Open

Audit Committee

Agenda

To be held remotely
6pm
Wednesday, 28th October 2020

Audit Committee

Members of Committee:

Chairman: Councillor A Totty
Vice-Chairman: Councillor P W M Young

Councillor V Caulfield	**Councillor R Coleman**
Councillor B S Dawes	**Councillor N J Desmond**
Councillor A L L'Huillier	**Councillor C Rogers**

Information for Members of the Public:

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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, 28th October 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 22nd July 2020.	6
5.	**Sector Update** To receive a report from Grant Thornton.	11
6.	**Audit Finding Report for Wyre Forest District Council – 2019-20 Accounts** To receive a report from Grant Thornton detailing the findings of the external audit of accounts for 2019-20.	25
7.	**Statement of Accounts 2019-20** To receive a report from the Chief Financial Officer on the Statement of Accounts 2019-20. *Please Note - the full Statement of Accounts will be emailed to Members on Friday 23rd October 2020*	61

8.	**Internal Audit Monitoring Reports for Quarters 1 and 2 Against 2020-21 Audit Plan** To receive a report for the Audit Manager which informs Members of the Internal Monitoring Reports for Quarters 1 and 2 Against 2020-21 Audit Plan	79
9.	**Update on the Counter Fraud Arrangements** To receive an update from the Audit Manager/Section 151 Manager on the current Counter Fraud Arrangements in place.	93
10.	**Risk Management** To receive a report from the S151 Officer which informs Members of the current Corporate Risk register and the Budget Risk Matrix.	102
11.	**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.**	
12.	**Exclusion of the Press and Public** To consider passing the following resolution: "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".	

Part 2

Not open to the Press and Public

13.	**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.**	

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

HELD REMOTELY

22ND JULY 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, P W M Young.

Bodrul Zzaman – Independent Person

Observers:

Councillors G W Ballinger, I Hardiman, and L Whitehouse

AUD.34 Apologies for Absence

There were no apologies for absence.

AUD.35 Appointment of Substitutes

No substitutes were appointed.

AUD.36 Declarations of Interests by Members

No declarations of interest were made.

AUD.37 Minutes

Agreed: The minutes of the meeting held on 22nd January 2020 be confirmed as a correct record of the meeting and signed by the Chairman and also the decisions taken under delegation from the cancelled meeting of the 25th March 2020.

AUD.38 Audit Progress Report and Sector Update

The Committee received a progress report from Grant Thornton (GT). The Engagement Manager from GT took Members through the Audit progress report identifying key points. She highlighted that the interim work on site had been completed prior to lockdown and all work since had been completed remotely with the finance team.

6:04pm - Councillor P W M Young joined the meeting at this point.

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

AUD.39 Report on the Impact of COVID-19 on Local Authority Reporting

The Committee received an in-depth insight from Grant Thornton on the impact of COVID-19 on financial reporting in the local government sector. The Engagement Lead from GT highlighted to Members key points of the report, including the impact of any reduction of income, financial sustainability and how these effect the medium term financial plan. Members had previously received information on the current situation, including financial stress testing reports, and a recovery framework document. The valuation of non-current assets will be highly impacted and this is the same across the sector.

6:17pm - Councillor L Whitehouse joined the meeting at this point.

The Engagement Lead gave comprehensive answers to questions about the disposal of capital assets, extra external auditing work that may be needed, including the costs involved, and the Council's response to the current situation.

The report on the Impact of COVID-19 on Local Authority Reporting was noted by the Committee.

AUD.40 External Audit Plan Update

The Committee received an update from Grant Thornton on the planned scope and timing of the statutory audit of Wyre Forest District Council. The Engagement Lead from GT informed Members of the changes to the Audit Plan that were needed as Covid-19 has been identified as a significant risk. He detailed how this risk had been responded to.

6:22pm - Councillor I Hardiman left the meeting at this point.

The Engagement Lead responded to a question about the benefits and difficulties of carrying out an external audit when remote working and how this may be addressed in the future if remote working becomes the normal situation.

The External Audit Plan Update was noted by the Committee.

AUD.41 Preparation and Audit of the 2019/20 Statement of Accounts

The Committee received information from the Engagement Lead at Grant Thornton on the preparation and audit of the 2019/20 statement of accounts.

The Preparation and Audit of the 2019/20 Statement of Accounts was noted by the Committee.

AUD.42 2019-20 Accounting Policies

The Committee received 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 reviewed the critical judgements used in applying the accounting policies and the assumptions about the future.

This report presents changes to accounting policies made through the year for approval and critical judgements that have been made. There were no significant changes to accountancy policies but it did include the introduction of new accountancy arrangements for Kidderminster Business Improvement District. The Financial Services Manager explained the challenges faced due to material uncertainty.

Decision:

The committee:

i) approved the Accounting Policies to be used in preparing the Council's 2019-20 Statement of Accounts as Appendix 1 of the report.

ii) noted the critical judgements made by management when producing the Statement of Accounts as at Appendix 2 of the report, and assumptions made about the future and other major sources of estimation uncertainty as Appendix 3 of the report.

AUD.43 Internal Audit - Annual Audit Plan 2020-2021- Addendum

The Committee received a report from the Audit Manager informing Members of an addendum to the Internal Audit – Annual Audit Plan 2020–2021. She explained that the key areas of the internal Audit that were felt to be most impacted by Covid-19 were being revisited and answered questions on the areas identified. Members expressed their gratitude for the comprehensive report.

The Committee considered the addendum to the Internal Audit – Annual Audit Plan 2020~2021 as detailed in the appendix attached to the report.

AUD.44 Internal Audit Monitoring Report Quarter Ended 31st March 2020

The Committee received a report from the Audit Manager informing members of the Internal Audit Monitoring Report for the Quarter ended 31st March 2020. This was the final report for 2019/20 and followed the same format as previous reports. The Audit Manager explained each section of the report and included a section highlighting key aspects from the year.

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

AUD.45 Internal Audit Annual Assurance Report 2019/20

The Committee received a report from the Audit Manager and Corporate Director: Resources informing Members of the Internal Audit Annual Assurance Report for 2019/20. The Audit Manager took Members through the key items of the report, which consolidated the work of the audit team for the year. She stated that Covid-19 had not impacted the work for 2019/20 but it was important to understand the impact it would have going forward. The Independent Member of the Committee raised a question in regards to the impact to Covid-19 which the Corporate Director: Resources responded to. Councillor Desmond offered his full support to the report and the information

that it provided to the Committee.

Decision:

The Audit Committee approved the Internal Audit Annual Assurance report for 2019/20 as attached at Appendix 1 of the report.

AUD.46 Annual Governance Statement 2019-20

The Committee received 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. She explained the importance of this statement and why it had been prepared. The Corporate Director: Resources took Members through each page of the report giving further information and answering questions as they arose.

Decision:

The Audit Committee approved the Annual Governance Statement attached at Appendix 1 of the report.

AUD.47 Final Accounts Outturn Report

The Committee received a report from the Corporate Director: Resources and Financial Services Manager on the provisional outturn position in relation to the Final Accounts for 2019-20. The Corporate Director: Resources explained that this had been reported to Cabinet as a strong Leader report on the 9th June. There has been a saving of over one million pounds and this would be used to bolster reserves. The Corporate Director: Resources offered her thanks to her team and expressed her gratitude for the work they had carried out in difficult circumstances. The Financial Services Manager summarised the content for Members. Councillor Desmond congratulated the Corporate Director: Resources and the whole team for the savings that had been achieved and expressed his appreciation for the consistent results that the team delivered. The Corporate Director: Resources and the Principal Accountant responded to a question about the reserves available and if they would be sufficient to meet demand.

The Audit Committee noted the key aspects of the Final Accounts Outturn detailed in this report including the most welcome news that a total saving of £1.065m had 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 has 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.
The Committee also noted 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. That, there would 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.

AUD.48 Review of Corporate Risk Register – COVID-19

The Committee received 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. She informed Members that this report was in addition to the 2 Corporate Risk Register reports they receive each year and was to allow Members to consider and note changes made in light of Covid-19. The Corporate Director: Resources took Members through each section of the report expanding on each item of the risk register. She expressed her thanks to the ICT Support team who have dealt with an increased workload around the issues of remote working and the increased threats to cyber security.

The Chairman reiterated Members comments about the excellent work that has been done during the difficult conditions and expressed his appreciation to the Corporate Director: Recourses and all Officers within the team.

The Committee considered and noted 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.

There being no further business, the meeting ended at 7:34pm.

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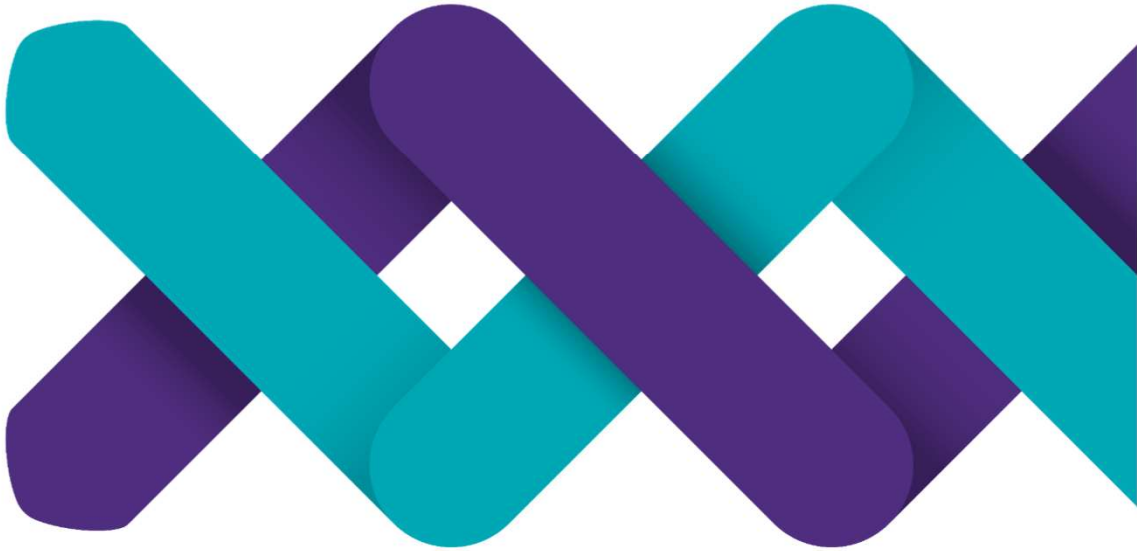
Sector Update

Wyre Forest District Council
Year ending 31 March 2020

October 2020



Agenda Item No. 5

Contents

Section	Page
Covid-19	3
Sector Update	4

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COVID-19 Update

Impact on working arrangements:

- following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices. Many have now re-opened, but with a significantly reduced capacity. All of our people are still working from home for the majority of the time.
- we will be working remotely during your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely. This is however likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

Impact on accounts and audit opinions:

There are a number of key issues which your finance team will have had to consider as part of the year end closedown and accounts production:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion) or asset valuations.
- valuation of Property, Plant & Equipment and assumptions made by valuers, particularly in respect of carrying value to current value assessment.
- impact on collectability of debt and assumptions made in bad debt provisions.
- impact on post-balance sheets events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure will be needed.
- disclosure of impact in narrative report.
- disclosure of critical judgements and material estimation uncertainties.
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion).
- impact on reporting to those charged with governance and signing arrangements.

Changes to reporting requirements:

- the Secretary of State announced that for the 2019/20 accounting period he would be extending the period for publication of principal authority accounts to 31 August 2020.
- for principal authorities, this means that the whole chain of publication requirements will be amended. The audited financial statements are now to be published by 30 November 2020.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021/22.

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Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local government

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

In June Grant Thornton published a report 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, the report 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. The report also included a number of useful links to other resources.

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.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to Council services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, the capital programme, treasury management, medium term financial plans and the Council's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

Non-current asset valuations

- There has been 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. Has the Council assessed the impact of such comments, reflected 'material valuation uncertainty' disclosures within the financial statements and taken 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?

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Non-current asset valuations

- The Council is required to make an assessment at the end of each reporting period as to whether there is any indication that assets may be impaired. There are several types of event or change in circumstance that could indicate an impairment may have occurred, including evidence of obsolescence or physical damage or a commitment to undertake a significant reorganisation. Has the Council assessed whether the impact of the pandemic may have triggered impairments?
- Has the Council considered these matters in relation to Investment Property held? Potentially more so for 2020/21, there may be significant declines in asset carrying values, especially for investments in retail or office premises.

Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Council assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Council observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Council considered whether 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.

Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.
- Has the Council distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)? Has the Council got arrangements in place to assess events up to the date the final accounts are authorised for issue?

Sources of estimation uncertainty

Has the Council identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local authority financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid19-on-financial-reporting-local-government-sector.pdf

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Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that "aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government's response to COVID-19."

The NAO report notes "Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for."

The NAO comment "This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

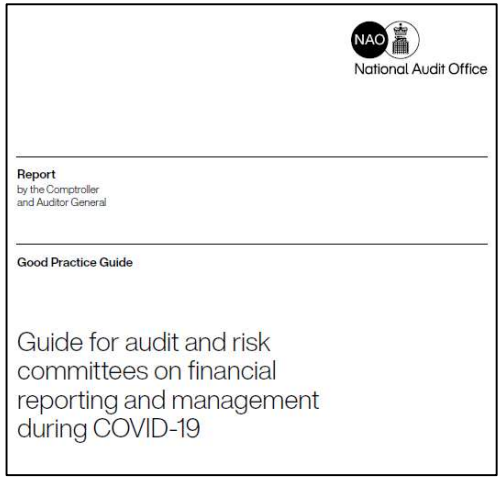
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period."

The full report can be obtained from the NAO website:

https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/



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The Redmond Review

The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – "The Redmond Review" was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority's annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes "A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process."

Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council's (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review

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Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

Value for Money - Key changes

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:
https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

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Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report "draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams".

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that "PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme".

The full report can be obtained from the PSAA website:

https://www.psaa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf

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Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – "Building for renewal: kickstarting the C19 housing recovery".

Paul asked "So how do we address "the housing crisis" in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

• **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.

• **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers form the service sectors who are very likely to lose their jobs because of the pandemic.

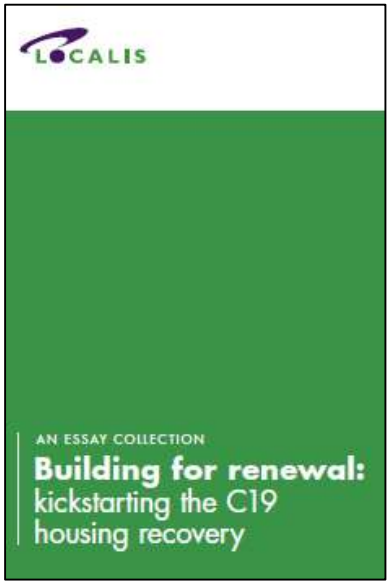
• **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.

• **Building on existing initiatives to improve security of tenure and quality of accommodation**, a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

• Putting key workers at the heart of the Housing strategy. The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded "Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need."



The full report can be obtained from the Grant Thornton website:

https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/

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Local government reorganisation in two-tier shire counties – District Councils' Network

The District Councils' Network (DCN) a report ahead of the publication of the government's 'devolution and local recovery' white paper.

The report comments "Devolution should back the success of districts in delivery. It should not distract from the local recovery effort or reduce delivery capacity through forcing reorganisation into a less local, less agile, less responsive local government pushed by interests wanting county unitary councils everywhere. Local governance is a local matter, places must be free to decide how to organise services and to progress any kind of reform only where there is significant local agreement."

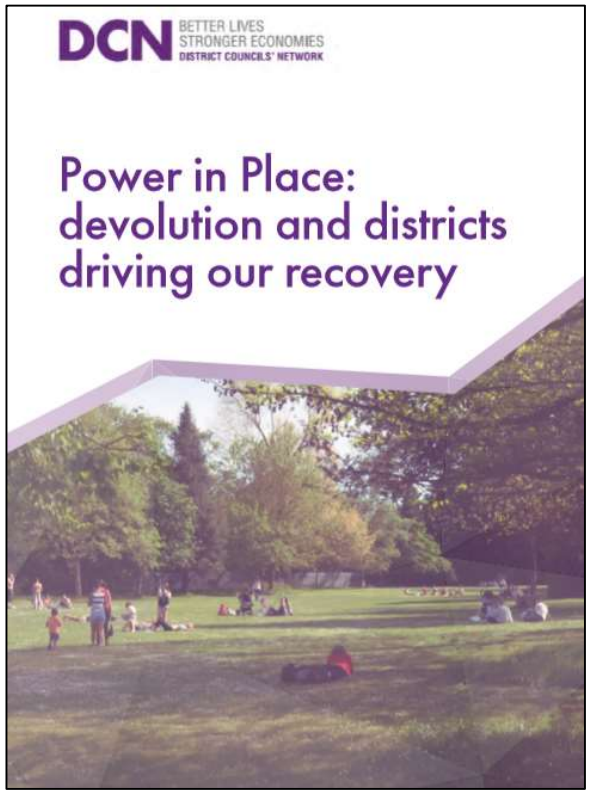
The report calls for the Devolution and Local Recovery White Paper to:

1) Deliver genuine devolution that moves quickly to drive local growth
2) Retain and build on the local capacity to deliver
3) Empower real-world economies
4) Continue to anchor local government in local communities
5) Reject false arguments that bigger local government is better or cheaper local government
6) Support strategic leadership across wider functional economic areas
7) Introduce an upper limit for the size of new unitary councils, in line with the principle of electoral equality

The report includes a number of case studies in each of these areas.

The full report can be obtained from the District Councils' Network website:

https://districtcouncils.info/wp-content/uploads/2020/08/DCN-Report-Sept-1.pdf



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CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic

The full report can be obtained from CIPFA's website:

https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide

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Grant Thornton

The Audit Findings for Wyre Forest District Council

Year ended 31 March 2020

19 October 2020

Contents

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Section		Page
1.	Headlines	3
2.	Financial statements	5
3.	Other statutory powers and duties	20
4.	Value for money	21
5.	Independence and ethics	26

Appendices

A.	Action plan	27
B.	Follow up of prior year recommendations	28
C.	Audit adjustments	29
D.	Fees	32
E.	Audit Opinion	33

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Wyre Forest District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for Those Charged with Governance (the Audit Committee).

