



Audit, Governance & Standards Committee

Thu 21 Sep
2017
7.00 pm

Committee Room Two
Town Hall
Redditch

REDDITCH BOROUGH COUNCIL

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Audit, Governance & Standards

Thursday, 21st September, 2017

7.00 pm

Committee Room 2 Town Hall

Agenda

Membership:

Cllrs:

Jane Potter (Chair)
Tom Baker-Price (Vice-Chair)
Natalie Brookes
Michael Chalk
Andrew Fry

Mark Shurmer
Yvonne Smith
David Thain
Pat Witherspoon

Independent Member:

Dave Jones (non-voting
co-opted – for Audit and
Governance)

Feckenham Parish Council Representative:

Alan Smith (non-voting
co-opted – for Standards)

1. Apologies and named Substitutes

2. Declarations of Interest

To invite Councillors to declare any Disclosable Pecuniary Interests and/or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.

3. Minutes of the meeting held on 6th July 2017 (Pages 1 - 12)

4. Monitoring Officer's Report - Standards Regime (Pages 13 - 16)

5. External Audit - Audit Findings Report 2016/17 (Pages 17 - 72)

6. Audited Statement of Accounts 2016/17 (Pages 73 - 160)

7. Internal Audit Progress Report (Pages 161 - 184)

8. Compliance Team Update (Pages 185 - 188)

9. Re-appointment of Lead Risk and Fraud Members on the Committee

To consider the re-appointment of the Lead Risk and Fraud Members on the Committee for the year ahead. Councillor Thain is the current Lead Fraud Member and Mr Dave Jones, Independent Member for Audit and Governance, is the current Lead Risk Member.

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10. Section 11 Update

11. Risk Management Strategy (Pages 189 - 202)

12. Committee Action List and Work Programme (Pages 203 - 210)



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MINUTES

Present:

Councillor Jane Potter (Chair), Councillor Tom Baker-Price (Vice-Chair) and Councillors Natalie Brookes, Michael Chalk, Andrew Fry, Mark Shurmer, Yvonne Smith, David Thain and Pat Witherspoon

Also Present:

Megan Harrison – Independent Person for Standards (observing – during Minute No.'s 53 to part of 59)

Richard Percival – Grant Thornton (External Auditors)

Officers:

Andy Bromage and Paul Field

Democratic Services Officer:

Debbie Parker-Jones

53. WELCOME - COUNCILLOR YVONNE SMITH

Councillor Potter, the new Committee Chair, welcomed returning Councillor Yvonne Smith to the membership of the Committee for the municipal year ahead.

54. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received from Dave Jones, Independent Member for Audit and Governance, and Feckenham Parish Council Representative Alan Smith for Standards.

55. DECLARATIONS OF INTEREST

There were no declarations of interest.

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Chair

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56. MINUTES OF THE MEETING HELD ON 27TH APRIL 2017

The minutes of the meeting of the Audit, Governance and Standards Committee held on 27th April 2017, which had been circulated as Additional Papers 1, were submitted.

RESOLVED that

the minutes of the meeting of the Audit, Governance and Standards Committee held on 27th April 2017 be confirmed as a correct record and signed by the Chair.

57. ROLE OF THE COMMITTEE

Following the Internal Audit training which had been provided to the Committee in July 2016, Councillor Potter took the opportunity of reminding Members of the role of the Committee, as follows:

The Committee must satisfy itself that:

- any potential risk exposure was acceptable and sense-checked;
- there was a pragmatic mitigation of risk;
- action plans were robust; and
- the audit plan was consistent with known risk areas within the Borough.

The Committee should concentrate on/ensure that:

- assurance levels that were of 'limited' or 'no' assurance;
- 'high' priority recommendations and mitigating actions;
- service areas where multiple 'medium' priority recommendations had been reported;
- overall governance was sound using internal audit outturn and opinion;
- management responses mitigated potential risk;
- follow up audits were taking place and reported by exception; and
- action plans were being implemented by management.

58. MONITORING OFFICER'S REPORT - STANDARDS REGIME

Members received a report from the Monitoring Officer outlining the current position in relation to standards regime matters.

Officers reported that the two current complaints had now been concluded by the Monitoring Officer, who had met with the Independent Person under the standards regime to determine the most appropriate course of action for each. As the Monitoring

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Officer had still to meet with the Councillors involved, who would be given the opportunity to resolve matters in line with the Council's agreed Member complaints process, the outcomes would be reported on at the next meeting of the Committee.

Members went on to note the training elements of the report, and also agreed the proposed Standards Hearings Sub-Committee memberships.

RESOLVED that

- 1) the report of the Monitoring Officer be noted; and**
- 2) the following Standards Hearings Sub-Committee memberships be approved:**

Hearings Sub-Committee 1

Councillor Potter (Chair), Councillor Brookes and Councillor Shurmer;

Hearings Sub-Committee 2

Councillor Witherspoon (Chair), Councillor Chalk and Councillor Thain; and

Hearings Sub-Committee 3

Councillor Baker-Price (Chair), Councillor Y Smith and Councillor Fry.

59. EXTERNAL AUDIT - PROGRESS UPDATE

Mr Percival, Engagement Lead for Grant Thornton, the Council's external auditors, provided a brief verbal update on progress.

Interim audit work was now complete and the Council had submitted the draft accounts for the financial year 2016/17 to Grant Thornton in advance of the 30th June deadline. It was noted that from the financial year 2017/18 the statutory deadline for publication of the unaudited financial statements was being brought forward a month to the end of May, with the deadline for audited financial statements moving from the end of September to the end of July. Grant Thornton would be commencing its audit visits to the Council the following week, with the value for money audit work almost having been completed.

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Mr Percival stated that following a highly successful procurement process undertaken by Public Sector Audit Appointments Ltd (PSAA), Grant Thornton had been awarded the largest percentage of local authority audits nationally. Whilst the allocation of specific audits had yet to be determined, it was hoped that Grant Thornton would continue to act as the Council's external auditors. The new external auditor regime would see local government paying significantly reduced fees for audit services, which Members were pleased to hear. Mr Percival added that housing benefit certification work was not covered under the PSAA tendering process, and that this would be dealt with on an authority-by-authority basis, with discussions due to take place between Grant Thornton and the Council's S151 Officer in this regard.

