Mercer Limited).

The Local Government Pension Scheme

The liabilities of the Worcestershire County Council pension fund attributable to the Council 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 life expectancy, employee turnover rates, etc, and projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 2.4% based on the indicative rate of return on high quality corporate bond.

The assets of Worcestershire County Council pension fund attributable to the Council 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 pension 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.
- net interest on the net defined benefit liability - i.e. net interest expense for the Council – 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 Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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 Worcestershire County Council pension fund:

- 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 Council 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.

Further information in respect of the Pension Fund Accounts can be found in Worcestershire County Council's Superannuation Fund Annual Report available on request from:

Worcestershire County Council,
County Hall,
Spetchley Road,
Worcester,
WR5 2NP

<http://www.worcestershire.gov.uk/pensions>

1.7 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 – 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, detailed in Note 39, are not reflected in the Statement of Accounts.

1.8 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council 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.

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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council currently only holds financial assets at amortised cost.

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council 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 (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest). Interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Where the risk of default is not material an adjustment to the accounts will not be made.

1.9 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 Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grants or contributions 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 and Expenditure (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.

1.10 Heritage Assets

Heritage assets are held in support of the Council's primary objective of increasing the knowledge, understanding and appreciation of the social and industrial history of the Wyre Forest area. They currently consist of the Richard Eve Memorial, art collection and those exhibits that are held in the Bewdley Museum and in other Council Buildings.

Heritage assets have indeterminate useful economic lives and high residual values and, therefore, it is not considered appropriate to charge depreciation. They have been measured in the Balance Sheet at their insurance valuations, based on market values and are updated every two years unless, in the interim, evidence from the various trade press or auctions etc indicates a significant variation in prices of similar assets. The accounting treatment of revaluation gains & losses are in accordance with those for property, plant & equipment.

The Balance Sheet carrying values of all heritage assets are reviewed at the end of the year where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (Note 1.17).

Purchases and acquisitions e.g. by donations are rare, but when they do occur purchases will be initially recognised at cost and acquisitions e.g. by donations will be initially recognised at valuations ascertained by either the museum's curators, with reference to the appropriate commercial markets, or by an external valuer.

The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. Transfers to partners/appropriate third parties such as Town Councils under Localism principles may also be agreed. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Any disposal proceeds will be disclosed separately in the notes to the financial statements and will be accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (Note 1.17).

The Council applies a de minimis level of £10,000 for assets included in the Balance Sheet. However, there are many de minimis Heritage Assets that, when aggregated, exceed this level. Therefore, all Heritage Assets have been aggregated into the categories stated above and included in the Balance Sheet.

1.11 Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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 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 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.

1.12 Interests in Companies and Other Entities

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities will be recorded as investments, i.e. at cost, less any provision for losses. The Council has interests in companies, but no material business was transacted in 2019-20.

1.13 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

1.14 Joint Operations

The Council is a partner in the Worcestershire Regulatory Services (WRS) shared service, which discharges various of the council's statutory functions relating to Environmental Health and Licensing via a Joint Committee constituted under the relevant provisions of the Local Government Act 1972, together with Bromsgrove District Council (the host), Redditch Borough Council, Malvern Hills District Council, Worcester City Council and Wychavon District Council. All partners have rights to the assets and obligations for the liabilities relating to this shared arrangement and each participant accounts separately for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows. The shared service undertakes work for a range of other local authorities and third parties including a contractual arrangement with Worcestershire County Council for the provision of management and support services for its Trading Standards and Animal Health team that was formerly part of the partnership arrangement.

This Council hosts the shared service agreements with Redditch Borough Council and Bromsgrove District Council for North Worcestershire Economic Development and Regeneration, North Worcestershire Water Management and North Worcestershire Civil Contingencies and Resilience.

The Council also partners with Bromsgrove District Council who host Building Control, Redditch Borough Council as host authority for payroll services and Wychavon District Council who provide a car park administration service for penalty charge notices.

1.15 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. The Council has not identified any finance 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

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 (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Operating Leases

Where the Council 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 (e.g. 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.

The Council has not identified any material operating leases.

1.16 Overheads and Support Services

The costs of overheads and support services are charged to services in accordance with the Council's arrangements for accountability and financial performance.

1.17 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 Council 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
- where applicable, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council 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 (i.e., it will not lead to a variation in the cash flows of the Council). 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 Council.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- 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 (EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate. In some circumstances it may be necessary for specialist valuations to be combined with an accounting estimate where there is sufficient local knowledge to justify such treatment.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current 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 current value at the year-end, but as a minimum every five years. Assets with a valuation in excess of £1m will be revalued annually from 2019-20 onwards. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the surplus or deficit on the provision of services 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 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 by the Council's Valuer to determine 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 as follows:

- 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 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 (e.g., freehold land and certain Community Assets) and assets that are not yet available for use (e.g., assets under construction).

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer
- no depreciation is charged in the year of acquisition

- a full year's depreciation will be charged on assets revalued in year (where applicable) to ensure that the service retains a consistent charge for the consumption of the asset, in accordance with the principal of total cost as defined in the CIPFA Service Reporting Code of Practice for Local Authorities (2019-20 Edition).

Where an item of Property, Plant and Equipment, valued in excess of £1million, has major components whose cost is 20% 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.

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 through 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 recognised only up to the amount of any previous losses 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 back to 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 that would have been recognised had they not been classified as Held for Sale, 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 required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). 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 non-current 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.

Surplus Assets

Assets that have been declared 'surplus' but are being held pending an improvement in market conditions are classified as surplus assets but continue to be held within Property, Plant and Equipment.

1.18 Investment Property

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to provide services by the Council or is held for sale. Any investment properties acquired would be held by the Council's Local Authority Trading Company (LATC) or such other arms length legal entity.

Investment Properties are initially measured at cost. After initial recognition they are measured at fair value - highest and best use. The fair value reflects market conditions at the balance sheet date. A gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Investment Properties are not depreciated but are revalued annually according to market conditions at year end.

An investment property is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are reversed in the Movement in Reserves Statement and posted to the Capital Adjustment Account and sale proceeds over £10,000 to the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment income line in the Comprehensive Income and Expenditure Statement.

1.19 Fair Value Measurement of Non-Financial Assets

The Council's accounting policy for fair value measurement of financial assets is set out in note 1.8. **The Council also measures some of its non-financial assets such as surplus assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:**

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

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, 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 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 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, either directly or indirectly

Level 3 – unobservable inputs for the asset.

1.20 Provisions

Provisions are made where an event has taken place that gives the Council 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.

Provisions are charged as an expense to the appropriate service in the Comprehensive Income and Expenditure Statement in the year that the Council has an 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.

1.21 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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 Note 36 to the accounts.

1.22 Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

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

economic benefits or service potential.

1.23 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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 transferred back into the General Fund Balance 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, local taxation (including business rates), retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.24 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 Council 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.

1.25 Value Added Tax (VAT)

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

1.26 Interest and Investment Income

Investments of surplus resources are carried out in accordance with regulations. Interest is credited to the General Fund based on the actual interest earned on investments during the year. Funds are managed in accordance with the Council's Treasury Management Service Strategy.

1.27 Borrowing

In accordance with the Capital and Treasury Management Service Strategies the Council has made use of the prudential borrowing regime. Several schemes contained within the capital programme are being financed through prudential borrowing, the result being that the Capital Financing Requirement (CFR) will increase. The Council entered into further external borrowing against the CFR in 2019-20. A statutory minimum revenue provision (MRP) is being made, based on the writing down period of the assets. The CFR is kept under review with the possibility of further external borrowing available if required.

Minimum Revenue Provision

The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments if required at the discretion of the Chief Financial Officer (Voluntary Revenue Provision - VRP). Further details can be found in the Treasury Management Strategy 2019-20.

The Ministry of Housing, Communities and Local Government (MHCLG) Regulations require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils so long as there is a prudent provision. The Council approved MRP Policy Statement for 2019-20 is summarised below and includes the option of using the annuity method to calculate MRP under the Asset Life Method:

- For outstanding debt liability incurred prior to the new guidance – i.e. pre 2008-09 then MRP is calculated based on the previous 4% reducing balance method;
- From 1st April 2008 for all unsupported borrowing the MRP will be:

Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Directive).

There are two ways of calculating MRP under the Asset Life Method:-

- i. **the equal instalment method** allows the use of a simple formula to generate a series of equal annual amounts over the estimated life of the asset.
- ii. **the annuity method** makes provision for an annual charge to the General Fund which takes account of the time value of money (e.g. whereby paying £100 in 10 years' time is less of a burden than paying £100 now). The schedule of charges produced by the annuity method results in a consistent charge to revenue over an asset's life, taking into account the real value of the annual charges when they fall due. The annuity method also matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. the method reflects the fact that asset deterioration is slower in the early years of an asset's life and accelerate towards the latter years). This is commensurate with a prudent provision matching debt repayment to the period which the capital expenditure provides benefit. This method is most appropriate for use in circumstances where the initial investment is recouped from rental yields that are subject to cyclical, upwards only reviews. It is also appropriate in connection with projects promoting regeneration or administrative efficiencies or other schemes where revenues will increase over time.

The Chief Finance Officer (Section 151 Officer) will determine whether an annuity or equal instalment method is utilised to ensure that a prudent and financially beneficial method is adopted.

1.28 Council Tax and Non-Domestic Rates (NDR)

Billing authorities act as agents, collecting council tax and non-domestic rates 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 NDR collected could be less or more than predicted. Similarly, the billing authorities and major preceptors share proportionately the risks and rewards of the council tax predictions.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) 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 CIES 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.29 Business Improvement District

A business improvement district (BID) scheme for Kidderminster was approved on 17th May 2019; to commence with effect from 1st April 2020. The scheme will be funded by a BID levy paid by non-domestic ratepayers. The authority acts as agent under the scheme, collecting the BID levy income on behalf of the BID body and therefore most BID transactions would not be recognised in the Comprehensive Income and Expenditure statement. The BID levy collection costs and associated reimbursement income will be shown in the Resources Directorate outturn line.

1.30 Other Accounting Principles

- The provision for impairment of bad debts is estimated by reference to CIPFA guidance and local knowledge.
- Note 30 – Officers' remuneration. It has been determined that payment for Returning Officer duties are not included, but are disclosed separately within the same note where applicable.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain critical judgements in the Statement of Accounts about complex transactions.

- A judgement has been made regarding the Balance Sheet asset classification that it is appropriate to use to account for the Capital Portfolio Fund property acquisitions completed in 2019-20. The acquisitions all support the Corporate Plan priority “to support you to contribute to a successful local economy” and bring benefits to our residents. Earning rentals is an outcome of economic development and regeneration policy. The properties are not held solely either to earn rentals or for capital appreciation. These assets are expected to be used during more than one period and the cost of the items can be measured reliably.

The Code of Practice on Local Authority Accounting 2019 (4.4.2.4) confirms that to classify a non-current asset as an investment property it has to be held “**solely** to earn rentals or for capital appreciation or both”. The properties do not meet this definition.

The properties do meet the definition of an asset given in the Code (2.1.2.27) as future economic benefit is expected to flow to the authority through both the contribution the properties make to the local economy and through the rental receipts collected. The cost of the items of property can be recognised and capitalised as they are held (partially) for rental to others, this being one of the purposes given in 4.1.2.13. The properties are expected to be used during more than one period and the cost of the properties can be measured reliably (4.1.2.18).

As such the properties are accounted for as property, plant and equipment under IAS16.

- The Council collects approximately £30m in business rates. The assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected in future years) represent a material and critical judgement applied to the accounts. The appeals provision is derived from the experience with the 2010 list as well as appeals determinations so far made against the 2017 list.

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 Council 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 Council's Balance Sheet at 31st March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Property, Plant and Equipment
- Capital Portfolio Fund Property Acquisitions
- Pension Liability
- Provision for Business Rates Appeals
- Fair Value Measurements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>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.</p> <p>Valuation methods result in a point estimate of value and involve judgements based on the latest most reliable information. They are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuer provided valuations as at 31st December 2019 for approximately 20% of its portfolio; with a further review at 31st March 2020 to ensure that the values were not materially misstated. The remaining balance of properties were also reviewed to ensure values reflect current values.</p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global.</p>	<p>If the useful life of assets is reduced, depreciation will increase and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £32,319 for every year that useful lives had to be reduced.</p> <p>Changes in estimation technique can result in the carrying amount of an asset increasing or decreasing, the movements will be reflected in the CI&E.</p>

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	Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.	
Capital Portfolio Fund Property Acquisitions	Property held in the capital portfolio will be subject to factors the Council cannot control, e.g. Market/economic conditions deteriorate from initial risk assessments, failure of tenants, poor building management, changes in perception of what is a good location, voids over and above predicted. This includes uncertainty around fluctuating market rates for borrowing particularly where internal borrowing is utilised in the short to medium term.	The prudent net income assumptions within the MTFS (20% of capital portfolio net income is held in a Property Risk Reserve to cover unexpected property costs) together with the Capital Financing Reserve mitigate the risk of an adverse impact on the accounts if results differ from assumptions. If the costs of borrowing increased by 20 basis points (or 0.20%) based on the requirement to refinance half of the total £25m, the increased costs in a full year would be £25,000.
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, life expectancy rates and expected returns on pension fund assets. The Actuary, Mercer Limited, is engaged to provide the Council with expert advice about the assumptions to be applied. The ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset values. The Actuary has revisited the Pension Fund property and infrastructure allocations as at 31 st March 2020 and the re-measurements have been reflected in the accounts.	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 assumption would result in a decrease in the pension liability of £2.1m.
Provision for Business Rates Appeals	The provision has been calculated based upon the latest appeals list from the Valuation Office. Members of the Worcestershire Business Rates Pool have based their provisions prior to 2017-18 upon 4.7% of rateable value on appeal for the 2010 list. This was the estimate used by the Secretary of State in the Finance Report 2017. The Council compared this to the average appeals provision for the 2005 and 2010 lists. The result was not materially different to these, concluding that it was fair & reasonable to use 4.7% as a basis for our calculation. For the 2017 list, Pool Members have used local knowledge and the Check Challenge Appeal data upon which to base the provision for 2017-18 to 2019-20. There is inherent uncertainty in estimating the value of future appeals, hence a contingent liability disclosure has been made (Note 36). The Council has also created an Earmarked Reserve for the potential impact of appeals that are anticipated but for which there is currently no average data.	If the provision for appeals was increased by 1% of the net rates payable in 2019-20 the resulting increase would be £284,344 shared across the Worcestershire Pool.

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Note 17.</p>	<p>The Council uses the discounted cash flow model incorporating premature repayment rates and new borrowing rates from the PWLB to measure the fair value of some of its financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions (for some financial assets) and professional valuer assumptions (for some non-current assets).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the financial assets.</p>

With regards to Property, Plant and Equipment, Pensions Liability and Fair Value Measurements, there is inherent uncertainty in estimating the effect of Britain's departure from the European Union (Brexit) on property values, pension assets and financial liability fair values. Valuations have therefore been obtained at the optimum time to enable closure of the accounts by the statutory deadline. In addition, it is not possible to fully anticipate the impact of the Covid-19 pandemic at this time. The assumptions will therefore be reviewed for the 2020-21 accounts.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****22nd July 2020****Internal Audit - Annual Audit Plan 2020-2021~Addendum**

OPEN	
CABINET MEMBER	Cllr G Ballinger, Strategy & Finance
RESPONSIBLE OFFICER	S151 Officer
CONTACT OFFICERS:	Tracey Southall Extension No 2100 tracey.southall@wyreforestdc.gov.uk Cheryl Ellerton Extension No. 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	2020~21 Internal Audit Plan ~ Addendum

1. PURPOSE OF REPORT

- 1.1 To inform members of an addendum to the Internal Audit – Annual Audit Plan 2020–2021 approved in March 2020. The addendum provides for an update on the proposed scope of the approved audit plan following the outbreak of the COVID-19 pandemic.

2. RECOMMENDATIONS

The Audit Committee is asked to consider:

- 2.1 **The addendum to the Internal Audit – Annual Audit Plan 2020~2021 as detailed in the attached appendix.**

3. BACKGROUND

- 3.1 The Annual Audit Plan 2020~2021 outlines the work to be undertaken by the Internal Audit Team and provides its overall direction. The audit plan is viewed flexibly and treated as a working document subject to amendment as required to reflect changing corporate conditions or demands as well as issues that may arise during the currency of the plan, which divert Internal Audit away from planned work.
- 3.2 The plan is therefore seen as a **statement of intent** and provides the direction of travel and a framework for audit engagements. In light of the outbreak of the Covid-19 pandemic, this report is presented to the Audit Committee as those charged with Governance to advise of the potential impact on the delivery of the Councils Internal Audit Plan for 2020~2021.
- 3.3 In accordance with Government guidance, the Council has moved where possible to home working since full lockdown of 23rd March 2020. The Internal Audit Team are all currently working remotely and have continued to successfully deliver the internal audit service to the Corporate Leadership Team and colleagues and have not been diverted into operational roles during the pandemic.

4. KEY ISSUES

- 4.1 The audit plan for 2020~2021 has been prepared based on risk to provide assurance on the council's services and activities in consultation with the S151 Officer and the Corporate Leadership Team. However, there is a risk that the internal audit plan for 2020~2021 will/can not be delivered during the Covid-19 pandemic.
- 4.2 The Internal Audit Team are continuing to work remotely in delivery of the 2020~2021 Internal Audit Plan approved by the Audit Committee in March 2020. In the current climate, dependent on the length of time the country remains in lockdown and the availability of resources {2.4 FTE} there is a risk, that if the plan does not get delivered, a robust annual audit opinion may not be able to be provided for 2020~2021. In addition, should the Internal Audit Team be diverted away into operational roles during the pandemic this may cause impairment to independence and objectivity when required to return to internal audit roles. In the event that this should happen, clear records of the changes to roles and plans will be maintained to help resolve any conflicts of interest.
- 4.3 The Internal Audit Team will, as a trusted advisor, support and focus on the current and future risks across the whole internal control environment that may arise with the Council having to operate under Covid-19 restrictions. This will allow internal audit to contribute to proposed changes often where the greatest benefit and value can be added, by being receptive, proactive and responsive and be in a position to provide the Audit Committee with assurance that the Council's control environment operates well during periods of stress and full implementation of Business Continuity Plans.
- 4.4 The Internal Audit Team will maintain a pragmatic approach with the knowledge that some areas/risks will remain high priority or even become higher priority while others can be reasonably delayed while Covid-19 response activities take precedent.
- 4.5 From the 2020~2021 approved Internal Audit Plan, those key areas where it is anticipated that the scope of the internal audit work may/will vary from the original scope are as outlined in the appendix to this report.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications arising from this report.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2015 regulation 5(1) require that:
"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

7. RISK MANAGEMENT

- 7.1 The Internal Audit - Annual Audit Plan 2020~2021 has been prepared in accordance with the recognised Internal Audit Standards. This requires the plan to be informed by the Council's risk management, performance management and other assurance processes. Where the risk management process is not fully developed or reliable an

independent risk assessment is undertaken by the Audit Manager in consultation with the Section 151 Officer.

- 7.2 The Covid-19 pandemic presents new risks to the Council and changes to the profile of some existing risks so it is necessary to issue this addendum to the Internal Audit Plan. This has also been recognised by Grant Thornton our External Auditors who are similarly issuing an Addendum to their External Audit Plan for 2020-21

8. EQUALITY IMPACT NEEDS ASSESSMENT

- 8.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the nine protected characteristics.

9. CONCLUSION

- 9.1 The Annual Audit Plan 2020~2021 summarises the work to be undertaken by the Internal Audit Team and provides its overall direction. The addendum to the approved annual plan identifies those areas where the scope of the internal audit work may/will vary from the original scope detailed in the full annual plan approved in March 2020. It is presented to members in accordance with the Internal Audit Charter.