Covid-19	Prior to the outbreak of the pandemic, the Council had been dealing with the aftermath of the flooding of the River Severn which severely impacted on the residents and businesses in the district. This, followed by the pandemic, has meant that the Council has faced extraordinary and unprecedented challenges over the last nine months. The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The Council has been faced with the administration of multiple schemes of financial relief to both businesses and individuals, with the additional challenges of reopening services under new government guidelines. In addition, the finance team have faced the challenge of compiling the financial statements with the team working remotely. Councils 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 updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 15 May 2020. In that addendum, we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6. Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to ensure we have gained sufficient audit evidence for the entries within the financial statements. This has meant a greater reliance on video calling for many aspects of the audit, particularly in terms of the use of sharing of screens to watch transaction listing being run. Where information is normally provided in a spreadsheet format, we have undertaken additional levels of testing to ensure that the information provided hasn't been manipulated prior to being sent to the audit team. We are pleased to report that this process has worked well with both teams collaborating to identify solutions to hurdles presented by remote working. Our 'inflo' document sharing system has facilitated this but inevitably the remote working has impacted on delivery and additional resources have been necessary on both sides to complete the work in accordance with the new extended reporting timetable.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.	We commenced our post-statements remote audit in July and as at 19 October 2020 our audit is approximately 90% complete. Our work to date has focused on the significant risks thus minimising the risk of additional significant issues arising between now and audit sign off. Our findings are summarised on pages 5 to 18. Our work continues, but to date, we have identified no material errors or adjustments to the financial statements. No adjustments have been identified that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement. We have recommended a small number of adjustments to improve the presentation of the financial statements as detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. .

Headlines (continued)

This table summarises the key findings and other matters arising from the statutory audit of Wyre Forest District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for Those Charged with Governance (the Audit Committee).

Financial Statements (continued)	We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. Subject to completing our remaining audit procedures set out on page 5, receiving responses to our outstanding queries and having regard to any further national guidance, we anticipate issuing an unqualified audit opinion following the receipt of the letter of assurance from the Worcestershire Pension Fund auditor later in October 2020. Our anticipated audit report opinion will be unqualified and include an Emphasis of Matter paragraph highlighting the material uncertainties disclosed in the financial statements in respect of land and buildings.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Wyre Forest District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. 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. We therefore anticipate issuing an unqualified value for money conclusion as detailed in Appendix E. Our findings are summarised on pages 21-25
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have had to alter our audit plan, as communicated to you on 10 March 2020, to reflect our response to the Covid-19 pandemic. These changes were communicated in addendum to the Audit Plan dated 15 May 2020.

	Council Amount (£)
Materiality for the financial statements	1,000,000
Performance materiality	750,000
Trivial matters	50,000
Materiality for Senior Officers Remuneration	13,000

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 28 October 2020.

These other outstanding items include completing of testing and documentation of evidence for:

- Property plant and equipment (PPE) , in particular confirmation of the floor area on Green Street Depot.
- IAS19 disclosures including consideration of the McCloud and Goodwin developments and receipt of the letter of assurance from the Worcestershire Pension Fund auditor
- Receipt of the outstanding borrowing third party confirmation letters
- Collection fund including evidence to support the financial agreements around the business rates pooling arrangements and testing on creditors and debtors
- Completion of journals testing
- receipt of management representation letter; and
- review of the final set of financial statements and subsequent events review.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels have been reconsidered following receipt of the draft financial statements and have been kept consistent with those determined at the planning stage of the audit except for senior officer remuneration where we have applied the planned 1.9% percentage to the actual note, increasing materiality to £13k.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid– 19 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: - 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. 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.	We: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. The draft financial statements were provided on 26 June 2020, which was ahead of the revised date agreed with officers; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations; and • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment. Our audit work, to date, has not identified any significant issues in respect of Covid-19 specific risks. This is not to say that there has not been an impact. The Council have highlighted a material uncertainty in relation to land and building valuations within note 4. We are also awaiting the Worcestershire Pension Fund Auditor's letter of assurance, although we are not anticipating that this will identify similar material uncertainties to those on land and buildings and investment properties due to the level of property investment funds that form part of the Pension Fund Assets. The financial challenges into the medium term has also increased due to the lost income, additional costs and the uncertainty of future government funding in respect of Covid-19.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we determined at the planning stage that the risk of fraud arising from revenue recognition could be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wyre Forest District Council, mean that all forms of fraud are seen as unacceptable We have reviewed material revenue transactions as part of our audit and we are satisfied that there have been no changes of circumstances requiring us to alter our proposed strategy with regards to revenue recognition in the latter part of the year. Our audit work has not identified any issues in respect of improper revenue recognition.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. At the time of writing this report work our journals work remains in progress. Our audit work to date, including our review of journal entries and the related control environment, has not identified any significant issues issues with regards to management override of controls.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Property, Plant and Equipment (PPE): Valuation of land and buildings (Rolling revaluation) The Council revalue its land and buildings on a rolling five-yearly basis, although this year officers have started to review the larger assets annually to minimise the risk of misstatement and all of the capital portfolio has once again been revalued. This valuation of PPE represents a significant estimate by management in the financial statements due to the size of the numbers involved (£65 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by the valuer for those assets revalued at 31 March 2020. For the assets not formally revalued in year we have assessed how management has satisfied themselves that these assets are not materially different to current value at year end. We note that the accounting policy indicates that the Council does not charge depreciation on the year of acquisition or when an asset becomes operational, as is required in the code. Depreciation is charged in the year of disposal and thus officers are satisfied that depreciation is charged appropriately over the life of the asset. A number of asset have been acquired in year, and our own analysis indicates that if the associated depreciation had been charged in year, it would not be material, at approximately £141k which is above trivial so is included in the unadjusted errors. The Council has valued 90% of the value of its asset base as at 31 December 2019 and then undertaken a review to consider whether there has been any substantial movements by the year end (based on indices and supported by the valuer). The valuer has supported a review of the remaining unvalued assets to be satisfied that there is no indication of a material movement not reflected in the accounts. **Capital portfolio** The Council has further extended its capital portfolio this year with the acquisition of retail and industrial units totalling £6.8m. The Council has set out its justification for the treatment of these assets as 'operational' and are consequently valued at existing use value, in line with the accounting policies, (as opposed to fair value which is required for investment and surplus assets), as they are not held solely for capital appreciation or rental income and because their acquisition supports the Council's economic regeneration ambitions. We have reviewed the business cases and member reporting of the assets acquired in year and there is evidence that management has sought appropriate advice and undertaken appropriate financial appraisal of these assets . Whilst there is an associated risk, particularly as these assets have been funded by borrowing, this is clearly set out in the business cases to members prior to the decision to proceed with the purchases.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Property, Plant and Equipment (PPE): Valuation of land and buildings (Rolling revaluation) (continued)	We have also seen that there is periodic review of the financial performance of the assets within the portfolio against key ratios and performance in 2019/20 was broadly in line with expectations, although management are expecting returns to reduce during 2020/21 due to the impact of the pandemic on arears and occupancy. The performance review is supported by external consultants and reporting is through the Scrutiny Committee. Some of the properties such as Forest House have been specifically designed to provide opportunities for start up companies. It is also likely that due to the impact of the pandemic, the Council will be providing further support to tenants going forward. Although not strictly required under the Code, all capital portfolio additions have once more been valued this year and thus all the valuations are kept up to date. The valuations of these assets and other assets such as car parks have been influenced by an assessment of the market, i.e. considering rents received and market rents for similar properties; and in the case of car parks, income received. There is an increased risk that in 2020/21 these income streams could be adversely impacted by Covid-19 as car park income has reduced significantly (as reported in the quarter one budget report to Cabinet) and the demand for office premises reduces and tenants financial challenges increases. The valuer has drawn attention to the fact that it was difficult to assess the impact of Covid-19 on property valuations as at 31 March 2020, and has included a 'material uncertainty' in his valuation which in turn is referenced in Note 4 of the financial statements (assumptions made about the future and other major sources of uncertainty). We propose to include an emphasis of matter paragraph in the audit opinion to reflect the material uncertainty surrounding land and building valuations at the year end. This emphasis of matter refers to this disclosure in the accounts and draws attention to it for the readers of the financial statements. This is in line with other local councils. At the time of writing this report our work on Property, Plant and Equipment remains in progress.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£61.5 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • In 2017 the Council made an advance payment for the pension fund. This is year 3 and we have checked that the accounting is in line with the agreed accounting treatment in prior years; We await assurances from the auditor of Worcestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Further detail on the assumptions are set out on page 13. In addition, clarification has recently been received on the restitution for McCloud and implications of the Goodwin case on pension liabilities. Expectations are that pension liabilities will be lower than estimated in actuarial reports produced for 31 March 2020. Management has consulted with Worcestershire County Council as the Pension fund administrator, who has liaised with the actuary, and the expectation is that the impact of any further adjustment will not be material. We are satisfied that this would not constitute an adjusting post balance sheet event although the accounts should include some disclosure on the assumptions made in the IAS19 estimates on this matter. Subject to the completion of our work above our audit work has not identified any issues in respect of valuation of the net liability.

Other audit risks

Risks identified in our Audit Plan	Auditor commentary
International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted) The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.	In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Council's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code. Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies are required to include disclosures in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. The disclosure in the draft financial statements included these required disclosures, although we did request that management demonstrate the assertion that the likely impact was not material.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings - £58m (NBV)	Other land and buildings comprises c£58m of PPE assets, which are required to be valued at either current market value or depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The Council has engaged the Valuer to complete the valuation of properties as at 31 December on a five yearly cyclical basis. From this year forwards, the Council has instructed the Valuer to value all assets over £1m. As a result 90% of total assets by value were revalued during 2019/20. For the remaining assets not formally revalued an exercise has been undertaken to ensure that the carrying value is not materially different to the current value. Assets revalued at 31 December 2019 have also been reassessed as at the reporting date. In line with RICS guidance, the Councils valuer has included a material valuation uncertainty in respect of the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. This has been reflected by management in the commentary is set out in note 6 of the financial statements.	We have carried out the following work in relation to this estimate: • Assessed management's expert to ensure suitably qualified and independent, • Assessed the completeness and accuracy of the underlying information used to determine the estimate, • Confirmed there were no changes to valuation method, • Assessed the consistency of the estimate against near neighbours and using the Gerald Eve report, and • Assessed the adequacy of disclosure of the estimate in the financial statements. • We are proposing to include an emphasis of matter paragraph in our audit opinion to draw the readers attention to the uncertainty disclosed within the financial statements. Our work in this area remains in progress, however work to date suggests that estimates and judgements in this area are reasonable. We have assessed this estimate as overall amber due to the material uncertainty on the valuation of Land and Buildings set out in note 4.	amber

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £61.5m	The Council's total net pension liability at 31 March 2020 (including the Council's share of Worcestershire Shared Services) is £61.5m (PY £58.2m). The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy ,discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	We have considered: Assessment of management's expert Assessment of actuary's roll forward approach taken, detailed work has been undertaken to confirm the reasonableness of approach Use of PwC as auditors expert to assess actuary and assumptions made by actuary – see table for comparison with Actuary assumptions	green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.4%-2.3%	●
Pension increase rate	2.1%	2.1	●
Salary growth (WFDC uses local pay rates)	2.0% start, 3.6% end of year	CPI+ 1.5%	●
Life expectancy – Males currently aged 45 / 65	25.1/24.2	22.5 - 24.7	●
Life expectancy – Females currently aged 45 / 65	28.2/27	25.9-27.7	●

We have undertaken the following procedures:

- Completeness and accuracy of the underlying information used to determine the estimate
- Reasonableness of the Council's share of LPS pension assets.
- Reasonableness of increase/decrease in estimate
- Adequacy of disclosure of estimate in the financial statements

Conclusion

No issues arising in relation to the above procedures.

Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals}: **Note 23: provisions: £nil (£2.181m at 31-3-19).** **Note 7: to collection fund:** **£2,828m (£5.452m at 31-3-19)**	In accordance with IAS37, 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.	In 2018/19 the collection fund included £5.4m of provisions for business rate appeals in relation to the district area. WFDC's share of this was £2.18m (as reflected in note 23). The provision was based on both the 2010 and 2017 listing, although for the 2017 listing the provision was predominantly an estimate based on the rating list as few appeals had actually been lodged. **2017 listing** For 2019/20 the Council and other pool members reached the view that the previous level of provisions set aside for 2017 appeals was no longer appropriate and, on balance, a more appropriate treatment would be as a contingent liability. This view of the pool was informed by expert advise from LG Futures and a recognition that a relatively small number of appeals had been received to date, and that the likely level of successful appeals would be low and that the pool was overproviding. The accounting adjustment required a reversal of provisions totalling C£2.5m within the collection fund. The remaining 2017 provisions are relatively small in value and relate predominantly to ATMs This is a change in estimation and we have recommended that the Council makes enhanced disclosures within the note 3 and note 4 to the accounts to fully explain the accounting judgements made in relation to the judgement around the brought forward provision within the collection fund and the level of uncertainties around the estimate. The accounts would also benefit from a disclosure explaining the impact of the accounting for the 100% pooling on the Council accounts.	green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals} – **Note 23: £nil (£2.181m at 31-3-19).** **Note 7: to collection fund: £2,828m (£5.452m at 31-3-19)**	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.	**2010 listing** The collection fund also holds a provision of £2m in relation to the 2010 appeals listing, predominantly in relation to the larger supermarkets in the district. This continues to be treated as a provision rather than a contingent liability as appeals have actually been lodged. The WFDC accounts reflect the Council's share of this provision. Because the Council is in a 75% pooling arrangement, where none of the income is received by the Council and therefore the Council's share of the provision, this year, is nil. Next year, when the pilot is over the note will reflect 40% share of the assessed provision for both the 2010 listing and any 2017 provisions. We have yet to fully complete our work in respect of the accounting treatment in this area.	 green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Financial Instruments: Fair value estimates	**Surplus assets:** The Council holds £826k of surplus assets (£500k of assets transferred in during 2019/20) which should be valued at 'fair value' and categorised as 'level 2' on the fair value hierarchy. This is because the assets were valued based on available market evidence which the Council has assessed as 'observable inputs' and is in line with our expectations. **Investment properties**: these should also be valued at fair value but the Council has judged that none of its assets, including capital portfolio acquisitions are 'investment assets' because they are not held solely for rental income or appreciation in value. Thus these are not valued at 'fair value'. **Investments**: all the Council's investments are short term cash or in deposit accounts and fair value is judged to be in line with the carrying value and are considered to be level 2. **Short-term receivables and payables (contractual):** carrying amount is judged to be a fair approximation of the fair value, as per the Code. **Borrowing**: the Council has used the services of Link Asset Management as the management expert to assess the fair value of borrowings. We note that the Council (and its advisers) for the two market loans have judged that using PWLB rates is an appropriate proxy for market rates. The Council has used new loan rates as a basis of the fair value of PWLB borrowing.	We are satisfied that the financial instrument disclosures and the basis of the fair value estimates have been undertaken in an appropriate manner and in line with CIPFA requirements. We are also satisfied that the Council's advisor – link asset management is appropriately qualified to support the Council in its assessment of the fair value of the Council's investment and borrowing.	green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Significant findings – going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern disclosures

It has been a challenging year due to the Covid-19 pandemic and officers have had to respond quickly to the impact that this has had on the finances of the Council. In July 2020 the Council was predicting a full year impact of Covid-19 to be a cost pressure of £1.225m for 2020/21 (July delta return) and a similar overall net impact is reported to cabinet on 16 September 2020 as part of the Quarter 1 reporting. This Cabinet report also highlighted that the pre-Covid estimated funding gap for 2020/21 of £0.9m had increased to £2.1m, which will need to be funded from balances, reserves and/or additional savings and a net overspend of £1.4m is currently being forecast. Although central government funding has been made available this, to date, has not been sufficient to cover the additional costs and reduction in revenue.

The Council has invested significantly in the capital portfolio fund (CPF), which meets a number of corporate policy objectives and generates a net yield to provide a source of revenue to support the Council's financial position. Rental income has been adversely impacted by Covid-19 in 2020/21, particularly in the retail premises. At quarter 1 the Council is anticipating full year income of £94k (after provision for £100k bad debts) on the CPF as compared to £404k in the budget.

Despite these additional pressures, officers have prepared a cashflow forecast which sets out the impact of worst and best case scenarios of the Council's cashflows through to March 2022. This demonstrates that the Council will have sufficient cash resources to support its operating position over that period.

While this is a challenging situation, we agree with managements' judgment that no additional disclosures are needed in relation to going concern, as there are in their judgement, no material uncertainties surrounding the Council's adoption of the going concern assumption.

Going concern commentary	Auditor commentary
Management's assessment process Management have carried out an assessment of the Council's ability to continue as a going concern. This process included undertaking a cash flow forecast and an assessment of the impact of Covid-19 on current savings plans and reserves and this has been reported to Cabinet in September 2020.	• Going concern is defined as 'the concept that the local authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations' • The Council's financial statements are prepared on a going concern basis on the grounds that budgets are in place and are being measured and managed to ensure that liabilities can be met as and when they fall due. • A detailed budget for the Council is approved on an annual basis. Regular management reporting is produced for the senior leadership team and then reported to cabinet on at least a quarterly basis

Significant findings – going concern (continued)

Going concern commentary	Auditor commentary
Work performed We have: • discussed with management the financial standing of the Council; • reviewed and challenged management's assessment of going concern assumptions and supporting information, e.g. medium term financial planning assumptions (including Covid-19 impact) and cash flow forecasts; • reviewed budget gaps over the medium term as part of drawing our VFM conclusion.	• The initial informing the risk assessment enquires of management provided in March 2020 and considered by members in that month and this indicated that management were not aware of the existence of events and conditions that may cast doubt on the ability of the Council to continue as a going concern. This was supplemented with an additional paper capturing the impact of Covid-19 on the financial position. • Management has closely considered the impact of Covid-19 through its monthly reporting to MHCLG and the quarter 1 report to Cabinet in September 2020. • The Council has a track record of cautious budget setting, with in year surpluses routinely achieved. This has helped the Council to increase its reserves and balances over the last few years resulting in a healthy level of general fund balances and earmarked reserves. This will enable the Council to weather the short term impact of Covid-19 and to provide appropriate levels of cash to meet its ongoing obligations into the medium term. • Cash balances remain appropriate, and there is evidence that the Council has sufficient access to borrowing should this been needed. • Our audit did not identify any events or conditions which may cast significant doubt on the going concern assumption. • We have reviewed management's assessment and have not identified any issues that would lead us to believe that there is a material uncertainty in the Council's assumption in preparing the financial statements on a going concern basis.
Concluding comments Following our review we are satisfied with management's assessment of use of going concern basis of accounting.	**Auditor commentary** • We concur with the S151 Officer's view that there are no material uncertainties that would require disclosure under ISA570. • On the basis of our work we propose to issue an unmodified opinion for 2019/20 in relation to going concern. • Our audit work detailed in the VFM section of this report provides more commentary regarding the financial health of the Council and how it has responded to the Covid-19 pandemic.