RESOLVED that

the update be noted.

60. INTERNAL AUDIT - ANNUAL REPORT 2016/17

Members were presented with the Internal Audit Annual Report for 2016/17, the 2016/17 Worcestershire Internal Audit Shared Services (WIASS) Manager's annual opinion on the overall adequacy of the Council's internal control environment, and the Internal Audit Charter.

The WIASS Manager highlighted the key elements of the report and responded to Members' questions. The Audit Opinion Analysis for audits completed during the financial year 2016/17 and the resulting Assurance Levels, both as detailed in the report, were noted. Whilst some areas had returned an assurance level of 'limited' the majority of reviews had resulted in assurance levels of 'moderate' and above, with clear management action plans having been formulated to address risks in those areas where 'limited' assurances had been identified. Further work was required to embed risk management throughout the organisation, with outcomes now being monitored by the Executive Director – Finance and Resource.

Members noted from the report that WIASS had concluded that no system of control could provide absolute assurance against material misstatement or loss, nor could internal audit give that assurance. However, the Audit Opinion statement was intended to provide reasonable assurance based on the audits performed. Based on those audits the Head of WIASS had concluded that the internal control arrangements during 2016/17 effectively managed the principal risks in a number of areas, but not all, and could

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reasonably be relied upon to ensure that the Council's corporate objectives had mainly been met. Significant risk remained however in relation to the Housing Capital Programme and Risk Management.

Close monitoring of deployed measures were set to continue, however the need to reduce the overall risk and work towards a better approach beyond 2016/17 would be critical to create better transparency, expectation and accountability. This was necessary to ensure the Council could deliver a satisfactory housing capital programme, manage its risk management effectively and ensure other areas which attracted a 'limited' assurance developed and deployed a sound control environment.

As discussed at the previous meeting, Members reiterated the need for timely actions by Officers on actions identified by internal audit as part of audit reviews. The WIASS Manager stated that he was working closely with the S151 Officer to ensure that there was a clear and quick escalation of any matters of concern. He added that it was within the gift of the Committee to invite relevant Officers to provide further information/explanation in relation to any ongoing areas of concern, and that internal audit would automatically monitor progress with the implementation of agreed actions plans as part of their follow up work.

Mr Percival stated that, as highlighted by the Chair earlier in the meeting, given that the Committee had a corporate responsibility for risk management, and given that at the next meeting there would be a follow up on the risk management audit which had received a limited assurance, the Committee could decide if they wanted any Officers to attend for that item. It was also noted that a Corporate Governance and Risk report was due to be considered later in the meeting at Agenda Item 9.

RESOLVED that

- 1) the report be noted; and**
- 2) the Internal Audit Charter be approved.**

61. INTERNAL AUDIT PROGRESS REPORT

The Committee considered the internal audit progress report, which presented Members with progress on internal audit work for 2017/18 and the residual of 2016/17. The Worcestershire Internal Audit Shared Services (WIASS) Manager presented the report and responded to Members' questions. It was noted that an update

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report was not usually given at the July meeting, however it was felt appropriate to do so on this occasion given the number of 2016/17 Audit Summary Updates to be reported.

The outcomes of the Risk Management review, which had resulted in a Limited Assurance level, and concerns for which had been discussed under the previous agenda item, were noted, together with the resulting medium priority recommendations in this regard. Members were very concerned with the position and noted that the results of the initial follow up actions were due to be reported on in September 2017. As the oversight of risk management within the Council was one of the Committee's main functions Members stated that they would be closely monitoring the position with this.

Additional concerns were expressed by the Committee in relation to the lengthy planned follow ups listed for November 2017 for CCTV, Consultancy and Agency and Allotments. The Committee therefore agreed that the relevant Heads of Service should be asked to attend the next meeting of the Committee to provide an update on these and to explain the reason(s) for the delays.

RESOLVED that

- 1) the report be noted; and**
- 2) the relevant Heads of Service be asked to attend the next meeting of the Audit, Governance and Standards Committee on 21st September 2017 to provide updates in relation to the outstanding CCTV, Consultancy and Agency and Allotments follow up actions.**

62. SECTION 11 UPDATE

The Committee received a report which updated Members on Officer actions undertaken in relation to the Section 11 recommendations which had previously been issued by Grant Thornton. Mr Percival, Engagement Lead for Grant Thornton, highlighted a correction to paragraph 3.3 of the report, which stated that Grant Thornton had, on 30th September 2016, given unqualified opinions on the accounts and Value for Money Judgement for the 2015/16 financial year. He confirmed that whilst an unqualified opinion had been given on the accounts, a qualified opinion had been given on Value for Money.

Members noted the actions detailed in the report for the two Section 11 recommendations which required further work, namely:

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- the Council putting in place robust arrangements to ensure the budget preparation processes were based on sound assumptions which enabled forecasts to be made of budget outturn, including realistic assessments of demand factors, service and demographic changes, as well as sound assumptions around turnover and vacancy rates; and
- the Council ensuring that budget monitoring processes were timely to enable an accurate forecast to be made in-year of the likely year-end outturn and action to be taken, where necessary, to address budget variances.

The actions included the rollout of a new financial planning module within the Council's finance system, which would enable managers to view financial information on a daily basis and to update forecasts in a timely manner. Members queried whether it was possible for Officers to itemise any planned expenditure, to give a more detailed explanation for Members. Officers responded that they would prefer to see a 'justification' for spend from Officers, rather than a line-by-line breakdown, with the most significant spends being prioritised. Working papers would also exist which could provide any further detail required.

Mr Percival stated that the Council was now in a much better position overall than when the S11 recommendations had first been issued. However, there was still room for improvement with the Council's budget setting and budget monitoring. He added that whilst there could be volatility in local government accounting in the last quarter, which could impact on the budgetary position, Officers needed to be clear on their budgets, and on what they were spending and why.