10. CONSULTEES

- 10.1 Corporate Leadership Team
Cabinet Member for Resources

11. Background Papers

Accounts & Audit Regulations 2015 (SI 314)
UK Public Sector Internal Audit Standards ~ April 2017
Internal Audit Charter {Updated} ~ Audit Committee ~ July 2018
Quality Assurance & Improvement Programme ~ November 2018
Extraordinary Meeting of Council 21st April 2020
Cabinet report on Financial Stress Testing re Coronavirus Pandemic Impact 20th May 2020

AUDIT COVERAGE	AUDIT SCOPE ~ MARCH 2020	UPDATED AUDIT SCOPE
CORPRISK04~FAILURE OF THE INTERNAL CONTROL ENVIRONMENT/UNABLE TO DELIVER A SUSTAINABLE BUDGET		
Treasury Management {Strategy; Reporting & Reconciliations} <i>(Risk: Failure to Maintain adequate controls over Key Financial Systems)</i> The daily process is well managed, the audit review considers a more strategic approach. NB: <i>This service contract has recently been out to tender. There is no change to the current provider however the current remote working arrangements enhance risks due to the change in working arrangements and processes for this key area.</i>	Assurance Historically, good governance. Reviewed as impact of failure is significant. Scope will capture changes to the systems and procedures in place to manage the Council's Cash Flow and investments to maximise interest earned within the approved Treasury Management Strategy and consequent risk appetite. To review and ensure borrowing is managed in accordance with the Capital Strategy/ Medium Term Financial Strategy Incorporating the Council Policies on Development Loans Fund to help delivery of regeneration and economic development, and the Capital Portfolio Fund, with Cabinet decisions of June & September 2017. Have regard to the MHCLG Guidance on Local Government Investments, the statutory guidance on the minimum revenue provision, code of practice on Treasury Management and the Prudential Code and November 2019 Guidance on Prudential Property Investments.	Reporting for the Covid-19 grant funding will be reviewed. Ensure that management of grant monies relating to the Covid-19 pandemic were regularly monitored. The review will also examine the procedure for investing and recalling monies received from HM Treasury for payment relating to the Covid-19 NNDR grants. The review will also acknowledge the impact of cash flow for the council during the pandemic and of the impact of remote working arrangements
Budgetary Setting, Control & Monitoring <i>(Risk: Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment)</i> Budgets are approved by Council in February, review will consider budget monitoring by Service Managers in light of the Council's financial position.	Assurance Historically, good governance. Reviewed as impact of an unsustainable budget will result in failure to meet the Corporate Priorities. Scope will capture changes to the systems and procedures around the Council's Budget Cycle; review the setting of financial goals, forecasting future financial resources to include the monitoring of budgets to feed into the Council's Medium Term Financial Strategy, financial records and the final accounts.	The review will acknowledge the impact of cash flow for the council during the pandemic. This will include assurance of adequate budget monitoring throughout the pandemic and ensure remote working arrangements including any adjustments to processes are appropriate.
Accounts Receivable: Corporate Debtors {Compliance & Reconciliations} <i>(Risk: Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment) To include Property Debtors.</i> With a more commercial approach the audit review will consider income generation, costing of work to ensure income streams are meeting their targets; pre-payment for services.	Assurance Historically, good governance. Reviewed as an element of the general ledger that supports the annual statement of accounts; to provide a sound control environment processes must operate effectively. Scope will capture changes to the systems and procedures in place for the raising of accounts for services provided by the Council in respect of Miscellaneous Debts to include the monthly reconciliations and aged debt reports. Including follow up on change processes as part of the transformation programme. Including work in relation to the ICON cash receipting system and	The review will have regard for the reduction in income collection as services are suspended.

	channel shift/digitalisation to generate increased external income. Income generation linked to the commercialisation agenda.	
Benefits {Compliance & Reconciliation} (Risk:Failure to Maintain adequate controls over Key Financial Systems; to support an effective internal control environment This Service continues to be subject to significant change imposed by DWP and is under continuous review to align processes/systems. Team changes/ staffing restructures continue to meet the changing business need.) This is a critical system and on the whole well managed. Local Council Tax Reduction Scheme as amended in 2019~20 remains unchanged.	Assurance Historically, good governance. Reviewed with regard to the rules covering entitlement to Housing Benefit and Council Tax Support being complex and administrative errors have the potential to lead to under/overpayments. Scope will capture changes to the systems and procedures to ensure entitlement to and payments in relation to Housing Benefit. To include Payments, Overpayments, Rent Referrals, Statistical and Subsidy Returns. Review changes to the Benefits System under the Welfare Reform Act, Universal Credit, Single Fraud Investigation Service and the WFDC Local Council Tax Reduction Scheme as amended. NB: Universal Credit went live in November 2018.	The review will have regard for the increase in universal credit and the £150 hardship fund payments to working age claimants during the pandemic. Detailed testing with increased sample sizes will be the substantive part of the detailed compliance testing.
Payroll (Including Mileage & Subsistence claims and any confidential data for personal payroll files) (Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment; Significant proportion of expenditure, provided as part of a Shared Service with Redditch BC. HMRC IR35 changes from April 2017 in the public sector) 2020~21 review will continue to provide resources for validation of payments with some compliance testing and review of reconciliations. NB: Redditch BC moving from current Frontier system, Officer Decision on 4 th June 2020 to remain with RBC and develop their new service solution.	Assurance Historically, good governance. Reviewed as a service delivered via a service level agreement. Scope to capture changes to the systems and procedures in place at Wyre Forest District Council and Redditch BC to ensure accurate payments to bonafide employees. Validation of all payments, to include those to HMRC including the changes in respect of IR35, Pensions and other deductions and allowances are correct and authorised and that all payroll transactions are accurately recorded in the financial accounts, to incorporate detailed testing of both staff and member mileage & subsistence claims. 2018~Act as a critical friend on the review of the payroll arrangements and the service level agreement. NB: Mandatory use of HR21 by Members in place from 2018	The review will have regard for reduced staffing levels due to increased sickness absences, which will require overtime to be worked by those employees able to attend for work, or be re-deployed to other service areas. Detailed testing with increased sample sizes will be the substantive part of the detailed compliance testing. The review will include a review of the revised remote working arrangements taking into account the confidential nature of data held for payroll and HR Management
NNDR {Business Rates} {Parameters/Compliance & Reconciliations} (Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment) Business Rate reform continues with the retention rate increased in 2019~20 as a consequence of 1 year Pan Worcestershire 75% Business Rate Pilot. Reversion to 50% Worcestershire Business Rates Pool for 2020~2021. Delay for funding	Assurance Historically, good governance. Reviewed as a key financial process with an annual rateable value in excess of £74m. Scope will capture changes to the systems and procedures in place to calculate liability, raise bills, collect income and monitor arrears; review process for the Business Rate retention including contributions to/from the Worcestershire pool. NNDR 3 return. Have regard to the 2017 revaluation by the Valuation Office from April 2017, any changes to reliefs and Check Challenge Appeal process for appeals.	Ensure Small Business Grant and Retail, Hospitality and Leisure Grant Schemes and the new Covid 19 Business Rates Reliefs are delivered in accordance with the Business, Energy & Industrial Strategy. Post assurance payment checks will be undertaken on grant monies relating to the Covid-19 pandemic received to ensure they

reform until 2022~2023. NB: BID, bills issued for 2020~2021 for Kidderminster Town Centre.	Provide assurance that appropriate notifications have been received advising of the NNDR multipliers and transitional relief rates for the current financial year, and that these have been accurately transferred to the Civica system for the billing process.	are paid/distributed to businesses within the Wyre Forest district accurately and timely and that all payment runs are reconciled. The review will acknowledge the impact in the delay of initial instalments for business rates for the financial year 2020~2021 and the delay in proceeding with normal recovery actions to maximise income collection.
Council Tax {Parameters/Compliance & Reconciliations} (Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment)	Assurance Historically, good governance. Reviewed as a key financial process, with an annual property charge in excess of £68m. Scope will capture changes to the systems and procedures in place to calculate liability, raise bills, collect payment and monitor arrears. To provide assurance that Council Tax charges have been correctly calculated, and parameters validated for an accurate billing process. To review the local Council Tax Reduction scheme. Review changes to the system for the detection/prevention of fraud on Single Person Discounts.	Further examination relating to the discounts/exemptions applied due to the COVID 19 pandemic will be reviewed with particular regard to the grant relief of £150 for working age households for council tax reduction support. The review will acknowledge the impact in the delay of initial instalments of Council Tax due on 1 st April 2020 for the financial year 2020~2021 and the delay in proceeding with normal recovery actions to maximise income collection.
Accounts Payable: Corporate Creditors {Compliance & Reconciliations} (Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment) Accounts Payable is a stable system, and audit reviews will consider those applications that interface with Agresso, the Financial Management System e.g. Garage Hive. With regard to recent statutory changes}.	Assurance Historically, good governance. Reviewed as an element of the general ledger that supports the annual statement of accounts; to provide a sound control environment processes must operate effectively. Scope will capture changes to the system and procedures in place for the payment of invoices for services and supplies across the Council to cover all aspects including the weekly reconciliations of BACS; Purchase Order Processing (requisition to invoice payment); journal transactions Including follow up on change processes as part of the on-going transformation programme including channel shift and digitalisation.	Detailed testing with increased sample sizes will be the substantive part of the detailed compliance testing to cover emergency payments for orders/goods services placed to ensure payments made were genuine, realistic and not fraudulent. The testing will review the impact of increased remote working on this service area.

<p>ICT/Information Governance CORPRISK05 Council misses important issues and/or is in breach of a requirement. {Risk: Breach of the Data Protection Act leading to penalties up to £500k – Note report commissioned as part of long term agreement from our insurers Zurich Municipal on Information governance risk} Review will be broken into different elements and reviewed on a rolling basis year on year, reviews will examine the manner in which information is received, managed and stored.</p>	<p>Continuous review to support the work of the Information Governance Group following the Zurich Municipal Review; work with the Data and Project Management Officer in reviewing procedures, processes including the training and awareness of relevant policies and guidelines. To provide assurance on controls implemented to manage information {including disposal} within the Council; to include not just ICT but manual records and information. Confirm compliance with data protection legislation with regard to the General Data Protection Regulation {GDPR} May 2018 to include mapping data protection processes and working with the Digital First Board to ensure that the personal information collected as part of the Digital Agenda is collected and collated and stored as appropriate.</p>	<p>The focus will be the contingency around cyber security to ensure that the cyber environment is reviewed to maintain pace with current threats; addressing the risk of financial loss, disruption or damage to the reputation of the Council with particular regard to the COVID 19 pandemic.</p>
<p>Risk Management CORPRISK05 Council misses important issues and/or is in breach of a requirement. {Risk Reputational Damage; Ineffective risk management; unsatisfactory audit opinion} Review will be broken into different elements and reviewed on a rolling basis year on year,</p>	<p>Continuous review of the Council's Risk Management arrangements to support the annual audit opinion, and reports to Audit Committee on review of the Corporate Risk Register including work towards embedding Cipfa's Financial Resilience Index – see MTFS Cabinet Report 11th February 2020. Appendix 4B Select Key Risks from the Corporate Risk Register and review mitigating actions to support the annual audit opinion.</p>	<p>Work with the S151 Officer and the Corporate Leadership Team in respect of emerging risks to review what aspects of the implementation of the Business Continuity Plans went well across the period of lockdown. Review ongoing maintenance of the Corporate Risk Register to take into account the impact of Covid-19.</p>

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
22ND JULY 2020**INTERNAL AUDIT MONITORING REPORT**
QUARTER ENDED 31ST MARCH 2020

OPEN	
CABINET MEMBER	Leader of the Council
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 31st March 2020

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31st March 2020, attached as Appendix 1.

2. RECOMMENDATION

The Audit Committee is asked to **CONSIDER:**

- 2.1 The Internal Audit Monitoring Report for the Quarter ended 31st March 2020 as detailed in the Appendix to the report.

3. BACKGROUND

- 3.1 The management of the authority are obliged to safeguard public funds and use them in a way which provides value for money and thereby best value. An effective internal audit service is vital in helping management to meet these important duties as it is an independent appraisal function for the review of the entire internal control system.
- 3.2 The Audit Committee approved the operational Annual Audit plan 2019~20 in March 2019. This plan takes into account changes in priorities and risk and provides the overall direction for the Internal Audit service working in partnership with the External Auditors to minimise the overall audit cost to the authority. The approved plan for 2019~20 reflects the reduced staffing resource following a mini restructure of the Internal Audit Team from April 2019. The slight reduction in the number of available audit days within the plan was noted and approved as acceptable by the Audit Committee at its meeting in March 2019.
- 3.3 Actual performance of the Internal Audit service is monitored against the Audit Plan each quarter during the year by way of this quarterly monitoring report to the Audit Committee, Corporate Leadership Team. Reports are also shared with the External Auditors.

3.4 The Report attached as an Appendix contains 6 sections which are:

Section 1	Follow up reviews undertaken in the quarter; incorporating recommendations in progress
Section 2	Final Internal Audit Reports issued
Section 3	Draft Internal Audit Reports issued
Section 4	Work In Progress to include draft reports issued following completion of 2019~20 Annual Audit Plan
Section 5	Performance Statistics & Additional Assurance work undertaken
Section 6	Summary of Final Reports issued in the period 1 st April ~ 31 st December 2019

A number of other reviews are currently in progress. To support the work in progress, a summary of **action plans** issued is detailed within section 4 for Member information. In addition to the managed audits, within the audit plan resources are allocated to **consultancy and advice** for which a summary of the requests dealt with by Internal Audit is included within the performance statistics.

- 3.5 The audit reports referred to in the Appendix are those where testing has been undertaken on an element of the internal control environment. It should be noted that the findings are on an **exception basis** i.e. reported if an internal control was found not to be operating satisfactorily, so giving rise to a control weakness and therefore an area for improvement. The findings of audit reviews in the report do not list those internal controls which were found to be operating satisfactorily. This approach has been adopted to enable the output of the review to focus on those areas considered by Internal Audit to require management's attention. The final audit report will recognise those areas of improvement and recommendations promptly actioned during the course of the audit, in order to raise the overall level of assurance given by Internal Audit at the completion of the full review.
- 3.6 The Internal Audit review process is published on the Council's Intranet. This details the process whereby **Draft** internal audit reports arising from audits are forwarded to the respective Corporate Leadership Team member and their nominated service manager{s} for agreement to recommendations and timescales for implementation prior to the preparation of **Final** internal audit reports.
- 3.7 The Internal Audit Charter requires an annual opinion on the Council's internal control environment. This takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment, which is reported to the Audit Committee.
- 3.8 The terminology within the reports presented to members is in line with that used by many other Internal Audit Teams of public authorities, private and public companies and external auditors.
- 3.9 Every organisation operates in the real world and errors/omissions/system weaknesses (manual or computerised) are inevitable. Management have to manage these known risks through the use of internal controls.
- 3.10 It may be that an operational decision has been taken by management to accept the risk of the non operation of an internal control. Where Internal Audit is reviewing the area in such an instance the weakness and any associated recommendation would

be reported. Management would record within the service's risk register the processes in place to mitigate the risk.

- 3.11 The Corporate Leadership Team have confirmed that action would be taken immediately should an internal audit review report a significant weakness which could lead to a potentially serious issue.

4. KEY ISSUES

- 4.1 Internal Audit make recommendations to management on potential improvements to the internal control environment of the system under review. It is management's responsibility to take the necessary action to implement recommendations as agreed in the final internal audit report.
- 4.2 The Quarterly monitoring report contains details of internal audit reports issued in the quarter together with follow up reviews. The format of internal audit reports has been adopted to enable management and members to focus on those areas that Internal Audit wishes to draw to its attention. Following an external review of the Internal Audit Service in April 2018, presentational changes have been made to the format of the audit briefs and formal reports to evidence the associated corporate risk and those risks considered against expected controls. The quarterly monitoring report is presented to the Audit Committee in accordance with the Internal Audit, Quality Assurance & Improvement Programme to ensure on-going monitoring of the performance of the internal audit activity.
- 4.3 The Internal Audit Team operate in accordance with recognised Internal Audit Standards. Procedures are monitored to ensure that the Internal Audit Team procedures remain compliant.
- 4.4 The Internal Audit Charter requires an annual opinion on the Council's internal control environment and governance arrangements. This takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment and governance arrangements, which is reported to the Audit Committee.
- 4.5 The COVID-19 pandemic and consequent Government lockdown announced on the 20th March 2020, did not have a significant impact on the Quarter 4 Internal Audit Monitoring work. The Internal Audit Team were migrated to home working successfully and the continuation of service provision was seamless. There is an ongoing impact on the 2020/21 Internal Audit Plan and this is reported as a separate item on this agenda.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report. There may however be financial implications if the audit recommendations made within audit reports are not implemented on a timely basis.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2015 section 5(1) require that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

7. RISK MANAGEMENT

- 7.1 In order to manage risks, internal controls are used to mitigate and manage the identified risks to an acceptable level. Any weakness in the operation of internal controls therefore impacts directly on the management of risk.
- 7.2 Risk management issues could arise when weaknesses in internal controls are identified during the audit review process and management delay or defer implementation of the recommendations made.
- 7.3 The Internal Audit service is one element of the Council's assurance/internal control framework.
- 7.4 A relevant member of the Internal Audit Team will continue to be involved in future Wyre Forest Forward reviews to oversee and advise on proposed system changes to ensure Key Controls are not compromised. This work will be resourced as part of the Consultancy and Advisory role detailed within the Internal Audit Plan.
- 7.5 Key audit risks are evidenced against expected controls for all internal audit briefs. This presentational change as recommended by the external review helps to increase focus on risk management issues throughout the delivery of each specific audit review.

8. CONCLUSION

- 8.1 The work undertaken by the Internal Audit Team in the quarter ended 31st March 2020 is reported within Appendix 1. This information is presented to members in accordance with the Internal Audit Charter for the Internal Audit Team and the Quality Assurance & Improvement Programme as requirements of the UK Public Sector Internal Audit Standards

9. CONSULTEES

- 9.1 Corporate Leadership Team

10. BACKGROUND PAPERS

- 10.1 25th March 2019 ~ Audit Committee ~ Internal Audit Annual Plan 2019~20
28th November 2018 ~ Audit Committee ~ Quality Assurance & Improvement Programme
30th July 2018 ~ Audit Committee ~ Internal Audit Charter {Updated}
Accounts and Audit Regulations 2015 {SI 234}
Accounts and Audit (Coronavirus) (Amendment) Regulations 2020



INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
31st MARCH 2020**

INTERNAL AUDIT

QUARTERLY AUDIT REPORT

QUARTER ENDED 31st MARCH 2020

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<i>Cheryl Ellerton</i> AUDIT MANAGER	
<i>Tracey Southall</i> SECTION 151 OFFICER	

30th June 2020

SECTION 1

Quarter Report to the 31st March 2020

Summaries of Follow up Reviews undertaken in the Quarter

KEY	
Assurance Levels	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.

THERE ARE NO REVIEWS TO REPORT FOR THIS QUARTER. THIS SECTION HAS BEEN LEFT FOR CONTINUITY.

SECTION 2

SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2020		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
<u>Key Systems (Annual Assurance Reviews)</u>		
2019~20 Accounts Payable {Corporate Creditors} ~ Reconciliations	F	-
2019~20 Council Tax ~ Compliance {Change of Circumstances & Recovery}	F	-
2019~20 Housing Allowances & Local Council Tax Reduction Scheme {Reconciliation}	F	-
2019~20 Income to Bank ~ Bank Reconciliation	F	-
2019~20 NNDR ~ Reconciliations {Valuation Office & Income}	F	-
2019~20 NNDR ~ Compliance {Change of Circumstances & Recovery}	F	-
2019~20 Local Council Tax Reduction Scheme ~ {Entitlement & Recovery}	F	-
2019~20 Payroll {WFDC} ~ Reconciliations	F	-

KEY		
Assurance Level	Description of Assurance Level	What is reported in the Quarterly Audit Report
F = Full	Robust framework of controls, any recommendations are advisory ~ provides substantial assurance.	The title of the review undertaken is reported.
S = Some	Sufficient framework of controls but some weaknesses identified ~ provides adequate assurance.	Summary page of Audit Report together with any significant findings and associated recommendations where appropriate.
L = Limited	Significant lapses/breakdown in individual controls ~ at least on significant weakness ~ provides partial assurance.	Summary page of Audit Report and significant findings and associated recommendations.
U = Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations ~ provides little or no assurance. A significant internal control is one which is key to the overall framework of controls.	Summary page of Audit Report and significant findings and associated recommendations.

SECTION 3

Quarter Report to the 31st March 2020

DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2020		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT

THERE ARE NO DRAFTS TO REPORT FOR THIS QUARTER. THIS SECTION HAS BEEN INCLUDED FOR CONTINUITY.

SECTION 4

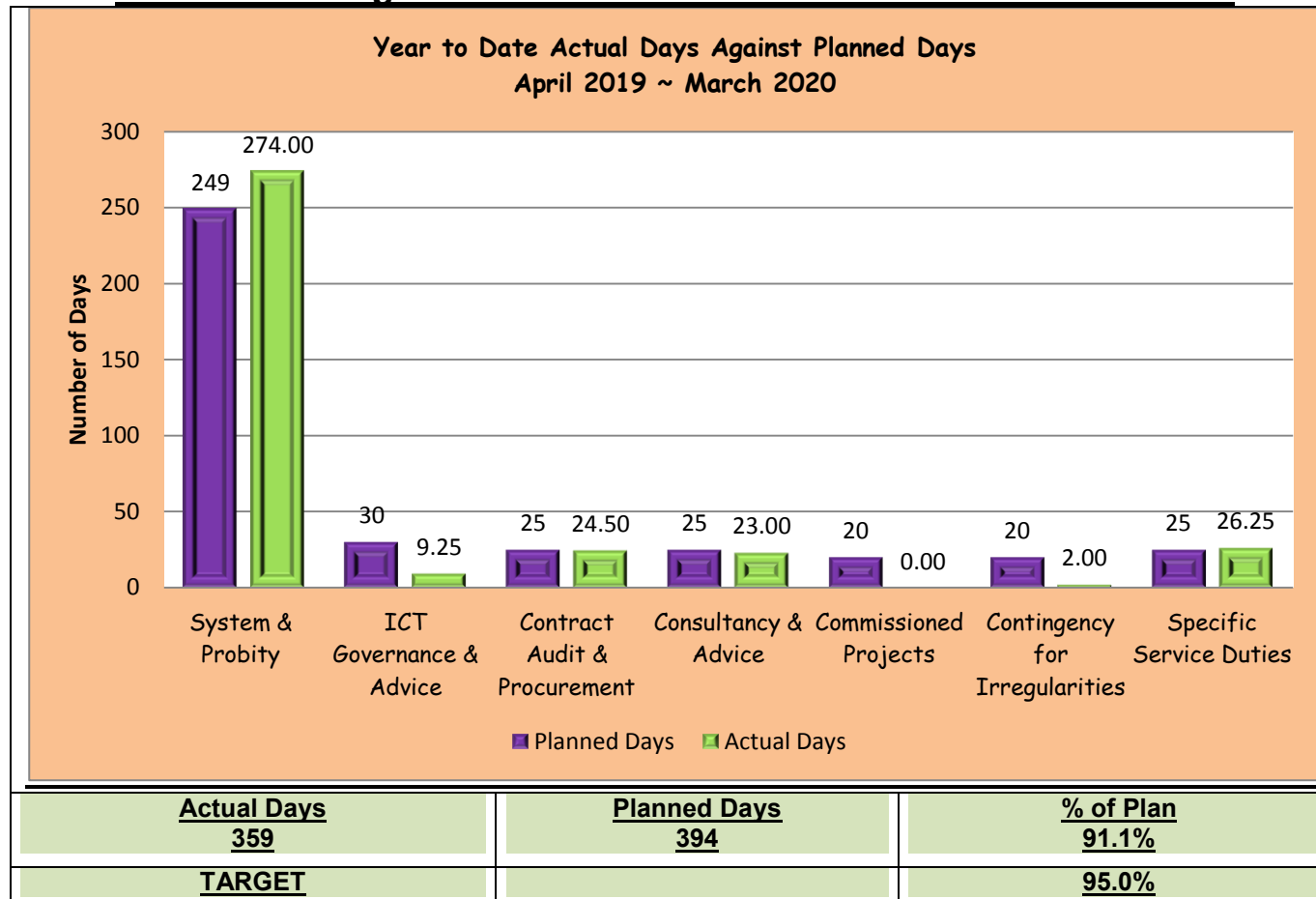
The following Action Plans have been issued to Managers. In addition, the table below shows the status of reviews currently in progress to cover the current on ~ going testing within the 2019~20 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

WORK IN PROGRES AS AT 31 ST MARCH 2020		Status	Action Plans/Progress Report			DATE OF COMPLETION {FIELD WORK}
RISK ASSESSMENT	AUDIT REVIEW	As At 31.03.20	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3	
RA40	Core Financial Systems (Annual Assurance Reviews)~ <u>Accounting Cash To Bank</u> Bank Reconciliation Income To Bank {TIC/Museum} Income To Bank {Hub} Income To Bank {Wyre Forest House}	Stage 6 Stage 6 Stage 6 Stage 6	21.06.19 - - -	- - - -	- 20.12.19 {FR} 10.12.19 {FR} 17.12.19 {FR}	28.02.20 {FR} - - -
RA50	<u>Benefits {Inc Council Tax Discounts (Local Scheme)}</u> Council Tax Reduction {Local Scheme} ~ Compliance Housing Benefit {Allowances} Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 6 Stage 6 Stage 6	- - -	02.10.19 - -	- 03.01.20 {FR} -	09.01.20 {FR} - 06.01.20 {FR}
RA16	<u>Council Tax</u> Ctax Reconciliations ~ {To include Gross Debit 2019/20} Ctax Reconciliations ~ {Valuation Office/Monthly Finance Control} Ctax Compliance/Recovery	Stage 6 Stage 4 Stage 6	18.06.19{FR} - 18.06.19	- - 27.09.19	- - -	- 26.05.20 12.02.20 {FR}
RA44	<u>Creditors (Accounts Payable)</u> Creditors {Accounts Payable} ~ Compliance Creditors {Accounts Payable} ~ Reconciliation	Stage 4 Stage 6	- -	18.08.19 -	- -	- 15.01.20 {FR}
RA51	<u>Debtors (Accounts Receivable)</u> Debtors {Accounts Receivable} ~ Compliance Debtors {Accounts Receivable} ~Reconciliations	Stage 4 Stage 6	- -	03.09.19 -	23.12.19 05.12.19 {FR}	- -
RA82	<u>Establishment</u> Establishment Reconciliation	Stage 4	-	-	-	31.05.20
RA21	<u>National Non Domestic Rates</u> NNDR ~ Reconciliations ~ {To include Gross Debit 2019/20} NNDR ~ Reconciliations ~ {Valuation Office/Monthly Finance Control} NNDR ~ Compliance	Stage 6 Stage 6 Stage 6	12.06.19{FR} - 28.06.19	- - -	- - -	- 22.04.20 {FR} 20.04.20 {FR}
RA51	<u>Payroll (Including Mileage & Subsistence Claims)</u> Payroll ~ Compliance {WFDC Accountancy Team & RBC Payroll Team} ^ Payroll ~ Reconciliations {WFDC Accountancy Team}~Parameter Payroll ~ Reconciliations {WFDC Accountancy Team}	Stage 4 Stage 6 Stage 6	- 28.06.19{FR} -	10.07/ 29.07/ 03.09.19 - 13.08.19	- - -	- - 03.02.20 {FR}
KEY	Stage 1 ~ Field Work In Progress ~ {With Individual Auditor} Stage 2 ~ Phases 1 & 2 & 3 Field Work Complete for Peer Review Stage 3 ~ Phases 1 & 2 & 3 Field work Complete with Action Plans/Progress Report to Service Manager		Stage 4 ~ Audit Complete ~ Reviewed {Audit Manager} Stage 5 ~ Draft Report Issued Stage 6 ~ Final Report Issued {FR}			