Other matters for communication

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

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bankers and bodies with whom the Council has investments and loans. We are currently awaiting 1 loan confirmation.
Disclosures	Our review found no material omissions in the financial statements
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions, where a Council is above the reporting threshold. No detailed work is required in this area as the Council is below the thresholds set by the NAO
Certification of the closure of the audit	We intend to certify the closure of the 2019/20 audit of Wyre Forest District Council in the audit report, as detailed in Appendix E.

Value for Money

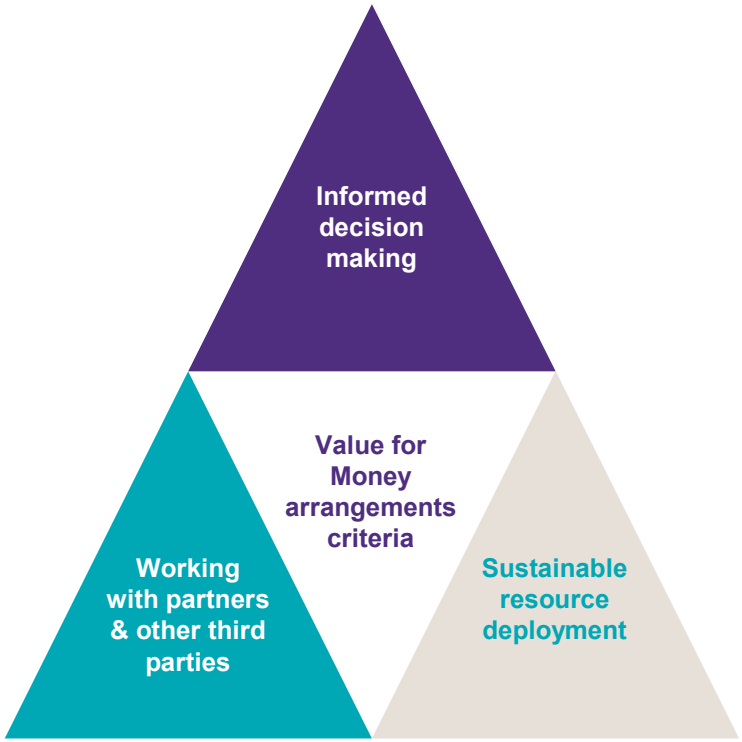
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in February 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2020.

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

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

Value for Money

Our work

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

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

- the Council's financial strategy, with particular focus on the management of savings and in-year financial management and monitoring of the financial position. In conjunction with our work on going concern, we have also considered how the Council is assessing the impact of COVID- 19
- the capital portfolio asset purchases in year, the valuation of these assets and how the Council is measuring the return on these capital portfolio purchases.

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

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

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

In our Audit Plan dated March 2020, we commented:

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

The financial strategy was 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.

Findings

2019/20 out-turn compared to budget

At a service level the Council reported a net underspend of £712k against the original budget for 2019/20 (£412k against the revised budget). At quarter 1 (reported September 2019) a £37k underspend was anticipated. The out-turn position reflects some significant variances at a service level; community and wellbeing 12% underspend, economic prosperity and place 69% overspend and over 100% underspend on capital account, although most of the variance on this is due to changes in rates which were anticipated at Q3.

Business rate income is £5.863m compared to the budget of £3.396m. The majority of this difference relates to the one- off benefit of the change to the appeals provision (WFDC share of the £2.5m reduction in NNDR appeals provision) which was not known about when the budget was set, however, there still remains a variance of £893k of income (26%) to the original budget.

In previous years, we have reported on the robustness of budget setting and the accuracy of in year reporting at the Council. Reliable forecasting of business rates income is recognised by management as particularly challenging and historically the Council has underestimated the level of income form business rates. The continued level of variance between original budget and outturn highlights a need for future budgets to be based on as accurate and realistic estimates as possible having regard for past performance. That said, we do recognise that any underspends have provided the Council with additional capacity to respond to the financial pressures emerging as a result of Covid-19.

General fund balances and earmarked reserves

The underspend in 2019/20 allowed the Council to increase its General Fund balances by £1.9m in year (£1.4m 2018/19, £0.8m 2017/18), as well as a net increase of £884k to earmarked reserves. As at 31 March 2020 the Council has £6m of General Fund balances and a further £8.7m of earmarked reserves set aside for specific purposes. This in our view is a healthy level of reserves and balances given the size of the Council.

Value for Money

Findings (continued)

Savings

Savings are reported on a cumulative basis and are built into the original budget. The 2019/20 budget was predicated on the delivery of £2.9m of savings. These are detailed in the Wyre Forest Forward savings, of which £2.7m had been secured at the start of 2019/20. In addition. in year target level of savings and achievement was as follows:

2019/20 budget savings	2019/20 target		
	£		
Depot 2020	32,500		met from general budget underspends
Efficiency savings	36,500		met from general budget underspends
Wyre forest forward	181,650		largest element £150k met from adjustment of 19/20 budget following 18/19 outturn
Income generation	75,000		reported to commercial activity board as achieved
total	325,650		

2020/21 medium term financial plan

The 2020/21 updated Medium Term Financial Plan indicate further in year savings of £188k and £545k respectively to be achieved by March 2022. The Quarter one 2020/21 report to Cabinet in September 2020 revisits the assumptions in this forecast and reflects the estimated impact of Covid-19. The grant funding provided by central government is judged to not be sufficient to offset the cost pressures of £1.2m leading to an increase in the funding gap to £1.5m by 2021-22. The Council is facing significant shortfalls in income, including that from its capital portfolio where the full year impact of arrears after provisions for bad debts is £300k. Other areas adversely impacted are car parking income which is estimated to reduce by £561k in 2020/21 and the leisure contract having additional costs of £551k.

Value for Money

Findings (continued)

The Council is required to prepare 'Delta' reports to MHCLG monthly setting out the impact of Covid-19 on the Council's financial health. There is a recognition that this additional funding will not be sufficient to cover all costs and a call on reserves is probable. There are further risks to delivery of the 2020/21 planned savings, some of which are dependent on income generation, which will clearly be negatively impacted in 20/21 and potentially beyond. The use of reserves set out in the 2019/22 strategy is likely to be higher than planned and is likely to result in the increased reliance on reserves and balances into the medium term to support the financial position, at least in the short term.

The impact of Covid-19 has been revisited throughout the pandemic with regular reporting to decision makers as clarity emerged on the likely impact on income and expenditure as well as likely government funding. Clearly the financial impact is fluid and so the full year impact is difficult to estimate, particularly with further uncertainties around the impact of the 'second wave'.

Administering COVID support to businesses and vulnerable people

During the pandemic the Council has had a key role in administrating support for those impacted. This included:

- Hardship Fund - £952,367 (100% of grant allocated paid out by July 2020)
- Business rate reliefs: £15.7m of reliefs have been implemented for eligible businesses in the district.
- Grants to businesses: MHCLG paid £22.5m to the Council to fund grants to businesses and as at 29th June, 94% of the grant funding to had been distributed to 1,780 businesses totalling £21.13m.
- local discretionary business grants for business: £1.153m allocation of funding for those businesses that did not meet the eligibility criteria for the mandatory scheme.
- homelessness: the allocation to provide long-term, safe homes for vulnerable rough sleepers is £4.5k.

Conclusion

Based on the work completed we have concluded that the Council have adequate arrangements in place to deliver financial sustainability. Again this year, we note the continued trend of variations against original budget that have emerged this year in the final quarter resulting in a significant underspend against budget. Scope remains to ensure budgets are challenging and realist rather than prudent.

We have concluded that the Council has responded appropriately to the impact of Covid-19 on its medium term financial planning. The Council recognises the additional pressures this places on its financial health due to a combination of loss of income and increased costs compounded by greater expectation from its stakeholders and continued austerity. The Council's capital portfolio fund that generates income from rentals is likely to have more associated risks than was originally envisaged due to the impact on Covid-19 on the retail and office sectors. The Council needs to ensure it reassesses the continued investment in these areas to ensure they still offer appropriate value for money.

The financial years 2020/21 and 2021/22 will see perhaps the peak of the challenge with short- term reduced levels of income, impact on savings, and uncertainty of funding. It is therefore business critical that officers and members take immediate action to identify further mitigations by way of reducing costs or increasing income. It is also crucial the medium-term financial plan is refreshed at the earliest opportunity.

Continued close in year monitoring and timely corrective action will be required to ensure budgets are delivered.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	£12,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,000 in comparison to the total fee for the audit of £46,181and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee

Appendix A

Action plan

We have identified four recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Issue and risk	Recommendations
VFM – We note that the Council has once more underspent against its original budget. The council has increased its level of reserves and balanced and this will provide a buffer, particularly with the likely impact of COVID-19 on the council finances. Prudent but realistic budget setting is increasingly important as the Council approaches a period of particular economic uncertainty.	Scope exists to ensure that budgets are challenging and realistic rather than prudent **Management response** We acknowledge this recommendation and will continue to strive to work with service managers to increase the accuracy of budgets wherever possible. The increased volatility of budgets due to the ongoing pandemic and in particular in relation to the collection of business rates and collection fund (noting that business rates income was the main reason for the positive variance in 2019/20) and challenges this presents in budget setting is however noted.
VFM -- We are satisfied that the Council has appropriate arrangements in place to manage its capital acquisitions. The majority of the Council's Capital portfolio fund of £26.5m has now been fully committed and thus our expectation is that there will be no further investment of this type.	The Council needs to ensure it continues to assesses the performance and value for money of these assets. **Management Response** Agreed; the Capital Portfolio Overview and Scrutiny Monitoring Reports cover performance and risks specific to each of these property acquisitions in detail. The suite of related Quantitative Indicators in accordance with latest CIPFA guidance, will continue to be included with both the Treasury Management Reports and also the Annual Capital Strategy
Budgetary control- the Council habitually underspends significantly against its agreed budget. With increasing budgetary pressures and uncertainty going forward it is crucial that decision makers have reliable and timely financial information.	Management should continue to further refine its budgetary control and in year reporting arrangements including the timing of reporting, so that in year budget reporting is regarded as a reliable and meaningful decision making tool. **Management Response** As part of our ongoing, accelerated work to close the funding gap we will continue to keep budgetary control procedures under review and strive to improve the accuracy of forecast out-turn reports.
PPE- the council is changing the valuer in 2020/21. Property Plant and Equipment valuations is a significant estimate in the accounts. The current valuer has built up his understanding of the asset base over a number of years and it is likely that the new valuer may make alternative judgements over the basis of valuations. It is important that management has a good understanding of valuations and has appropriately challenged any new assumptions which has had an impact on 20/21 valuations.	Valuations should be undertaken as at 31 March 2021. Management should ensure that there is clarity over what information is supplied by the council and that which is a matter for the valuer. Appropriate challenge should be made of the valuer where different assumptions are applied or there are significant variances in valuations. **Management Response** We will address these recommendations in close liaison with our newly appointed retained professional valuers.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of [insert client name] Council's 2018/19 financial statements, which resulted in 3 recommendations being reported in our 2018/19 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We are satisfied that the Council has appropriate arrangements in place to manage its capital acquisitions. The Council should however continue to review its strategy in this area to ensure the changing market makes further investment appropriate. Council should monitor and keep under review its capital acquisition strategy, as part of its annual review cycle.	The Council undertakes an annual review of the capital strategy and also considers the performance of the assets in the capital portfolio as part of reporting to the Overview and Scrutiny Committee.
x	We are satisfied that the Council has appropriate arrangements in place to maintain spending within its budget. We do, however, note the trend of variations against budget emerging in the final quarter resulting in historic underspends against budget. Scope exists to ensure that budgets are challenging and realistic rather than prudent. Management should keep under review its in year budget reporting and ensure it reflects known changes and highlights risks (both positive and negative) to the forecast outturn.	We note that there has once again been some notable variance between the original budget and the outturn. Whilst some of this was due to decisions made during the year which was not anticipated when the budget was set, such as the decision on the business rates provision, we have seen some notable in year variance on individual service budgets. It should be clear how much of the savings are driven by actions and decisions made by the Council, for example in setting efficiency targets and how much is fortuitous or potentially resulting from unrealistic budget setting.
x	Quarter 3 reporting was provided at the year end providing limited scope for action by those charged with governance and is effectively for information only due to the timing. Scope exists going forward to improve the timeliness of in year financial reporting.	Quarter 3 went to CabCLT in February and was reported to Cabinet on 24 March 2020 indicating that .reporting to decision makers is not timely.

Assessment

✓ Action completed

x Not yet addressed

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure matters	Detail	Adjusted?
Note 31: Audit Fees	Minor presentational changes to clarify which fees relate to the current year audit and those that are historic	**yes**
Note 10: Property plant and equipment	The note does not split out the amounts charged to the revaluation reserve and those charged to the CIES as required to be separately disclosed under the code.	**yes**
Note 14: Capital commitments	Further disclosure has been agreed of a refuse freighter o £175k	**Yes**
Note 3: Critical judgements	Note 3 to the accounts refers to assumptions being made around appeals provision. The critical judgement itself is not actually described in the note – i.e. a critical judgement has been made that 2010 listing meets the definition of a provision and the 2017 listing meets the definition of a contingent liability. It also isn't clear what financial impact this has on the collection fund or the single entity accounts.. The accounting for the pooling arrangement has had a material impact on the collection fund and the CIES and several supporting notes and involved critical accounting judgments made by the pool partners and the Council. These should be set out in this note.	**yes**
Note 4: Assumptions made about the future ad other major sources of estimation uncertainty	This note should be clear about the item of account that is impacted by the estimation uncertainty, the uncertainty should potentially have a material impact and this should be disclosed including some sensitivity around what the impact could be. The note in the draft accounts should be reworked so that the messages are clearer and more specific.	**yes**

Audit adjustments (continued)

Misclassification and disclosure changes

.

Disclosure matters	Detail	Adjusted?
Note 23: provisions	The movement in provision in the year is highly material and is as a consequence of the review of the appeals provision plus the accounting judgements around the pooling. This note should be clearly cross referenced to the note 3 and collection fund disclosure on the matter to aid the users understanding of the accounts.	

Impact of adjusted misstatements

At the time of writing this report there are no adjusted misstatements.

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
PPE: Depreciation is not charged in the year of acquisition but is charged in the year of disposal. Depreciation should be charged from the point of acquisition/ when an asset becomes operational. Management are content that the adopted policy results in depreciation being recognised over the life of the asset and is in line with accounting requirements. We have made an assessment of the impact and are satisfied that in the year there is a non material impact of no more than £141k.	141	141	141	Management considers that the approach adopted spreads the consumption over the asset and the amount is not material and have made their own estimate of the impact to be £104k, which remains above trivial for reporting purposes.
Overall impact	**141**	**141**	**141**	

Impact of prior year unadjusted misstatements

There are no prior year unadjusted misstatements.

Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	46,181	To be confirmed
Total audit fees (excluding VAT)	**£46,181**	**to be confirmed**

Fees per financial statements:	£47,372
• Fees in relation to 2018/19	(£9,690)
• Fee per PSAA scale (subtotal)	£37,681
• Fee variation per audit plan	£8,500
Total fee as above	**£46,181**

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services: housing subsidy claim – work has not yet started and final fees will be confirmed on completion of that work.	£12,000	tbc
Total non- audit fees (excluding VAT)	**£12,000**	**tbc**

Audit opinion

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Wyre Forest District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wyre Forest District Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;

•have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and

•have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Corporate Director: Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

• the Corporate Director: Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

• the Corporate Director: Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Corporate Director: Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings [and property investments]

We draw attention to Note 6 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings [and the Authority's share of the pension fund's property investments] as at 31 March 2020. As, disclosed in note 6 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in [both] the Authority's property valuer's report [and the pension fund's property valuation reports]. Our opinion is not modified in respect of this matter.

Other information

The Corporate Director: Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Audit opinion

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Corporate Director: Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director: Resources. The Corporate Director: Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director: Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director: Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

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

Audit opinion

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Wyre Forest District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Barber, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol
Date:

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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE REPORT

28th OCTOBER 2020

STATEMENT OF ACCOUNTS 2019/20

OPEN ITEM	
CABINET MEMBER:	**Strategy and Finance**
DIRECTOR:	**Corporate Director: Resources**
CONTACT OFFICER:	**Tracey Southall Ext 2100** **tracey.southall@wyreforestdc.gov.uk** **Helen Ogram Ext 2907** **Helen.ogram@wyreforestdc.gov.uk** **Lisa Hutchinson Ext 2120** **lisa.hutchinsonl@wyreforestdc.gov.uk**
APPENDIX 1	**Appendix 1 - Draft Letter of Representation 2019/20** **Appendix 2 - Statement of Accounts Overview 2019/20**

1. PURPOSE OF REPORT

1.1 The purpose of this report is to present the changes that have been required to the Pre-Audit Statement of Accounts for 2019/20 following the audit undertaken by Grant Thornton UK LLP (Grant Thornton).

1.2 The Council is also required to provide an updated version of the Letter of Representation to the auditors, before they will issue the audit opinion for 2019/20; the wording of this is attached for approval.

2. RECOMMENDATION

The Audit Committee is asked to DECIDE that:

2.1 The Audited Statement of Accounts for 2019/20 be approved and authorise the Corporate Director: Resources to make any minor changes that are appropriate as part of resolution of the final external audit queries should this be necessary.

2.2 The Letter of Representation for 2019/20 attached at Appendix 1 be approved.

3. BACKGROUND

3.1 A Strong Leader Cabinet report setting out the Provisional Final Accounts position was published on the 9th June 2020. The draft Statement of Accounts was certified as a true and fair position by the Chief Financial Officer on 29th June 2020 and passed to Grant Thornton for external audit.

3.2 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 has moved 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 have commenced 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/uksi/2020/404/contents/made

3.3 To reflect this, the May 2020 Audit Committee was cancelled. A new meeting originally 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 was deferred to allow more time and allocation of appropriate resource for the consideration of a number of national technical issues arising this year. Due to the additional risk and uncertainty going forwards this year the external auditors have undertaken more work on the Going Concern statement to ensure it is sufficiently transparent regarding ongoing financial sustainability.

3.4 On 22nd July 2020 the Audit Committee considered the Accounting Policies, fundamental to the Statement of Accounts and the Outturn Report based on extracts from the Pre-Audit Statement of Accounts that was 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.

3.5 The Statement was then 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 was the 29th June 2020. The intention is for the accounts to be formally published after the 28th October 2020 or as soon as possible, dependent on when Grant Thornton is able to issue their Audit Opinion.

3.6 During the course of the audit there were some minor issues raised by the Auditors and the Accounts were amended accordingly. Most of these were changes to/or additional disclosures that improve the presentation of the clarity of the financial statements for the users of the accounts, these are detailed within the Audit Findings Report also on this agenda.