Members queried whether the budget monitoring issues applied across the board, to which Officers responded that some departments were more problematic than others. Members asked whether this was because of pressure on managers to create savings more quickly, which Officers confirmed was not the case. Officers stated that budget holders needed to dedicate time to the new finance system, which in turn would provide for a clearer picture of what they were proposing budgetary-wise. Officers added that the 4 year local government finance settlement meant that it was now reasonably clear what monies could be expected, which provided some stability in terms of anticipated funding.

RESOLVED that

the S11 actions detailed in the report be noted.

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63. CORPORATE GOVERNANCE AND RISK

The Committee received a report which presented the draft Corporate Risk Register 2017/18 ('the Register') for Members' consideration. The report also updated Members on other corporate governance issues, including internal audit reports assessed as limited in their assurance level and actions which were being carried out in this regard.

The Register had been developed by the management team to address issues of a strategic nature which were seen as areas that had potential to impact on the delivery of the Council's strategic purposes. Members were asked to consider the draft Register and to make any proposed changes or additions to this, which would be monitored by the Committee on a 6-monthly basis. Officers advised that in addition to the Register, future actions included the development of a new Risk Management Strategy, together with improvements to the reporting of the Register to the Committee. Officers stated that the Register needed to be made smarter, and it was noted that the names of the Risk Owner for two of the risks needed to be added to this.

Members supported the document and in doing so stated that this also needed to show when actions were due to be completed by. It was therefore agreed that a "when" column be added to this. Members queried the Council's resistance to major incidents such as the Grenfell Tower fire, and whether anything should be built into the Corporate Risks in this regard. Officers responded that the Corporate Risks should be widened to include the Council's Emergency Plan, and where the Council was working in partnership with other agencies. Members queried whether the Council had a contingency fund similar to the Fire Authority for major incidents. Officers confirmed that should a major incident occur the Council would look to use its balances, with the Government then covering any associated costs above a certain threshold.

Members queried the high Residual Risk score for one of the Corporate Risks and whether the Residual Risk level should, in light of the Current Mitigations and Actions Needed detailed, look to reduce. Officers agreed that Residual Risk scores should always reduce to as low a level as possible, with the objective being to bring these down to either amber or green level.

Members queried how developed the Risk Register was at this stage. Officers advised that this would need to be considered by the Risk Management Group, who would need to look at this over

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the course of a few meetings before being clear on what the mitigating elements were and on any positive/negative trends. The Committee requested that in light of the issues highlighted and concerns raised during the meeting in relation to Risk Management, the Register be reported on at all future meetings of the Committee, rather than on a 6-monthly basis.

Mr Percival added that he was aware that other district councils engaged with their insurers on corporate risk register issues, as insurers had expertise in the field of risk management frameworks. He suggested therefore that if Officers weren't already doing so they might wish to engage with the Council's insurers on this.

RESOLVED that

- 1) the draft Corporate Risk Register be updated in accordance with the comments/actions detailed in the preamble above; and**
- 2) Corporate Risk Register reporting take place at all future meetings of the Committee, rather than on a 6-monthly basis.**

64. FINANCIAL SAVINGS MONITORING REPORT 2016/17

Members received a report on the monitoring of savings for 2016/17, which also included the delivery of savings and additional income for the period April 2016 to March 2017.

Officers presented the report and in doing so noted that a further £348k had been generated in savings and additional income at the end of the financial year 2016/17. Officers added that the Budget Scrutiny Working Group had also been looking at the format of the report to see whether any improvements could be made to this.

RESOLVED that

the financial position for savings for the period April 2016 to March 2017, as presented in the report, be noted.

65. COMMITTEE ACTION LIST AND WORK PROGRAMME

Action List

Ref 1 – Statement of Accounts 2014/15: Inventories

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Councillor Potter advised that a meeting had taken place with herself, Officers and Dave Jones, at which concerns had been raised in relation to stock turn. Three key issues had come out of the meeting, which Officers were currently looking into, namely:

- the need to establish a stock turn level (e.g. how many days' stock the Council held);
- better communications with the Housing Team in relation to stock levels as a large proportion of stock held originated from that service; and
- how stock write-offs should be dealt with.

It was agreed that a further update on progress with the above would be given at the next meeting.

Action: Item to remain on Action List for update at September 2017 meeting.

Ref 2 – Debt Recovery Update – Quarters 1 and 2 2015/16: Measures Dashboard

It was noted that Jayne Pickering and Dave Jones had not yet met to discuss this issue. A meeting would therefore be arranged and an update on this provided at the next meeting.

Action: Item to remain on Action List for update at September 2017 meeting.

Ref 3 – External Audit – Certification Work Report 2015/16: Officer batch testing of claims – result trends

Officers reported that more work had been undertaken on payments and that this had not identified any problems. It was therefore agreed that this be removed from the Action List.

Action: Item to be removed from Action List.

Ref 4 – Internal Audit – Progress Report: Community Centres review – non-statutory requirements/good site management practice

The Officer action undertaken, as detailed in the Action List, was noted.

Action: Item to be removed from Action List.

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Ref 5 – Compliance Team Update: Monies Recovered and Repayment Timescales

It was noted that this action was due for completion in September 2017.

Action: Item to remain on Action List for update at September 2017 meeting.

Ref 6 – Treasury Management Strategy Statement and Investment Strategy 2017/18 to 2019/20: Yield Benchmark Data

It was noted that this action was due for completion in February 2018.

Action: Item to remain on Action List for February 2018 meeting.

Work Programme

The Work Programme was noted.

RESOLVED that

the Committee's Action List and Work Programme be noted and the amendments and updates highlighted in the preamble above be agreed.