SECTION 5

Audit Resource Statistics

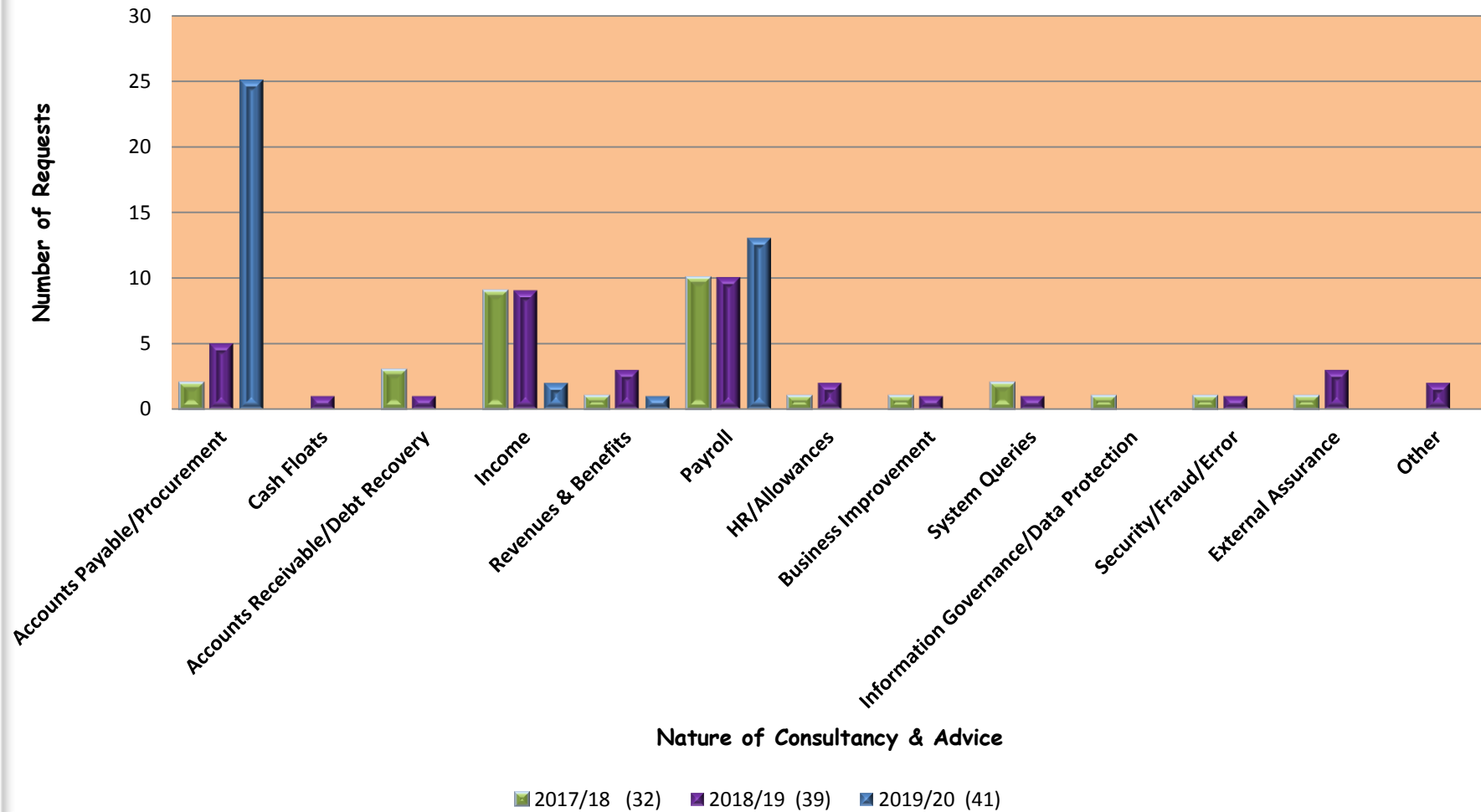
Performance Against Annual Plan For The Financial Year 2019/20



Agenda Item No. 11 - Appendix 1

Within the time allocated in the above table, during this fourth and final quarter of 2019/20 the Internal Audit Team have responded to **41** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the **39** requests received and actioned for the same period for 2018/19 and the **32** requests received and actioned for the same period in 2017/18.

Comparison of Ad-hoc Audit Consultancy & Advice
Quarter 4 {January ~ March} ~ 2017/18 ~ 2018/19 ~ 2019/20



Additional Assurance Work Undertaken by Internal Audit

In addition to the planned work detailed above, the Internal Audit Team have also undertaken work in other areas for which a formal report is not issued, however time has been allocated within the 2019~20 Internal Audit Annual Plan approved by the Audit Committee in March 2019 as summarised below: -.

Information Communications Technology (ICT) Governance, Advice & Assistance

- Attend the ICT Strategy Board Meetings.
- Attend the Information Governance Working Group
- Attend the Cyber Security Group

Contracts & Procurement

- Monitoring of the contract payments for the development of the Depot site at Green Street.
- Monitoring of the contract payments for development of the Frengo {Unity Park} site at Silverwoods.

Wyre Forest Forward ~ Continuous Improvement Work

Members of the Internal Audit Team continue to be involved in Wyre Forest Forward continuous improvement reviews; overseeing and advising on proposed system changes to ensure key controls are not compromised. The role of the Audit Team is to ensure that risk is mitigated in the event of proposed changes to current systems and maintain good governance and financial systems resilience.

Corporate Issues

Internal Audit continue to undertake work in connection with the mandatory National Fraud Initiative hosted by the Cabinet Office to support the continuous programme of work an exercise that matches electronic data within and between the Council and other public and private sector bodies to prevent and detect fraud.

SECTION 6

KEY	
Assurance Levels	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.
FINAL AUDIT REPORTS ISSUED IN THE PERIOD 1 ST APRIL 2019 TO 31 ST DECEMBER 2019 - KEY SYSTEMS	
QUARTER ENDED 30 TH JUNE 2019	ASSURANCE
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2019~20 ~ Council Tax ~ Gross Debit {Billing Parameters} Reconciliation	F
2019~20 ~ 20 Payroll ~ WFDC Parameter Validation {Local Pay Award ~ Salary Band Up rating}	F
2019~20 ~ NNDR ~ Gross Debit {Billing Parameters} Reconciliation	F
QUARTER ENDED 30 TH SEPTEMBER 2019	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
There were no final reports issued for this quarter	
QUARTER ENDED 31 ST DECEMBER 2019	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2019~20 Accounts Receivable {Corporate Debtors} ~ Reconciliations	F
2019~20 Income To Bank ~ Bewdley Tourist Information Centre & Museum	F
2019~20 Income To Bank ~ HUB {Depot}	F
2019~20 Income To Bank ~ Wyre Forest House	F
2019~20 Housing Benefits {Entitlement Payments/Recovery of Overpayments}	S

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
22nd JULY 2020**INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2019/20**

OPEN	
CABINET MEMBER	Leader of the Council
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 - Internal Audit Annual Assurance Report – 2019/20

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Annual Assurance Report for 2019/20

2. RECOMMENDATIONS

- 2.1 The Audit Committee is asked to **APPROVE** the Internal Audit Annual Assurance report for 2019/20 attached as Appendix 1.

3. BACKGROUND

- 3.1 It is management's responsibility to develop and maintain the internal control systems, to ensure compliance with them and for ensuring that public money is safeguarded and use them in a way which provides value for money and thereby best value. An effective Internal Audit service is vital in helping management to meet these important duties, since it is an independent appraisal function for the review of the entire internal control system. It is Internal Audit's responsibility to draw any concerns about the adequacy of the system of internal controls and its audit plans to the attention of the Audit Committee.

The definition of Internal Audit as described in the Public Sector Internal Audit Standards is:

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”

- 3.2 In accordance with the UK Public Sector Internal Audit Standards {PSIAS}, the Audit Committee are required to receive an annual report on the work of the Internal Audit Service. In addition, the Internal Audit Charter requires that the Section 151 Officer in consultation with the Audit Manager, prepare an Annual report to the Audit Committee to:-

- include an opinion on the overall adequacy and effectiveness of the Council's internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work undertaken to formulate the opinion
- draw attention to any issues judged to be particularly relevant to the preparation of the statement on internal control
- compare the work actually undertaken with the work that was planned
- comment on compliance of the Internal Audit Team with the UK Public Sector Internal Audit Standards.

3.3 The opinion is a personal opinion of the Audit Manager to the Section 151 Officer on the overall adequacy and effectiveness of the Council's internal control environment. The system of internal control is designed to help the Council manage and control risks, which could effect the achievement of the Council's objectives and one of the key elements used in the Annual Governance Statement.

3.4 In the giving of this opinion, it should be noted that assurance cannot be absolute in that Internal Audit can only provide for "reasonable" assurance that the systems of internal control processes in those areas subject to review are operating effectively.

4. KEY ISSUES

4.1 It is a statutory requirement that this Council has an Internal Audit service as part of its Corporate Governance framework.

4.2 An Annual Governance Statement is required to be published with the Council's Annual Statement of Accounts which is required to be signed by the Leader of the Council and the Chief Executive. The Internal Audit Annual Assurance report contributes to the evidence necessary in order for this statement to be prepared.

4.3 The Accounts and Audit Regulations 2015 require the Council to conduct a review to ensure that it has a sound system of internal control. The Internal Audit Annual Assurance Report provides evidence in respect of this requirement.

4.4 Internal Audit make recommendations to management to improve the internal control environment of the system being reviewed. It is management's responsibility to develop and maintain the internal control systems and take the necessary action to implement agreed recommendations included in final internal audit reports.

4.5 The approved Internal Audit Charter requires that an annual report is prepared covering the items detailed in paragraph 3.2 and this is attached as Appendix 1.

4.6 The aim of most audit reports is to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment. The levels of assurance arising from the internal audit reviews for 2019/20 together with those of the previous year are as follows:

		KEY SYSTEMS Assurance Level			SUBSIDIARY SYSTEMS Assurance Level			TOTAL
		Full	Some	Limited	Full	Some	Limited	
2019~20	Number	17	3	0	0	0	0	20
2018~19	Number	18	6	0	0	0	0	24

- 4.7 The results of this table give an overall perspective only, it should be noted that some audit reviews of both key and subsidiary systems can range from a very large and complicated system to a very straightforward one.
- 4.8 During 2019/20 Internal Audit have sought to further progress work with all service areas and to provide advice and assistance on the implementation of recommendations and actions. As a result, measures have been put into place to facilitate a timelier proactive approach to improving systems and it is fair to conclude that there has been continued improvement in control which is enhanced by the introduction of Action Plans/Progress Reports issued during the course of audit reviews. The aim of these Action Plans/Progress Reports is to enable Managers to react to observations with prompt remedial action which can be evidenced during the audit review and lead to an improved final audit assessment. This collaborative approach has enabled Managers to actively work with the Internal Audit Team to improve the control environment.
- 4.9 The annual report in Appendix 1 also covers a review of the effectiveness of Internal Audit required by the Accounts and Audit Regulations 2015. The UK Public Sector Internal Audit Standards provide for a consistent internal audit framework for the whole of the public sector.
- 4.10 The UK Public Sector Internal Audit Standards were formally adopted by the Audit Committee in December 2013. The standards were revised with effect from April 2016, with further amendments from April 2017 as reported to the Audit Committee. The standards promote further improvement in the professionalism, quality and effectiveness of Internal Audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide Management with the assurance they need. The Internal Audit Team work in consideration of the Standards which are mandatory for all internal auditors working in the public sector. In accordance with the standards, the Internal Audit Team work to a given methodology as evidenced within the Internal Audit Manual and Internal Audit Charter. In addition, the standards require an external assessment of the Internal Audit Service the outcome of which was formally reported to the Audit Committee on 30th May 2018.
- 4.11 The review of Internal Audit effectiveness is not about process. The focus of the review is in respect of the delivery of the Internal Audit Service to the required standard in order to provide for a reliable assurance on internal control in operation in the council's practices and procedures. In essence, the need for the review is to ensure that the opinion given in Appendix 1 may be relied upon as a key source of evidence for the annual review of internal control.

The review identified no areas of non-compliance with the standards that would affect the operation of the Council's internal audit function. The review did identify some recommendations to further develop the audit service along with some

recommendations to progress towards full compliance with the standards. The review also identified some constructive suggestions for progression of the internal audit function in line with best practice.

- 4.12 The progress on implementation of the actions arising from the external assessment were formally reported to the Audit Committee at its meeting of 26th November 2018. A major requirement of the standards is to maintain a Quality Assurance Improvement Programme {QAIP}. This document sets out the quality assurance arrangement in place for the internal and external assessments of the Internal Audit Service, to ensure there are mechanisms in place to allow for continuous improvement, maintaining best practice and an effective level of performance from the Internal Audit Service. The QAIP was formally approved by the Audit Committee at its meeting of 26th November 2018.
- 4.13 The COVID-19 pandemic and consequent Government lockdown announced on the 20th March 2020, will have an impact on the work of both the internal and external audit work going forward and consequent assurance reports. This is reflected in the Annual Governance Statement. It does not impact on this Assurance Report. The Internal Audit Team were migrated to home working successfully and the continuation of service provision was seamless. The ongoing impact on the 2020/21 Internal Audit Plan is reported as a separate item on this agenda.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2015, section 3 {Responsibility for Internal Control} requires that:-
“A relevant authority (The Council) must ensure that it has a sound system of internal control which :-
(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives,
(b) ensures that the financial and operational management of the authority is effective, and
(c) includes effective arrangements for the management of risk”
- 6.2 The Accounts and Audit Regulations 2015 section 5 (1) {Internal Audit} requires that:

“A relevant authority (the Council) must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 6.3 The Accounts and Audit Regulations 2015, section 6 (1) {Review of Internal Control} requires that:-
“A relevant authority (the Council) must each financial year, conduct a review of the effectiveness of the system of internal control required by regulation 3.”

“Prepare an annual governance statement”

The annual report attached as an appendix to this report forms part of this review and contributes to the preparation of the Annual Governance Statement which is considered elsewhere on the agenda of this Committee.

7. RISK MANAGEMENT

- 7.1 It is a statutory requirement that the Council undertakes an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. Further, it is a statutory requirement that the council shall at least once annually conduct a review of the effectiveness of its internal audit.
- 7.2 The Internal Audit service is one element of the Council's assurance/internal control framework. This Key Assurance Service objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The adoption of the UK Public Sector Internal Audit Standards ensures the Council continues to comply with best practice and mitigates risk accordingly.
- 7.3 This report summarises the work undertaken by the Internal Audit Section for the 2019/20 financial year and is reviewed by the External Auditors as part of their financial audit and provide an opinion on the Internal Audit Service as a contribution to the Council's internal control environment. The annual report has been provided in accordance with the Internal Audit Section's approved Charter.
- 7.4 Corporate Risk Management forms part of the Council's processes as reported to this Committee on 27th November 2019 and 25th March 2020. This assists with the maintenance and development of the council's internal control environment.
- 7.5 The COVID-19 pandemic and revised working arrangement changes the risk profile of assurance work going forwards and this is reflected in the revised Internal And External Audit Plans in separate reports on this agenda.

8. EQUALITY IMPACT NEEDS ASSESSMENT

- 8.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the nine protected characteristics.

9. CONCLUSIONS

- 9.1 The Annual Report 2019/20 provides an opinion from the Audit Manager, endorsed by the Section 151 Officer, on the adequacy and effectiveness of the Council's internal control environment arising from the completion of Internal Audit reviews.
- 9.2 This opinion is based on the work undertaken by the Internal Audit Team in accordance with the approved 2019/20 Annual Audit Plan. The report is presented to members in accordance with the Internal Audit Charter as approved by the Audit Committee.
- 9.3 Overall, it has been concluded that the reasonable assurance can be given on the internal control environment which continued to improve during 2019/20.
- 9.4 A review of the effectiveness of internal audit for the financial year 2019/20 has been undertaken in accordance with current guidelines.

10. CONSULTEES

- 10.1 Corporate Leadership Team
10.2 Leader of the Council

11. BACKGROUND PAPERS

- 11.1 25th March 2019 ~ Audit Committee ~ Internal Audit Annual Plan 2019~20
- 28th November 2018 ~ Audit Committee ~ QAIP
- 30th July 2018 ~ Audit Committee ~ Internal Audit Charter {Updated}
- Accounts and Audit Regulations 2015 {SI 234}
- Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL ASSURANCE REPORT – 2019/20

Internal Control Environment

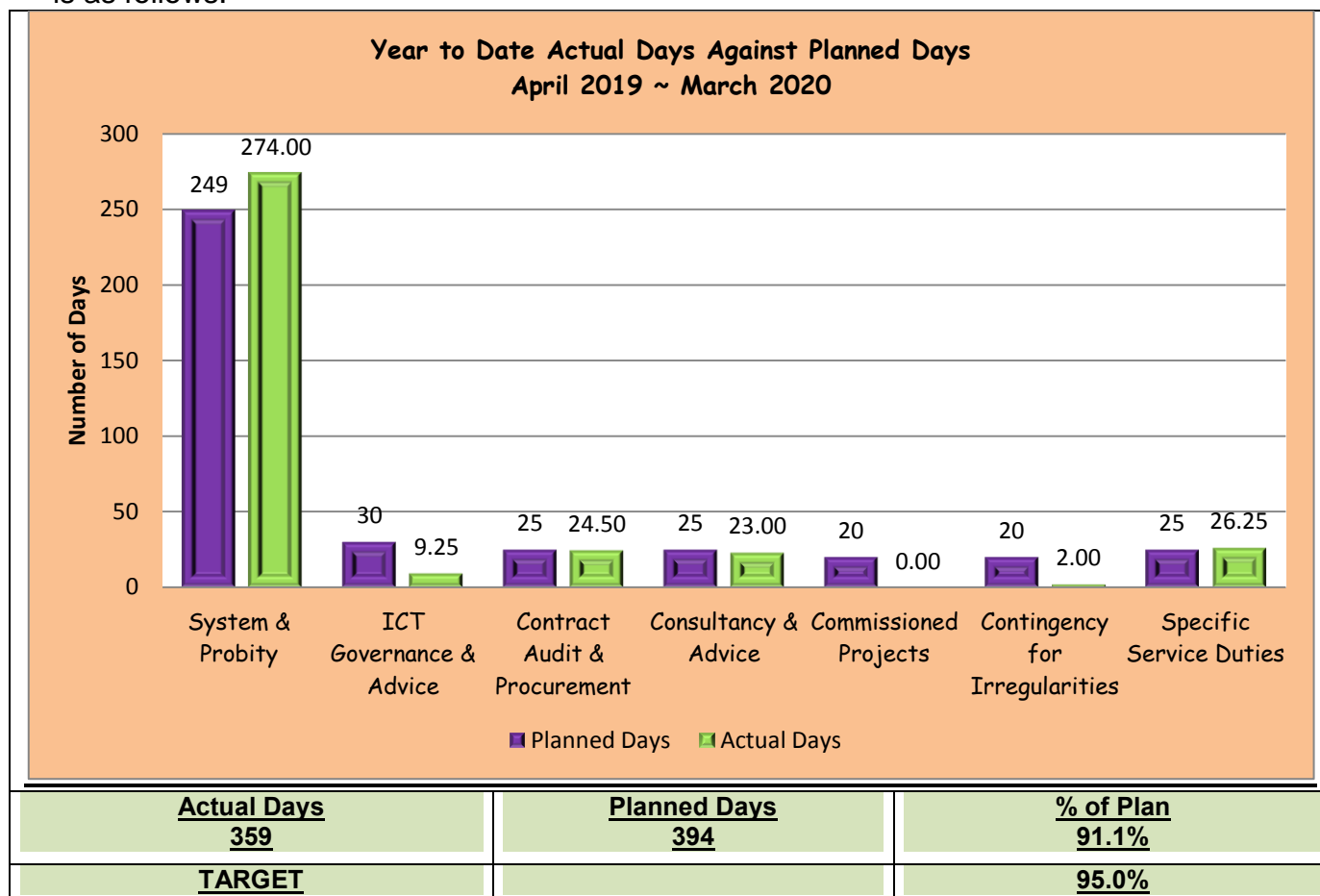
The Council's Financial Procedure Rules (Financial Regulations) state that it is the responsibility of Service Managers to ensure that there are controls in place for every system under their management. These internal controls include those to prevent and detect fraud in accordance with the Council's anti fraud and corruption policies.

The work of the Internal Audit Section relating to the financial year ended 31st March 2020 has been undertaken in accordance with the approved Audit plan 2019/20. The work undertaken has met the requirements of the Council's External Auditors and is in consideration of the UK Public Sector Internal Audit Standards.

The results of this work have been reported to the Audit Committee in quarterly reports on the 27th July and 27th November 2019, 22nd January and 25th March 2020. These reports include a summary of the work undertaken in each quarter.