3.3 The pension (IAS19) disclosures in the 2018-19 accounts proved problematic due to national issues regarding pension fund liabilities and the need to remove discrimination between pension scheme members, referred to as McCloud and the Guaranteed Minimum Pension (GMP). As a result, late changes were required to the 2018-19 statements. Further developments around McCloud and also a further tribunal case on equalities issues (referred to as Goodwin) that emerged after the initial actuarial report was issued have needed consideration during the 2019-20 audit. However, the actuaries have confirmed that they do not expect there to be a material impact on our liabilities as the remedy was broadly as expected and no restatement was required this year.

3.4 Grant Thornton has almost concluded its audit of the accounts and has indicated it intends to provide an unqualified opinion, although that is subject to confirmation at the time of issue of this report.

3.5 Incorporating the agreed changes, the Statement of Accounts will be published following approval by the Audit Committee and receipt of the external Audit Opinion, it will also be made available on the Council's web-site with the aim of publication by the end of October.

3.6 The Letter of Representation is attached at Appendix 1. This letter is in line with Grant Thornton's requirements as detailed within their Audit Findings Report. This letter is to be signed by the S.151 Officer (Corporate Director: Resources), and the Chair of the Audit Committee.

3.7 The Statement of Accounts overview is attached at Appendix 2. A full copy of the Statement will be emailed to all Audit Committee members before the meeting; paper copies will be made available for the meeting on request.

4. KEY ISSUES

4.1 The audit of the Statement of Accounts for 2019/20 has almost been concluded, key issues are presented in the draft audit findings report and summarised below:

- Grant Thornton has indicated it will issue an unqualified opinion. This is subject to outstanding queries being resolved and the finalisation of the audit.
- No material errors or adjustments to the financial statements have been identified that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement.
- The audit did not identify any events or conditions which may cast significant doubt on the going concern assumption.
- The audit opinion for the Council includes an "Emphasis of Matter" comment due to the potential effects of COVID-19 on the valuation of Land and Building Assets. The Council's Valuer has followed RICS guidance and acknowledged that there may be a material uncertainty on the valuation work undertaken this year. This is expected to be the case across all local government audits.
- A small number of adjustments were recommended to improve presentation and these adjustments were made. These adjustments are detailed in Audit Findings Report.

5. FINANCIAL IMPLICATIONS

5.1 This is a financial report identifying changes to the Statement of Accounts 2019/20 following the audit, and presentation of the Letter of Representation.

5.2 The Audit Findings Report also sets out additional work in respect of the audit code undertaken by Grant Thornton this year, along with the impact on the audit fee. The

proposed additional fees totalling £8,500 are estimates based on the auditor's best projection of work and will be subject to approval by Public Sector Audit Appointments Limited in line with the terms of appointment. The proposal for increases in audit fees is due to an update to Grant Thornton's risk assessment based on prevailing national issues and is common across most Councils. The main areas of work requiring additional resource were as a result of the outbreak of Covid-19 and the requirement for more granular work on the VFM conclusion, Property Plant and Equipment and the Going Concern judgement.

6. LEGAL AND POLICY IMPLICATIONS

6.1 It is a requirement of the Accounts and Audit Regulations 2015 that the Statement of Accounts is published by the 31st July following the end of the financial year. 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/uksi/2020/404/contents/made

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 process for the finalisation of the Statement of Accounts for 2019/20 and seeks their approval.

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/uksi/2020/404/contents/made

11.3 Strong Leader Report on Provisional Outturn 2019/20 Final Accounts published 9th June 2020
http://www.wyreforest.gov.uk/council/docs/doc55857_20200609_strong_leader_report.pdf

11.4 Audit Committee 22nd July 2020 – Report on the Provisional Final Accounts Outturn 2019/20 – agenda item 14
http://www.wyreforest.gov.uk/council/docs/doc55958_20200722_audit_committee_agenda.pdf

Wyre Forest District Council

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my ref: LH/JHL

28th October 2020

Dear Sirs

Wyre Forest District Council
Financial Statements for the year ended 31st March 2020

This representation letter is provided in connection with the audit of the financial statements of Wyre Forest District Council for the year ended 31st March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have

been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

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

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

Commrecial in confidence

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

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

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

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

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

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 28th October 2020.

Signed on behalf of WyreForest District Council

Name: Tracey Southall

Position: Corporate Director: Resources

Date: 28th October 2020

Commrecial in confidence

Name: **Councillor Alan Totty**

Position: **Chair of the Audit Committee**

Date: **28th October 2020**

Signed on behalf of the Governing Body

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2019-20 – OVERVIEW

1. INTRODUCTION

Each year the Council has to produce a set of accounts just like any other organisation. The formal document is the Statement of Accounts (Statement) which sets out the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. The full Audited Statement will be published on the Council's web-site after 28th October 2020 once the Audit Opinion is received. The purpose of this overview document is to provide a summary of key aspects of the more detailed Statement to aid understanding and assist with the scrutiny process.

2. APPROVAL PROCESS

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 has moved from 31st July 2020 to 30th November 2020 for all local authority bodies.

This Council's timetable for approval of the 2019-20 Accounts is as follows:

: Chief Financial Officer approval – 29th June 2020
: Strong Leader Cabinet Report – 9th June 2020 (Major Variations only); and then
: Audit Committee – 28th October 2020 (audited version) – formal approval

The Accounts are audited by Grant Thornton who are the Council's external auditors. Regulations require that the Statement of Accounts 2019-20 is published by 30th November 2020, extended due to the impact of COVID-19.

3. BASIS OF ACCOUNTS

The Corporate Director: Resources, Tracey Southall, is responsible for the preparation of the Statement in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20. This includes full compliance with the International Financial Reporting Standards (IFRS).

The Accounts present a true and fair view of the financial position of Wyre Forest District Council for the year ended 31st March 2020. Up to date and proper accounting records have been maintained in accordance with the accounting policies outlined in the detailed Statement. In addition, the Chief Executive and Leader of the Council are required to confirm the Council's Governance arrangements can be relied upon to produce an accurate Statement of Accounts; this is contained within the Annual Governance Statement.

4. KEY COMPONENTS

The Council's accounts for the financial year ended 31st March 2020 mainly comprise:

(a) **The Comprehensive Income and Expenditure Statement**

This account brings together income and expenditure relating to all of the Council's functions. It excludes Capital, accounted for separately. Income from the Council's precept on the Collection Fund is included in this account. It represents the gains and losses that contribute to the changes in financial resources and is the accounting position rather than the bottom-line to taxpayers.

(b) **The Movement in Reserves Statement**

This account shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves.

(c) **The Collection Fund Income and Expenditure Account**

This reflects the statutory requirement to maintain a separate Collection Fund. The account records income received from the Council Tax and Business Rates. It also shows the distribution of that income to precepting authorities, such as Worcestershire County Council, The Office of the Police and Crime Commissioner for West Mercia, and The Hereford and Worcester Fire Authority.

The Business Rates Retention Scheme's main aim is to give Councils a greater incentive to grow businesses in their areas. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates tax base. The scheme allows the Council to retain a proportion of the total Business Rates growth received. In 2019-20 the Worcestershire Pool was designated a Pilot for a 75% Business Rates Retention Scheme. The income received by this Council in 2019-20 totalled £5.803m. A sum of £1.574m was earmarked towards the future impact of any appeals settled relating to the 2017 list.

(d) **The Balance Sheet**

This relates to the Council's year-end financial position, covering both Capital and Revenue. It shows the balances and reserves at the Council's disposal, summarised information on the fixed assets held, the current assets employed in its operations and its long term indebtedness.

(e) **The Cash Flow Statement**

This statement summarises major movements of the Council Funds over the period of the financial year.

5. FINANCE STRATEGY

The Council continues to implement the three-year Finance Strategy, endeavouring to balance service priorities against resources available. The financial landscape continues to be very challenging, more so in the coming years considering the impact of the COVID-19 pandemic. The continuing Wyre Forest Forward Transformation programme in 2019-20, and work with the cross party Strategic Review Panel enabled the Council to set a forward-looking budget for 2020-21 and continued investment in the key priority of economic and regeneration initiatives, aided by membership of both the Worcestershire and Greater Birmingham and Solihull Local Enterprise Partnerships.

6. SUMMARY OF THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT AND MOVEMENT IN RESERVES STATEMENT

2018-19 Net Expenditure/ (Income) £000's	**Service Area**	**2019-20 Net Expenditure/ (Income) £000's**
1,783	Chief Executive and Solicitor to the Council	1,870
5,518	Community Well-Being and Environment	7,620
3,364	Economic Prosperity and Place	3,718
1,538	Resources	2,701
12,203	**Net Cost of Services**	15,909
1,061	Parish Precepts	1,203
(108)	Other Net Operating (Income)/Expenditure	(369)
518	Net Investment (Income)/Borrowing Costs	750
(222)	Other Accounting Adjustments*	(3,330)
13,452	**Amount to be met by Government Grant/Council Tax**	14,163
	Funded by:	
(3,832)	Business Rates Retention	(5,863)
(101)	Revenue Support Grant	-
(8,039)	Council Tax	(8,380)
(1,273)	New Homes Bonus	(906)
(43)	NNDR Levy Redistribution	(10)
-	Other Government Grant	(50)
164	**Movement in Revenue Fund Balance**	(1,046)

* This takes into account entries required to reflect issues including depreciation, changes in market value of assets and the position of this Council's Pension assets and liabilities administered in the Worcestershire County Council Pension Fund.

7. OVERALL BUDGET VARIATIONS

Major revenue variations between the revised budget and actual were shown in the Strong Leader Cabinet Report on 9th June 2020 and Appendix 1 to the reports to Audit Committee on 22nd July 2020.

A further analysis of actual compared to the original budget used for 2019-20 is contained in the full Statement.

8. WHAT DO WE OWN (NUMBER OF ASSETS)?

Civic & Administrative Buildings	2
Car Parks	24
Asset Under Construction (Unity Park, Silverwoods)	1
Cemetery Sites	2
Trading Estates & Enterprise Centres	5
Public Conveniences	9
Leisure Centres (leasehold interest in Bewdley Leisure Centre included)	2
Museums	1
Sports, Social Clubs, Fields & Parks	22
Nature Reserves	4
Other Land & Buildings	36
Vehicles	76
Heritage Assets	Various
Play Equipment / Systems Software / Open Spaces Equipment	Various
Note: The Council also owns a number of assets below the de minimis level of £10,000 which are not shown in these figures.	

9. SIMPLIFIED BALANCE SHEET

31-03-19 £000's	What the Council owns and is owed	31-03-20 £000's
	What we own:	
58,638	Buildings, Land, Vehicles and Equipment	67,982
97	Inventories	89
16,133	Cash Invested	19,707
5,816	Money owed to the Council	8,304
	What we owe:	
(38,673)	Money owed by the Council	(51,181)
(58,247)	Pension Fund Liability	(61,507)
(16,236)	**Total Value of what we own/(owe)**	**(16,606)**
	Financing:	
	Usable Reserves	
2,752	Capital Expenditure Reserve	2,704
7,868	Earmarked Reserves	8,752
4,987	General Reserves	6,033
623	Capital Grants Unapplied	545
	Unusable Reserves	
27,704	Capital Financing Reserves	27,052
(60,002)	Pensions Reserve	(61,507)
(168)	Short-term Accumulated Absences Account	(185)
(16,236)	**Total Reserves**	**(16,606)**

10. WHAT ARE OUR RESERVES?

31-03-19 £000's	General Fund Reserves:	31-03-20 £000's
5,151	At beginning of the year	4,987
(164)	Movement in Revenue Fund Balance	1,046
4,987	**Balance at the end of the year**	**6,033**

The Council has a duty in law to keep an appropriate (prudent) level of General Reserves. It is our current policy to keep a minimum working balance of £1.2m.

31-03-19 £000's	Capital Expenditure Reserve and other Reserves and Capital Contributions set aside for the future:	31-03-20 £000's
	The savings and money set aside for the future are :-	
2,752	Capital Expenditure Reserve	2,704
7,401	Earmarked Reserves	8,517
467	Collection Fund Reserve	235
623	Capital Contributions Unapplied (Grants)	545
11,243	**Total Capital and Revenue Reserves**	**12,001**

11. HOW WELL HAVE WE PERFORMED?

Finances:

Borrowing Money – the Council took out a further seven loans during 2019-20 taking the total borrowing up to £37m.

The rates are as follows:
12/13 £1m @ 2.62% for 9 years
14/15 £1m @ 3.99% for 19 years
14/15 £1m @ 3.54% for 42 years
14/15 £1m @ 3.44% for 25 years
14/15 £1m @ 2.99% for 24 years
14/15 £1m @ 2.87% for 26 years
14/15 £1m @ 2.80% for 22 years
15/16 £1m @ 2.96% for 20 years
15/16 £1m @ 3.35% for 17 years
15/16 £1m @ 3.40% for 16 years
15/16 £1m @ 3.13% for 15 years
15/16 £1m @ 2.96% for 13 years
15/16 £1m @ 2.99% for 48 years
16/17 £1m @ 2.21% for 10 years
16/17 £1m @ 2.42% for 45 years
17/18 £1m @ 2.28% for 46 years
18/19 £1m @ 2.53% for 42 years
18/19 £1m @ 2.49% for 50 years
18/19 £1m @ 2.59% for 43.5 years
18/19 £2m @ 1.40% for 2 years
18/19 £1m @ 1.79% for 6 years
18/19 £1m @ 2.47% for 50 years
18/19 £1m @ 2.46% for 48 years
18/19 £1m @ 2.38% for 46 years
18/19 £1m @ 2.36% for 47 years
18/19 £1m @ 1.82% for 8.5 years
18/19 £1m @ 2.29% for 40.5 years
18/19 £1m @ 2.20% for 48.5 years
19/20 £1m @ 1.80% for 10 years
19/20 £1m @ 1.74% for 10.4 years
19/20 £1m @ 2.17% for 50 years

19/20 £1m @ 2.13% for 41.6 years
19/20 £1m @ 1.86% for 15 years
19/20 £1m @ 1.67% for 50 years
19/20 £2m @ 1.40% for 2 years

Investing Money - average interest rate 0.83% (compared to a benchmark 7 day LIBID average rate of 0.53%)

Payment of what we owe:
Prompt payment – we paid 97% of all invoices within 30 days

Collection of what is owed to us:
Council Tax - we collected 97.54%
Business Rates – we collected 97.95%

Performance against national and local measures:

Over the last 12 months the Council has continued to focus on the use of performance measures as part of its transformational programme 'Wyre Forest Forward'. The measures underpin the delivery of a systems thinking methodology rather than relying on traditional Performance Indicators (PI's) or Targets. The dash-board of measures that support our purposes are customer focussed to ensure changes improve the customer's experience.

The measures continue to evolve over time. However, it is important that they are not treated like PIs or targets which often imply that once they are met then no further work is needed.

Reports were considered by the Corporate Leadership Team (CLT) on a monthly basis where they monitored the leading measures whilst quarterly reports were considered by the Overview and Scrutiny Committee where measures are reported. We publish performance information to ensure we effectively communicate to the community a summary of our key service delivery performance from the previous financial year. For further information, please visit:

http://www.wyreforestdc.gov.uk/the-council/what-our-priorities-are-and-how-we-are-doing/performance.aspx

12. SUMMARY

This Overview gives a summary of the Statement of Accounts 2019-20, which is a snapshot of this Council's finances as at 31st March 2020, showing:-

- How we raised income during the year
- How we spent money during the year
- How we performed against our budget
- How we performed in looking after the money
- How much money we have at 31st March 2020 (reserves)
- How the money is invested at 31st March 2020 (buildings, equipment and cash)

13. FINANCIAL TERMS EXPLAINED

We have tried to avoid using too many financial terms in this Overview, but here are a few of them explained for you:

Assets: Buildings, land, vehicles and money in the bank.

Borrowing: Money we have borrowed to pay for fixed assets and are repaying over a number of years.

Capital Expenditure: Spending on new assets and the refurbishment of old ones like buildings and vehicles.

Capital Expenditure Reserve: Allocated usable capital receipts.

Capital Financing Reserve: Capital accounting reserve "backed" or balanced within balance sheet by fixed assets - not a funding resource available to spend.

Creditors: Those to whom we owe money.

Debtors: People or organisations who owe us money.

Depreciation: Some assets lose their value as they get older; this is called depreciation.

Earmarked Reserves: Savings or money set aside for the future for a specific purpose.

Fixed Assets: Things that will last more than one year.

International Financial Reporting Standards (IFRS): an international framework to ensure common approach to the production of Statement of Accounts across the world.

Inventories: Things we have bought but have not yet used.

Reserves: Savings or money set aside for the future.

Revenue Expenditure: Spending (and income) on day to day running costs, for example, employees, day to day running expenses including items like premises costs and supplies and services.

14. CORPORATE DIRECTOR: RESOURCES' ENDORSEMENT

The purpose of this overview is to help with the overall understanding of the Council's finances and accounts. This is an on-going process; if you have any comments in relation to how we can improve this understanding please let me know.

The COVID-19 pandemic has had a considerable impact on the Council. The Government lockdown, announced on 20th March 2020 has forced local businesses to close and had a significant impact on the local economy. In turn this has had a major impact on the Council's income streams whilst caring for the most vulnerable in our community during this difficult time comes with additional cost pressures.

The pandemic has not had a dramatic impact on the financial outturn for 2019-20 as there was no noticeable effect until the last 2 weeks of March. The true scale of the impact on Council finances will be felt during 2020-21. The Council is expecting substantial losses across many of its income streams, including commercial waste, car parking, planning fees and licensing fees. As with any economic downturn, investment income is anticipated to reduce which will create further pressures on finances.

Through careful planning and management Wyre Forest District Council has been able to avoid a call on reserves in 2019-20 which will support the Council's resilience in meeting the financial challenges of 2020-21 and beyond. Whilst a balanced budget has been set for 2020-21, the projections for future years, prior to the pandemic, indicated a significant gap of around £1.74m between the Council's expected funding streams and the Council's expenditure. Cabinet reports on Financial Stress Testing re Coronavirus Pandemic Impact on May 20th and 7th July 2020 set out early briefings of the projected deterioration in the Councils financial position if the Government funding fails to cover losses in full. The Cabinet Budget Monitoring report for Quarter 1 on the 16th September provided further overall projections of the overall financial position taking into account the impact of the ongoing pandemic. It is therefore essential that the Council continues with its transformation and efficiency programme to identify further saving and income opportunities to ensure future balanced budgets can be set.

It remains difficult to quantify the impact of COVID-19 at this stage with any certainty, but the financial pressure on the Council will be substantial, even after the Government's emergency funding is taken into account. Because of the Council's reliance on income generation activity and fees and charges and consequently its exposure to the economic cycle, however, in recent years the Council has built up specific Earmarked Reserves to ensure financial resilience during a recession.