The Meeting commenced at 7.00 pm
and closed at 8.10 pm

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Chair

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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

21st September 2017

MONITORING OFFICER'S REPORT – STANDARDS REGIME

Relevant Portfolio Holder	Councillor John Fisher, Portfolio Holder for Corporate Management
Portfolio Holder consulted	Yes
Relevant Head of Service	Claire Felton, Head of Legal, Equalities and Democratic Services and Monitoring Officer
Wards affected	All Wards
Ward Councillor consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Governance and Standards Committee since the last meeting of the Committee on 6th July 2017.
- 1.2 It is proposed that a report of this nature be presented to each meeting of the Committee to ensure that Members are kept updated with any relevant standards matters.
- 1.3 Any further updates arising after publication of this report, including any standards issues raised by the Feckenham Parish Council Representative(s), will be reported by the Monitoring Officer (MO) at the meeting.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that, subject to Members' comments, the report be noted.

3. KEY ISSUES**Financial Implications**

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

Legal Implications

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

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
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councillor has breached his or her Code of Conduct can be investigated, together with arrangements under which decisions on such allegations can be made. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 were laid before Parliament on 8th June 2012 and also came into force on 1st July 2012

Service / Operational Implications**Member Complaints**

- 3.3 No new complaints have been received since the last meeting of the Committee.
- 3.4 In relation to the two ongoing complaints reported on in July, the Monitoring Officer has now met with the Councillors in question and local resolution to both complaints has been agreed, with both Group Leaders agreeing that training will be provided on social media.

Member Training

- 3.5 No Member training events have taken place since the last meeting of the Committee.
- 3.6 As detailed at 3.4 above, social media training will be arranged in due course.

Customer / Equalities and Diversity Implications

- 3.7 There are no direct implications arising out of this report. Any process for managing standards of behaviour for elected and co-opted councillors must be accessible to the public. Details of the Member complaints process are available on the Council's website and from the Monitoring Officer on request.

4. RISK MANAGEMENT

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

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

5. APPENDICES

None

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6. BACKGROUND PAPERS

Chapter 7 of the Localism Act 2011.
Confidential complaint papers.

AUTHOR OF REPORT

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AUDIT, GOVERNANCE & STANDARDS

21ST SEPTEMBER 2017

GRANT THORNTON AUDIT FINDINGS REPORT 2016/17

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

1. SUMMARY OF PROPOSALS

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

2. RECOMMENDATIONS

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

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

Service / Operational Implications

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

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- 3.4 The accounts were submitted to the Auditors within the deadline on 27th June. As included in the Appendix there have been improvements to the working papers and the information and responses to the Auditors have been timely and clear. There are no material issues or misstatements that have been identified by the Auditors. There are a number of recommendations including completion of pension reserves, authorisation of journal transfers, a review of the work in progress and creditor process and a policy surrounding accruals. The recognition of the improvements made during 2016/17 demonstrate the work that the finance team have undertaken to ensure that the accounts and supporting working papers were of a suitable quality whilst accepting that further improvements are needed to close down accurately and on time for 2017/18.
- 3.5 Whilst minor areas of work are continuing it is anticipated that an unqualified opinion will be given on the accounts.
- 3.6 In relation to the Value for Money judgement, having taken into account the financial pressures facing the Council over the next 4 years, a qualified opinion has been given. Officers will work with the Auditors to assess the Efficiency Plan and the ongoing delivery of savings and budget projections to support the recommendations in relation to Value for Money.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – Grant Thornton Audit Findings Letter 2016/17

Appendix 2 – Letter of Representation

AUTHOR OF REPORT

Name: Jayne Pickering
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The Audit Findings for Redditch Borough Council

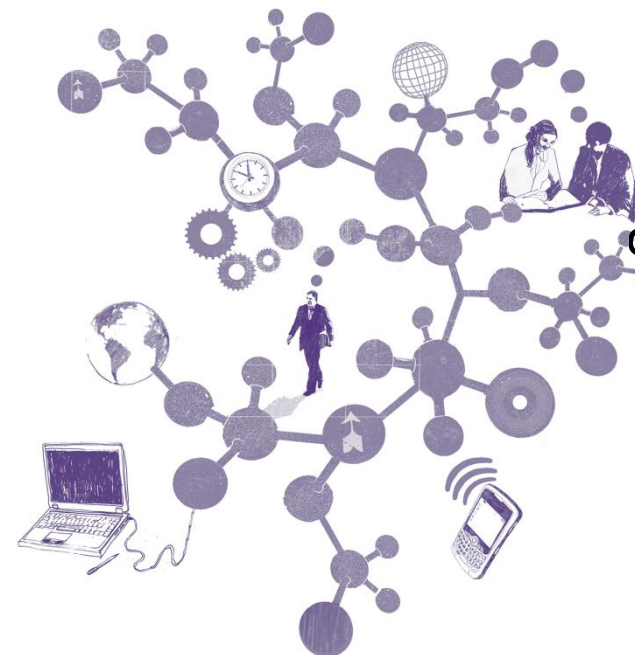
Year ended 31 March 2017

September 2017

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21st September 2017

Dear Members of the Audit, Governance and Standards Committee

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Audit Findings for Redditch Borough Council for the year ending 31 March 2017

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

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

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

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

Yours faithfully

Richard Percival

Chartered Accountants

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Section 1: Executive summary

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

We received a full set of financial statements on 27 June. There is significant work to do to meet the earlier statutory deadline of 31 May 2018. The accounts were better prepared than previous years, and were supported by good quality working papers. However, there were more amendments required to the draft accounts than we would expect.

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

Purpose of this report

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

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

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

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

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

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

We have not used any of these powers or duties.

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

Introduction

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

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

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

Key audit and financial reporting issues

Financial statements opinion

We have identified two adjustments affecting the Council's reported financial position (details are recorded in section two of this report). The draft and audited financial statements for the year ended 31 March 2017 both recorded net income on cost of services of £33.581 million. However, there were changes made to the Balance Sheet for Assets under Construction and the NNDR year end cash and debtor position. These did not have any overall impact on Net Assets. We have also recommended a number of adjustments to improve the presentation of the financial statements.