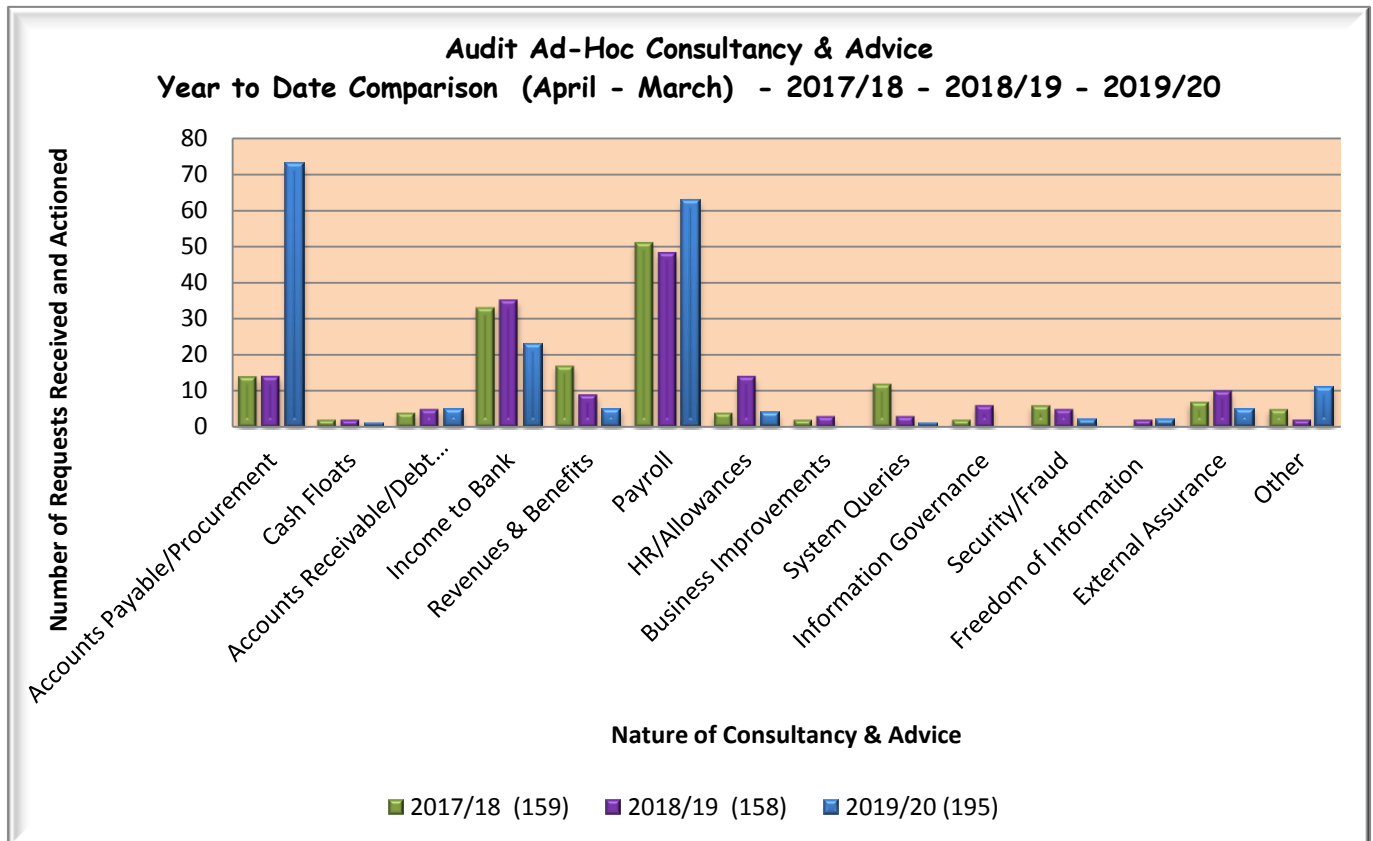
The internal control weaknesses identified from final and draft reports relating to the 2019/20 financial year have been considered in the preparation of this annual report. Where control weaknesses were identified, Management action plans are in place and are subject to ongoing review.

A comparison of the work actually undertaken with the work that was planned by audit type is as follows:



Agenda Item No. 12 - Appendix 1

Consultancy, advice and irregularity work are demand led activities, and do fluctuate each year. Utilisation of Internal Audit advice throughout the year ensures that appropriate controls are incorporated at an early stage of planning new or changing current systems and processes. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During 2019/20, the Internal Audit Team have continued to provide a consultancy and advice service to colleagues as required.



Audit Opinion

From the work undertaken by internal audit for the 2019/20 financial year it is the opinion of the Audit Manager, that the Council's internal control environment and systems of internal control as at 31st March 2020 provide reasonable assurance over key business processes and financial systems to include governance and risk management arrangements,

The conclusion on each Internal Audit review is based on the observations identified together with the level of assurance given to Management and recommendations made to improve the operation of the internal controls of the system under review.

It is drawn to the Audit Committee's attention that the following reports also provide information on the Council's internal control environment and governance arrangements:

- The Council adopted the current CIPFA/SOLACE Corporate Governance Framework. Subsequently the implementation has been subject to reviews as considered by the Audit Committee following the recognition of the Framework as "proper practices" status by the Department for Communities and Local Government. The review of the framework is further supported with additional reports to the Audit Committee following self-assessments against the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and Role of the Head of Internal Audit in Public Sector Organisations (2011).

- The findings and recommendations of the External Auditors reported to the Audit Committee.

Statement of Organisational Independence

The UK Public Sector Internal Audit Standards require a statement to confirm the independence of the internal audit activity. The organisational independence of the Audit Manager can be confirmed by the following:-

- Reports to the Corporate Director: Resources as a member of the Corporate Leadership Team;
- Reports functionally to the Audit Committee and has unrestricted access to the Audit Committee;
- Has unrestricted access to Senior Management;
- Has no further management responsibilities;
- Has no constraints on proposing actions for improvement or forming opinions on individual reports issued.

Review of the effectiveness of the system of internal audit

Work has been undertaken in accordance with the approved Internal Audit plan for 2019/20 and 91.1% of this plan has been completed by April 2020. Internal Audit reports have been reported to members of the Council's Corporate Leadership Team and the Audit Committee. The core structure of the Internal Audit Team changed during 2019/20 following the resignation of the Trainee Internal Auditor from December 2018 and the Senior Auditor/Corporate Fraud Officer in March 2019. The opportunity arose to revisit the structure of the Internal Audit Team. In consultation with the Corporate Director: Resources, the revised structure in place from 1st April 2019 provided for a full time Auditor to support the Senior Auditor and Audit Manager.

The approved Audit Plan is a statement of intent and has been subject to monitoring throughout the year, the reduction in available audit days has not been detrimental to the delivery of the internal audit service for 2019/20. Those audits considered to be of highest priority for example relating to Key Financial Systems have been completed and reported upon.

The work of the Internal Audit section is undertaken in accordance with recognised practices and standards and procedures are continually reviewed and refined in order to ensure compliance. This was evidenced with a report to the Audit Committee on 30th May 2018 detailing the outcomes of the mandatory External Assessment of the Internal Audit Service against the UK Public Sector Internal Audit Standards and the formal approval of the Quality Assurance Improvement Programme 26th November 2018, to include the progress on the implementation of the actions arising from the External Assessment.

The External Auditors sight the reports of the Internal Audit Team as part of their interim and final audits to evidence that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that the Internal Audit work contributes to an effective internal control environment for the Council.

As in previous years, the Internal Audit Team continued to work well with their customers, being approachable and able to support employees.

Corporate Issues

During 2019/20, corporate issues have continued to feature with support provided by the Internal Audit Team. Members of the Internal Audit Team continue to be involved in Wyre Forest Forward continuous improvement reviews; overseeing and advising on proposed system changes to ensure Key Controls are not compromised. The role of the Audit Team

is to ensure that risk is mitigated in the event of proposed changes to current systems and maintain good governance and financial systems resilience, to provide for continuous improvement and supporting the income generation initiatives.

Internal Audit have also continued to undertake work in connection with the mandatory National Fraud Initiative hosted by the Cabinet Office to support the national programme of work.

Commissioned Consultancy Engagements

Consultancy engagements are more formal requests to the Audit Manager for Internal Audit to look at an area or provide more detailed advice. This work is classified as commissioned work undertaken with the approval of the Audit Manager to ensure that in consideration of the UK Public Sector Internal Audit Standards add value to current process and procedure changes and improve governance.

For 2019/20 the Internal Audit Team provided input into the review of the HR/Payroll Management System.

In addition to the planned work the Internal Audit Team have also undertaken work in other areas for which a formal report is not issued, however, time has been allocated within the Internal Audit Plan:

Information Communications Technology (ICT) Governance, Advice & Assistance

- Attend the ICT Strategy Board Meetings;
- Attend the Cyber Security Group;
- Attend the Information Governance Working Group.

Contracts & Procurement

- Monitoring of the contract payments for the development of the Depot site at Green Street.
- Monitoring of the contract payments for development of the Unity Park {Frenco} site.

The matters reported here indicate that my report may be relied upon as a key source of evidence in the annual review of internal control.

Addendum

However, in giving this opinion albeit for the financial year 2019/20, it should be recognised that in light of the Covid19 pandemic and full national lockdown from 23rd March 2020, the focus and role of the Internal Audit Team has led to a change in working practices and a change in the risk profile for the Council. The Annual Governance Statement recognises that impact of the Covid-19 pandemic, potential impacts on key aspects of Governance including home working and remote meetings, and the revised External and Internal Audit approach to take account of this. The AGS also includes a new Covid-19 Recovery Governance issue in the Action plan for 2019/20. Since the pandemic lockdown occurred at the end of 2019/20 the assurance risk relates to 2020/21.

The Internal Audit Team will maintain a pragmatic approach with the knowledge that some areas/risks will remain high priority or even become higher priority while others can be reasonably delayed while Covid-19 response activities take precedent.

The Internal Audit Team will continue to support and focus on the current and future risks across the whole internal control environment that may arise with the Council having to

Agenda Item No. 12 - Appendix 1

operate under Covid-19 restrictions. This will allow internal audit to contribute to proposed changes often where the greatest benefit and value can be added, by being receptive, proactive and responsive and be in a position to provide the Audit Committee with assurance that the Council's control environment operates well during periods of stress and full implementation of Business Continuity Plans.

In addition, should the Internal Audit Team be diverted away into operational roles during the pandemic this may cause impairment to independence and objectivity when required to return to internal audit roles. In the event that this should happen, clear records of the changes to roles and plans will be maintained to help resolve any conflicts of interest.

Cheryl Ellerton
Audit Manager

Tracey Southall
Section 151 Officer

3rd July 2020

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
WEDNESDAY 22nd JULY 2020

ANNUAL GOVERNANCE STATEMENT

CABINET MEMBER	The Leader of the Council
DIRECTOR	Corporate Director: Resources Ext 2100 tracey.southall@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Annual Governance Statement 2019/20

1. PURPOSE OF REPORT

- 1.1 This report is to approve the Annual Governance Statement declaring the degree to which it meets the Governance Framework for inclusion within the Statement of Accounts.

2. RECOMMENDATION

- 2.1 **The Audit Committee is asked to approve:**

The Annual Governance Statement attached at Appendix 1.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of internal control and publish the findings alongside the authority's financial statements. The regulations require that a relevant committee considers the findings of the review.
- 3.2 The need to produce a Statement of Internal Control has been superseded by the requirement to produce an Annual Governance Statement (AGS) using the framework defined in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: The Framework".
- 3.3 The Audit Committee approved the adoption of the CIPFA/SOLACE code at the meeting on the 17 March 2008 and the subsequent annual reviews on the implementation, the latest one being 25th March 2020.
- 3.4 For the 2019/20 Annual Governance Statement it is proposed to use existing processes in relation to the review of the control system, collation of information and compilation and monitoring of the Annual Governance Statement.

4. KEY ISSUES

- 4.1 In establishing the draft documents the following pieces of evidence were considered within the current Assurance Framework:
- Internal Audit reports, following the annual assurance report from the Audit Manager, endorsed by the S151 Officer,
 - External Audit reports;
 - Assurance Statements completed by senior staff;
 - Corporate Risk Register;
 - External Inspection findings including;
 - Other relevant information, particularly in relation to the COVID-19 Pandemic.
- 4.3 The impact of the Covid-19 pandemic, potential impacts on key aspects of Governance including homeworking and remote meetings, and the revised External Audit approach to take account of this. This has been reflected in the Annual Governance Statement for 2019-20 in Appendix 1.
- 4.4 The Annual Governance Statement is presented to the Audit Committee for approval, prior to the signing by the Chief Executive and the Leader of the Council.
- 4.5 The draft Annual Governance Statement for 2019/20 is shown at Appendix 1; this document has been prepared in line with the CIPFA/SOLACE guidance.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications relating to this report.

6. LEGAL & POLICY IMPLICATIONS

- 6.1 It is a requirement under the Accounts and Audit Regulations 2015 that the Council prepares an Annual Governance Statement.

7. RISK MANAGEMENT

- 7.1 The Governance Framework pulls together all of the Council's information in relation to governance. In doing so the Council has regard for the Corporate Risk Register and approach to Risk Management. It is essential that the Council acts upon the significant governance issues that have been identified within the Annual Governance Statement.

8. CONCLUSION

- 8.1 The Council is required to complete an Annual Governance Statement which is required to:
- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement
 - Consider the robustness of the Authority's governance arrangements
 - Monitor any actions arising from the review of arrangements.

- 8.2 The statement is submitted to the Audit Committee for approval on 22nd July 2020. This will be reviewed by Grant Thornton as part of the external audit process and any revisions reported to Audit Committee on the 9th September.

9. CONSULTEES

- 9.1 Corporate Leadership Team
9.2 Leader of the Council

10. BACKGROUND PAPERS

- 10.1 Accounts and Audit Regulations 2015 (SI No.234)
10.2 Delivering Good Governance in Local Government CIPFA/SOLACE.
10.3 UK Public Sector Internal Audit Standards April 2013 {Updated 2016}
10.4 Audit Committee Information Pack - 25th March 2020
10.5 Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

ANNUAL GOVERNANCE STATEMENT 2019-20

Why we have prepared this Annual Governance Statement (AGS) 2019-20?

- To fulfil the statutory requirement for each local authority to conduct a review of its system of internal control and prepare and publish an AGS at least once a year in each financial year.
- To demonstrate whether, and to what extent, the council has a sound system of governance and has complied with its local requirements in 2019-20
- To demonstrate our achievements and help us to be more effective and take action to improve

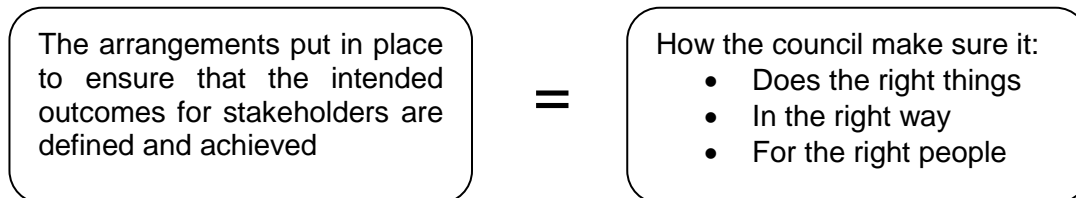
What is the Annual Governance Statement?

Legislation requires local authorities to prepare and publish an Annual Governance Statement, in order to report publically on the effectiveness of the Council's governance arrangements. The statement provides an overview of the current governance framework and a summary of the review of the effectiveness of Wyre Forest District Council's governance framework for 2019-20 (which coincides with the annual statement of accounts). The statement openly communicates significant governance issues that have been identified during the review and sets out how the authority will secure continuous improvement in these areas over the coming year.

What do we mean by governance?

By governance, we mean the arrangements that are put in place to ensure the intended outcomes for local people are defined and achieved. It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled. Good governance is about making sure the Council does the right things, in the right way for the right people, in a timely, inclusive, open, honest and accountable manner.

This is summarised visually below:



What is the Scope of our responsibility?

Wyre Forest 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. Wyre Forest 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, Wyre Forest District Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

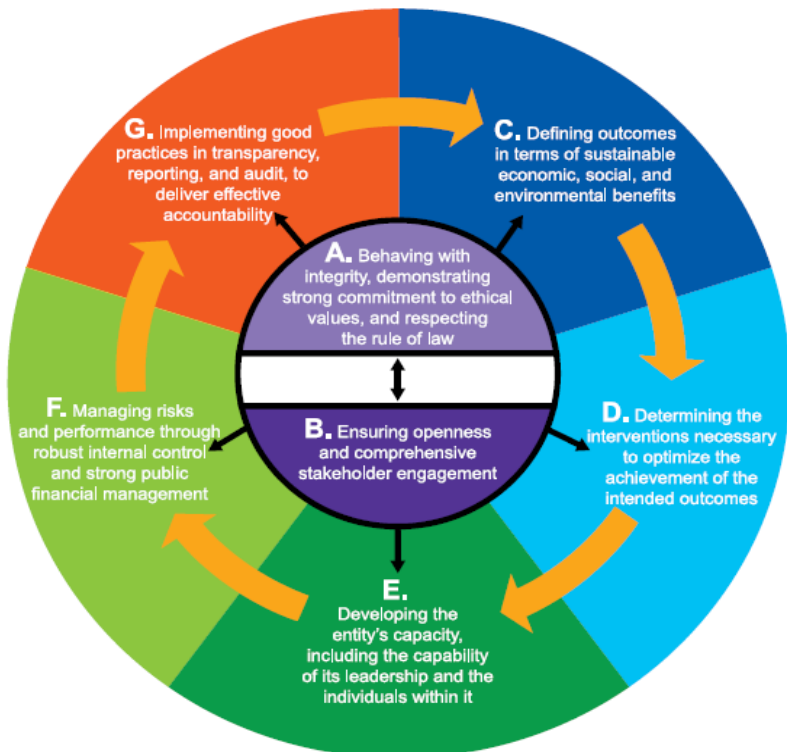
ANNUAL GOVERNANCE STATEMENT 2019-20 (continued)

Wyre Forest District Council has adopted the code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework; *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.wyreforestdc.gov.uk or can be obtained by contacting The Hub, Green Street, Kidderminster DY10 1HA. This statement explains how Wyre Forest District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 in relation to the publication of a statement on internal control.

What is the definition of the governance framework?

This is defined as ‘the systems by which local authorities direct and control their functions and relate to their communities’. The governance framework encompasses the Council’s financial management arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (Corporate Director: Resources as S151 Officer for this Council) in Local Government; the governance arrangements also conform to the requirements of the CIPFA Statement on the role of the Head of Internal Audit in public service organisations.

The key elements of the Council’s systems and processes that comprise the authority’s governance arrangements are included in the Council’s Constitution which is reviewed and updated throughout the year. The following diagram is reproduced from “Delivering Good Governance in Local Government Framework 2014” published by CIPFA/IFAC and shows core principles and how they are delivered within the robust framework at Wyre Forest.

GOVERNANCE PRINCIPLES		INTERNAL CONTROLS
<ul style="list-style-type: none"> ➤ Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area ➤ Members and officers working together to achieve a common purpose with clearly defined functions and roles ➤ Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour ➤ Taking informed and transparent decisions which are subject to effective scrutiny and managing risk ➤ Developing the capacity and capability of members and officers to be effective ➤ Engage with local people and other stakeholders to ensure robust public accountability 	 <p>The governance framework has been in place at Wyre Forest District Council for the year ended 31st March 2020 and up to the date of approval of the statement of accounts.</p>	<p>INTERNAL CONTROLS</p> <p>Leadership, Culture and Planning Organisational goals and priorities Strategic and operational plans Performance management Medium term financial strategy</p> <p>Statutory Officers & Decision Making The Constitution The Monitoring Officer Section 151 Officer</p> <p>Policies & Procedures Codes of conduct Ways of working Anti-fraud, Bribery and Corruption Policy Whistleblowing Policy HR Policies and procedures Corporate Communications and Engagement Programme</p> <p>People, Knowledge, Finance, Assets Robust HR practices Robust Internal Audit function Information governance Performance monitoring and improvement Financial management and reporting Ethical & legal practices</p> <p>Scrutiny and Transparency Freedom of Information requests Complaints procedure Reports considered by legal and finance Overview and Scrutiny Committee Equality impact assessments Corporate risk register Transparency duty publication</p> <p>Partnership Working/Stakeholder Engagement 'Love to get involved' 'Let us know' Consultations Community Localism fund</p>

ANNUAL GOVERNANCE STATEMENT 2019-20 (continued)

How does the Council deliver these outcomes?

The Council delivers these outcomes through:

- Annually reviewing local procedures and practices, which together create the framework for good corporate governance as described in the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance.
- Regularly reviewing progress against the elements of the Governance Framework
- Producing an Assurance Statement on the extent to which the local code has been adhered to and the actions required where adherence has not been achieved.

How is effectiveness reviewed?

Wyre Forest District Council has responsibility for regularly reviewing the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Corporate Leadership Team within the Authority, which has responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report endorsed by the Corporate Director: Resources, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council process for maintaining and reviewing the effectiveness of the governance framework includes:

- Findings and recommendations of Internal Audit;
- Updates by the managers within the authority who have responsibility for the development and maintenance of the internal control environment;
- Findings and recommendations by the External Auditors and other review agencies and inspectorates;
- Audit Committee review of current arrangements against best practice, including consideration of progress against issues identified in the Annual Governance Statement, see item 6 of the Audit Committee Officer Decision 1st April 2020 on our website at http://www.wyreforest.gov.uk/council/docs/doc55711_20200401_officer_decision_report.pdf

Regular reviews are carried out by the Corporate Leadership Team, including during March and again in June 2020. These reviews take into account:

- the Internal Audit Annual Assurance report from the Audit Manager for 2019-20, in consultation with the S151 Officer;
- comments of other review agencies, inspectorates and external bodies, including LGA Peer Review;
- the Audit Findings report of the External Auditor which was reported to the Audit Committee on 29th July 2019 and the Annual Audit Letter including key messages on the 27th November 2019.

ANNUAL GOVERNANCE STATEMENT 2019-20 (continued)

- The impact of the Covid-19 pandemic, potential impacts on key aspects of Governance including homeworking and remote meetings, and the revised External Audit approach to take account of this.

All Councillors and Officers of the Council adhere to the Constitution and codes of conduct. The duty to ensure compliance is predominantly the responsibility of the Council's three statutory officers:

- Head of the Paid Service (Chief Executive)
- Monitoring Officer (Solicitor to the Council)
- Section 151 Officer (Corporate Director: Resources)

The constitution is under constant review, to ensure that it remains fit for purpose. At the Annual General Meeting in May 2019, Council agreed a motion which commissioned a review of the governance of the Council, which was to be undertaken by Group Leaders and Deputy Group Leaders. Council on the 26th February 2020 received the results of this review and approved retention of the current Governance arrangements so the Cabinet and Scrutiny Systems remain in favour of a potential move back to a Committee style system.
http://www.wyreforest.gov.uk/council/docs/doc55603_20200226_council_agenda.pdf

The May 2018 Council approved a number of updates, one being an amendment to the membership of the Audit Committee to include an Independent Person as a pilot for 2019-20. A suitable candidate was recruited and continues to attend meetings. May 2019 Council approved further minor amendments including the creation of a Strategic Review Panel for 2019-20. The Panel performed an advisory role on a range of issues including policy development on the latest Corporate Plan. It also considered the Cabinet's proposals for the Medium Term Financial Strategy for 2020-2023 and budget options, to inform the Cabinet's proposed strategy and budget and for the meeting in February 2020 in respect of any alternative budget proposals.

An Extraordinary Council Meeting on 21st April 2020 made a number of changes to the Constitution required to take into account the impact of the Covid-19 pandemic on Council business, in particular on decision making, including the ability to undertake Council meetings remotely.

http://www.wyreforest.gov.uk/council/docs/doc55769_20200421_extraordinarycouncil_agenda.pdf

These timely updates ensure it remains up to date with Regulations and fit for purpose to meet ongoing business need despite national emergencies.