Moving forward, the Council will reset its Medium Term Financial Strategy (MTFS) in recognition of the impact of the pandemic and the Council's strategic objectives. The COVID-19 crisis has meant that the Council has had to review what its most critical services are and which are required to still be operational even during a global pandemic. The changing environment and "new normal" in which we are likely to find ourselves will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. This will also require the Council to review the structural position of its budget and how that needs to change going forward.

If you have any questions or would like further explanation of our financial position, please contact either myself, or a member of the Accountancy team.

A full copy of the Statement of Accounts will be published on the Council's website after 28th October 2020 once the Audit Opinion is received

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTE
28th OCTOBER 2020

INTERNAL AUDIT MONITORING REPORT AS AT 30TH SEPTEMBER 2020

OPEN	
CABINET MEMBER	Strategy & Finance
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 Quarters ended 30th June/30th September 2020

1. PURPOSE OF REPORT

1.1 To inform members of the Internal Audit Monitoring Report for the six months ended 30th September 2020, attached as Appendix 1.

2. RECOMMENDATION

The Audit Committee is asked to CONSIDER:

2.1 The Internal Audit Monitoring Report for the six months ended 30th September 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 2020~21 in March 2020. 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 2020~21 reflects the reduced staffing resource following a mini restructure of the Internal Audit Team from April 2019. In addition, at its meeting of 22nd July 2020, the Audit Committee approved an addendum to the 2020~21 operational internal audit plan, which following the outbreak of the Covid-19 pandemic, identified those key areas where it is anticipated that the scope of the internal audit work may/will vary in light of the ongoing Covid-19 pandemic.

3.3 Actual performance of the Internal Audit service is monitored against the Audit Plan each quarter during the year by way of the monitoring reports to the Audit Committee, Corporate Leadership Team and to the External Auditors.

3.4 The Report attached as an Appendix contains 5 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 2020~21 Annual Audit Plan
Section 5	Performance Statistics & Additional Assurance work undertaken

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 a meeting of the Audit Committee early in the municipal calendar to align with the final accounts closedown that has previously been held in May.

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 monitoring report contains details of internal audit reports issued in the two quarters to 30th September 2020 together with follow up reviews. The two quarters have been combined, due to a rescheduling of the early September meeting to align with the revisions to the timeline for the external audit sign-off of the 2019-20 accounts. The format of internal audit reports has been designed 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 were 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 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 Following the Government lockdown announced on 20th March 2020 in light of the Covid-19 pandemic, the Internal Audit Team were migrated to home working and continue to do so, which has enabled a seamless continuation of service provision. The impact on the previously approved 2020~21 internal audit plan was reviewed and approved by the Audit Committee at its meeting of 22nd July 2020.

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 risk, 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 now evidenced against expected controls for all internal audit briefs. Whilst this is merely a presentational change as recommended by the external review, it should help 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 period ended 30th September 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 22nd July 2020 ~ Audit Committee ~ Addendum to Internal Audit Plan 2020~21
25th March 2020 ~ Audit Committee ~ Internal Audit Annual Plan 2020~21
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 Regulations (Coronavirus) (Amendment) Regulations 2020

INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

PERIOD ENDED 30th SEPTEMBER 2020

INTERNAL AUDIT

AUDIT MONITORING REPORT

PERIOD ENDED 30th SEPTEMBER 2020

INDEX	PAGE
SECTION 1 Follow up Reviews undertaken in the Period	**85**
SECTION 2 Final Audit Reports issued in the Period	**86**
SECTION 3 Draft Audit Reports issued in the Period	**87**
SECTION 4 Work In Progress (Including Action Plans Issued) & Draft reports following the completion of the 20~21 Internal Audit Annual Plan	**88**
SECTION 5 Performance against Annual Plan for the Financial Year 2020~21	**89**
Including Consultancy & Advice for the Period & Comparison of Consultancy & Advice for 6 months ended 30th September 2019 & 30th September 2018	**91**
Supporting Information for Other Internal Audit work including the Wyre Forest Forward reviews, process designs.	**92**

Cheryl Ellerton
AUDIT MANAGER

Tracey Southall
SECTION 151 OFFICER

14th October 2020

SECTION 1

Report for the period 1st April ~ 30th September 2020
Summaries of Follow up Reviews undertaken in the Period

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 PERIOD. THIS SECTION HAS BEEN LEFT FOR CONTINUITY.

SECTION 2

SECTION 1 FINAL AUDIT REPORTS ISSUED FOR THE PERIOD 1ST APRIL TO 30th SEPTEMBER 2020		
	ASSURANCE	**PAGE**
CORE FINANCIAL SYSTEM REVIEWS		
Key Systems (Annual Assurance Reviews)		
2019~20 Council Tax ~ Reconciliations {Valuation Office & Income}	F	-
2019~20 Treasury Management	F	-
2020~21 Council Tax ~ Gross Debit {Billing Parameters} Reconciliation	F	-
2020~21 NNDR ~ Gross Debit {Billing Parameters} Reconciliation	F	-

All with **FULL** assurance, so no further details provided.

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

Report for the period 1st April ~ 30th September 2020

DRAFT AUDIT REPORTS ISSUED FOR THE PERIOD 1ST APRIL TO 30th SEPTEMBER 2020	
TITLE	**DATE OF ISSUE**
~	~

THERE ARE NO DRAFTS TO REPORT FOR THIS PERIOD. THIS SECTION HAS BEEN LEFT FOR CONTINUITY.

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 2020~21 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

WORK IN PROGRES AS AT 30th SEPTEMBER 2020		Status	Action Plans/Progress Report			
RISK ASSESSMENT	**AUDIT REVIEW**	**As At 30.09.20**	**DATE OF ISSUE** Action Plan No 1	**DATE OF ISSUE** Action Plan No 2	**DATE OF ISSUE** Action Plan No 3	**DATE OF COMPLETION OF FIELD WORK**
	Core Financial Systems (Annual Assurance Reviews)~ 2020~21 Annual Audit Plan					
RA40	***Accounting Cash To Bank***					
	Bank Reconciliation	**Stage 1**	-			
	Income to Bank {TIC/Museum}	**Stage 2**	-			
	Income to Bank {Hub ~ Green Street}	**Stage 2**	-			
	Income to Bank {WFH}	**Stage 2**	-			
RA57	***Benefits {Inc Council Tax Discounts (Local Scheme)}***					
	Council Tax Reduction {Local Scheme} ~ Compliance	**Stage 1**	-			
	Housing Benefit {Allowances}	**Stage 1**	-			
	Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	**Stage 1**	-			
RA16	***Council Tax***					
	Ctax Reconciliations ~ {To include Gross Debit 2020/21}	**Stage 6**	**09.07.20 {FR}**			
	Ctax Reconciliations ~ {Valuation Office/Monthly Finance Control}	**Stage 1**	-			
	Ctax Compliance/Recovery	**Stage 2**	-			
RA44	***Creditors (Accounts Payable)***					
	Creditors {Accounts Payable } ~ Compliance	**Stage 2**	-			
	Creditors {Accounts Payable} ~ Reconciliation	**Stage 1**	-			
RA51	***Debtors (Accounts Receivable)***					
	Debtors {Accounts Receivable} ~ Compliance	**Stage 2**	-			
	Debtors {Accounts Receivable} ~Reconciliations	**Stage 3**	-			
RA21	***National Non Domestic Rates***					
	NNDR ~ Reconciliations ~ {To include Gross Debit 2020/21}	**Stage 6**	**09.07.20 {FR}**			
	NNDR ~ Reconciliations ~ {Valuation Office/Monthly Finance Control}	**Stage 1**	-			
	NNDR ~ Compliance	**Stage 1**	-			
RA51	***Payroll (Including Mileage & Subsistence Claims***					
	Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team}	**Stage 1**	-			
	Payroll ~ Reconciliations	**Stage 1**				
			-			

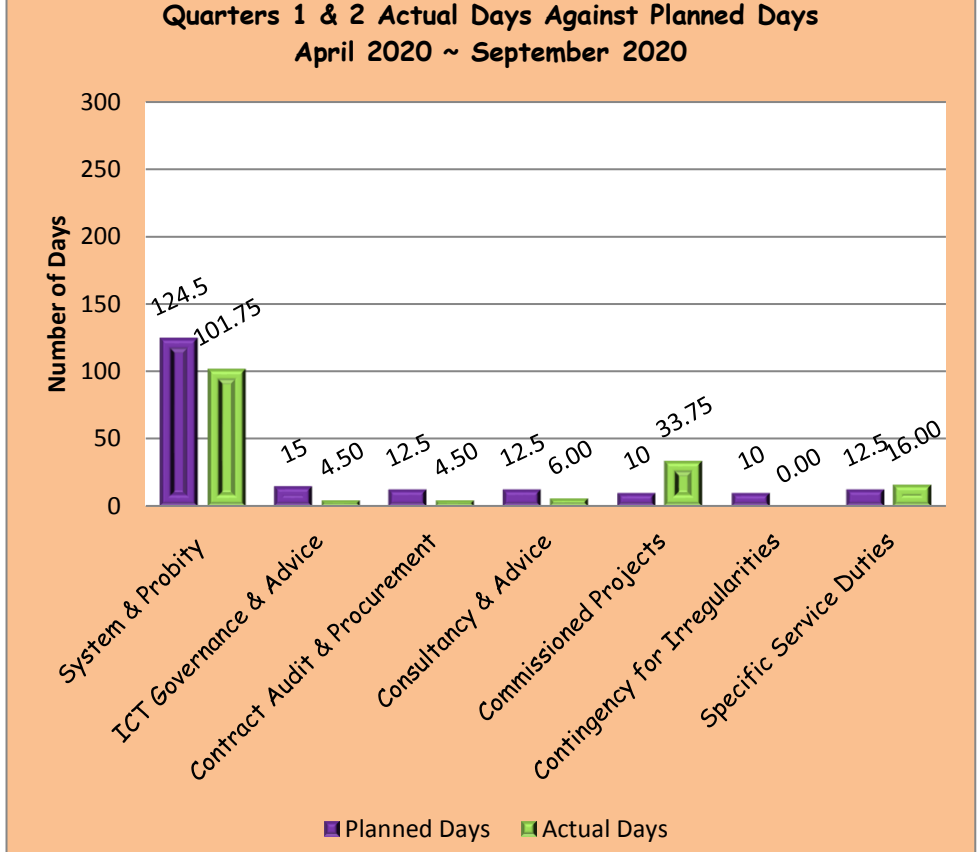
KEY

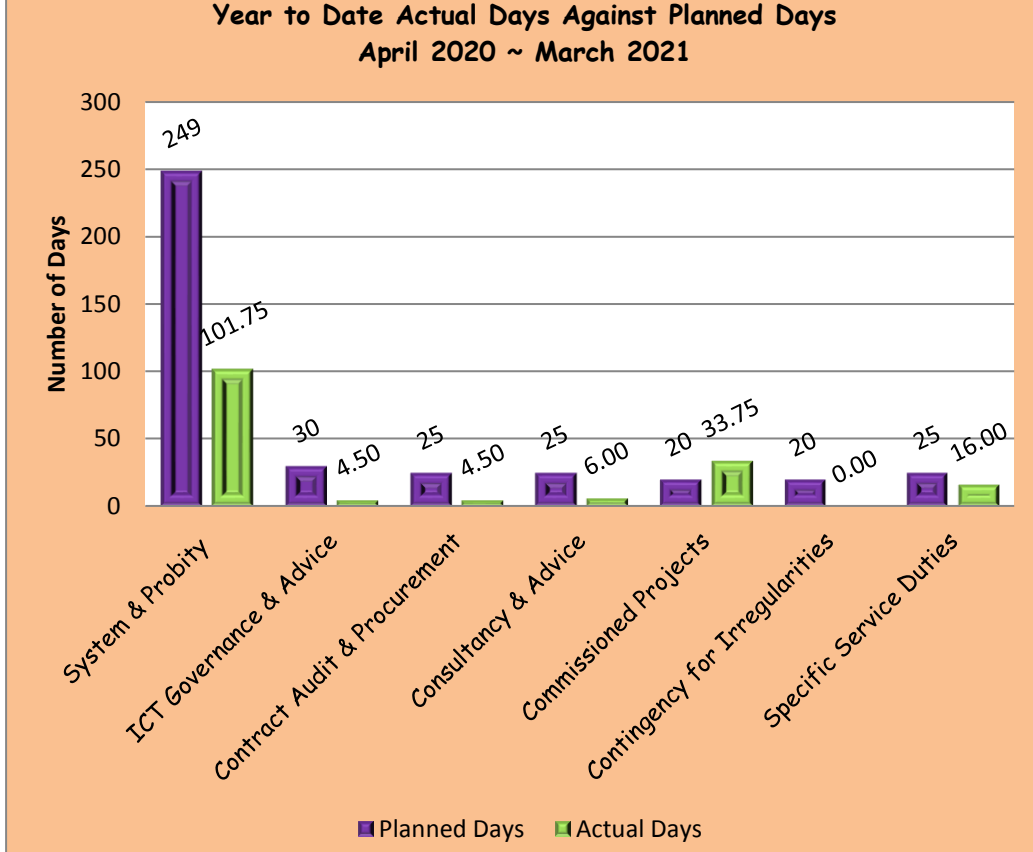
Stage 1 Field Work In Progress ~ {With Individual Auditor}
Stage 2 Phases 1 & 2 & 3 Field Work Complete for Peer Review
Stage 3 Phases 1 & 2 & 3 Field Work Complete with Action Plan/Progress Report to Service Manager
Stage 4 Audit Complete Under Review {Audit Manager}
Stage 5 Draft Report Issued
Stage 6 Final Report Issued {FR}

SECTION 5

Audit Resource Statistics

Performance Against Annual Plan For The Financial Year 2020~21



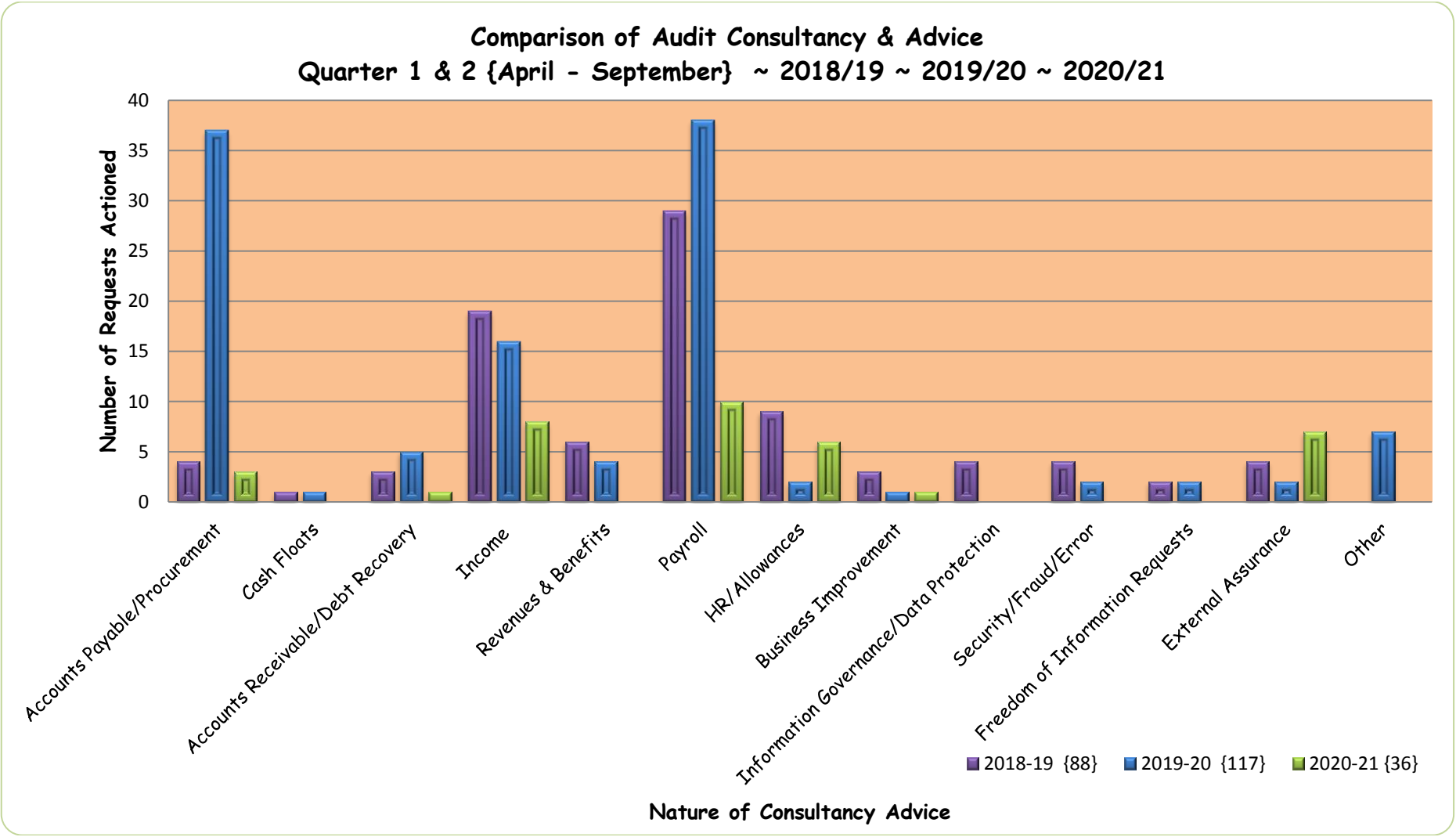


Actual Days {6 Months}	Planned Days {6 Months}	% of Plan	Actual Days {6 Months}	Planned Days	% of Plan
166.5	197	84.5%	166.5	394	42.3%
TARGET		95%			47.5%

- For the period 1st April to 30th September 2020 actual against plan is 84.5 % compared to a target of 95%.

- The slight fall in percentage of approved internal audit plan completed up to 30th September 2020 against the target approved by the Audit Committee is attributed to annual leave, bank holiday entitlements for the team, and the opportunity for a member of the Audit team to commence and complete the on-line training workshops towards a professional qualification.

Within the time allocated in the above table, during the period 1st April to 30th September 2020 the Internal Audit Team have responded to **36** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the **117** requests received and actioned for the same period in 2019~20 and the **88** requests received and actioned for the same period for 2018~19.



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 2020~21 Internal Audit Annual Plan approved by the Audit Committee in March 2020 as summarised below :-.

Information Communications Technology (ICT) Governance, Advice & Assistance

- Attend the ICT Strategy Board Meetings.
- Attend the Cyber Security and Information Governance 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 Frenco {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. During this period, the Internal Audit Team were able to advise and support the Finance Team and Car Parking Team in respect of the Residents Parking Scheme to ensure all controls were in place.

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 with the 2020~21 programme of work now commenced.