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

- there was an improvement in the quality of the draft financial statements compared to previous years, but further significant improvements in timeliness are needed to meet the statutory deadline of 31 May from 2018;
- in preparation for the earlier deadline the Council needs to consider available resources within the finance team as the Chief Accountant will not be present for the 2017/18 financial year end, the Council is heavily reliant on a contractor, and while a permanent replacement for the Financial Services Manager has recently been appointed, the person has yet to start working for the Council;
- the financial statements were well supported by working papers and responses to audit queries were generally prompt and efficient. This is an improvement on previous years. However, further improvement is still required to meet the early deadline in 2018 as there were delays in responding to a number of our questions.
- an error has been identified in our testing of payments made in April 2017. We have identified that capital expenditure of £186k in relation to Assets Under Construction (AuC) was omitted from the accounts. AuC and capital creditors were both understated by £186k;

- this error also affected revenue transactions. We identified two invoices totalling an amount of £8,467 that had been incorrectly omitted. We have extrapolated this error and this suggests that revenue expenditure and year end creditors may be understated by £85,806. We have not asked for the accounts to be amended in response to this extrapolation;
- a sum of £468k was identified as part of the bank reconciliation within the receipts accounts. The receipt relates to NNDR and had been processed through the Civica NNDR system but remained as an unallocated receipt within the cash account rather than allocated to NNDR cash receipts in the collection fund on the General Ledger. There is no impact on the Collection Fund revenue account because the account is prepared on income due rather than receipts received. The impact is to the Balance Sheet where it is necessary to increase cash by £468k (from £433k to £901k) and to reduce debtors for the Redditch Borough Council share (£187k) and Preceptors share (£47k) and increase Creditors for the Central Government share (£234k); and
- officers did not provide the Pension Fund administrator with the required returns in order for them to prepare the pension fund figures for the actuary. The Pension Fund administrators therefore had to estimate what the figures would be. Officers have subsequently checked that the estimated figures are reasonable.

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

Other financial statement responsibilities

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

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

Controls

Roles and responsibilities

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

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

Findings

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

- Journal authorisation;
- IT access controls.

Further details are provided within section two of this report.

Value for Money

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

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

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

Other statutory powers and duties

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

Grant certification

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

The way forward

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

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

Acknowledgement

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

Section 2: Audit findings

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

We have completed our audit of the financial statements earlier than the previous year and there were fewer amendments to the financial statements. However, there is a lot of work still to do in order to meet the deadlines for 2018 and beyond. We would expect to see fewer errors and amendments required as a result of our audit.

We anticipate being able to give an unqualified opinion on the financial statements.

Materiality

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

As we reported in our audit plan, we determined overall materiality to be £1,324,000 (being 2% of gross revenue expenditure in the previous year). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £66,000. This remains the same as reported in our audit plan.

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

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

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

Audit findings against significant risks

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

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

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

Audit findings against significant risks (continued)

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

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>CIES Disclosure Reconfiguration ('Telling the story')</p> <p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have:</p> <ul style="list-style-type: none">documented and evaluated the process for the recording of the required financial reporting changes to the 2016/17 financial statements.reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure.reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS).tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES.tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger.tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements.reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	<p>During the audit officers agreed to make some changes to the notes and disclosures in this area, in particular the inclusion of a Prior Period Adjustment note.</p> <p>The amendment explains the reason for the prior period adjustment but is not fully compliant with Code requirements.</p>

Audit findings against significant risks (continued)

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

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Employee remuneration accruals understated (Remuneration expenses not correct). 	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> walkthrough of your controls in place over payroll expenditure. reviewed the year-end reconciliation of your payroll system to the general ledger. trend analysis of the monthly payroll runs for the year. employee deductions testing for the year. 	<p>Our audit work has not identified any issues in respect of Employee Remuneration.</p>
Operating expenses	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Creditors understated or not recorded in the correct period (Operating expenses understated). 	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> walkthrough of your controls in place over operating expenditure. reviewed the completeness of subsidiary interfaces and control account reconciliations. obtained an understanding of the accruals process and tested a sample of accruals (and other creditors balances). cut off testing of a sample of payments after the year end. 	<p>Our testing of payments made early in 2017/18 has identified that work in progress is not being accounted for properly. We identified capital expenditure in the amount of £186k that should have been included in Assets under Construction. We also identified two revenue invoices totalling £8,467 that should have been included as expenditure. Our extrapolation suggests that expenditure may be understated by £85,806. We have not asked for the accounts to be amended for this extrapolation.</p> <p>Invoices from suppliers or contractors are not being sent to one consistent address, and this makes it more difficult for the finance team to keep track of expenditure.</p>

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

Accounting policies, estimates and judgements



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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.</p> <p>Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.</p> <p>Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.</p> <p>Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.</p>	<p>We have considered the:</p> <ul style="list-style-type: none">• Appropriateness of the Council's policies under International Financial Reporting Standards, as adopted through the Code of Practice on Local Authority Accounting for 2016/17.• Adequacy of disclosure of accounting policies. We note that there is no accounting policy on accruals, and would suggest that one is included in future years. <p>Our review has not highlighted any other issues which we wish to bring to your attention</p>	<div><div></div><div>(Green)</div></div>

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Agenda Item 5

Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	Key estimates and judgements include: <ul style="list-style-type: none">Valuation of Property, Plant and EquipmentProvision for NNDR appeals	Valuation of property, plant and equipment <p>The Council revalues its Council Dwellings every year and all other assets on a rolling basis over a five year period. We have undertaken the following:</p> <ul style="list-style-type: none">reviewed management's processes and assumptions for the calculation of the estimate;reviewed the competence, expertise and objectivity of the valuation expert, the instructions issued to them and the scope of their work; andtested the revaluations made during the year to ensure they are input correctly into the Council's asset register and financial statements. <p>The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. We are satisfied that this is the case. However, we asked officers to enhance the disclosures on asset valuations to show the year when different asset categories were last revalued. This is a CIPFA Code requirement.</p>	 (Amber)
		Business Rates Appeal Provision <p>The Council has made a provision for the Business Rate appeals that have been received but not settled at year end. The Council's estimate is based on the likelihood of various types of claims having to be settled and the estimated value of the settlement. The Council's provision follows the same basis as in the previous year and overall we are satisfied with the approach taken and that the provision is not materially misstated.</p>	 (Green)