The Audit Committee is the Member forum that is responsible for reviewing and monitoring Corporate Governance in relation to Risk and Audit matters. The Audit Committee also regularly considers the recommendations from Internal Audit. Progress against the External Auditor's key messages included in the Annual Audit Letter as reported to the Audit Committee on 27th November 2019 was considered in the report pack for the meeting due to be held on the 25th March 2020. That meeting was cancelled due to the Covid-19 pandemic but the papers were circulated to Members and comments taken by email and telephone. The Corporate Director: Resources subsequently approved the recommendations under delegated powers with the approval of the Audit Committee Chair and in liaison with the Leader of the Council who is also the Cabinet Member for Strategy and Finance. This included the Annual Governance Statement and Corporate Risk Register Reviews. The extended membership of the Audit Committee to include an Independent Person as a non-voting member for a 12-month trial has provided an injection of an external view and brings a new perspective and flavour to the Committee.

ANNUAL GOVERNANCE STATEMENT 2019-20 (continued)

The Council's Corporate Director: Resources as Chief Financial Officer has overall responsibility to ensure that the internal control environment is effective and adhered to. This is delivered through the Internal Audit service. Internal Audit undertake regular reviews of all of the Council's systems and produce reports containing recommendations for improvement wherever necessary, in line with the 2019-20 Annual Audit Plan.

The Council's Internal Audit team works with consideration to the UK Public Sector Internal Audit Standards. The service has also adopted an Internal Audit Charter in compliance with the UK Public Sector Internal Audit Standards that was updated at the July 2018 Audit Committee meeting. A number of other internal and external reports considered the challenges around governance, including the CIPFA delivering good governance in Local Government framework 2016 reports to ensure all appropriate controls and updates are in place across the Council discussed at the March 2017 meeting. Audit Committee on the 30th May 2018 received a report on the external assessment of the Internal Audit Service undertaken by Tilia Solutions. The review was positive overall, with no areas of non-compliance with the Standards found that would affect the operation of the Internal Audit function. Recommendations/action points made have been progressed by the Audit Manager. Audit Committee on the 28th November 2018 approved a Quality Assurance Improvement Programme for the Internal Audit Service to enable an evaluation of the Internal Audit Service and its conformance to the standards, with an annual update to the Audit Committee as part of the annual report. The Internal Audit Plan 2019-20 approved at the March 2019 meeting also took into account the external review recommendations. An update on counter fraud arrangements for 2019-20 was also received at the July 2019 meeting providing members with detail on those areas managed by both the Compliance Officers and Internal Audit, evidenced by supporting national programmes for tackling fraud.

External audit reports are reviewed and considered by the Audit Committee and the Council's Corporate Leadership Team. The Council's External Auditors, Grant Thornton take a proactive approach to Member involvement and actively engage Members at Audit Committee with their Update Reports being of particular interest. In addition to this, the Council is also subject to formal review by government inspectorates and was the subject of a LGA Peer Review in March 2017 that considered financial planning and viability in detail. Feedback from this independent process was positive and the constructive key recommendations to the Council informed the 2016-17 and 2017-18 Annual Governance Statements with ongoing issues identified also included in the 2019-20 Action Plan. The follow-up Peer Review visit took place in February 2019 and once again, feedback was very positive overall with relevant action learning points reflected in this 2019-20 Annual Governance Statement.

We have been informed by the sources noted above on the result of the review of effectiveness of the Governance Framework, that the arrangements continue to be regarded as fit for purpose in accordance with the Council's governance framework.

The key areas for improvement to be specifically addressed with action plans are outlined below, along with an update of the progress being made in implementing the actions to improve these areas.

ANNUAL GOVERNANCE STATEMENT 2019-20 (continued)

Significant Governance Issues for 2019-20

Wyre Forest District Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2018-19 Annual Governance Statement. The following significant governance issues have been identified and further actions have been put in place against each, in order to continue to strengthen the Council's governance arrangements.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1	<p>General – Significant Financial Challenges</p> <p>-Continue to maintain financial resilience by securing approval of a Medium Term Financial Strategy with a fully balanced budget, taking into account the challenges of the Covid-19 pandemic and also proposed Funding Reform, noting the impact of the progression of “Brexit” and global economy volatility.</p> <p>-Potential shortfall on the delivery of savings to meet the circa £1.7m Funding Gap by 2022-23.</p> <p>-Managing Covid-19 budget pressures</p>	AGS 2017-18 as highlighted by the Corporate Leadership Team and endorsed by the LGA Peer Review	<p>a) Realignment of the MTFS to take into account the impact of the pandemic with appropriate updates and action plans to Members.</p> <p>b) To continue to actively participate in and understand/model the impact of the fundamental Finance Reform, encompassing New Homes Bonus and Business Rate Review, phasing out of Revenue Support Grant, transfer of New Burdens, progression of Welfare Reform.</p> <p>c) To re-energise work around income generation, commercialisation and expenditure reductions post pandemic. Further develop and evolve the Financial Strategy to include: -potential for large scale service redesign, alternative delivery and service providers, digitalisation and demand management.</p> <p>d) to restart the Wyre Forest Forward Programme once the Covid-19 pandemic eases and to re-profile savings targets as appropriate as part of the next MTFS</p>	<p>a) Ongoing financial resilience</p> <p>b) Balanced Medium Term Financial Strategy (MTFS) for 2020-23 with developed proposals for significant savings/cost reductions to close the increased funding gap from 2019-20.</p> <p>c) Commercial Activity Programme Board to manage process of rebuilding income streams</p> <p>d) Realigned savings plan accelerated to align with MTFS</p>	<p>Corporate Director: Resources, Chief Executive and whole Corporate Leadership team</p> <p>CAPB</p> <p>CLT/Cabinet</p>	April 2020 to February 2021, early work on response to Covid-19 specific plans to close Funding Gap after easing of the restrictions

ANNUAL GOVERNANCE STATEMENT 2019-20 (continued)

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
2	Covid-19 – Recovery Management of the recovery from impact of the Covid-19 impact on delivery operational services and also support services to ensure the Council continues to best meet business need.	Covid-19 Emergency	Recovery Plan – reversion to the “new normal”. Reports to Cabinet/Council The Council is working closely with central government and the health service to support businesses and residents across the district including: • Supporting businesses - Rate relief coupled with grants for businesses in the retail, hospitality or leisure sector have to date helped around 4,500 businesses Discretionary Grant Scheme – scheme launched end May 2020 Hardship Fund - 4,887 claims have been processed reducing bills by up to £150. • Supporting residents – the Council is making contact with vulnerable residents and tenants and is working with partners to proactively support rough sleepers. Residents who have serious underlying health conditions have been identified and there are processes in place to support this highly vulnerable group.	Continuity of high standards of council services to the community Equitable distribution of government funding	CLT/Cabinet /WF20/Service Managers Revenues, Benefits and Customer Services Manager	Dependent on easing of lockdown – within 6 months of end of restrictions. Report to July Council Within MHCLG timescales
3	Governance of Property and Loan Portfolios to further progress the implementation of the policies for the Development Loans Fund of £10m and Capital Portfolio Fund of £26.5m. To continue to clarify with the wider public that the intended impact of these £36.5million policies is to support the Financial Strategy and the Corporate Plan priority to deliver a successful local economy rather than commercial investment particularly in light of pandemic impacts on property markets.	AGS 2017-18 MTFS 2019-22, endorsed by Peer Review	a) Continue to implement revised Capital Portfolio Fund Strategy as approved at February 2020 Council by making proposals for suitable investment opportunities and secure approval and implementation/acquisitions. Take action to protect income streams against the pandemic impacts. b) Continue to work with Finance Birmingham to source suitable further loan applicants and progress loan approvals. c) To work with the communications team to reinforce intended impact.	a) Implementation of approved proposals/acquisition of portfolio assets that secure net income streams as revised in approved budget b) Loans approved where appropriate and robust corporate value for money and due diligence procedures are satisfied c) Less negative social media comment	CLT - Corporate Director of Economic Prosperity and Place, Corporate Director: Resources, Solicitor to the Council	a) Portfolio budget fully spent by end March 2021 b) By end 2021 c) By end of 2020-21

ANNUAL GOVERNANCE STATEMENT 2019-20 (continued)

Re	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
4	<p>Information governance issues and non-benefit fraud</p> <p>-utilising the Compliance Officer and Corporate Fraud Resource and separate Corporate Debt Recovery resources.</p> <p>Performance and impact of these resources to continue to be closely monitored and reported once the temporary “pause” as an impact of the pandemic passes.</p>	Annual Governance Statement 2018-19	<p>a) Information Governance Sub-Group (of the ICT Strategy Board) to continue to meet regularly to progress actions</p> <p>b) Compliance Officers within the Revenues & Benefits Section in post since March 2015. They are responsible for protecting and increasing the tax base through regular monitoring and reviewing council tax discounts and exemptions to ensure they are legitimately claimed. Additional work on potential fraud in relation to grant payments/claims in relation to Covid-19 will also be undertaken supported by Internal Audit in line with national guidance. To review the decision last year to invest in more staff for council tax and business rates recovery jointly funded by Worcestershire County Council to maximise Council Tax Income.</p> <p>c) Regular reports activity in relation to Corporate Fraud (responsibility assigned to Internal Audit Team). These will include results of extra compliance work in relation to assurance on Covid-19 payments.</p>	<p>a) Information Governance is well managed with no breaches</p> <p>b) Income collected in terms of £s and % recovery rates</p> <p>c) Annual report to Audit Committee will assess success of Corporate Fraud service</p>	<p>Chief Executive, Corporate Director: Resources Revenues, Benefits & Customer Services Manager</p> <p>c) Corporate Director: Resources/ Audit Manager</p>	<p>a) Ongoing consideration via Information Governance Sub-Group</p> <p>b) Monthly reporting of collections rates/amounts and half-yearly review of impact of extra resource for collection</p> <p>c) September Audit Committee for Fraud Update report</p>

ANNUAL GOVERNANCE STATEMENT 2019-20 (continued)

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
5	<p>Partnership and Engagement Governance issues</p> <p>Maintaining resilience in the governance process with particular regard to the increasingly complex array of partnership agreements and alternative funding solutions the Council may sign up to as part of its pursuit of innovative alternative service delivery solutions to unlock funding opportunities and generate revenue income streams. This includes Public Sector Partnership Wyre Forest LLP set up on the 22nd March 2017 and the approved Group structure for a Local Authority Trading Company (LATC), localism, joint operations and potentially devolution and combined authorities</p>	Annual Governance Statement 2018-19	<p>a) Ensure new partnering arrangements have robust governance arrangements including full regard to legal, financial and HR implications. Once governance arrangements are in place continue to review and ensure they remain robust</p> <p>b) Ensure arrangements for traded services and arms-length organisations are fit for purpose</p> <p>c) Progress work with PSP Wyre Forest LLP by progressing the former Lloyds Garage site development and allocating further sites/projects within the district for this new partnership arrangement to explore</p> <p>d) Further investigation of various structures for different arrangements, including utilisation and or expansion of the Group Structure of the approved LATC</p>	<p>a)/b) Robust due diligence for all proposals presented in business cases to be considered by Overview and Scrutiny Committee and Cabinet</p> <p>c) That work with PSP Wyre Forest LLP delivers some tangible outcomes and progresses the first approved development for temporary accommodation</p> <p>d) Reports prepared for proposals for alternative service delivery models</p>	CLT – Corporate Director of Economic Prosperity and Place, author of Property LATC report, designated officers for PSP	<p>a)/b) Ongoing due diligence work presented to Overview and Scrutiny/Cabinet throughout 2020-21</p> <p>c) PSP deliver first approved development and utilised further during 2020-21</p> <p>d) LATC Group Structure utilised as appropriate</p>

ANNUAL GOVERNANCE STATEMENT 2019-20 (continued)

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
6	ICT Resilience Governance Issues Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats. Progression of ICT Strategy Capital Allocation of £1.757m plus further allocation of £653k GDPR –compliance Additional assurance for increased homeworking and remote meetings	Corporate Risk Register and ICT Strategy Board; ICT Security {Sub-Group} MTFS 2020-2023 GDPR Legislation - effective date 25 th May 2018 Covid-19	a) Quarterly review of network security and cyber resilience; extra assurance/training for remote working/meetings b) ICT Strategy Board approvals c) Review of compliance by Information Governance Sub-Group (of the ICT Strategy Board) and ongoing work of Cyber Security Group established in 2019-20 to meet and support ICT Strategy Board; focus on cyber security business continuity plans and overall cyber security strategy. d) Risk assessments and review of security of homeworking arrangements	a) PSN compliance, secure network; b) Timetable proceeds to timetable c) Review evidenced compliance d) Compliant risk assessments	ICT Manager/ Corporate Director: Resources Data Controller ICT Manager	Ongoing reports to ICT Strategy Board, Information Governance and Cyber Security Sub-Groups, Cabinet Members and Group Leaders Initial assurance work by end October 2020, ongoing risk assessments

ANNUAL GOVERNANCE STATEMENT 2019-20 (continued)

We propose over the coming year to take steps to address the matters detailed in the above table to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our annual review.

Ian R Miller
Chief Executive

Graham Ballinger
Leader of the Council

Xx September 2020

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE REPORT****22nd July 2020****REPORT ON THE PROVISIONAL FINAL ACCOUNTS OUTTURN 2019-20**

OPEN ITEM	
Cabinet Member	Councillor G. Ballinger Leader of the Council and Cabinet Member for Strategy and Finance
DIRECTOR:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall Ext. 2100 tracey.southall@wyreforestdc.gov.uk Helen Ogram Ext 20907 Helen.ogram@wyreforestdc.gov.uk Lisa Hutchinson Ext 2120 Lisa.hutchinson@wyreforestdc.gov.uk
APPENDIX 1	Appendix 1 - Explanation of Major Variations on Revised 2019-20 Budget

1. PURPOSE OF REPORT

- 1.1 To receive the provisional outturn position in relation to the Final Accounts for 2019-20.

2. RECOMMENDATIONS

The Audit Committee is asked to NOTE: -

- 2.1 The key aspects of the Final Accounts Outturn detailed in this report including the most welcome news that a total saving of £1.065m has been achieved for 2019-20. This is made up of a saving on Services of £412k plus additional Business Rates funding of £603k together with £50k Covid-19 support funding. This been achieved by prudent budget management, particularly in relation to the Community Well-Being and Environment Directorate. This saving will be used to increase General Reserves and is most welcome given the financial pressures of the current Covid-19 pandemic.
- 2.3 That, the pre-audit Statement of Accounts for 2019-20 was endorsed by the Corporate Director: Resources on the 26th June and shared with Grant Thornton for the commencement of the external audit on the 29th June 2020.
- 2.4 That, there will be a meeting on the 9th September 2020 for Members of the Audit Committee to receive the External Audit Findings Report and approve the audited Statement of Accounts.

BACKGROUND

- 3.1 The Accounts and Audit Regulations 2015 have been incorporated into the Council's Financial Regulations. These regulations required that the Council's Statement of Accounts be produced and approved by the Chief Financial Officer on or before 31st May, 2020. For this Council the Corporate Director: Resources is the Chief Financial Officer
- 3.2 However, to take into consideration the increasing impact of COVID-19 the Ministry of Housing Communities and Local Government (MHCLG) has decided that the publication date for final, audited accounts will move from 31st July to 30th November 2020 for all local authority bodies. Also, to give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020.

Regulations implementing these measures were laid on 7th April 2020 and came into force on 30th April 2020. <http://www.legislation.gov.uk/ukxi/2020/404/contents/made>

- 3.3 To reflect this, the May 2020 Audit Committee was cancelled. A new meeting is proposed for the 9th September 2020 for Members of the Audit Committee to receive the External Audit Findings Report and approve the audited Statement of Accounts. Due to the additional risk and uncertainty going forwards this year the external auditors have indicated they will be undertaking more work on the Going Concern statement to ensure it is sufficiently transparent regarding ongoing financial sustainability.
- 3.4 This Audit Committee will be considering the Accounting Policies, fundamental to the Statement of Accounts and the Outturn Report based on extracts from the Pre-Audit Statement of Accounts that has been endorsed by the Corporate Director: Resources. A full copy of the Pre-Audit Statement of Accounts was made available on the Council's Intranet for Members' perusal on the 26th June 2020 when they were also shared with the Grant Thornton external audit team, ready for the formal start of the audit on the 29th June 2020.
- 3.5 The Statement is now subject to audit. Whilst the Council's external auditor, Grant Thornton, has until 30th November 2020 to complete the audit, the start date for the audit of the 29th June 2020 was achieved and the process is currently in progress. The intention is for the accounts to be formally published by 31st October 2020.
- 3.6 Should it be necessary for Grant Thornton to agree technical changes with the Chief Financial Officer while the accounts are subject to audit, these will be made under delegated powers. All Members of the Council will be provided with an electronic copy of the completed audited Statement.
- 3.7 The Council's Accounts will be made available for public inspection, as required by the new regulations, for a period of 30 days starting on or before the first working day of September 2020. Therefore, it is the intention to commence this public inspection on 6th July 2020 to run until 14th August 2020. The current legal requirements no longer include an appointed day when external auditors must be available for questions or queries. If any local government elector for the area has any questions

on the Accounts for the external auditor an appointment should be made in advance, in writing.

- 3.8 The provisional revenue outturn position has identified savings of £1.065m. This includes a £300k increase to Business Rates Risk Reserve taking the total to £1.624m, as set out in paragraph 4.2.1, along with the creation of a new Business Rate Appeals Ear Marked Reserve of £1.574m to reflect a change in the accounting practice adopted by the Pool. The saving of £1.065m has been used to increase General Reserves. This is subject to audit. In-year increases to the separate Innovation Fund and General Risk Earmarked Reserves may be considered as more information becomes known about the current pandemic and to what degree the Savings Plans can be progressed and resultant “spend to save” funding requirements can be assessed. Appendix1 summarises major variations from the Revised Budget for Members’ information.

4. KEY ISSUES

- 4.1 The most significant issue facing the Council remains its financial position, and it has been significantly exacerbated by the Covid-19 pandemic. The current medium term financial strategy, approved by February 2020 Council, provided a balanced approach for the next three years; this was of course before the impact of Covid-19 was known. There was a planned use of reserves in 2019-20 of £18.6k. Based on the approved MTFS, the overall funding gap increases to around £1.7m from 2022-23. Taking into account the forecast impact of ongoing changes to the funding regime, it means that by 2022-23 transfers from reserves are required of around £835k. Further work on the Wyre Forest Forward Savings Strategy will continue to be actively progressed to close this gap and ensure the future financial sustainability of the Council, once the resource- intensive pandemic eases. More certainty around the scale of future financial savings will be known following the finalisation of government funding to meet the impact of the pandemic. In the meantime, the Government’s Funding Reform has been further delayed to 2022-23.

4.2 Business Rates – Provisional Outturn for 2019-20

- 4.2.1 This has been the seventh year of the Business Rates Retention Scheme. For 2019-20 this Council was in a Pan-Worcestershire 75% Business Rates Pilot which has proven to be highly successful. The terms of reference for the larger Pool allowed Worcestershire County Council to retain extra retained growth for adult social care/children’s services, whilst protecting the district councils by a “no detriment clause”. The WFDC share of the Pool retained levy for 2019-20 is £5.803m (including the impact of the revised approach to Business Rates Appeals as detailed in 4.2.2 below). The Council has exceeded its revised budget estimate of £3.396m including its estimated share of retained growth of £600k over baseline. Along with a National Levy Redistribution from MHCLG of £10k, this has facilitated a release to General Reserves of £603k, the creation of an earmarked reserve of £1.574m for future impact of 2017 list appeals (detailed below) and an additional £300k top-up towards the Business Rates Equalisation Risk Reserve to mitigate the significant inherent risk of the Funding Reform, now planned for implementation from 2022-23. The Business Rates Equalisation Risk Reserve at 31st March 2020 is £1.624m, which is proportionate to potential risks and is in line with risk reserves held by neighbouring Worcestershire districts. The reserve will be kept under review and released into General Reserves in due course if it is not required.

- 4.2.2 The Pool Treasurers in consultation with specialist advisors LG Futures undertook a review of the accounting approach to Provision for Appeals held within the Pool as part of the close-down process. There has been a lack of information coming through from the Valuation Office Agency due in part to administration backlogs but also caused by the revised Check Challenge Appeal process, whereby upfront evidence is required before submission of an Appeal. This has resulted in a lack of evidence to continue to justify the high level of Appeal Provisions for the 2017 list held within the Pool and led to the decision that these should be held locally in each Council's General Fund Accounts as an earmarked reserve, at a level deemed appropriate by each pool member. This change in approach increased the Business Rate Pool surplus which has been used to create new Earmarked Reserves in the accounts of each Pool Member; the new EMR for this Council is £1.574m. This is an important accounting technicality based on reference to the accounting code and will be given due consideration by External Audit.
- 4.3 The 2019-20 financial year is the second year of the accounting standard relating to the treatment of revenue (income) from contracts with customers (IFRS15). This standard requires the income from service contracts to be recognised as the performance obligation is satisfied. Whilst this had a significant impact on planning fee income and the revenue from the green waste collection service last year, the impact has now been smoothed so is minimal.
- 4.4 Included within Appendix 1 is the identification of the significant variances against the Revised Budget for 2019-20. These variances include:
- i) Positive pay variance of £132k.
Reductions have been made in expenditure across the authority but most notably in the Community Well-being and Environment directorate where recruitment has taken longer than anticipated for operational posts. The savings include pay reductions plus savings in pension costs.
 - ii) Provision for bad debts – increase in provision for bad debts £164k (Corporate and Property £146k and Housing Benefit £18k).
Customer accounts have been reviewed and the decreases that have been possible in recent years have been reversed due to the economic impact of Covid-19 on residents and businesses. The accelerated transfer of housing benefit claimants onto universal credit, an indirect consequence of the pandemic, has reduced the likelihood of full and timely recovery.
 - iii) Over Payment Recovery – adverse variance of £98k
The introduction of Universal Credit has made the recovery of overpayments very difficult to forecast. The approved budget was based on the experience in 2018-19 but recovery has fallen below these levels in the current year.
 - iv) Community Well-being and Environment – favourable variance of £220k (£381k including pay variances and admin)
There are a number of favourable variances across the directorate including a net saving (£45k) from the garage account due to a reduction in reactive

repairs resulting from the fleet replacement programme (£81k). Details of all major variances are set out in Appendix 1.

- v) Economic Prosperity and Place – positive variance of £59k (£113k including pay and admin variances)

There are a number of favourable and adverse variances across the directorate including additional income from property rentals (£25k) and a business rates refund from the former Golf Centre (£32k). These positive variances were partially off-set by a shortfall in income from land charges. Details of all major variances are set out in Appendix 1.

- vi) Additional External Interest income/lower interest paid on loans of £70k

This additional interest on investments has resulted from slightly longer durations and robust treasury management of funds together with lower interest rates paid on external borrowing compared to budget assumptions.