Covid-19

Following the Government announcement that there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors, to support the work of the Revenues and Benefits Team and to mitigate against the risk of fraud, the Internal Audit Team have undertaken detailed post assurance payment checks on the grant payments made to cover both the mandatory and discretionary schemes.

- In respect of those grants paid under the mandatory scheme, a sample of payments were reviewed from each batch of transactions to ensure the NNDR accounts were live, grants were paid in accordance with the rateable value of the business, bank accounts and sort codes were accurate and no duplicate payments had been made.
- In respect of those grants awarded under the discretionary scheme, all payments were reviewed to ensure an application form had been completed, the businesses met the criteria as laid out in the scheme and the business had not previously received a mandatory grant.

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
28TH OCTOBER 2020

COUNTER FRAUD ARRANGEMENTS 2020~21

OPEN	
CABINET MEMBER	Cllr Graham Ballinger: Strategy & Finance
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk

1. PURPOSE OF REPORT

1.1 The purpose of this report is to update Members on the Counter Fraud arrangements in place looking back for 2019~20 and forward for 2020~21

2. RECOMMENDATION

The Audit Committee is asked to consider and note:-

2.1 This report on the counter fraud arrangements within the Council.

3. BACKGROUND

3.1 Resource for counter fraud arrangements within the Council rely primarily on the work of the Compliance Officers within the Revenues & Benefits Team, and the Corporate Fraud resource aligned to the Internal Audit Team. Service Managers also have a responsibility for ensuring appropriate procedures are in place to prevent and detect fraud.

3.2 The Council continues to commit these resources to tackling fraud to protect the public purse and also with the knowledge that it is facing significant financial challenges and therefore important that the Council minimises losses caused by fraud. All sectors are at an increasing risk of fraud and corruption and these risks are growing as fraudsters become more aware of the possibilities for committing fraud against public sector bodies. Councils are finding smarter ways of working, often embracing new technologies, enhanced digital access potentially provides gateways to more sophisticated fraud techniques, so more awareness and mitigation is vital.

3.3 There is a continuing programme on raising awareness to demonstrate the commitment of the Council to tackling fraud and protecting the public purse. The main focus of the awareness campaign is to improve understanding of the effects of fraud.

4. KEY ISSUES

4.1 No frauds have been detected within the Council during 2019~20 or 2020~21 to date. The Council will continue to work on prevention and deterrence and to demonstrate commitment the Council regularly reviews its own arrangements in accordance with the Fighting Fraud & Corruption Local Government Agenda which has been updated for the 2020's.

4.2 The aim of the Fighting Fraud & Corruption Locally Agenda remains to increase the prevention and detection of fraud and aid the recovery of funds to help ease the constant financial pressures on Council's

The core principles which have been updated for the 2020 strategy are:-

➔**Govern:** having robust arrangements and corporate leadership support to ensure anti-fraud, bribery and corruption measure are embedded throughout the Council.

➔**Acknowledge**: acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

➔**Prevent**: preventing and detecting more fraud in making better use of information and technology enhancing fraud controls and processes and developing a more effective anti-fraud culture.

➔**Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

➔**Protect:** protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. For the council this will also cover protecting public funds, protecting the council from fraud, cybercrime and future frauds

4.3 The Council continues to ensure a culture is maintained where fraud and corruption is unacceptable with zero tolerance and where everyone, including Members and Employees have a part to play in its eradication. As well as the potential for financial loss caused by fraud, there can also be reputational impact.

4.4 Having an embedded anti-fraud approach across the Council is critical to its success. The Council already have adequate effective counter fraud arrangements in place. These are continually under review, to allow for the Council to improve on the effectiveness of counter fraud arrangements and keep them updated to reflect new, particularly technology based challenges and provide a deterrent to fraudsters by evidencing the Council's commitment to identify fraud and take proactive action.

4.5 The Internal Audit Team review fraud risks as part of the annual audit plan for which material findings are brought to the attention of Management. Where fraud or potential for fraud is identified as a risk, Management respond satisfactorily to recommendations made by Internal Audit.

4.6 All public bodies are at risk from fraud in one form or another, and to acknowledge this is essential in developing an effective anti-fraud response, with services understanding where the risk of fraud lies and the consequences of fraud. This ensures an effective counter fraud culture that reinforces the Council's zero tolerance toward fraud, and for individuals to identify and report potential fraud.

4.7 The detection and recovery of fraudulently obtained finances and assets is important and costly, there is no guarantee that the losses can be recovered.

Therefore, all reasonable steps are taken to prevent fraud from entering the Council's systems in the first place.

4.8 OUTCOMES TO DATE

CORPORATE FRAUD

4.8.1 Current and emerging risks are identified from a number of sources including the National Anti-Fraud Network {of which the Council is a member}, the National Fraud Intelligence Bureau, and other third party agencies e.g. Neighbourhood Watch. There are regular information alerts in the staff e-magazine Wyred Weekly and also on the information screens in Wyre Forest House to further embed an anti-fraud culture across the Council.

WYRED WEEKLY	OUTLINE OF FRAUD ALERTS
03.04.19	TV Licensing Phishing Campaign ~ Attempt To Steal Personal & Financial information
10.04.19	BT Open Reach Scam Alert ~ Attempt to Hijack Individual Broadband
05.06.19	Identity Fraud ~ How To Protect Yourself
16.07.19	Drivers Targeted with Fake Fines ~ Attempt to Obtain Public Funds
31.07.19	'Phone Scam Alert ~ Attempt to Access Your Computer
31.07.19	Credit Card Recharging ~ Fraudster pays via stolen card, requests refund by BACs and Genuine Card Holder has money refunded back to their card.
02.10.19	Email "unsubscribe links" ~ Beware can provide personal information to fraudsters. Always put unwanted emails to Spam
22.10.19	Courier Fraud ~ Claim to be Police or Bank Officials seeking validation of personal details and offer to collect your bank card by courier.
01.11.19	Online Accounts Getting Hacked ~ How To Use 2 Factor Authentication & Strong Passwords
28.11.19	Stay Safe On Line ~ Black Friday
17.12.19	What is Fraud & Cyber Crime ~ Attempts to "steal" via Computers and Networks
22.01.20	'Phone Fraud Poster ~ We Aware & Know Who You Are Talking To!
19.02.20	Debit Card Fraud ~ How To Keep Your Cards and PIN's Safe
19.02.20	Scam Alert for Flood Victims ~ Via West Mercia Police: Scammers Claiming to be From Insurance Companies/Banks.
2020~21	
20.04.20	Stay Cyber Safe at Home & Work~ Cyber Criminals Preying on Coronavirus Fears and sending scam emails.
06.05.20	Online Shopping Fraud ~ Via Action Fraud ~ Best Practice to use a Credit Card or Paypal and avoid paying by bank transfer
20.05.20	Business eMail Compromise ~ Via National Cyber Security Centre ~ Protection against phishing emails and spoofed email accounts
17.06.20	Track & Trace Scam ~ Attempt to Steal Personal Details amid Covid19 Fears
22.07.20	Scam ~ Use of Cloned Police Telephone Numbers ~ Attempt to Obtain Bank Details

4.8.2 In addition, specific teams are advised where the fraud alert is service specific for example, fraud cases reported nationally where there is potential for fraud and error within the Council. These often centre around mandate fraud and specific attempts to divert public funds to fraudulent bank accounts details of which are shared with the Finance Team whose robust procedures ensure detailed validation checks are undertaken before amending any bank account details for payments.

4.8.3 For the financial year 2019~20, the Corporate Fraud officer dealt with **53** reported potential attempted frauds. The majority of these related to suspicious emails received in various council email accounts from unknown/unidentifiable sources. The emails are logged and forwarded to the Counter Fraud Team at the City of

London Police who monitor fraudulent activity to identify trends and stop further activity. Where an email is in relation to a bank or other financial institution, these emails are also shared with their own counter fraud teams.

For the first 6 months of 2020~21, there have been **16** reports to the Corporate Fraud Team of suspicious activity, all emails from unknown sources. The majority of fraudulent emails are stopped before they reach users mailboxes by an email gateway that filters suspicious emails.

As evidence of enhanced security in place by the ICT Manager and his Team, to reduce the number of emails that do find their way to individual mailboxes, these numbers are a reduction on the same period last year where a total of **79** suspicious emails were reported to the City of London Police.

4.8.4 Fraud awareness is also raised throughout a pro-active poster campaign across the Council sites and is supported by a dedicated corporate fraud intranet page for easy access by Members and Employees.

4.8.5 In addition, the ICT Manager and his Team have maintained an active campaign in respect of raising awareness around Cyber Crime with regular updates in the corporate Wyred Weekly e-magazine during the going Covid19 pandemic with more individuals and businesses operating away from their standard place of work.

4.9 NATIONAL FRAUD INITIATIVE

4.9.1 The Council continues to contribute to the National Fraud Initiative which involves national data matching using a range of council data sets including payroll, accounts payable, licences, and insurances, and this is supported by housing benefit data which is provided by the DWP {Department for Work & Pensions}.

4.9.2 The Cabinet Office is responsible for the National Fraud Initiative. The exercise is undertaken every 2 years, with the following data sets scheduled for submission in during the period October to December 2020.

DATA SET DESCRIPTION
Trade Creditors {Accounts Payable}
Taxi Drivers
Payroll
Council Tax Reduction Scheme
Housing Benefit {submitted directly by the DWP}
Council Tax ~ Single Person Discount
Electoral Register

The outcomes of these matches will be released in January 2021. Prior to release of the data matches for the Council the matches are risk assessed with a requirement to review those identified as significant. It is a resource intensive exercise, and previously resource has been aligned to reviewing those matches involving housing benefit cases to national data sets and completed by the Compliance Officers. These matches result in potential outcomes for action and recovery of public money where fraud and/or error have occurred.

4.9.3 Those matches arising from the submission of the payroll and creditors are reviewed by the Internal Audit Team.

4.9.4 Any actions or investigations that arise from these matches are formally reported via the National Fraud Initiative website following the completion of the exercise as these statistics form the national picture of the fraud landscape. The outcome of the current exercise will be reported to the Audit Committee in the summer of 2021.

4.9.5 The National Fraud Initiative is a mandatory exercise for which the Council are required to participate and contribute to the national statistics for detecting and preventing fraud and error. Following the national exercise of 2018, in its report of July 2020, the Cabinet Office advised that the data matching service has enabled with participating organisations to include Wyre Forest District Council to prevent and detect £245 million in fraud and error, which brings the cumulative total since the initiative began in 1996 to £1.93 billion of public monies prevented or recovered from fraudsters.

4.10 COUNTER FRAUD AND CORRUPTION TRACKER

4.10.1 In addition to the National Fraud Initiative, the Council also voluntarily participates in the Cipfa Fraud & Corruption Tracker Survey as a contribution towards the national statistics for fraud and error as identified within public organisations. The national survey enables practitioners to share best practice and focus on trends and emerging risks. Excluding housing benefit fraud, the survey collates and estimates the total figures for fraud across England, Scotland and Wales.

4.10.2 Following the 2019/20 survey, it was found that the main types of fraud by volume that affect local authorities remain as:

- Council Tax
- Housing
- Disabled Parking {Blue Badges} {NB: County Council Responsibility}
- Business Rates

Council Tax fraud has consistently been the largest reported issue over the past four years and continues to remain as a top fraud risk for district and unitary councils. As reflected in the table detailed below, the increase in the volume of cases against the value, supported the national trend of this being an area of high volume/low unit value, continuing to be a leading trend year on year, as reported within the 2019 Cipfa Fraud & Corruption Tracker summary report published July 2020.

Council Tax Discounts & Exemptions & Council Tax Reduction Scheme {Local}

4.10.3 In the Council's submission for the Cipfa Counter Fraud and Corruption Tracker for the financial year 2019/20 the following case load with values were identified in respect of council tax frauds, with a comparison against 2018/19 provided.

Cases Investigated Detected/Prevented	Council Tax Reduction	Council Tax Single Person Discounts	Other	Total
2018/19				
Total Number	37	132	179	348
Total Value	£25,392	£30,083	£40,953	£96,428
2019/20				
Total Number	67	403	442	912
Total Value	£38,524	£52,229	£46,060	£136,813

➔Council Tax Reduction e.g. where the council tax payer falsifies household income to qualify for support;
➔Council Tax Single Person Discounts e.g. where the council tax payer falsely claims to be an eligible single occupier to receive 25% discount;
➔Other e.g. claims for exemptions or discounts to which the council tax payer has no entitlement.

4.10.4 The Compliance Officers within the Revenues & Benefits Teams continue to work to protect and increase the tax base by regularly reviewing discounts and exemptions across all applicable households for 2020~21.

Business Rates

4.10.5 Business rates is an emerging issue in respect of the fraud landscape and following the 2018~19 Cipfa Fraud & Corruption Tracker Survey, Business rates as identified as the fourth biggest risk by volume to District Councils after Housing Fraud, Council Tax and Procurement. In respect of the Business Rates for the Council, there are no reported fraud cases for 2020~21 as was the case for the preceding financial year 2019~20.

Procurement

4.10.6 Procurement within local authorities is perceived as one of the biggest fraud risks and fraudsters continue to adopt new methods of attempting to obtain public funds. Mandate fraud ***{fraudster purports to be from an organisation to which the Council makes regular payments and requests a change of direct debit, standing order or bank transfer mandate}*** is one of the regular frauds committed against local authorities especially as many District Councils look to find smarter ways of working, embracing new technology and being more commercial to deliver services.

The council has very detailed contract procedure rules to reduce the risk of fraud in this area. Detailed internal audit reviews of procurement card spend and capital contracts are also factored into the annual audit plan. Regular ad-hoc validation checks are completed by the Corporate Fraud Resource aligned to the Internal Audit Team on any bank account changes to reduce the risk of potential fraud by ensuring independent validation checks are undertaken on any requests for new and/or amended supplier details. These are supported by regular fraud alerts from the National Anti-Fraud Network providing updates on the changing landscape adopted by the fraudsters.

Cyber Crime

4.10.7 As the public sector becomes more digital in terms of service delivery, cybercrime becomes a growing challenge with hacking the main method of attempting to infiltrate networks. Annual penetration tests are undertaken by the ICT Team using security specialists to ensure that the council's networks {both internal and external} cannot be hacked and the Council remain compliant with the Government Public Service Network. Since March 2020 and following the national lockdown requiring more homeworking in line with Government Guidance, the ICT Team continue to monitor and manage the Councils existing IT security arrangements, parameters and firewalls to reduce the risk of cyber-attacks.

Whilst as with all public services attempts were made to access the networks from unknown sources, none was successful. As part of the National Cyber Security Centre Pathfinder Initiative, Senior Managers attend Cyber Seminars to raise the awareness and mitigate against cyber fraud/attacks. Cyber Security Standards have

been introduced for Service Managers and Data Owners to help protect the Council from threats posed by Cyber-attacks. Business Continuity Plans are reviewed to ensure that Cyber Crime{Fraud} is detailed as a key threat.
The Council also holds a Cyber Essentials Certificate having been accredited in November 2019 by the National Cyber Security Centre. This accreditation demonstrates the Councils commitment to cyber security and reassures all stakeholders {Members, Colleagues and the Public} that the Council is doing everything possible to secure its IT against cyber-attacks. In addition, cyber awareness training for Members is scheduled for early November 2020 to continue to build on the cyber-crime {fraud} awareness campaign.

The ICT section continues to improve its security systems to counter the every growing threat of cybercrime and has conducted a test email phishing campaign as part of the councils on-going cyber awareness and training. During 2019~20 a Cyber Security Group was established to focus on the Councils cyber security strategy. This working group has now been merged with the Information Governance Sub-Group and is actively working to develop a robust Cyber Response Plan which will complement and sit alongside the Cyber Security Strategy. This will be considered by the ICT Strategy Board in due course.

4.10.8 As part of the information provided to support the 2020~21 Cipfa Fraud Tracker, participants were also asked to identify the impact of Covid-19 and any changes in fraudulent behaviours since the start of the pandemic. From Wyre Forest District Council's point of view, there was very little evidence of any changes due to Covid-19. The one area where there was potential for fraudulent applications/enquiries was in respect of the business rates grants scheme, however with a robust system in place for pre-payment assurance, within the Revenues Team, and continued post assurance payment checks undertaken by the Internal Audit Team, it was possible to identify any potential fraudulent or duplicated payments, with remedial action taken before any payments were made.

4.10.9 In respect of the Business Grants, 1,906 payments were made of which 1,815, were mandatory totalling £21,605,000 and 91 discretionary totalling £1,087,000. Of these 666 were in respect of PLC or Limited Companies for which further independent assurance checks were taken by uploading the data for these companies to the Cabinet Officer automated due diligence tool "Spotlight". The Spotlight tool was able to check a large volume of data in respect of registered companies and charities across Companies House, Charity Commission, Government Grants and Government Contracts. The check enabled Company Name, Post Code and Companies House Registration to be validated, determine the level of risk and categorise as Red-Amber-Green to quickly identify applicants who would not have been suitable for Covid-19 funding i.e. those who no longer trade.

Any returned for the Wyre Forest District Council as RED under the headings of Company Status, Overdue Accounts and Insolvency and Charity Status were reviewed. It was found that no grants had been paid in error. Those businesses returned as "dissolved" or "liquidation" status had been dissolved after 11th March 2020. A few companies had ended their limited company but had remained trading as sole traders.

5. FINANCIAL IMPLICATIONS

5.1 The financial implications arising from this report are as set out in Section 3, and 4.10.3. The resource allocation for managing the Counter Fraud activity across the Revenues & Benefits Team and Internal Audit will continue to be monitored to ensure this area is appropriately resourced.

6. LEGAL AND POLICY IMPLICATIONS

6.1 Counter fraud work may have legal implications depending upon actions taken or decisions made.

6.2 The Corporate Director: Resources and the Council's Insurance Officer keep the Council's Cyber Insurance options under review in liaison with Zurich Municipal (our insurers) and Gallaghers our Insurance Risk Management advisors.

6.3 The Cyber Security and Information Governance Group is actively working on a Cyber Response Plan to sit alongside side other ICT/Cyber Security policies.

7. RISK MANAGEMENT

7.1 Participation in national data matching exercises, such as the National Fraud Initiative, and compliance with best practice help to manage the risk of fraud across the Council. Working with third parties, the sharing of data and contributing to national surveys allows for the identification of fraud and error and emerging risks within the public sector. This will continue to form the basis of the work for the Corporate Fraud Resource aligned to the Internal Audit Team.

7.2 The Compliance Officer posts within the Revenues and Benefits Team will ensure compliance across Council Tax and Business Rates to maximise income and minimise losses thus reducing the risk of error and fraud. The Compliance Officers also fulfil the requirement for a "Single Point of Contact" between the Council and the DWP.