Accounting policies, estimates and judgements (continued)

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

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Standards & Governance Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	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. However, officers have made us aware of an ongoing investigation into contract management and procurement within the housing department.
4.	Written representations	A standard letter of representation has been requested from the Council, which is included in the Audit, Standards & Governance Committee papers.
5.	Confirmation requests from third parties	We requested from management permission to send confirmation requests to banks and councils with whom the Council had investments or borrowing. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6.	Disclosures	We identified changes to a number of other disclosures in the financial statements which the Council have agreed to amend.
7.	Matters on which we report by exception	We have not identified any issues that we are required to report by exception in our audit opinion. We agreed a number of amendments to improve the clarity of the disclosure within the Annual Governance Statement and Narrative Report.
8.	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. Work is not required as the Council does not exceed the threshold.

Internal controls

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

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

	Assessment	Issue and risk	Recommendations
1.	<div><div></div><div>(Amber)</div></div>	<p>IT systems review</p> <p>Grant Thornton IT specialists have carried out a review of IT controls at Bromsgrove District Council. It was identified that there are an inappropriate number of staff with administrator rights within Active Directory. This issue also affect Redditch Borough Council.</p> <p>The number of staff with administrator rights within the Active Directory is not limited. There are 26 staff members with Administrator rights and 78 people are Domain Admins, which is excessive.</p> <p>This poses the risk that internal access to information assets and administrative functionality may not be restricted on the basis of legitimate business need. The excessive numbers heighten the risk concerned and hence the priority of this recommendation.</p>	<p>A review of the staff assigned administrator rights should be performed on a periodic basis to ensure that administrator level access is given on a needs only basis. Least privilege should be the guiding principle when granting all system access.</p> <p>The Agresso accounts should be removed as the system has been replaced this year.</p> <p><u>Management Response:</u></p> <p>A review of administrator rights within active directory has been implemented.</p> <p>Date due for completion 21.7.17</p> <p>Agresso is sw itched off and only accessed by a formal request from Finance.</p>

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

Assessment

(Red)

Significant deficiency – risk of significant misstatement

(Amber)




Deficiency – risk of inconsequential misstatement

"The purpose of an audit is for the auditor to express an opinion on the financial statements.



Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
2.	 (Red)	Pension fund returns The Council has not been completing monthly pension returns to Worcestershire County Council. This meant that the year end figures use for the pension fund had to be estimated. There is a risk that the figures generated by the actuary could be inaccurate, leading to inaccurate disclosures in the accounts.	The Council should ensure that all necessary returns are made to the County Council on a timely basis. <u>Management Response:</u> Agreed. Awaiting a fix from Frontier (software supplier) but will find a manual way of calculating if this is not available by the 30th September 2017.
3.	 (Red)	Work in progress The Council does not account for Work in Progress of capital projects. There is a risk that capital expenditure is not recognised appropriately in the financial statements.	The Council should introduce commitment accounting to ensure that expenditure on capital projects is recognised appropriately. <u>Management Response:</u> Agreed. This is mainly housing projects but an approach across all capital projects will be introduced for 2017/18 year end to obtain works completed to 31st March 2018.
4.	 (Amber)	Creditor process We have identified from our review of invoices that: <ul style="list-style-type: none"> • there is not a consistent process as to where invoices are sent for payment; • there is a lack of consistency regarding the name on the invoice; and • there is a high volume of non purchase order invoices. There is a risk that invoices are not received in the finance team in a timely manner and therefore do not get appropriately included in the financial statements. There is a risk that expenditure is incurred inappropriately.	All invoices should be sent to a central location for processing, and be addressed to the Council. All invoices should be supported by a purchase order. <u>Management Response:</u> Agreed. This is an ambition that we are implementing but it does require a disciplined approach.

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
5.	 (Amber)	Accruals policy The Council's accounting policies do not include an appropriate policy for accruals. There is a risk that expenditure is not properly recognised in the accounts.	The Council should adopt and follow an appropriate accounting policy for accruals. <u>Management Response:</u> Agreed. A new accounting policy will be introduced for 2017/18.
6.	 (Amber)	Journal authorisation There are no controls within the system to prevent unauthorised personnel approving journals. There is a risk that journals are processed inappropriately and potentially could be fraudulently.	Parameters within the ledger should be reviewed to ensure that only those individuals set up to authorize journals can complete that process. <u>Management Response:</u> Agreed. Preference is to remove the ability to create and post a journal but need to speak to the software provider (ABS).

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue
1.	✓	Payroll Our testing of individual payments to employees to ensure they are to valid employee and for the appropriate values. We identified two issues: <ul style="list-style-type: none"> • Duplication of a payment to a Member for mileage • Incorrect hourly rate used for a casual worker. <u>Recommendation</u> The Council should ensure that there are adequate controls to prevent and detect duplicate payroll payments and incorrect pay rates.	The duplicate mileage payment was when it was possible to submit a paper as well as a claim through HR21. The Council now only use HR21. Hourly rates are now checked by accountancy when there is a change e.g. pay award.
2.	✓	Ledger structure Our testing of journals took considerable time. This is because the Council struggled to produce reports with the required information. This is in part due to the overly complex ledger structure. <u>Recommendation</u> The Council should seek to simplify the ledger coding structure.	A review of the coding structure has been completed and expenditure codes have been reduced with a view that income codes will be reviewed within the coming year. We are also reviewing the ledger structure to have a standard structure across both councils to make it easier for users of the system especially on the new budget monitoring system that we are implementing. A new approach has been taken with respect of getting the information for journal testing for 2016/17 and this has been more efficient than in previous years.
3.	✓	Long term debtors Our testing identified debtors where no supporting evidence could be found for the charge on the property. <u>Recommendation</u> The Council should ascertain the legal status of all charges and whether these should be long term debtors or whether the charge has now ceased to be chargeable.	A full review has been undertaken and the figure on the balance sheet is now fully supported by evidence.