- 4.5 The Innovation Fund set up in 2011/12 for one-off implementation costs to support the Wyre Forest Forward programme has been extremely successful in delivering the change programme. The unspent and uncommitted balance is £393k at the year-end. This is before the budgeted addition of £100k in 2020-21 from the Community Well-Being and Environment restructure savings.
- 4.6 It should also be noted that, the Working Balance was increased to £1.2m last year to reflect the significant financial risks faced by this Council as a result of the planned fundamental changes to the Government Funding Regime in 2022-23 and beyond. Consideration to increasing this reserve will be made as part of the next budget process once the impact of Covid-19 can be more fully assessed. In the meantime, the outturn saving has been used to increase General Reserves to help buffer the pandemic impact.

5. FINANCIAL IMPLICATIONS

- 5.1 The positive variance of £412k on net Service expenditure, along with additional net Business Rates income of £603k and a Covid-19 Grant from MHCLG of £50k compared to the Revised Budget, results in a contribution to General Reserves of £1.046m rather than the £18.6k planned use of reserves. The resultant reserves will be reconsidered in accordance with the Council's Finance Strategy, as part of the budget process for 2021-22 onwards. The saving is greater than reported at Quarter 3 budget monitoring due to a number of events and decisions in the last quarter coupled with year-end transactions. A new reserve of £1.574m was also created out of the Business Rates surplus for this year, to reflect the change in approach to Business Rate Appeals.
- 5.2 These remain ever increasingly challenging times for the Council given the current pandemic and albeit further delayed changes to the landscape of the Government's funding regime that will continue to emerge post Covid-19. The provisional saving on outturn is welcomed and has been utilised to earmark funds to meet potential business rate liabilities, create resilience and also to increase General Balances compared to forecast, to mitigate the potential future impact of funding volatility.

- 5.3 Total general reserves available for the 2021/24 Financial Strategy should now stand at circa £4.834m compared to the previous forecast of £3.769m.
- 5.4 The provisional outturn is subject to validation as part of the Final Accounts external audit process.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 None.

7. RISK MANAGEMENT

- 7.1 The principal risk to the Council is non-achievement of the revised statutory deadline, in respect of production and approval of the Statement of Accounts before 30th November 2020, and qualification of the Accounts by the Council's External Auditors. Officers continue to work in close liaison with Grant Thornton to response to queries or additional evidence requests to mitigate the risk of not meeting the deadline.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 This is a financial report and there is no requirement to undertake an Equality Impact Assessment.

9. CONCLUSION

- 9.1 This report details the provisional outturn position as at 31st March 2020 and provides information on the creation of further significant earmarked reserves.

10. CONSULTEES

- 10.1 CLT/Cabinet
- 10.2 Grant Thornton – External Auditors

11. BACKGROUND PAPERS

- 11.1 Accounts and Audit Regulations 2015
Financial Strategy 2020/23
- 11.2 Regulations implementing measures to allow more time for the accounts closure were laid on 7th April and came into force on 30th April 2020:
<http://www.legislation.gov.uk/ukxi/2020/404/contents/made>

PROVISIONAL OUTTURN
MAJOR VARIATIONS BETWEEN REVISED BUDGET
AND ACTUAL NET EXPENDITURE FOR 2019/20

Total Revised Budget 2019/20	£ 11,554,530
	11,554,530
LESS:	
Actual Net Expenditure - pre-audit - still subject to validation	11,142,033
SAVINGS COMPARED TO 2019/20 REVISED BUDGET	(412,497)
Increase in Funding from Business Rates/other Govt funding	(652,376)
OVERALL SAVING COMPARED TO REVISED BUDGET	(1,064,873)

Description of Estimated Major Variances	Extra Costs/ Reduced Income £	Savings/ Additional Income £
<u>Chief Executive and Solicitor to the Council</u>		
1. Member allowances scheme	0	(13,639)
<u>Resources</u>		
1. Increase in bad debt provision for Corporate and Property debts	146,000	
2. Housing Benefit - increase in bad debt provision and downturn in recovery of overpayments	116,400	
3. MHCLG rant funding (Brexit and Transparency)		(36,900)
4. Increased income from Court Costs recovered - Council Tax and Business Rates		(19,700)
5. Bank Charges - merchant acquirer services		(18,200)
6. Aid to Parish Councils		(15,500)
7. Pensions - Unfunded Benefit saving due to demographics		(9,700)
<u>Community Well Being and Environment</u>		
1. Car Parking and enforcement income and operational savings, including procurement savings		(69,000)
2. Fleet savings - net position of reduced repairs and increased fuel costs		(45,000)
3. Trade waste - new customers and tipping charges below budget		(32,000)
4. Grounds maintenance - savings on direct materials and plant hire offset by shortfall in external works		(28,000)
5. National Assistance Act burials and Cemetery fees and charges		(17,000)
6. Parks and Green Spaces		(14,000)
<u>Economic Prosperity and Place</u>		
1. Land Charges - Reduced Income	23,830	
2. NNDR Refund - Former Golf Centre		(32,430)
3. Property rentals - increased income offset by increased reactive and planned maintenance		(25,130)
4. Homelessness and temporary accommodation (New Street)		(18,850)
5. Environmental health/Licensing		(11,780)
<u>Capital Account</u>		
1. Treasury Interest - additional external interest received (including unwinding Icelandic impairment)		(51,090)
2. Treasury Interest - Payable (capital programme slippage)		(18,950)
<u>Corporate Variations</u>		
1. Total Payroll related variances		(132,340)
2. Net Admin accounts		(10,300)
	286,200	(619,509)
Miscellaneous variances (less than £10k)		(79,188)
REDUCED NET EXPENDITURE ON YEAR 2019/20 - PROVISIONAL		(412,497)

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

22nd July 2020

Risk Management – Review of Corporate Risk Register – COVID-19

OPEN	
CABINET MEMBER:	Councillor G Ballinger, Strategy And Finance
RESPONSIBLE OFFICER:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall Tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Corporate Risk Register as at 30 th June 2020 Appendix 2 – Budget Risk Matrix 2020~23

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee of an update to the 2020-21 Corporate Risk Register and the Budget Risk Matrix attached as Appendices 1 and 2 to reflect the impact of COVID-19.

2. RECOMMENDATIONS

- 2.1 **The Audit Committee are asked to CONSIDER AND NOTE the revisions to the 2020-21 Corporate Risk Register and the associated mitigating actions as at 30th June 2020 and the revised 2020-23 Budget Risk Matrix to reflect the impact of COVID-19.**

3. BACKGROUND

- 3.1 Council approved a Risk Management policy statement and strategy in February 2008. The approved Risk Management strategy requires that the risk register entries for the Council, both strategic and operationally is considered by the Audit Committee.
- 3.2 The authority manages a corporate risk register for the significant organisational risks. The risk registers are held within the Pentana Performance (formerly Covalent) computer application. Arrangements are in place to ensure that access is available to all officers who require it.
- 3.3 Following a full collaborative procurement exercise this year Zurich Municipal were appointed to continue as the Council's insurers and will continue to provide specialist advice on Risk Management as this helps keep the costs of insurance down. The Risk Register is one of the key documents we provide to our insurers for the review of risk. We are also working with an Independent Specialist Insurance and Risk Management expert from Gallagher commissioned to work across the Insurance Consortium and this is proving beneficial to supplement the Zurich contract.

- 3.4 In addition to this external review, the Risk Register is reconsidered and updated annually by the Corporate Leadership Team (CLT). This ongoing review is led by the Corporate Director: Resources in liaison with the Cabinet Member for Strategy and Finance. The Corporate Risk Register for 2020-21 has been updated to include the significant additional risk as a result of the ongoing COVID-19 pandemic and is attached at Appendix 1; it has been developed and approved by the Corporate Leadership Team with input from all Service Managers as appropriate.
- 3.5 The Corporate Risk Register is closely allied to the Budget Risk Matrix approved annually by Council as part of the Medium Term Financial Strategy has also been updated to include the impact of the pandemic and is included as Appendix 2.

4. KEY ISSUES

- 4.1 Risk Management is embedded within the Council through the Corporate Risk Register. Any report considered by Members includes a Risk Management Section and in addition to this, specific registers are maintained and monitored separately for significant individual projects.
- 4.2 The Budget Risk Matrix is closely allied to the Corporate Risk Register and is reported to Members as part of the budget process. It is updated at least quarterly and reported as part of the regular Budget Monitoring Reports to Cabinet.
- 4.3 The inability to deliver a balanced budget is one of the Council's key corporate risks. The Risk Register for 2020-21 has recently been agreed by CLT and includes specific reference to the risks arising from the COVID-19 pandemic. In addition to this the Leadership team (Officers and Members) are managing more granular risks in relation to the pandemic which were summarised together with key actions taken and planned in the appendix to the Financial Stress Testing – Coronavirus Cabinet report of July 7th 2020
http://www.wyreforest.gov.uk/council/docs/doc55902_20200707_cabinet_agenda.pdf
- 4.4 It is appropriate for the Audit Committee to consider the current Corporate Risk Register that includes the impact of the COVID-19 pandemic, attached at Appendix 1, updated to the end of June 2020 and agreed by CLT. The Corporate Risk Register will continue to be reported on a six monthly basis to the Audit Committee, following consideration by the Corporate Leadership Team.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 Regulation 3 of the Accounts and Audit Regulations 2015, state that:
“A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.”

6.2 In addition, Regulation 4 of the Accounts and Audit Regulations 2015 also state that: *“The financial control systems determined must include measures to ensure that risk is appropriately managed”*.

6.3 The Council's corporate Governance Framework considered by the Audit Committee on 17th March 2008, includes Core Principle 4 - Taking informed transparent decisions which are subject to effective scrutiny and management of risk.

7. RISK MANAGEMENT

7.1 The consideration and management of risk is good practice. Risk Management processes are required to effectively manage and evidence the management of key risks as an aid to achieving the Council's corporate objectives and demonstrating good Corporate Governance allowing Managers to manage their risks and bring to a corporately acceptable level.

7.2 Financial risk continues to be the most significant risk facing this Council and many others and this is increased significantly due to the uncertainty surrounding the impact of the COVID-19 pandemic.

7.3 Ongoing good governance is also key to managing the new risks in these unprecedented times. The extraordinary Council meeting on the 21st April 2020 updated our constitution that underpins good governance allowing for remote meetings that continue to operate successfully and also included some revisions to Financial Regulations.

8. EQUALITY IMPACT NEEDS ASSESSMENT

8.1 There are no discernible equality and impact assessments relating to this report.

9. CONCLUSION

9.1 The corporate risk management process ensures that risks are monitored and action taken to minimise the impact on the Council. The Corporate Risk Register and Budget Risk Matrix as attached at Appendices 1 and 2 provide a realistic overview of the major risks affecting the Council and will be monitored on a regular basis by the Corporate Leadership Team with six monthly reports to the Audit Committee.

10. CONSULTEES

10.1 Corporate Leadership Team.

10.2 Cabinet Member for Strategy and Finance.

11. BACKGROUND PAPERS






11.1 The Annual Audit Findings report – Audit Committee 31st July 2017

11.2 The Annual Audit Findings report – Audit Committee 30th July 2018


11.2 Risk Management: Corporate Risk Register Report – Audit Committee – 27th November 2019




- 11.3 Medium Term Financial Strategy Report 2020-23 – Cabinet 17th December 2019
http://www.wyreforest.gov.uk/council/docs/doc55298_20191217_cabinet_agenda.pdf
- 11.4 Medium Term Financial Strategy Report 2020-23 – Council 26th February 2020
http://www.wyreforest.gov.uk/council/docs/doc55603_20200226_council_agenda.pdf
- 11.5 Financial Stress Testing – Coronavirus Cabinet report of July 7th 2020
http://www.wyreforest.gov.uk/council/docs/doc55902_20200707_cabinet_agenda.pdf
- 11.6 Accounts and Audit (Coronavirus) (Amendment) Regulations 2020
- 11.7 Audit Committee Information Pack - 25th March 2020
http://www.wyreforest.gov.uk/council/docs/doc55711_20200401_officer_decision_report.pdf

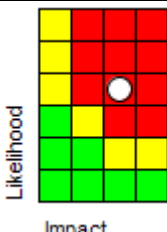



Corporate Risk Register 2020/21




Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

CORPRISK01	Failure to adapt to streamlining of service delivery. The Council continues to male plans to close the significant funding gap and this inevitably means it will continue to undergo major transformational change. Whilst this change will include the review of processes, cultural and behavioural change, it will also involve the cessation/transfer of some services. This transformational work must be carefully managed with risk mitigated by robust due diligence and use of external expertise and alternative service delivery vehicles as appropriate. Activity to mitigate this risk has been delayed by the Covid-19 Pandemic – see COPRRISK 16.					
	Original Matrix	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div><div></div><div></div><div></div><div></div></div><div>Impact</div></div>	Current Risk Matrix	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div><div></div><div></div><div></div><div></div></div><div>Impact</div></div>	Target Risk Matrix	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div><div></div><div></div><div></div><div></div></div><div>Impact</div></div>

MITIGATING ACTIONS				
Description	Managed By	Due Date	Latest Note	
Regular CLT/ cabinet meetings focussed on change, demonstrating leadership by example and maintained by regular updates at corporate briefings and team	Corporate Leadership Team; Ian Miller	31-Mar-2021	Monthly Cabinet/CLT meetings discuss a range of strategic issues and opportunities for change. Corporate Briefings delivered in February 2020 and June 2020. Next	<div>20%</div> 

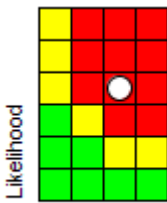

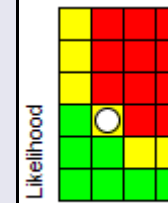

meetings etc.			Corporate briefings planned for Autumn 2020		
Use of external expertise to identify and manage commercial opportunities and advise on the most appropriate mode of service delivery.	Corporate Leadership Team; Mike Parker	31-Mar-2021	Work ongoing.	0%	
Progress implementation of organisational development work programme	Rachael Simpson	31-Mar-2021	OD work programme adopted and implemented. 2nd update to group leaders 07/07/2020	50%	
Demonstrating robust and focussed leadership in all transformation activity	Corporate Leadership Team; Rachael Simpson	31-Mar-2021	Ongoing	25%	


CORPRISK02	Unable to improve the economic prosperity of the district. Lack of vitality in the local economy - although the District is holding up reasonably well in the current economic conditions it still aims to stimulate growth to support the economic recovery and to support the recovery of the local economy. The Council is now in its tenth year of the State of the Area Programme which includes a number of projects to assist in the stimulation of economic recovery. The Council continues to host of the North Worcestershire Economic Development and Regeneration Service (having adopted a new North Worcestershire Economic Strategy in 2019) and maintains its membership of two Local Enterprise Partnerships and continues to maximise the benefit of that position, although it is recognised that this may change as the Government seems to eliminate dual LEP membership from April 2021. The Business Rates Retention Scheme introduced in 2013/14 increases the incentive to promote growth as there is significant financial risk to this Council if we are unable to sustain the baseline level of the business rates reflected in government projections. The detail in relation to reform of the Business Rates System towards 75% retention and Fair Funding Review is still emerging. We will continue to review our position as more information is released. Membership of the Worcestershire Business Rates Pool has only mitigated this risk to a certain extent and economic growth is key to the future financial sustainability of the Council, this may change following Business Rates Reform. Successful bid for 75% rate retention pilot for 2019/20 but all the net overall gain will be invested in activity to reduce social care pressure (subject to a no detriment agreement for district councils). The 75% pilot will end 31st March 2020 so new pooling arrangements have been agreed for 2020-21 now it has been confirmed that the funding reform has been delayed to 2021-22. The Council has successfully bid for funding through the Future High Streets Fund initiative and submits its Full Business Case in May 2020. The impact of Brexit influences this risk and COVID-19 presents a significant challenge and increase in this key risk					
Original Matrix		Current Risk Matrix		Target Risk Matrix		

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue to implement actions from the Worcestershire Housing Partnership Plan including any outcomes as a result of the review of the Local Development Plan.	Kate Bailey	31-Mar-2021	The Local Plan has been submitted to the inspector in May and it is expected we will have an Examination in Public in the Autumn. Initial actions from the Partnership Plan are completed or underway and a new action plan will be developed for 2020-21. The Homelessness and Rough Sleeping Strategy has been refreshed and is published. An action plan has been developed and projects are underway.	33%	
Collection of Council Tax and Business Rates Local Council Tax Reduction Scheme requires approximately 5000 Customers to pay at least 20% of their Council Tax liability. Failure to pay their liability will result in lower collection rates. Business Rates Retention Scheme requires Local Authorities to focus on Business Rate collection to avoid further financial pressure.	Lucy Wright	31-Mar-2021	The current pandemic has resulted in the lowest collection rates for both council tax and business rates for many years. As at 1st Jul 20, Council Tax in year collection rates are at 28.36% compared to 29.73% last year. NNDR in year collection rates are at 21.15% compared to 28.23% last year. Normal recovery processes were put on hold however first reminder letters were sent in June and the team are now focussing on recovery.	25%	
Generation of additional Business Rates Income through continued delivery of regeneration and continued utilisation of policies for development loans fund and capital portfolio fund.	Mike Parker	31-Mar-2021	<u>Fourth Quarter 2019/20</u> 0.42% decrease in the fourth quarter from £26,253,443 down to £26,142,112. The decrease is mainly due to an increase in small business rate relief being awarded. This is reimbursed via a S31 grant. A new retail discount has also been introduced	0%	

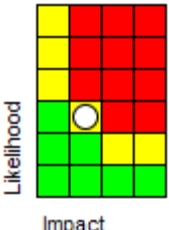

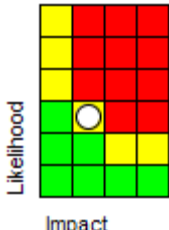

			<p>by the Government with effect from 01/04/2019 giving retail businesses 33.33% off their business rates. This will be reimbursed via a S31 grant.</p> <p>The Valuation Office Agency has still not agreed the Supermarket appeals on the 2010 list, and the ATM appeals are still waiting a final Court decision, and the NHS hospitals Court case has now been heard but the NHS are appealing the decision.</p> <p><u>Third Quarter 2019/20</u></p> <p>0.025% decrease in the third quarter from £26,260,127 down to £26,253,443. The decrease is mainly due to an increase in small business rate relief being awarded. This is reimbursed via a S31 grant. A new retail discount has also been introduced by the Government with effect from 01/04/2019 giving retail businesses 33.33% off their business rates. This will be reimbursed via a S31 grant.</p> <p>The Valuation Office Agency has still not agreed the Supermarket appeals on the 2010 list, and the ATM appeals are still waiting a final Court decision, and the</p>		
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			NHS hospitals Court case has now been heard but the NHS are appealing the decision.		
Influencing a positive outcome to the LEP Review, taking account of the potential impact of the Brexit process.	Ian Miller; Mike Parker	31-Mar-2021	Still no final conclusion or agreement reached.	0%	▶
Delivery of redevelopment of former Lloyds Garage site and adjoining land (STC.4)	Mike Parker	31-Oct-2021	• Legal agreement with PSP now completed\ Planning application submitted with a ticipated committee to determine in August.	50%	▶
Redevelopment of former Frenco site adjacent Hoobrook Enterprise Centre to provide 9 new units	Mike Parker	31-Aug-2020	Although works have been delayed due to Covid 19 some activity has been possible on site and completion is now expected by August 2020.	75%	▶
Purchase of land and six industrial units on Silverwoods Way (land opposite Aldi)	Mike Parker	31-Dec-2021	All consents now in place works expected to commence on site autumn 2020. Council progressing legal agreement for purchase of 6 units. Due diligence work to release development loan ongoing.	50%	▶




CORPRISK03 Unable to deliver good quality, affordable homes. The need for good quality, decent and affordable homes in the district is increasing but supply relative to demand in decreasing. The risk is increased by the emerging national position regarding changes in the National Planning Policy Framework the Voluntary Right to Buy pilot in the West Midlands and the First Homes Proposals.							
	Original Matrix		Current Risk Matrix		Target Risk Matrix		


MITIGATING ACTIONS				
Description	Managed By	Due Date	Latest Note	
Continue to implement actions from the Worcestershire Housing Partnership Plan including any outcomes as a result of the review of the Local Development Plan.	Kate Bailey	31-Mar-2021	The Local Plan has been submitted to the inspector in May and it is expected we will have an Examination in Public in the Autumn. Initial actions from the Partnership Plan are completed or underway and a new action plan will be developed for 2020-21. The Homelessness and Rough Sleeping Strategy has been refreshed and is published. An action plan has been developed and projects are underway.	<div>33%</div> 





CORPRISK04	<p>Unable to deliver a sustainable budget for the long term. The outcome of the Fair Funding Reform has been deferred past 2021-22 and represents a significant risk. There has been a 1 year Spending Round for 2020-21. This confirmed the Reset and Fair funding review will be put back to 2021-2022. Negative RSG should be removed for 2021, The working assumption is that NHB Legacy payments will be paid. Business Rates 75% pilots to end after 2019-20. The 2019-22 Medium Term Financial Strategy projected a much lower level of government funding over the next 2 years with RSG phased out completely by 2019-20 and NHB being reformed for which no funding is paid than previously expected The success of this strategy is reliant on the delivery of significant savings to close the funding gap of circa £1.7m per annum by 2022. This ambitious programme of savings and income generation must be carefully managed by the Leadership team (officers and members) and achieved. The reliance on external income streams/funding brings with it increased risk around the continuation of these income streams that are based on the decisions of third parties. The Business Rates Retention Scheme and the imposition of further reductions/cessation in Government funding streams represents significant corporate financial risk. These risks include the uncertainty around the future of New Homes Bonus as it is clear that there will be a significant reduction in this funding stream. Business Rates reform, growth and the risk of Appeals resulting in lower Business Rates yield represent a key risk to future sustainability. The two significant council policies for development loans fund and capital portfolio fund are intended to generate both housing and business growth whilst also generating a net revenue income stream to help alleviate the significant financial pressures. The introduction of a Financial Resilience Index by the Chartered Institute of Finance and Accountancy (CIPFA) may prompt further challenge to our future financial resilience. The Council is also responding to the findings of the follow up visit by the LGA peer review team. Brexit and COVID_19 also impact on financial sustainability. Corporate Risk 16 covers the COVID-19 pandemic impact on the Council including the significant financial impact. Corporate Risks 03 – Affordable Homes and 16 is also allied to delivery of a sustainable budget</p>
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Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Prepare budgets in accordance with all legislative requirements and the Council's Finance Strategy, taking into account the significant changes in the funding regime, increased risk and diminishing reserves available and reduced capacity following various restructures. Brexit and Covid-19 add further uncertainty and complexity.	Tracey Southall	31-Mar-2021	The Pay estimate process has commenced according to timetable.	<div><div>5%</div></div>	
Collection of Council Tax and Business Rates Local Council Tax Reduction Scheme requires approximately 5000 Customers to pay at least 20% of their Council Tax liability. Failure to pay their liability will result in lower collection rates. Business Rates Retention Scheme requires Local Authorities to focus on Business Rate collection to avoid further financial pressure.	Lucy Wright	31-Mar-2021	The current pandemic has resulted in the lowest collection rates for both council tax and business rates for many years. As at 1st Jul 20, Council Tax in year collection rates are at 28.36% compared to 29.73% last year. NNDR in year collection rates are at 21.15% compared to 28.23% last year. Normal recovery processes were put on hold however first reminder letters were sent in June and the team are now focussing on recovery.	<div><div>25%</div></div>	
Municipal Mutual Insurance Clawback - Budget Pressure	Tracey Southall	31-Mar-2021	A potential claim is currently being considered but liability not confirmed at this early stage.	<div><div>25%</div></div>	