7.3 In addition, the Council's 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. Internal Audit do not have responsibility for the prevention and detection of fraud or corruption. Managers are responsible for ensuring appropriate procedures are put in place to prevent and detect fraud. Internal Audit will cover fraud risk within the risk based audit plan, and be aware within their work of risks and exposures that could lead to or indicate fraud and corruption. Internal Audit as the Corporate Fraud resource will investigate any instances of fraud and corruption being perpetrated by any employee of the Council. Where relevant, Internal Audit will advise and assist Managers in any investigation.

7.4 The ICT Manager actively manages cyber risk to mitigate the potential for fraud. Work to strengthen the Council's cyber defences by raising awareness with employees and members continues with advice and support from external organisations. All Service Managers and data owners have a responsibility to meet minimum cyber security standards and ensure systems and data are only accessible at the appropriate level to those authorised to access them.

8. CONCLUSION

8.1 Whilst it is acknowledged that there will always be a risk of fraud and error within the Council, the outcomes outlined within this report demonstrate the Council's continuing commitment to a zero tolerance to fraud; and to maintaining an environment where fraud and corruption will not be tolerated. The Council will continue to manage the risk of fraud and further updates will be presented to the Audit Committee in due course.

9. CONSULTEES

9.1 Corporate Leadership Team
Cabinet Member for Strategy & Finance
Revenues, Benefits & Customer Services Manager
ICT Manager

10. BACKGROUND PAPERS

10.1 Cipfa Fraud & Corruption Tracker ~ Summary Report 2019
10.2 Fighting Fraud & Corruption Locally ~ A strategy for the 2020s
10.3 Cabinet Office ~ National Fraud Initiative Report ~ July 2020

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
28th October 2020

Risk Management – Corporate Risk Register

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

1. PURPOSE OF REPORT

1.1 To inform Members of the Audit Committee of the current Corporate Risk Register and the Budget Risk Matrix attached as Appendices 1 and 2.

2. RECOMMENDATIONS

2.1 The Audit Committee are asked to CONSIDER AND NOTE the Corporate Risk Register and the associated mitigating actions as at 30th September 2020 and the 2020-23 Budget Risk Matrix.

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 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 and updated as part of the Quarterly Budget Monitoring reports attached as Appendix 2.

3.6 A report was considered and noted by Audit Committee on the 22nd July 2020 that Reviewed the Corporate Risk Register and included revisions to reflect the impact and increased risk of COVID-19.

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 revised by CLT and includes specific reference to the risks arising from the COVID-19 pandemic. The whole Risk Register including these revisions were considered and noted at the previous Audit Committee in July 2020. 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 September 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. Sections 25-27 of the Local Government Act 2003 require the Section 151 Officer to report on the robustness of the estimates and the adequacy of its proposed financial reserves and this is included as Appendix 4 to the MTFS Council report approved by Council on 27th February 2019.

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.

7.4 The risks associated with the Capital Portfolio and Development Loans Fund Strategies and the steps to be adopted to mitigate them, were set out in depth in appendices 3/1 and 3/2 to the medium term financial strategy report, which was considered by Cabinet on 20 December 2016 (see hyperlink at section 11.4) and are regularly updated as part of the Capital Strategy reports. The Capital Portfolio Overview and Scrutiny Monitoring Reports cover risks specific to these property acquisitions in detail. The suite of related Quantitative Indicators in accordance with CIPFA guidance, is included with both the Treasury Management Reports and also the Annual Capital Strategy.

7.5 To recognise risk across the public sector CIPFA have been actively working on a Financial Resilience Index and also a Financial Management (FM) Code. The first full year of compliance for the FM Code will be 2021-22. This reflects the recognition that organisations will need time to reflect on the contents of the code and can use 2020-21 to demonstrate how they are working towards compliance. This is closely allied to the Risk Register and updates will be provided in future reports.

8. EQUALITY IMPACT NEEDS ASSESSMENT

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

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, including the ongoing impact of the COVID-19 pandemic 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

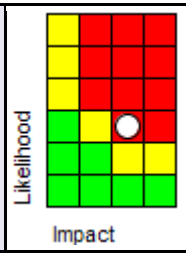
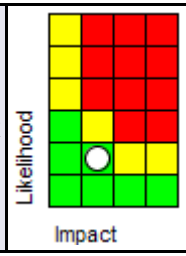
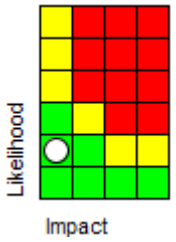
11. BACKGROUND PAPERS

11.1 The Annual Audit Findings report – Audit Committee 31st July 2017
11.2 The Annual Audit Findings report – Audit Committee 30th July 2018
11.3 The Annual Audit Findings report – Audit Committee 29th July 2019
11.4 Cabinet - 20 December 2016. Risk mitigation in relation to the Capital Portfolio Fund and Development Loans Fund
http://www.wyreforestdc.gov.uk/media/2639628/20161220FinancialStrategy2017-2020IncludingCover.pdf (pages 34 to 54).
11.5 Medium Term Financial Strategy Report 2020-23 – Cabinet 17th December 2019
http://www.wyreforest.gov.uk/council/docs/doc55298_20191217_cabinet_agenda.pdf
11.6 Medium Term Financial Strategy Report 2020-23 – Council 26th February 2020
http://www.wyreforest.gov.uk/council/docs/doc55603_20200226_council_agenda.pdf
11.7 Financial Stress Testing – Coronavirus Cabinet report of July 7th 2020
http://www.wyreforest.gov.uk/council/docs/doc55902_20200707_cabinet_agenda.pdf
11.8 Accounts and Audit (Coronavirus) (Amendment) Regulations 2020
11.9 Audit Committee Information Pack - 25th March 2020
http://www.wyreforest.gov.uk/council/docs/doc55711_20200401_officer_decision_report.pdf
11.10 Risk Management – Review of Corporate Risk Register – COVID-19 – Audit Committee 22nd July 2020

Corporate Risk Register 2020/21

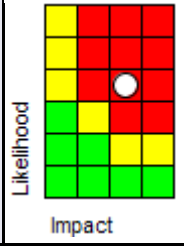
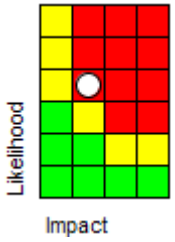
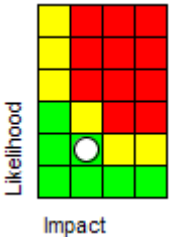
Wyre Forest District Council

Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

CORPRISK01	**Failure to adapt to streamlining of service delivery.** The Council continues to make 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		**Current Risk Matrix**		**Target Risk Matrix**		

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	60%	

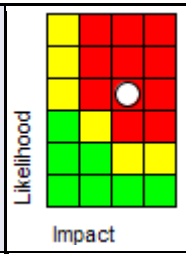
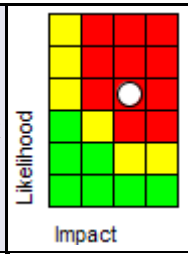
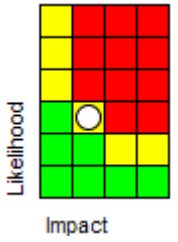
meetings etc.			Corporate briefings being held on 14th and 15th October 2020		
Use of external expertise to identify and manage commercial opportunities and advise on the most appropriate mode of service delivery.	Corporate Leadership Team; Mike Parker	31-Mar-2021	Work ongoing.	0%	
Progress implementation 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	Officers still anticipate an Examination in Public in 2020/21 and adoption of the Local Plan during 2021. Initial actions from the Partnership Plan are completed or underway and a new Housing Delivery Strategy will be developed during 2021. The Homelessness and Rough Sleeping Strategy 2019 – 2022 has been refreshed and is published. An action plan has been developed, some projects are underway and some projects will be deferred in light of Covid 19.	60%	
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 Oct 20, Council Tax in year collection rates are at 56.26% compared to 57.92% last year. NNDR in year collection rates are at 49.77% compared to 56.78% last year. Normal recovery processes were put on hold until the end of June however we are yet to receive a date from the magistrates court so we can issue summons for non-payment.	50%	
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	Second Quarter 2020/21 -4.3% decrease in the second quarter from £13,217,273 down to £12,647,964. Due to coronavirus the Government with effect from 01/04/2020 are giving retail, hospitality and leisure businesses 100% off their business rates. This will be	0%	

			reimbursed via a S31 grant, currently this discount is approx £16,629,530. The drop in net rates is due to rateable value reductions on Doctors surgeries, ATM machines, the increase in the reliefs, and the demolition of the Churchfield site. Coronavirus will have a major impact on businesses in the Wyre Forest area as a lot will not reopen and many others may not be able to continue trading. The Valuation Office Agency has still not agreed the Supermarket appeals on the 2010 list, however the final Court decision has been made on ATM machines, the Valuation Office are now starting to take out the machines from the date they were included in the list, and the 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 definitive decision on altering LEP geography; given recent government announcements regarding devolution discussion, it may well be delayed until that discussion has taken place.	0%	
Delivery of redevelopment of former Lloyds Garage site and adjoining land (STC.4)	Mike Parker	31-Oct-2021	Planning application to be prepared and submitted to extend temporary permission for car park.	25%	
Redevelopment of former Frenco site adjacent Hoobrook Enterprise Centre to provide 9 new units	Mike Parker	31-Aug-2020	Revised programme now expecting completion by the end of the calendar year; timetable further impacted by covid 19.	75%	
Purchase of land and six industrial units on Silverwoods Way (land opposite Aldi)	Mike Parker	31-Dec-2021	Legal agreement with SUMA almost finalised, still anticipating work to begin during this calendar year.	50%	

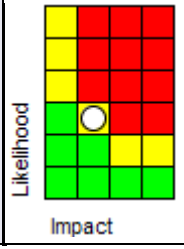
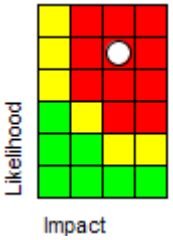
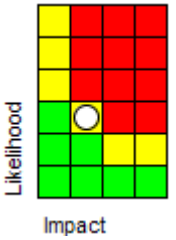
CORPRISK03	**Unable to deliver good quality, affordable homes.** The need for good quality, decent and affordable homes in the district is increasing but supply relative to demand in decreasing. The risk is increased by the emerging national position regarding changes in the National Planning Policy 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	Officers still anticipate an Examination in Public in 2020/21 and adoption of the Local Plan during 2021. Initial actions from the Partnership Plan are completed or underway and a new Housing Delivery Strategy will be developed during 2021. The Homelessness and Rough Sleeping Strategy 2019 – 2022 has been refreshed and is published. An action plan has been developed, some projects are underway and some projects will be deferred in light of Covid 19.	60%	

CORPRISK04	**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. The future of Negative RSG is also uncertain. 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

Original Matrix		**Current Risk Matrix**		**Target Risk Matrix**		

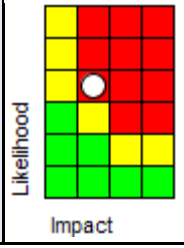
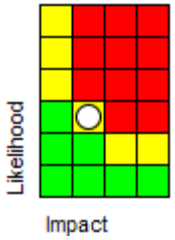
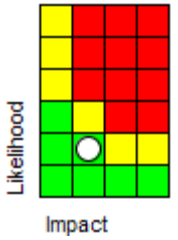
MITIGATING ACTIONS					
Description	**Managed By**	**Due Date**	**Latest Note**		
Prepare budgets in accordance with all legislative requirements and the Council's Finance Strategy, taking into account the significant changes in the funding regime, increased risk and diminishing reserves available and reduced capacity following various restructures. Brexit and Covid-19 add further uncertainty and complexity.	Tracey Southall	31-Mar-2021	The Pay estimate process is progressing according to timetable. The overall revised budget process is underway but a little behind schedule currently due to the extra resource demands of the COVID-19 pandemic.	20%	
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	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 Oct 20, Council Tax in year collection rates are at 56.26% compared to 57.92% last year. NNDR in year collection rates	50%	

lower collection rates. Business Rates Retention Scheme requires Local Authorities to focus on Business Rate collection to avoid further financial pressure.			are at 49.77% compared to 56.78% last year. Normal recovery processes were put on hold until the end of June however we are yet to receive a date from the magistrate's court so we can issue summons for non-payment.		
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.	50%	
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	40%	
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/perform 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 but work ongoing to explore potential acquisitions. Approved Development Loan is being progressed by Finance Birmingham. Review of Functional Economic Geography to be considered at November 2020 Cabinet.	30%	
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	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	50%	

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			continues to be made on raising awareness to demonstrate the commitment of the Council to tackling fraud and protecting the public purse. A formal report on the outcomes of the National Fraud Initiative and the counter fraud arrangements within the Council will be presented to the Audit Committee in October 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. As at 30th September, the 2020/21 mandatory National Fraud Initiative has been commenced and in addition the Council have also contributed to the 2020 Cifpa Fraud and Corruption Tracker to assist in the collation of national statistics in respect of fraud with particular reference to the impact of COVID19 on services during the pandemic.		
Business Rates Retention Scheme. To continue to contribute to the reform debate to maximise the council's future position.	Tracey Southall	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 Oct 20, Council Tax in year collection rates are at 56.26% compared to 57.92% last year. NNDR in year collection rates are at 49.77% compared to 56.78% last year. Normal recovery processes were put on hold until the end of June however we are yet to receive a date from the	50%	

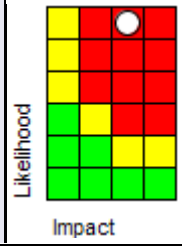
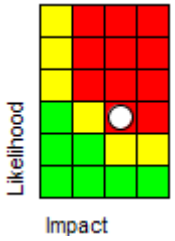
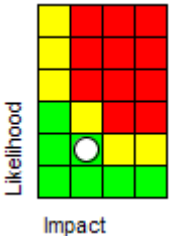
			magistrates court so we can issue summons for non-payment.		
Green street depot 2020 improvement and investment plan and related office moves and service efficiencies	Steve Brant	30-Jun-2020	Building fully completed and we are in 12 month retention period.	100%	
Implementing redevelopment proposals to generate new revenue streams	Mike Parker	31-Mar-2021	Further acquisition opportunities continue to be considered in conjunction with the Council's consultants Jones Valerio. Additional caution currently being applied given the impact of the pandemic on the property sector.	0%	
To continue to monitor impact of Universal Credit noting the significant increase in the number of claimants as a result if 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 4,839 on 1st Oct. CTRS expenditure has gone from £7.36m on 1st April to £7.5m on 1st Oct. This cost is shared across all preceptors. These figures are expected to increase if more furloughed staff are made redundant in the coming months.	50%	
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	23-Mar-2023	All partners within the Hereford & Worcestershire Waste Forum have agreed to recruit a waste professional to manage the process on the ground. Timelines agreed commencing August/September 2020. Due date amended accordingly.	25%	

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**		

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 2021	50%	
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	25%	
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. The information Governance Working Group was merged with the Cyber Security Group as decided at the ICT Strategy Board on the 14th September 2020	35%	
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 fed into Quarter 1 Budgetary Control Cabinet report that included a section on Commercial Activity.	40%	

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.	30%	

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.	65%	
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. System has been well received by staff and are now using it for all tasks and	65%	

			requests. . Number of positive comments from members of the public. . Work still ongoing on payment. . As of 26/06, we have had 364 customers register for the platform. . Once the payment setup has been completed, work will begin on the mobile worker project pushing jobs out in the field. . Following on from this the contracts module will be setup for garden waste and trade waste. .Mobile app is live now to download . Can look at additional areas to include in the near future **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. Planning are currently installing a digital / mobile app as part of the Idox install		
Application Software o MS Office o Planning system o Garage system o CRM	Dave Johnson	31-Mar-2023	**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	62%	

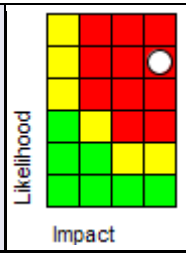
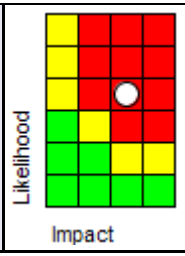
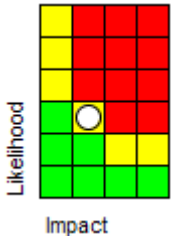
			latest version of the software, Uniform for planning as mentioned above is scheduled for July before current version is de-supported. Number of Samsung tablets have been set up in readiness for roll out of Idox mobile app for the planning department later in the autumn **M3 -** Upgrade of system used for Housing / Water Management is challenging, most of the initial work has been. 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.		

ICT Infrastructure o New Wireless o Complete Firewalls o Complete data line install o Shoretel upgrade o VMWare upgrades o Mobile Phones	Dave Johnson	31-Mar-2023	**SAN / Servers** – The webservers 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 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 Primary firewalls have been moved from TH to GS **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. **Exchange –** New Exchange system has	74%	

			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. **Wireless:-** The final bit of configuration and failover testing has now been completed. Admin training for ICT and final handover still to be completed. **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		
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 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	59%	

CORPRISK07	**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

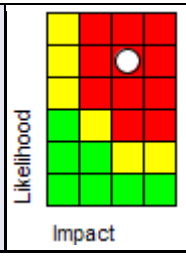
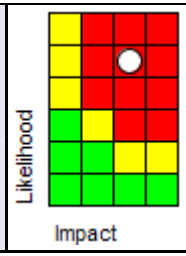
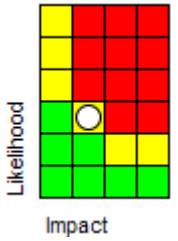
	House have provided slimmer management structures and more devolution of responsibility which should assist in motivation and retention of the workforce, alongside a management development programme. The age profile of the workforce and increasing number of employees aged 55 and over needs to be considered 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.

Original Matrix		**Current Risk Matrix**		**Target Risk Matrix**		

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	Virtual programme commenced September 2020	100%	
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	30%	
Undertake review of pay grading structure	Ian Miller; Rachael Simpson	31-Dec-2020	Proposals shared with unions September 2020 and on course for implementation in April 2021 subject to Council decision in December.	80%	
Undertake and implement further organisational reviews	Ian Miller	31-Mar-2021	Fully implemented	100%	

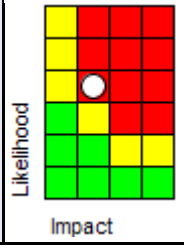
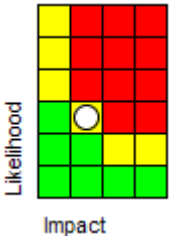
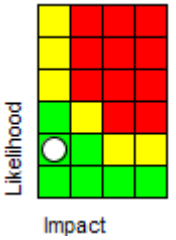
CORPRISK08	**Capacity to do everything is insufficient.** A flexible resource is required to do everything that the Council has committed itself to – transformation, core service review, and review of partnerships to commence in 2020. The pace of change and need to continue to deliver key projects, represent 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 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.