Assessment

- ✓ Action completed
 X Not yet addressed

IT controls – update of issues identified in prior year

We complete our review of the IT control environment on a risk assessed cyclical basis. For Redditch Borough Council the latest review was undertaken in 2015/16. In 2016/17 we have conducted an update to ascertain progress against the improvements identified. As not all of the improvements have been implemented we report the outstanding ones to you below.

	Issue and risk previously identified	Update on actions taken to address the issue
1.	<p>Changes to E-Financials database is not logged</p> <p>Data-level edits can be made directly to the database. System administrators can access the database using a separate account to make changes to the database. There is no audit logging of the database.</p> <p>There is a generic account that three system administrators use to make direct changes to the database tables outside of the front end application controls. There is a single password used by all users which negates the value of any audit trail.</p> <p><u>This condition poses the following risk to the organisation:</u></p> <p>Unauthorised change can be made to the database. This may result in a risk where data is no longer accurate and complete. Use of a generic account means that individual user cannot be held accountable for unauthorised changes, which may increase the risk of fraud.</p> <p><u>Recommendation:</u></p> <p>Management should assign unique user accounts to all users. Only users whose role requires this should be granted such permission. The password of the generic user name should be changed and kept securely.</p> <p>Any edits that are made directly to the database should be requested and logged through the Council's change management system.</p> <p>Management should also enable audit logging to record any changes made to the database. These audit logs will enable management to see which user has made changes if users are assigned unique user accounts as recommended above. The audit log should be reviewed and signed off on a regular basis by an individual who does not have access to the database to ensure that all changes have been appropriately authorised.</p>	<p><u>Initial Management response:</u></p> <ul style="list-style-type: none"> • Systems admin will liaise with software provider to utilise further any audit tools within the system, ensuring these are ran quarterly. Identifying an appropriate method of auditing systems admin log ins outside of the systems admin team. • Generic user log in password changed and saved with ICT keychain. • System changes to be logged on change control management system. <p><u>Updated Management response for 2016/17:</u></p> <p>Transformation of the service and system is nearly complete. As part of the review system permissions are being clarified and audits timetable introduced.</p> <p>Due to be complete End of August.</p>

IT controls – update of issues identified in prior year (continued)

	Issue and risk previously identified	Update on actions taken to address the issue
2.	<p>Absence of proactive reviews of logical access within Civica IBS and E-Financial</p> <p>User accounts and associated permissions within the E-Financial system are not formally and proactively reviewed for appropriateness. On previous audits, user access review for Civica IBS was reviewed on a quarterly basis. Since the previous audit, an upgrade of the system was implemented and this has prevented management to run user access privilege reports. User access review therefore cannot be performed this year.</p> <p><u>This condition poses the following risks to the organisation:</u></p> <p>a) Gaps in user administration processes and controls may not be identified and dealt with in a timely manner</p> <p>b) Access to information resources and system functionality may not be restricted on the basis of legitimate business need</p> <p>c) Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls</p> <p>d) No-longer-needed permissions may granted to end-users may lead to segregation of duties conflict</p> <p>e) Access privileges may become disproportionate with respect to end users' job duties.</p> <p><u>Recommendation:</u></p> <p>Regular reviews of Civica IBS and E-Financial user accounts should take place at least annually. Sufficient evidence should be maintained to enable a third-party to confirm when the reviews were performed, who was involved, and what access changed as a result. Management should request third-party support provider, Civica IBS, to enable the function that allows users' privilege report to be generated.</p>	<p><u>Initial Management response:</u></p> <p>Civica IBS</p> <p>Issues have been resolved and the report is now being generated.</p> <p>We have implemented the quarterly reviews again.</p> <p>E-Financial</p> <p>Leavers are reviewed monthly by cross reference from HR reports sent on a monthly basis</p> <p>System access is reviewed quarterly as diarised by systems admin, user data is extracted into excel and users are grouped into menu roles and manually checked for anomalies, these anomalies being escalated to management level to determine level of access is still relevant and then reduced if not required. The user list is also cross referenced with the authorised signatories list available on the orb.</p> <p><u>Updated Management response for 2016/17:</u></p> <p>Transformation of the service and system is nearly complete. As part of the review system permissions are being clarified and audits timetable introduced.</p> <p>Due to be complete End of August.</p>

IT controls – update of issues identified in prior year (continued)

	Issue and risk previously identified	Update on actions taken to address the issue
3.	<p>Lack of documented batch administration policies and procedures</p> <p>Documented policies and procedures have not been formally established addressing batch administration processes and related control requirements for Civica IBS and E-Financials.</p> <p>This issue was also identified in the 2014-15 audit but has not been resolved.</p> <p><u>This condition poses the following risks to the organisation:</u></p> <p>a) Batch management processes and control requirements may not be formalised or communicated to those within the organisation responsible for observing and/or implementing them.</p> <p>b) Effectiveness of batch management processes and controls may be diminished due to environmental and/or operational changes.</p> <p>c) Batch processes may not be effectively administered, leading to loss of data integrity and/or system down-time.</p> <p><u>Recommendation:</u></p> <p>Documented policies and procedures addressing batch administration processes and related control requirements within Civica and E-Financial should be established.</p>	<p><u>Initial Management response:</u></p> <p>Civica utilise the PTC module for automation of these processes.</p> <p>E-Financial a call has been raised with supplier to investigate the automation of these processes.</p> <p><u>Updated Management response for 2016/17:</u></p> <p>Additional access has been granted at manager level due to the single system project. This access will be reviewed as part of the single system project.</p> <p>Transformation of the service and system is nearly complete. As part of the review batch processing is being investigated.</p> <p>Single system implementation is planned to be completed by August 17. As part of the configuration of new system the procedure for batch processing will be further automated.</p> <p>Due to be complete End of August.</p>