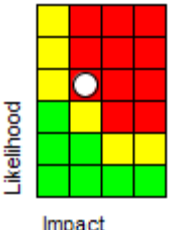

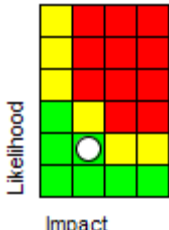

Regular meetings to facilitate effective communications. Regular additional Cabinet/ CLT meetings in 2020-21 to focus on future financial strategy and Wyre Forest Forward savings achievement.	Corporate Leadership Team; Ian Miller	31-Mar-2021	Programme of meetings for 2020 including the financial impact of COVID-19. Regular meetings between Cabinet and CLT on future direction of the Council and uncertainty surrounding the ongoing financial sustainability that is dependent on Government funding and the impact on the financial gap	<div><div>15%</div></div>	
Further progression of policies for development loan fund and capital portfolio fund. Use of external support/expertise to manage fund and produce each business case/performance due diligence. MHCLG investment guidance and revised Codes of Practice for Prudential Code and Treasury Management reflected in Capital Strategy. Close monitoring of economic outlook/external factors influencing market rates including the impact of the whole percentage increase in PWLB rates as at October 2019 and Covid-19.	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2021	No further proposals progressed for acquisitions as yet.	<div><div>10%</div></div>	
To continue to progress the Corporate Fraud role aligned to the Internal Audit Team to focus on non-benefit fraud, continue to raise awareness of national issues as part of the Fighting Fraud and Corruption Locally Agenda working in close liaison with Services and ICT; to raise awareness of risks associated with cyber fraud and management of information. There will also be close liaison with the Compliance resource within the Revenues team with updates to the Audit Committee. Implementing redevelopment proposals to generate new revenue streams	Cheryl Ellerton; Tracey Southall	31-Mar-2021	The annual report in respect of the Counter Fraud arrangements in place looking back for 2018~19 and forward for 2019~20 was presented to the Audit Committee on 29th July 2019. Progress continues to be made on raising awareness to demonstrate the commitment of the Council to tackling fraud and protecting the public purse. The outcome of the matches with Wyre Forest District Council to other national data sets as part of the mandatory National Fraud Initiative for Payroll, Creditors, Housing Benefits, Council Tax Reduction {Local} Scheme and Licensing data have been	<div><div>25%</div></div>	






			<p>assessed and any actions or investigated. In addition the Council have also voluntarily participated in the Cipfa Fraud & Corruption Tracker Survey. The Council continue to receive regular updates on the latest fraud and cyber scams, which are publicised within Wyred Weekly with detailed updates to specific Service Managers. As at 28th February, the Council have submitted the mandatory data sets for Single Person Discount and Electoral Register matching with matches currently under review. A formal report on the outcomes of the Nations Fraud Initiative and the counter fraud arrangements within the Council will be presented to the Audit Committee in September 2020. In addition, the Councils commitment to a zero tolerance of fraud continues with current fraud and cyber scams published within the Wyred Weekly e-magazine. With heightened fraud risks and cyber scams following lockdown in March 2020, regular monitoring of new threats continues with weekly updates from the National Anti Fraud Network reviewed and shared with service managers as appropriate.</p>		
Business Rates Retention Scheme. To continue to contribute to the reform debate to maximise the council's future position.	Tracey Southall	31-Mar-2021	<p>The current pandemic has resulted in the lowest collection rates for both council tax and business rates for many years. As at 1st Jul 20, Council Tax in year collection rates are at 28.36% compared to 29.73% last year. NNDR in year collection rates are at 21.15% compared to 28.23% last year. Normal recovery processes were put on hold however first reminder letters were sent in June and the team are now</p>	<div> <div></div> 25% </div>	


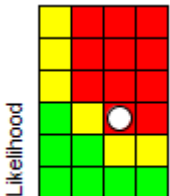
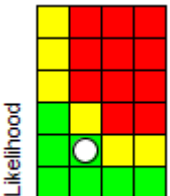

			focussing on recovery.		
Green street depot 2020 improvement and investment plan and related office moves and service efficiencies	Steve Brant	30-Jun-2020	Practical completion certificate has been issued and we are entering the final stages of the retention fee and dealing with the snagging list.	<div><div>95%</div></div>	
Implementing redevelopment proposals to generate new revenue streams	Mike Parker	31-Mar-2021	After extensive further negotiations and work on completing due diligence requirements it has not been possible to proceed with proposed acquisition. Further acquisition opportunities continue to be considered in conjunction with the Council's consultants Jones Valerio.	<div><div>0%</div></div>	
To continue to monitor impact of Universal Credit noting the significant increase in the number of claimants as a result of Covid-19.	Lucy Wright	31-Mar-2021	The current pandemic has seen a sharp rise in UC claimants. The impact for WFDC is that more people are claiming CTRS. Our working age caseload was 4,396 on 1st April rising to 4,819 on 1st July. CTRS expenditure has gone from £7.36m on 1st April to £7.5m on 1st July. This cost is shared across all preceptors. These figures are expected to increase if more furloughed staff are made redundant in the coming months.	<div><div>25%</div></div>	
To monitor the potential impact of the government's waste strategy in terms of securing Government funding and the logistical implementation of changes. This could reduce current commercial income streams	Steve Brant; Ian Miller	31-Mar-2021	Reference to the potential impact of the waste strategy included in the new MTFS. Environment Bill reintroduced January 2020, further clarification of Government proposals awaited.	<div><div>20%</div></div>	



CORPRISK05


Council 'misses' important issues and/or is in breach of a requirement. The Council is a small organisation but it is still expected to respond to, and comply with, new legislation, strategies, audit requirements, health and safety requirements and inspection regimes to meet our insurer's high standards. The potential impact of Brexit and COVID-19 so increase this risk.


Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Support and advice on major strategic projects to ensure sound and robust arrangements including Capital Portfolio and development loans fund.	Jane Alexander	31-Mar-2021	Work continues and on schedule for completion by 31st March 2020	<div><div></div>25%</div>	
To ensure the leadership team keeps abreast of statutory changes in legislation and seek to influence consultation and seek to prepare for changes in legislation.	Caroline Newlands	31-Mar-2021	Work continues and on schedule for completion by 31st March 2020	<div><div></div>25%</div>	
Continue to improve and develop Strategic management of information governance risks including follow up of Zurich Municipal in previous annual review recommendations	Corporate Leadership Team; Tracey Southall	31-Mar-2021	Meetings continue to be productive and actions progressed.	<div><div></div>25%</div>	
Budgetary Control - ongoing development of reporting to include further enhancement of demand-led commercial income reporting and earlier identification of variances.	Tracey Southall	31-Mar-2021	Focus for the first quarter has been on COVID-19 related financial pressures in particular lost income, and submission of MHCLG Delta returns to support requests for Government Funding. This will feed into Quarter 1 reports for the Commercial Activity Programme Board.	<div><div></div>25%</div>	
Monitor the impact of Brexit and Covid-19 and report on any significant changes in requirement as appropriate	Corporate Leadership Team	31-Mar-2021	The Chief Executive is the nominated lead for Brexit and shares relevant updates appropriately. Regular reports on Covid-19 impact.	<div><div></div>10%</div>	

CORPRISK06	Implementation of ICT Strategy. There continues to be significant investment in the development of technology at the Council. The ICT Strategy was agreed in February 2018 as part of the budget process with a further approval of £653k approved in February 2020. This is being implemented across the authority with progress and governance provided by the ICT Strategy Board. A number of new websites have been implemented and the focus continues to be on supporting the move to greater self-service by customers, ensuring continued PSN compliance, update systems to ensure best value / efficiencies and refreshing ICT platforms / systems to deliver ICT services / and systems over the Medium Term Financial Strategy. There are emerging issues around some integration limitations that may hinder some transformation work streams. A risk of reliance on key suppliers for network products also exists as the ICT market is very fast paced and companies can frequently be subject to merger/changed ownership. The Council needs to be aware of software support expiry dates; consideration of this issue is included within the ICT Strategy for replacement of corporate system i.e. Office and business systems. The Council needs to maintain high levels of Cyber Security to protect against malware, hacking etc. particularly in light of the increased requirement for homeworking and remote meetings.							
	Original Matrix		Current Risk Matrix		Target Risk Matrix			

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue to deliver the ICT Strategy to achieve additional efficiency savings.	Dave Johnson	31-Mar-2023	See detailed updates below.	<div data-bbox="1641 946 1839 986">65%</div>	
Digital by Default is the expected method of interacting with the Authority	Dave Johnson; Dave Johnson	31-Mar-2023	Digital Platform – set up for MyCouncilService (MCS) self-service platform is proceeding well and went live in the back office on 8th June and marketed from 12th June. Summary of current situation: - . System has been well received by staff and are now using it for all tasks and requests. . Number of positive comments from members of the public. . Work still ongoing on payment.	<div data-bbox="1641 1023 1839 1062">65%</div>	

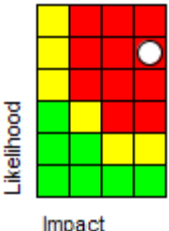
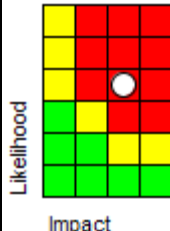
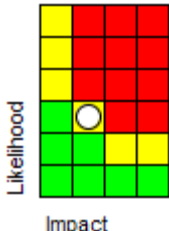

			<p>. As of 26/06, we have had 364 customers register for the platform.</p> <p>. Once the payment setup has been completed, work will begin on the mobile worker project pushing jobs out in the field.</p> <p>. Following on from this, the contracts module will be setup for garden waste and trade waste.</p> <p>. Mobile app is live now to download</p> <p>. Can look at additional areas to include in the near future</p> <p>IVR- Work had been put on hold until the new digital platform has been implemented as it would have meant duplicating some of the work e.g. links to webpages and forms.</p> <p>Planning are currently installing a digital / mobile app as part of the Idox install</p>		
<p>Application Software</p> <ul style="list-style-type: none"> o MS Office o Planning system o Garage system o CRM 	Dave Johnson	31-Mar-2023	<p>Planning / Land Charges – The DM team went live with the Idox Uniform software on 10th February. Uniform test has been upgraded with Live systems due to be upgraded later in July. Migrated historic data has now been loaded in to Live. UAT has been undertaken and error logs submitted to IDOX. The remaining issues will then need to be resolved in the upgraded test system before upgrading live system and then applying the fixes. This will then lead into the implementation project for Land Charges. Land Charges has been upgraded to the latest version of the software, Uniform for planning as mentioned above is scheduled for July before current version</p>	<div>62%</div>	





			<p>is de-supported. Number of Samsung tablets have been set up in readiness for roll out of Idox mobile app for the planning department later in the autumn M3 - Upgrade of system used for Housing / Water Management is challenging, most of the initial work has been completed. Have now received quote for Northgate for upgrade of main database server. PO raised and work being scheduled in for September time the earliest Northgate can accommodate the upgrade. Info@Work – Remaining Revs / Bens documents not initially imported into the Revs / Bens Civics system will need importing into OpenRevenues system before system is turned off, these documents have already been extracted. All remaining HR documents have now been extracted, legal and forward planning documents need to be extracted. ICT currently liaising with departments as to next steps and EDM system requirements. Agresso Financials - Servers and test Agresso system has ben installed and is currently undergoing UAT Payroll - Project for new HR / Payroll system is commencing with project kick of meeting due in the next couple of weeks.</p>		
<p>ICT Infrastructure</p> <ul style="list-style-type: none"> o New Wireless o Complete Firewalls o Complete data line install o Shoretel upgrade o VMWare upgrades 	Dave Johnson	31-Mar-2023	<p>SAN / Servers – The web servers have now been migrated from Town Hall to Green Street following resolution of the bandwidth issues with the new internet line installed at Green Street. Final bit of configuration of backup and SAN has now been completed. Decommissioning</p>	<div>74%</div>	

<p>o Mobile Phones</p>			<p>including UPS and batteries in the cellar at the Town Hall needs to be arranged. Websites have also all been migrated to Green Street from the Town Hall Outstanding tasks: - . Move remaining appliances to Green street e.g. email gateway . Decommission old servers and storage. . Complete handover and sign off of project</p> <p>Primary firewalls have been moved from TH to GS</p> <p>Servers- A number of systems and servers have been upgraded over the last month including: - . Agresso – All server built and software installed for testing the upgraded Agresso system. Go Live on new system scheduled September time. . Revs / Bens new servers now fully live . Elections new server fully live . IDOX test system upgraded live due W/C 20th July . New email servers created. . Active Directory and Certificate servers due to be upgrade W/C 13th July.</p> <p>Exchange – New Exchange system has been install, configured and all mailboxes migrated to the new version of Exchange 2016. All users are now using either Outlook 2010 on Citrix, Exchange 2016 or Office 365 which will become the default once it has been tested on all systems.</p> <p>Wireless:- The final bit of configuration</p>		
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			<p>and failover testing has now been completed. Admin training for ICT and final handover still to be completed.</p> <p>Citrix - Build of new Citrix environment had been delayed until the new SAN / Server environment was in place, this can now go ahead but may have to wait until restrictions are lifted as it could have a significant impact on homeworkers.</p>		
Review and Update Security Systems including Firewalls/ Web filter/New Email Gateway and associated modules/Network monitoring and reporting (Solarwinds / Firewalls etc)	Dave Johnson	31-Mar-2023	<p>Number of Server upgrades to newer OS or software versions including Agresso, elections, Revenues, Land Charges and planning</p> <p>Continue to roll out new laptops to priority WDFC and WRS users. Currently preparing next full batch of laptops to go out to WDFC and WRS users.</p> <p>Couple of security infrastructure devices have been updated / licences renewed. Also email system upgraded and number of other infrastructure servers and software due to be upgraded in the next few weeks</p> <p>Cyber Training being arranged as well as procurement of a security platform for training purposes</p>	<div>59%</div>	▶





CORPRISK07	<p>Not able to maintain a skilled and motivated workforce. Against the background of the current local agreement until March 2021. Council on 25th September 2019 agreed a move back toward annual pay increases in line with the National Pay Agreement from 2021. The Council needs to continue to maintain a workforce with adequate capacity, skills, experience and motivation – so still being seen by staff as a good employer. The Council has started to experience recruitment and retention issues in some areas e.g. HGV drivers. Various restructures following the move to the Wyre Forest House have provided slimmer management structures and more devolution of responsibility which should assist in motivation and retention of the workforce, alongside a management development programme. The age profile of the workforce and increasing number of employees aged 55 and over needs to be considered together with succession planning in future workforce restructures. The Council has responded to findings from the peer review follow up visit that relate to workforce issues.</p>
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Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Progression of Wyre Forest Futures Leadership Development Programme and training and development budget to support it.	Rachael Simpson	31-Mar-2021	Nominations identified, original commencement date of April put on hold due to Coronavirus pandemic, scheduled to commence as a virtual programme in September	<div><div>50%</div></div>	
Develop initiatives to support any workforce through organisational change including involvement of staff through suggestion scheme and System Thinking. The continued practice of regular staff surveys allows the leadership team to develop initiatives to respond positively to feedback and suggestions.	Rachael Simpson	31-Mar-2021	Ongoing and continually under review as a result of the coronavirus pandemic and new ways of working	<div><div>25%</div></div>	
Undertake review of pay grading structure	Ian Miller; Rachael Simpson	31-Dec-2020	Review on going	<div><div>75%</div></div>	
Undertake and implement further organisational reviews	Ian Miller	31-Mar-2021	Fully implemented	<div><div>100%</div></div>	


CORPRISK08	Capacity to do everything is insufficient. A flexible resource is required to do everything that the Council has committed itself to – transformation, core service review, and review of partnerships to commence in 2020. The pace of change and need to continue to deliver key projects, represent a significant resourcing risk. This leads to concerns about sufficient capacity to deliver the Wyre Forest Forward Savings/ efficiency plan and the ability to provide effective leadership for the management of the Council. This is particularly true given the increased savings targets from 2020-21 as a result of
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	reductions in central government funding and the additional resource required to deliver the policies for development loans fund and capital portfolio fund. The impact of Coronavirus (COVID-19) represents a risk to business need see CORPRISK 16.						
	<div>Original Matrix</div> <div><div>Likelihood</div><div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div></div>	<div>Current Risk Matrix</div> <div><div>Likelihood</div><div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div></div>	<div>Target Risk Matrix</div> <div><div>Likelihood</div><div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div></div>	<div></div>			




MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ensure resources are monitored and managed to protect capacity issues when Systems reviews take place. The Innovation Fund/General Risk Reserve is used to allocate funding to support interventions and consideration will be given to topping up these reserves at year end.	Ian Miller	31-Mar-2021	Top up to be considered during 2020/21 following Cabinet decision on 11 July 2020. No allocations made yet for current year.	<div><div>10%</div></div>	
Ensure involvement of appropriate staff from both within and outside WF20 onto projects to spread resourcing and maximise the opportunities for success.	Ian Miller	31-Mar-2021	Cross directorate working groups on Digital First and Information Governance. Staff from appropriate teams involved in other projects e.g. Capital Portfolio Fund.	<div><div>20%</div></div>	
Progressing changes to monitoring attendance levels. Working closely with employees, maintaining conversation and development opportunities in accordance with our values and the Worcestershire works well agenda.	Rachael Simpson	31-Mar-2021	Ongoing support being provided to employees to assist with their well-being and support managers to proactively manage staff sickness. Increased focus on data analytics to identify 'hot spots' and specific reasons of absence	<div><div>25%</div></div>	
Utilise external support for property investment /management expertise to expedite implementation of policies on	Mike Parker	31-Mar-2021	Quarter 1 Performance 2020 to be reported to Cabinet/CLT on 23rd June and to Overview & Scrutiny in July.	<div><div>10%</div></div>	

development loans fund and capital portfolio fund.					
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CORPRISK09		Unable to effectively improve the Council's reputation. The Council's reputation is extremely important, progressive improvement is important and can be subject to political influence that is difficult to predict and control. Effective consultation and communication with increased focus on customer engagement (both internal and external) are key to this gradual progression - along with purposeful service delivery.				

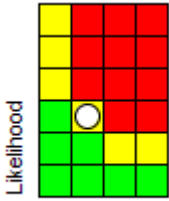
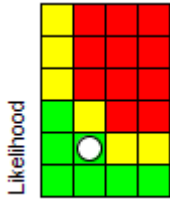
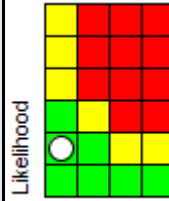

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue with Corporate programme of Employee, Member and public Engagement	Suzanne Johnston-Hubbold	31-Mar-2021	Monthly meetings held. Monthly meetings also held with Leader and Cabinet Member for Culture, Leisure and Community Protection. These have been conducted via phone or zoom during Covid10 pandemic.	<div>40%</div>	


CORPRISK10	Unable to ensure a secure network which would make ICT vulnerable to attacks and threats. The Council has successfully achieved PSN compliance but this needs to be managed and maintained. ICT to regularly review and assess threats and impacts on the network and generate a formal risk/incident log and any remedial account required or acceptance of residual risk by the organisation where judged appropriate.																																																																											
	<div>Original Matrix</div> <div><div>Likelihood</div><table><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr><tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr></table><div>Impact</div></div>	Yellow	Red	Red	Red	Yellow	Red	Red	Red	Yellow	Red	Red	Red	Green	Yellow	Red	Red	Green	Green	Yellow	Yellow	Green	Green	Green	Green	<div>Current Risk Matrix</div> <div><div>Likelihood</div><table><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr><tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr></table><div>Impact</div></div>	Yellow	Red	Red	Red	Yellow	Red	Red	Red	Yellow	Red	Red	Red	Green	Yellow	Red	Red	Green	Green	Yellow	Yellow	Green	Green	Green	Green	<div>Target Risk Matrix</div> <div><div>Likelihood</div><table><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr><tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr></table><div>Impact</div></div>	Yellow	Red	Red	Red	Yellow	Red	Red	Red	Yellow	Red	Red	Red	Green	Yellow	Red	Red	Green	Green	Yellow	Yellow	Green	Green	Green	Green	<div></div>
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ongoing patching of servers/workstations/software	Dave Johnson	31-Mar-2021	Number of Server upgrades to newer OS or software versions including Agresso, elections, Revenues, Land Charges and planning. Others planned Continue to roll out new laptops to priority WDFC and WRS users. Currently preparing next full batch of laptops to go out to WDFC and WRS users. SCCM continues to roll out patches to windows OS for Servers and Workstations	<div><div>20%</div></div>	
Annual Penetration tests and network scans.	Dave Johnson	31-Mar-2021	To address annual Penetration test requirements - Have upgraded a number of Servers to newer OS or software versions including Agresso, elections, Revenues, Land Charges and planning. Others planned with suppliers over the coming months - Continue to roll out new laptops to priority WDFC and WRS users. Currently preparing next full batch of laptops to go out to WDFC and WRS users. - SCCM continues to roll out patches to windows OS for Servers and Workstations - Just completed Homeworking / Remote penetration test, waiting for result	<div><div>0%</div></div>	
Review and Update Security Systems including Firewalls/ Web filter/New Email Gateway and associated modules/Network monitoring and reporting (Solarwinds / Firewalls etc)	Dave Johnson	31-Mar-2023	Number of Server upgrades to newer OS or software versions including Agresso, elections, Revenues, Land Charges and planning Continue to roll out new laptops to priority WDFC and WRS users. Currently preparing next full batch of laptops to go	<div><div>59%</div></div>	




			<p>out to WFDC and WRS users. Couple of security infrastructure devices have been updated / licences renewed. Also email system upgraded and number of other infrastructure servers and software due to be upgraded in the next few weeks Cyber Training being arranged as well as procurement of a security platform for training purposes</p>		
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CORPRISK11	<p>Unable to deliver satisfactory services through alternative Service Delivery Models including Shared Service arrangements and the potential devolution of services public service reform and/or combined arrangements. The Council is partner in a number of Shared Services - Worcestershire Regulatory Services, Emergency Planning, Water Management, Payroll, Building Control, Economic Development and Regeneration - and is either host to the Shared Service or a partner in receipt of a service. The Council has entered into a Limited Liability partnership with Public Sector PLC and has approved the setup of a LATC in readiness for property/housing development utilising the capital portfolio fund where this is the most viable option. However, there are always risks around the management of such arrangements, whether the work is being led by another organisation or led by the Council. This risk cross refers to CORPRISK 14</p>				
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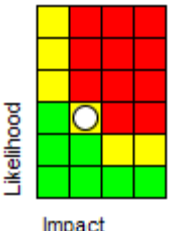

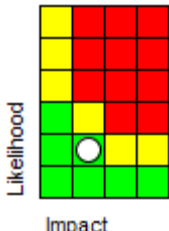

Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS				
Description	Managed By	Due Date	Latest Note	
To ensure that governance arrangements are appropriate for all forms of service delivery including Public Private Partnerships (PPPs) and Local Authority Trading Companies (LATCs).	Caroline Newlands; Tracey Southall	31-Mar-2021	Continue to maintain a watching brief and input to governance arrangements as appropriate.	<div>10%</div> 

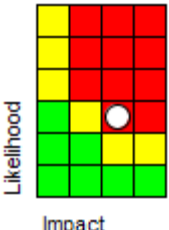

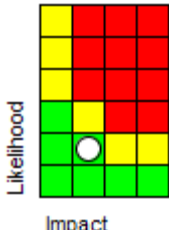

CORPRISK12		Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward. This also includes regular meetings of the Group Leaders and the Corporate Induction Plan undertaken in May - July 2019.					
	Original Matrix	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	Current Risk Matrix	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	Target Risk Matrix	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	




MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward. This also includes regular meetings of the Group Leaders and the Corporate Induction Plan undertaken in May - July 2019.	Ian Miller	31-Mar-2021	Regular meetings with Group Leaders	<div><div></div>25%</div>	
Ensure newly elected members taking up lead positions in the Council are mentored to enable their skills to be fast tracked	Ian Miller	31-Mar-2021	Development opportunities for relevant members being identified on an ongoing basis.	<div><div></div>10%</div>	
Training programme for all councillors for 2019-2023 to be designed, including induction training for all elected in May 2019 and refresher training in 2021 for planning and licensing and treasury management training	Ian Miller; Tracey Southall	28-Feb-2021	2019/20 programme complete. Training being provided in current year on Treasury Management and, if required, regulatory services.	<div><div></div>20%</div>	









CORPRISK13	Localism: Sustaining the pace and effectiveness of asset and service transfers to third sector parties, Parish and Town Councils
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Original Matrix		Current Risk Matrix		Target Risk Matrix		
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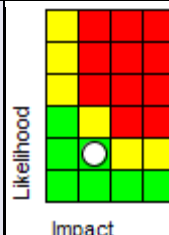

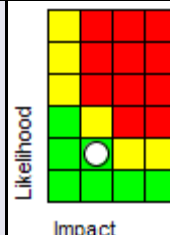

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Effective operational arrangements for the oversight of governance for mutually beneficial partnerships with third parties	Corporate Leadership Team; Caroline Newlands; Tracey Southall	31-Mar-2021	Continue to maintain a watching brief.	15%	
To ensure this Council keep abreast of the latest reorganisation developments and participates in the reorganisation debate to ensure it is not left in an isolated position.	Ian Miller	31-Mar-2021	Government has not announced any central plans for reorganisation but supporting locally led mergers. Information on government policy expected in Devolution White Paper in Autumn 2020	20%	
Continue to operate robust arrangements to secure future joint service delivery agreements with Parish and Town Councils utilising the £50k Localism Fund	Ian Miller	31-Mar-2021	Currently developing 5-10 year plans with individual town councils to achieve savings and protect vulnerable service areas such as parks, events, play areas. Meetings being held with Town Councils in July 2020 with a view to reaching agreement by Autumn 2020.	20%	
CORPRISK14	Establishing a group structure - Local Authority Trading Company Council on 21st February 2018 approved a group structure of Local Authority Trading Companies. Risks associated with this separate legal entity include legal, financial, governance and reputational factors. These will need to be managed and mitigated on an ongoing basis to protect both the LATC's and the Council's position.				



Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
That external advice is taken to ensure the Council acts within correct legislation on individual proposals as appropriate.	Mike Parker	31-Mar-2021	External advice from Mazars including Anthony Collins Solicitors confirms ability for Council to act within current legislation	<input type="text" value="0%"/>	
Any financial transactions between the Council and the LATC e.g. lending through the Development Loan Fund will be subject to individual scrutiny and due diligence including financial viability sensitivity analysis before final decisions are proposed/taken	Mike Parker; Tracey Southall	31-Mar-2021	Holding company registered with Companies House, subsidiary to follow, no business conducted as yet. Details of company below: Name & Registered Office: Wyre Forest (Holdings) Limited Wyre Forest House Finepoint Way Kidderminster Worcestershire DY11 7WF Company No. 11451232	<input type="text" value="0%"/>	
Through the shareholder agreement and through the establishment of the business plan within which the LATC operates, the Council will be able to ensure that all financial arrangements are viable	Mike Parker	31-Mar-2021	Company registered but no transactions taken place yet	<input type="text" value="0%"/>	

In the event that a catastrophic event requires it the LATC will be closed down - an exit strategy will be considered as a contingency plan to protect the Council against unknown events in the future.	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2021	Company registered but no transactions taken place yet	0%	
The development activity of the LATC is financially self-sustainable and not reliant upon funding from the Council	Tracey Southall	31-Mar-2021	Company registered but no transactions taken place yet.	0%	
The Council ensures that only those officers and members of the Council who are able to take objective decisions are appointed to the LATC	Caroline Newlands	31-Mar-2021	Achieved with first appointment made - delegated decision published.	0%	
The LATC is able to purchase support from existing council officers until such time as it is able to or requires the appointment of its own staff	Mike Parker; Tracey Southall	31-Mar-2021	Company registered but no transactions taken place yet.	0%	
The LATC Business Plan identifies a suitable pipeline of development opportunities and this will be refreshed and updated on a regular basis.	Mike Parker	31-Mar-2021	Company registered but no transactions taken place yet	0%	
Changes to Prudential and Treasury Management Codes are considered in conjunction with the revised MHCLG Guidance on Investments and MRP and specific advice sought if further clarity is required on risk in relation to specific investment proposals in relation to the LATC Group structure.	Helen Ogram; Tracey Southall	31-Mar-2021	Company registered but no transactions taken place yet with the company as property acquisitions are held in Council's name.	0%	
Using the external advice from Mazars individual projects will be monitored as the LATC business progresses.	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2021	Company registered but no transactions taken place yet. So far the work that has been done has been to confirm the LATC was not the right vehicle to use for property proposals.	0%	
Further training and guidance will be taken to ensure sufficient knowledge is	Helen Ogram; Tracey Southall	31-Mar-2021	Company registered; no transactions yet taken place. Knowledge and learning is	0%	


developed. The PWC VAT Helpline the Council already subscribes to will be used and other specialist advice taken as appropriate.			actively being progressed as part of work with PSP and also property acquisition work with the LATC perspective considered in each case but not utilised so far. To be included as part of due diligence in specific business case proposals.		
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CORPRISK15		Local plan: Revised Local Plan to be submitted in April 2020 to Secretary of State to appoint a Planning Inspector to undertake Examination; risk that Inspector finds irreconcilable issues with the 'soundness' of the plan and the Council has to revisit parts or all of the process causing delay in adoption.					
	Original Matrix		Current Risk Matrix		Target Risk Matrix		

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue to advise Local Plans Review Panel, Cabinet and Council on steps necessary to remove objections and potential objections to plan and/or to minimise their impact on the examination in public – particularly points raised by statutory consultees	Mike Parker	31-Dec-2020	Discussions on-going with Inspector to agree suitable dates for hearings expected October/November 2020.	<div><div>50%</div></div>	
Implementation of robust Local Plan up to 2036	Mike Parker	31-Mar-2021	Work continues in conjunction with the Planning Inspector to arrange suitable dates for hearings expected October/November 2020.	<div><div>75%</div></div>	




CORRISK16	COVID-19 The COVID-19 pandemic places pressure on ongoing service provision and means alternative ways of working must be introduced. Loss of				
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<p>staff due to illness may mean that staff will need to be redeployed from other service areas/ use of agency staff increased to ensure essential services such as Waste Collection, Benefits, Customer Services and Housing/Homelessness can continue. The financial impact of the pandemic will result in unprecedented stress on our budget in the short term. We are likely to see the reduction or even complete failure of some of our income streams. Together with cost pressures in certain services this will mean we will have to take action to safeguard the Council's budget in the medium term. The government has failed to address this issue fully, other than the Coronavirus Act 2020.</p>							
	<div>Original Matrix</div>	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	<div>Current Risk Matrix</div>	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	<div>Target Risk Matrix</div>	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	<div></div>

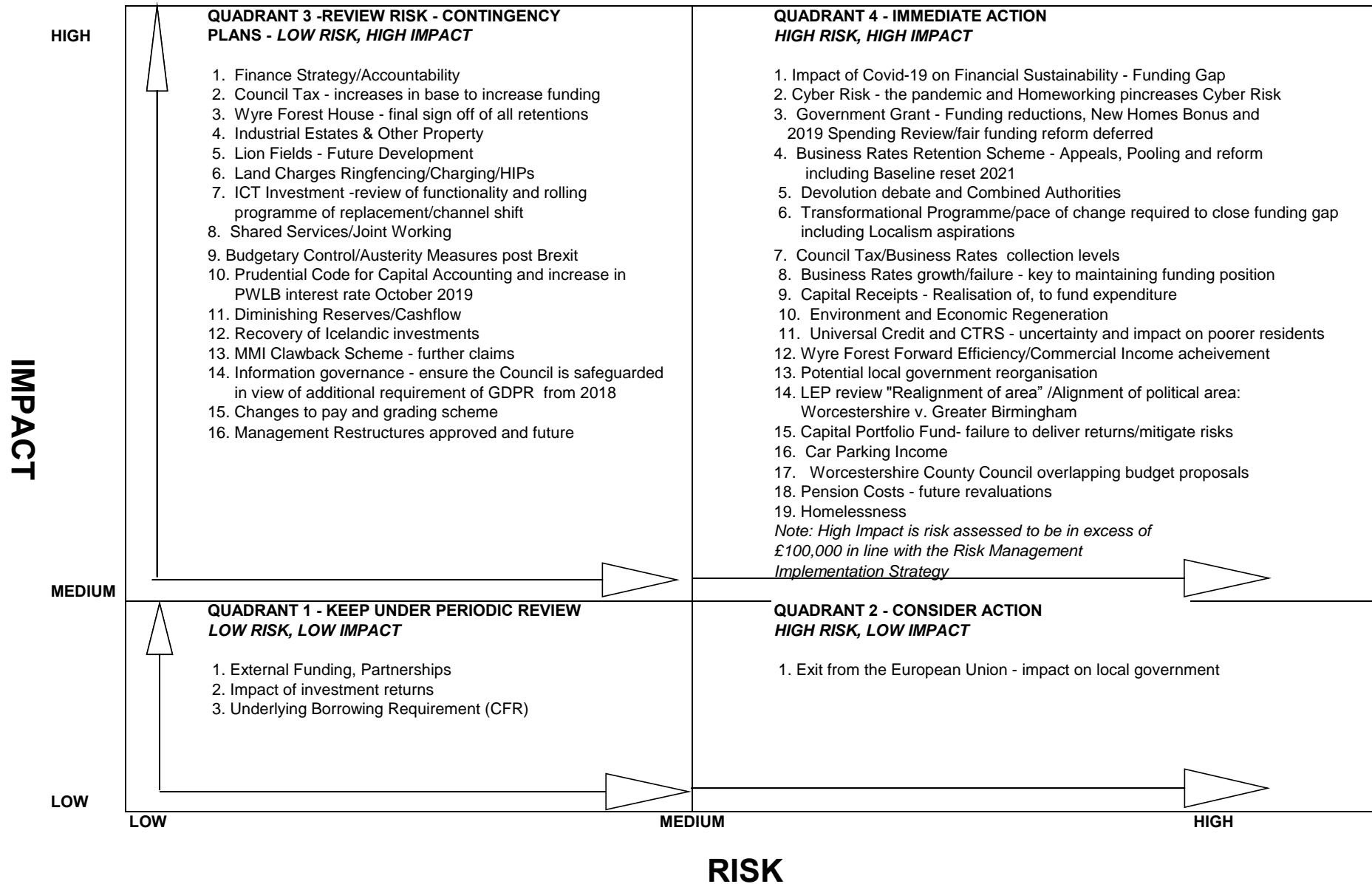
MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
<p>To respond appropriately to COVID-19</p> <ul style="list-style-type: none"> . To monitor the financial impact of the pandemic and make regular reports to members to ensure the Council remains financially sustainable. . To engage with MHCLG and ensure there is full understanding of the financial impact and funding support required. . To lobby for legislation to help BIDs – monitor the position of the new Kidderminster BID . Pay Business Rate Grants are distributed to help sustain businesses as quickly as possible . Award business rate reliefs . Distribute hardship funding . To modify savings plans to take account of the impact of the pandemic . Consider if delivery of any new capital 	Corporate Leadership Team; Corporate Leadership Team; Tracey Southall	31-Jul-2021	<p>Reports to Cabinet on 20th May and 7th July 2020 on Financial Stress Testing re the Coronavirus Pandemic Impact.</p> <p>Regular engagement with MHCLG and work through the District Council Network to secure additional funding. BIDs additional funding secured of £1,252 and pass ported to the Kidderminster BID.</p> <p>94% of the £22.5m MHCLG funding paid out to 1,780 businesses as at 29th June. Local discretionary Scheme £1.153m approved by Strong Leader May 27th, extended June16th. 44 grants totalling £242k paid as at 29th June.</p> <p>£15.7m reliefs awarded £778k of total £952k funding for Hardship</p>	25%	

<p>or revenue projects should be deferred . Cash flow to be closely monitored together with global economic impacts that will influence treasury management activity . Monitor impact on Pension Fund and Property valuations,</p>			<p>reliefs awarded in reliefs of up to £150 to 5,240 CTRS claimants. Balance to be used to help new claimants. Savings plans to be reconsidered when full extent of Government funding is known.</p> <p>Not necessary to defer any planned capital projects as yet. Summer events programme cancelled. Cash flow managed daily.</p> <p>Worcestershire Treasurers are managing this risk in close liaison with Worcestershire County Council Pension Fund.</p>		
<p>Business Continuity Plans to be used by all teams – roll out of homeworking wherever possible; daily reports from HR on working arrangement for all staff. This will inform potential redeployment decisions.</p>	<p>Corporate Leadership Team; Corporate Leadership Team</p>	<p>31-Jul-2021</p>	<p>Continue to support homeworkers and roll out of priority equipment as required, currently being reviewed as home working requirements / survey</p>	<p>30%</p>	
<p>To monitor resource requirement to manage COVID-19. Where gross income streams fall, review resource, consider ongoing use of agency staff and/ or redeploy staff to other service areas to reduce costs in the short term.</p>	<p>Corporate Leadership Team; Corporate Leadership Team</p>	<p>31-Jul-2021</p>	<p>Some redeployment of resource from service areas that could not impact in full lockdown (such as Bewdley Museum, Events) to cover areas impacted by employees shielding. Extra hours worked to cover peak business need (to pay out Business Grants quickly).</p>	<p>25%</p>	
<p>Facilitate remote meetings both internal and external for Council meetings.</p>	<p>Corporate Leadership Team; Corporate Leadership Team</p>	<p>31-Jul-2021</p>	<p>Continue to roll out Teams and Zoom to staff / members as required and support meetings.</p>	<p>95%</p>	
<p>To revise the Council's Constitution and other policies and procedures to ensure that services can continue to be provided taking into account the impacts of the pandemic</p>	<p>Corporate Leadership Team; Corporate Leadership Team</p>	<p>31-Jul-2021</p>	<p>Report to Extraordinary Council Meeting on 21st April 2020</p>	<p>25%</p>	

Agenda Item No. 15 - Appendix 1

Follow Public Health England guidance on response to COVID 19, ensure PPE is may available to all key workers as appropriate and that changes to safe working practices/risk assessments are in pace. To also work with West Midlands Employers.	Corporate Leadership Team; Rachael Simpson	31-Jul-2021	Ongoing communications/advice to all staff members. Participate in weekly webinars with WME. Daily staffing data monitored	<div><div>10%</div></div>	
Revisit the Corporate Plan priorities with a view to re-shaping the delivery of the Council's services to support the recovery phase of Covid-19	Corporate Leadership Team; Corporate Leadership Team	31-Jul-2021		<div><div>0%</div></div>	
Develop a COVID-19 recovery plan	Corporate Leadership Team	31-Jul-2021	Report to Cabinet on 7th July 2020	<div><div>20%</div></div>	

BUDGET RISK MATRIX 2020-23



Budget Risk Matrix

ISSUE	BUDGETARY RESPONSE
<p>Quadrant 1 - Low Risk, Low Impact</p> <p>1. External Funding, Partnerships</p> <p>2. Impact of Investment Returns</p> <p>3. Underlying Borrowing Requirement (CFR)</p>	<p>Keep under periodic review</p> <p>Continue to evaluate sustainability of each scheme as part of project appraisal.</p> <p>Continue to monitor and report as appropriate. The Governor of the bank of England has indicated that the rate may increase further from the current 0.75% over the terms of the MTFP. Balances available for investment are reducing over the MTFP and this together with the low returns has been taken into account in the base budget. We continue to work with Link Asset Services in this area.</p> <p>The rising CFR over the term of the Budget Strategy will be carefully monitored in close liaison with Link Asset Services to gauge both the timing and type of external borrowing.</p>
<p>Quadrant 2 - High Risk, Low Impact</p> <p>1. Exit from the European Union</p>	<p>Consider Action</p> <p>To-date the impact has not been significant but this will be closely monitored.</p>
<p>Quadrant 3 - Low Risk, High Impact</p> <p>1. Finance Strategy/Accountability (see Q4 Risk 1 also)</p> <p>2. Council Tax – increase in base</p> <p>3. Wyre Forest House final sign off of all retentions</p> <p>4. Industrial Estates and Other Property</p> <p>5. Lion Fields Gateway - Future Development</p> <p>6. Land Charges Ring fencing/Charging/HIPs</p> <p>7. ICT Investment/channel shift</p> <p>8. Shared Services Joint working</p> <p>9. Budgetary Control/Austerity Measures</p> <p>10. Prudential Code for Capital Accounting and increase in PWLB Interest rate Oct 2019</p>	<p>Review Risk - Contingency Plans</p> <p>Council are required to adopt a three year Balanced Budget Strategy.</p> <p>Assumption of increase of 300 pa should hopefully be realised.</p> <p>Managed closely by Chief Executive and CLT/Cabinet</p> <p>Managed through Property Disposal Strategy</p> <p>Development opportunities continue to be explored.</p> <p>Reduced income allowed for within Base Budget reduces the scale of any challenge.</p> <p>ICT Strategy Group oversee/enhance the governance, planning and delivery arrangements of the strategy between ICT and council service areas.</p> <p>Shared Services partnerships continue to contribute to collaborative efficiencies but will be monitored to ensure risk is managed and mitigated.</p> <p>Continue to discourage non-essential expenditure, monthly budget monitoring reports provide more management information. Focus on income generation and innovative alternative service delivery models.</p> <p>External borrowing is £39m, PWLB rates increased with no notice by whole percent in early October 2019; Link Asset Services continue to provide technical advice and are looking for alternative sources of cheaper borrowing.</p>

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ISSUE	BUDGETARY RESPONSE
<p>11. Diminishing Reserves/Cashflow</p> <p>12. Recovery of Icelandic investments</p> <p>13. MMI Claw Scheme</p> <p>14. Information Governance</p> <p>15. Change to Pay and Grading Scheme</p> <p>16. Management Restructures</p>	<p>Cash flow management will be tighter given reduction in capital and revenue reserves and use of the Link Cash flow model is being used to improve management information to help mitigate any risk in this area</p> <p>Under £1m is outstanding and work will continue to achieve maximum recovery. Further claim received and settled, ear marked reserve held.</p> <p>Internal working group chaired by the DOR is reviewing this area to ensure the Council continues to be safeguarded.</p> <p>The impact of these proposals will be managed by Cabinet/CLT with particular regard to the impact on the overall funding envelope</p> <p>To be managed by the Chief Executive and Cabinet</p>
<p>Quadrant 4 - High Risk, High Impact</p> <p>1. Impact of Covid-19</p> <p>2. Cyber Risk</p> <p>3. Government Grant –Funding Changes, further Spending Reviews and New Homes Bonus</p> <p>4. Business Rates Retention Scheme, appeals, Pooling and revision of funding arrangements. Baseline reset 2020, impact on growth</p> <p>5. Devolution debate and Combined Authorities</p> <p>6. Impact of Transformational Programme, Localism agenda</p>	<p>Immediate Action</p> <p>Managed by Cabinet/CLT reports to Cabinet/Council as appropriate.</p> <p>Managed by ICT Strategy Board, treated as priority for resource allocation</p> <p>Significant issue given the scale of the Spending deficit. The Strategic Review Panel process will assist Wyre Forest Forward coordinating Councils future Plans.</p> <p>Application for pan-Worcestershire Pilot (including Fire Authority) agreed for 2020-21. Proposed changes to funding arrangements and delays continue to cause uncertainty and risk. The Baseline reset could also result in a decrease in this key funding stream. Our regeneration programme is a mitigation factor. Monitored closely by CLT/Cabinet</p> <p>Managed by CLT/Cabinet with reports to Group Leaders. Collaborative working with town and parish councils.</p> <p>The impact of the revised Local Scheme will be kept under review by the Corporate Director: Resources Revised CTRS scheme from April 2019 to align with Universal credit</p>

Agenda Item No. 15 - Appendix 2.2

ISSUE	BUDGETARY RESPONSE
<p>7. Council Tax Collection levels including impact of CTRS Scheme</p> <p>8. Government's Waste Strategy</p> <p>9. Capital Receipts - Realisation of to fund expenditure</p> <p>10. Environment and Economic Regeneration</p>	<p>Assumptions in relation to decreased collection rates have been made in the Council Tax Base calculations as a result of the Local Council Tax Discount Scheme and these will be carefully managed and reported on. Impact of COVID-19 being monitored and reported.</p> <p>Impact will be monitored as more information emerges and reported as appropriate.</p> <p>Capital Programme funding reflects realistic timescale for the realisation of asset disposal receipts. Temporary borrowing will be used when necessary.</p> <p>The Council continues to be proactive in this area and this is closely monitored by Cabinet/CLT</p>
<p>11. Changes to Housing Benefit Scheme – universal credit/localisation of support for Council Tax</p> <p>12. Wyre Forest Forward Efficiency savings</p> <p>13. Potential Local Government Reorganisation</p> <p>14. Realignment of LEP area/political area</p> <p>15. Capital Portfolio Income</p> <p>16. Car parking income</p> <p>17. WCC overlapping budget proposals – adverse impact</p> <p>18. Pension costs – future Revaluations</p> <p>19. Homelessness Reduction Act</p>	<p>Universal Credit impact monitored</p> <p>Progress continues to be monitored and reported regularly to members.</p> <p>Macroeconomic area strategically assessed and managed by the Leadership team.</p> <p>Kept under strategic review by the Leadership team in liaison with two LEPS. The three LEP footprint proposals are also within our radar. Key performance metrics included in quarterly Cabinet Budget Monitoring reports</p> <p>Income levels usages closely monitored, new simplified policy is proposed. Earlier timetable for scrutiny.</p> <p>Liaison with WCC to work to minimise/mitigate the impact of any overlapping proposals to protect the financial position of both parties as far as possible.</p> <p>Managed by Worcestershire Treasurers jointly with actuaries</p> <p>Rising demand requiring extra resource managed by housing team with extra funding secured where possible.</p>