Original Matrix		**Current Risk Matrix**		**Target Risk Matrix**		

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 7th July 2020. No allocations made yet for current year.	35%	
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.	60%	
Progressing changes to monitoring attendance levels. Working closely with employees, maintaining conversation and development opportunities in accordance with our values and the	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	50%	

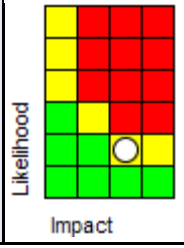
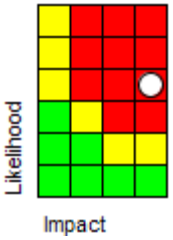
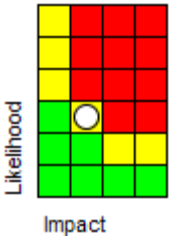
Worcestershire works well agenda.			specific reasons of absence		
Utilise external support for property investment /management expertise to expedite implementation of policies on development loans fund and capital portfolio fund.	Mike Parker	31-Mar-2021	Quarter 1 performance reported to Overview & Scrutiny 23rd July.	10%	

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.

Original Matrix		**Current Risk Matrix**		**Target Risk Matrix**			

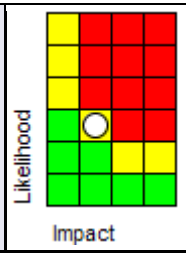
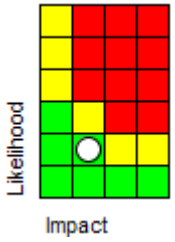
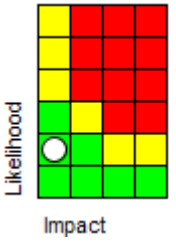
MITIGATING ACTIONS					
Description	**Managed By**	**Due Date**	**Latest Note**		
Continue with Corporate programme of Employee, Member and public Engagement	Suzanne Johnston-Hubbold	31-Mar-2021	Monthly meetings held with the Chief Executive and also with Leader and Cabinet Member for Culture, Leisure and Community Protection. These have been conducted via phone or zoom during Covid19 pandemic.	50%	

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.

Original Matrix		**Current Risk Matrix**		**Target Risk Matrix**		

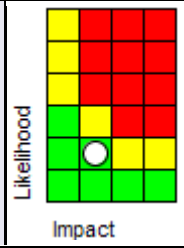
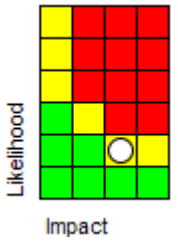
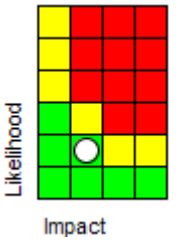
MITIGATING ACTIONS					
Description	**Managed By**	**Due Date**	**Latest Note**		
Ongoing patching of servers/workstations/software	Dave Johnson	31-Mar-2021	Patching is on-going for servers and work stations. Some notable server upgrades include Email , certification, AD and finance system servers. Lots of third party applications have also been patched via SCCM. New mobile device management server has been add for resilience.	55%	
Annual Penetration tests and network scans.	Dave Johnson	31-Mar-2021	in preparation for annual penetration test ICT are updating / replacing all laptops and older PC's. Patching is on-going for servers and work stations in readiness for Pen test. Some notable server upgrades include Email , certification, AD and finance system servers. Lots of third party applications have also been patched via SCCM. Training course book on Scanning / report application	20%	
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	59%	

			WDFC and WRS users. Currently preparing next full batch of laptops to go 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		

CORPRISK11	**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						
	Original Matrix		**Current Risk Matrix**		**Target Risk Matrix**		

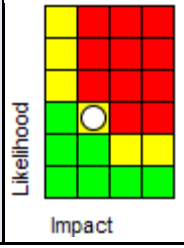
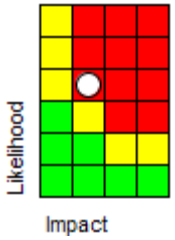
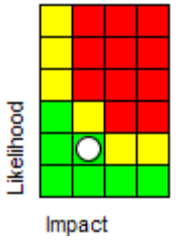
MITIGATING ACTIONS					
Description	**Managed By**	**Due Date**	**Latest Note**		
To ensure that governance arrangements are appropriate for all forms of service delivery including Public Private Partnerships (PPPs) and Local Authority Trading Companies (LATCs).	Caroline Newlands; Tracey Southall	31-Mar-2021	Continue to maintain a watching brief and input to governance arrangements as appropriate	40%	

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		Current Risk Matrix		Target Risk Matrix		

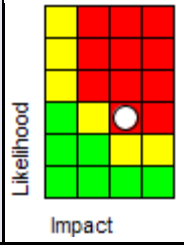
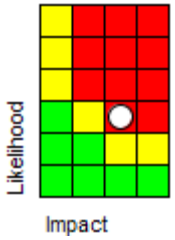
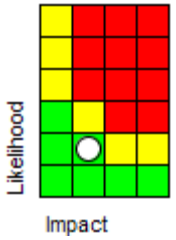
MITIGATING ACTIONS					
Description	**Managed By**	**Due Date**	**Latest Note**		
Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward. This also includes regular meetings of the Group Leaders and the Corporate Induction Plan undertaken in May - July 2019.	Ian Miller	31-Mar-2021	Regular meetings with Group Leaders	60%	
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. Planning training provided in September, Diversity Awareness training to be organised.	40%	
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. First Treasury Management training completed remotely 2nd September. Planning training also delivered September 2020.	60%	

CORPRISK13	**Localism:** Sustaining the pace and effectiveness of asset and service transfers to third sector parties, Parish and Town Councils

Original Matrix		**Current Risk Matrix**		**Target Risk Matrix**		

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.	35%	
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 invited proposals for reorganisation in three county areas (not within Worcestershire). Further information on Government policy expected in Devolution and Economic Recovery White Paper in 2021.	50%	
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 3-5 year plans with individual town councils to achieve savings and protect vulnerable service areas such as parks, events, play areas. Meetings held with Town Councils since July 2020 with a view to reaching agreement during Autumn 2020.	40%	

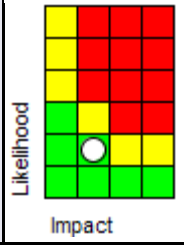
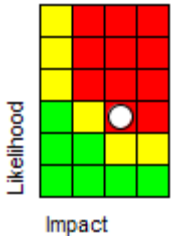
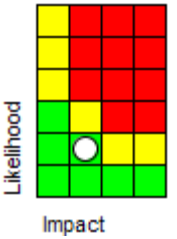
CORPRISK14	**Establishing a group structure - Local Authority Trading Company** Council on 21st February 2018 approved a group structure of Local Authority Trading Companies. Risks associated with this separate legal entity include legal, financial, governance and reputational factors. These will need 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**		

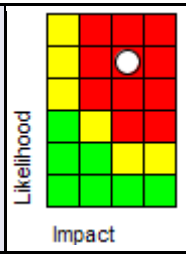
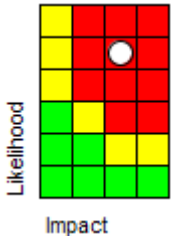
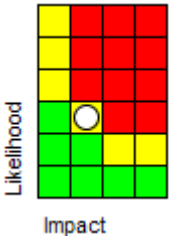
MITIGATING ACTIONS					
Description	**Managed By**	**Due Date**	**Latest Note**		
That external advice is taken to ensure the Council acts within correct legislation on individual proposals as appropriate.	Mike Parker	31-Mar-2021	External advice from Mazars including Anthony Collins Solicitors confirms ability for Council to act within current legislation	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	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	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.		

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	Council's response to Planning consultation changes agreed at September Cabinet. Discussions continuing with Inspector regarding scheduling of hearing dates which are now expected to be early 20/21.	50%	
Implementation of robust Local Plan up to 2036	Mike Parker	31-Mar-2021	Council's response to Planning consultation changes agreed at September Cabinet. Discussions continuing with Inspector regarding scheduling of hearing dates which are now expected to be early 20/21	75%	

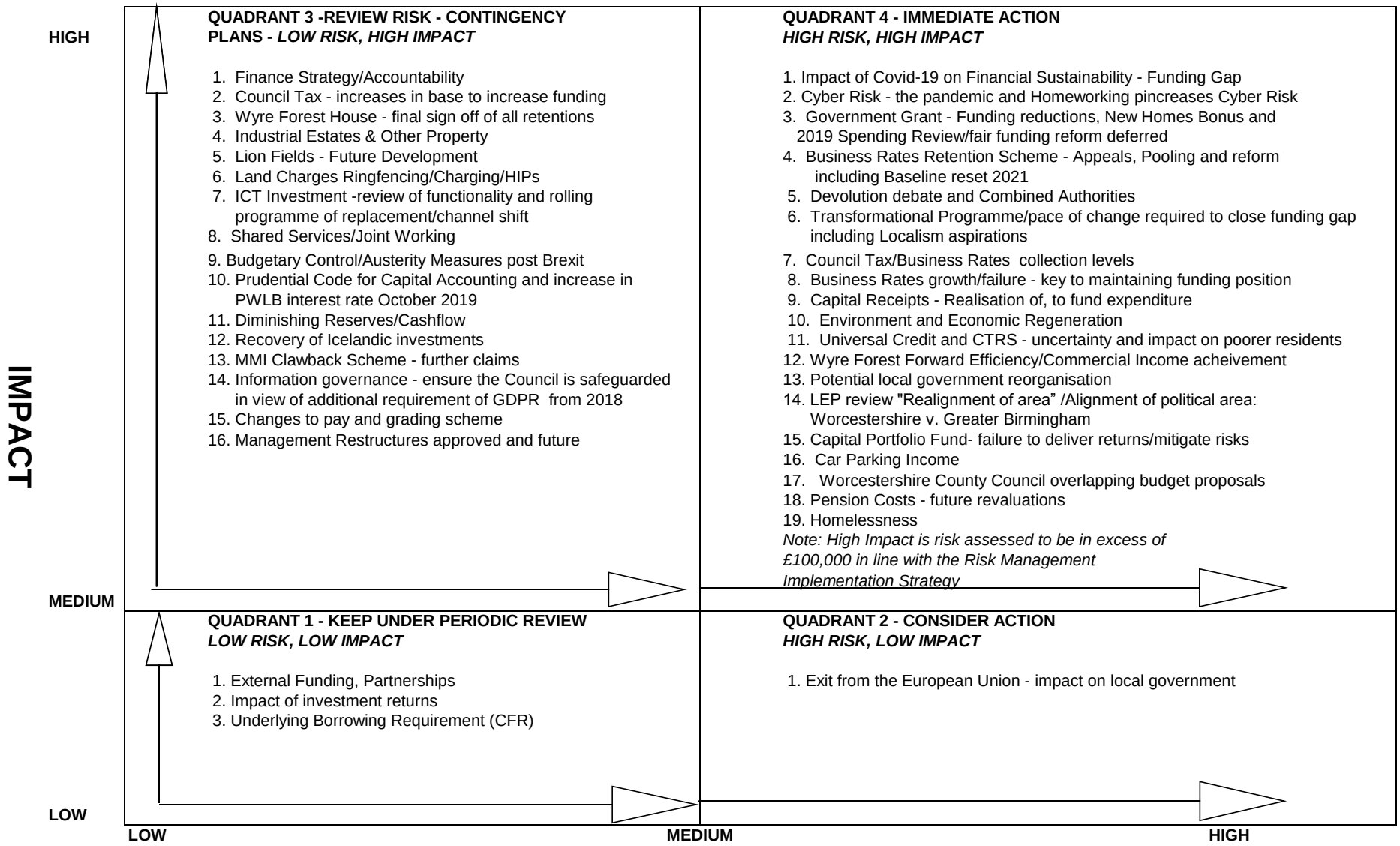
CORRISK16	**COVID-19** The COVID-19 pandemic places pressure on ongoing service provision and means alternative ways of working must be introduced. Loss of staff due to illness may mean that staff will need to be redeployed from other service areas/ use of agency staff increased to ensure essential services 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.						
	Original Matrix		**Current Risk Matrix**		**Target Risk Matrix**		

MITIGATING ACTIONS					
Description	**Managed By**	**Due Date**	**Latest Note**		
To respond appropriately to COVID-19 . 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	Corporate Leadership Team; Corporate Leadership Team; Tracey Southall	31-Jul-2021	Reports to Cabinet on 20th May and 7th July 2020 on Financial Stress Testing re the Coronavirus Pandemic Impact. Quarter 1 Budget Monitoring Report 18th September provided overall estimates of increased funding gap over the next 3 years. 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. 94% of the £22.5m MHCLG funding paid out to 1,780 businesses as at 29th June.	35%	

. To modify savings plans to take account of the impact of the pandemic . Consider if delivery of any new capital 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,			Local discretionary Scheme £1.153m approved by Strong Leader May 27th, extended June 16th. 44 grants totalling £242k paid as at 29th June. £15.7m reliefs awarded £778k of total £952k funding for Hardship 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. Not necessary to defer any planned capital projects as yet. Summer events programme cancelled. Cash flow managed daily. Worcestershire Treasurers are managing this risk in close liaison with Worcestershire County Council Pension Fund.		
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.	Corporate Leadership Team; Corporate Leadership Team	31-Jul-2021	Continue to support homeworkers and roll out of priority equipment as required, currently being reviewed as home working requirements / survey	40%	
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.	Corporate Leadership Team; Corporate Leadership Team	31-Jul-2021	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).	35%	

Facilitate remote meetings both internal and external for Council meetings.	Corporate Leadership Team; Corporate Leadership Team	31-Jul-2021	Continue to roll out Teams and Zoom to staff / members as required and support meetings.	95%	
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	Corporate Leadership Team; Corporate Leadership Team	31-Jul-2021	Report to Extraordinary Council Meeting on 21st April 2020. Further Strong Leader reports on Discretionary Grant Policies. Council September 23rd on Committee Appointments and rebalancing the Political balance	40%	
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	10%	
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		0%	
Develop a COVID-19 recovery plan	Corporate Leadership Team	31-Jul-2021	Report to Cabinet on 7th July 2020, approvals by Council 15ht July 2020. Member survey reported to Council 23rd September 2020. Outcome of Homeworking survey to be reported to December Council.	40%	

BUDGET RISK MATRIX 2020-23



Budget Risk Matrix

ISSUE	BUDGETARY RESPONSE
Quadrant 1 - Low Risk, Low Impact	**Keep under periodic review**
1. External Funding, Partnerships	Continue to evaluate sustainability of each scheme as part of project appraisal.
2. Impact of Investment Returns	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.
3. Underlying Borrowing Requirement (CFR)	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.
Quadrant 2 - High Risk, Low Impact	**Consider Action**
1. Exit from the European Union	To-date the impact has not been significant but this will be closely monitored.
Quadrant 3 - Low Risk, High Impact	**Review Risk - Contingency Plans**
1. Finance Strategy/Accountability (see Q4 Risk 1 also)	Council are required to adopt a three year Balanced Budget Strategy.
2. Council Tax – increase in base	Assumption of increase of 300 pa should hopefully be realised.
3. Wyre Forest House final sign off of all retentions	Managed closely by Chief Executive and CLT/Cabinet
4. Industrial Estates and Other Property	Managed through Property Disposal Strategy
5. Lion Fields Gateway - Future Development	Development opportunities continue to be explored.
6. Land Charges Ring fencing/Charging/HIPs	Reduced income allowed for within Base Budget reduces the scale of any challenge.
7. ICT Investment/channel shift	ICT Strategy Group oversee/enhance the governance, planning and delivery arrangements of the strategy between ICT and council service areas.
8. Shared Services Joint working	Shared Services partnerships continue to contribute to collaborative efficiencies but will be monitored to ensure risk is managed and mitigated.
9. Budgetary Control/Austerity Measures	Continue to discourage non-essential expenditure, monthly budget monitoring reports provide more management information. Focus on income generation and innovative alternative service delivery models.
10. Prudential Code for Capital Accounting and increase in PWLB Interest rate Oct 2019	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

ISSUE	BUDGETARY RESPONSE
11. Diminishing Reserves/Cashflow	looking for alternative sources of cheaper borrowing. 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
12. Recovery of Icelandic investments	Under £1m is outstanding and work will continue to achieve maximum recovery.
13. MMI Claw Scheme	Further claim received and settled, ear marked reserve held.
14. Information Governance	Internal working group chaired by the DOR is reviewing this area to ensure the Council continues to be safeguarded.
15. Change to Pay and Grading Scheme	The impact of these proposals will be managed by Cabinet/CLT with particular regard to the impact on the overall funding envelope
16. Management Restructures	To be managed by the Chief Executive and Cabinet
Quadrant 4 - High Risk, High Impact	**Immediate Action**
1. Impact of Covid-19	Managed by Cabinet/CLT reports to Cabinet/Council as appropriate.
2.Cyber Risk	Managed by ICT Strategy Board, treated as priority for resource allocation
3. Government Grant –Funding Changes, further Spending Reviews and New Homes Bonus	Significant issue given the scale of the Spending deficit. The Strategic Review Panel process will assist Wyre Forest Forward coordinating Councils future Plans.
4. Business Rates Retention Scheme, appeals, Pooling and revision of funding arrangements. Baseline reset 2020, impact on growth	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
5. Devolution debate and Combined Authorities	Managed by CLT/Cabinet with reports to Group Leaders. Collaborative working with town and parish councils.
6. Impact of Transformational Programme, Localism agenda	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

ISSUE	BUDGETARY RESPONSE
7. Council Tax Collection levels including impact of CTRS Scheme	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.
8. Government's Waste Strategy	Impact will be monitored as more information emerges and reported as appropriate.
9. Capital Receipts - Realisation of to fund expenditure	Capital Programme funding reflects realistic timescale for the realisation of asset disposal receipts. Temporary borrowing will be used when necessary.
10. Environment and Economic Regeneration	The Council continues to be proactive in this area and this is closely monitored by Cabinet/CLT
11. Changes to Housing Benefit Scheme – universal credit/localisation of support for Council Tax	Universal Credit impact monitored
12. Wyre Forest Forward Efficiency savings	Progress continues to be monitored and reported regularly to members.
13. Potential Local Government Reorganisation	Macroeconomic area strategically assessed and managed by the Leadership team.
14. Realignment of LEP area/political area	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
15. Capital Portfolio Income 16. Car parking income	Income levels usages closely monitored, new simplified policy is proposed. Earlier timetable for scrutiny.
17. WCC overlapping budget proposals – adverse impact	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.
18. Pension costs – future Revaluations	Managed by Worcestershire Treasurers jointly with actuaries
19. Homelessness Reduction Act	Rising demand requiring extra resource managed by housing team with extra funding secured where possible.