Adjusted misstatements

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

Impact of adjusted misstatements

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

Detail		Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	Capital invoices not accrued for correctly: Assets under Construction (Dr £186k) Capital Creditors (Cr £186k)		186 (186)	
2	Mispostings within the NNDR reconciliation Dr Cash Cr Debtors Cr Creditors		468 (234) (234)	
Overall impact		£0	£0	£0

Unadjusted misstatements

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

Misclassifications and disclosure changes

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

	Reference	Commentary
1.	Narrative report	A number of minor amendments were made to the Narrative Report.
2.	Telling the Story	Enhanced disclosures have been made regarding the 2016/17 Code changes and in particular the addition of a Prior Period Adjustment note. However, the amended disclosures are still not fully compliant with the CIPFA Code.
3.	CIES	The £37.7m gain on revaluation of council dwellings has been included within “Local Authority Housing” in the CIES. This distorts the expenditure so that it looks negative – IE. Income of £20m. Officers have amended the accounts to show the revaluation gain separately.
4.	Note 14 Property, Plant and Equipment	A table stating the dates of valuation of properties within Plant, Property and Equipment has been added.
5.	Note 16 Financial Instruments	Amendments have been made to debtors and creditors disclosures to reflect the removal of statutory debts which are not classed as “Financial Instruments”.
6.	Note 35 Defined Benefit Pension Scheme	A number of changes were made to reflect the figures for Place Partnership & Regulatory Services.

Misclassifications and disclosure changes (continued)

	Reference	Commentary
7.	Related parties	The draft related party note states that the Council discloses 'material' transactions. The Council has now amended this to state that they have considered the value of the transaction from both the Council's and related party perspective.
8.	Throughout financial statements	There were a number of typographical errors and formatting throughout the accounts which needed to be amended.
9.	Accounting policies	Our review of disclosures found the following required amendment: <ul style="list-style-type: none"> • Xvii) Materiality note has been amended • Xviii) overheads and support services refer to SEROP which is no longer applicable. This note has been updated • An accounting policy has been added for Assets Held for Sale • Note 1 – general principles state that the accounts are prepared under SERCOP which is no longer applicable • There is no accrual policy. The accruals policy needs to be included in the accounting policies. • 2016/17 is the last year that the Council is able to use the Major Repairs Allowance as a proxy for depreciation.
10.	Note 2 – Accounting Standards That Have Been Issued but Have Not Yet Been Adopted	This note has been extended to refer to the specific standards.
11.	Note 4 - Assumptions	The references to 'bad debts' have been amended to 'impairment'.

Section 3: Value for Money

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

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

Background

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

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

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

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

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

Risk assessment

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

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

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

Significant qualitative aspects

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

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

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

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

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 32 to 34.

Overall conclusion

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

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

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

Recommendations for improvement

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

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

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

Key findings

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

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

Key findings

Significant risk	Work to address	Findings and conclusions
Financial sustainability We have previously identified that improvement is needed to planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions. We have identified the following risks: <ul style="list-style-type: none"> How robust is the MTFP and how well developed are savings plans? How is the performance dashboard for Members being implemented? 	We have: <ul style="list-style-type: none"> reviewed how the Council is monitoring delivery of the Efficiency Plan; examined how robust the MTFP is by testing a sample of individual schemes to determine whether they are worked through appropriately and realistic; considered progress on the review of the management structure; reviewed how the Corporate Performance Strategy is being implemented. 	<p>We concluded that there were weaknesses in the Council's arrangements for sustainable resource deployment – “Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions”, and Informed decision making – “Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management”.</p> <p>We noted that the Overview & Scrutiny Committee reports and minutes refer to quarterly updates being provided on monitoring delivery of the Efficiency Plan. Reporting does not give any indication of how far adrift from plan the Council is or what action is being taken to bring it back into line. On the basis of the evidence provided we have to conclude that the monitoring of Efficiency Plan delivery is weak.</p> <p>We examined the business cases, decision making process and delivery of some of the major savings schemes in the MTFP. These were:</p> <ul style="list-style-type: none"> £480,000 from Change model of delivery of Leisure services £165,000 from Review of fleet costing to HRA £250,000 from Management restructure £109,000 from Cremations - non resident fee £105,000 from Savings from lease costs following purchase of vehicles <p>Overall we found that only the £105,000 savings were fully worked up and on track to be delivered. However, this is not a genuine saving, but a correction of a budget error. The £165,000 savings are likely to be achievable in the timescale, but still needed work when we reviewed the scheme. The other savings plans, totalling £1,004,000 needed more work and a lot of progress to be deliverable.</p> <p>For the £480,000 leisure services model, the forecast savings are reasonable and based on independent consultant analysis. However, the Council needs to press on with this in order to realise the full year benefit from 2018/19.</p> <p>The management restructure £250,000 savings are deliverable over a four year period and details had not been fully worked up. Implementation has been disappointingly slow, with no tangible progress at the time of drafting this report. This needs to happen quickly to allow for revised structures to be put in place. Reserves will be used to fund any redundancy costs, but this is not clear from the MTFP.</p>

Key findings

Significant risk	Work to address	Findings and conclusions
<p>Financial sustainability</p> <p>We have previously identified that improvement is needed to planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions. We have identified the following risks.</p> <ul style="list-style-type: none">• How robust is the MTFP and how well developed are savings plans?• How is the performance dashboard for Members being implemented?	<p>We have:</p> <ul style="list-style-type: none">• reviewed how the Council is monitoring delivery of the Efficiency Plan;• examined how robust the MTFP is by testing a sample of individual schemes to determine whether they are worked through appropriately and realistic;• considered progress on the review of the management structure;• reviewed how the Corporate Performance Strategy is being implemented.	<p>The cremations savings of £109,000 assume no change in demand despite costs increasing by £100. No sensitivity analysis or market testing / comparison with other councils costs has been undertaken.</p> <p>Savings plans generally are not well developed and insufficient progress has been made in implementing the schemes.</p> <p>The MTFP should only include savings which have been agreed by Members and these plans should have a robust business case to support them. One of the existing Member led groups would be well placed to agree business plans before they are included in the MTFP.</p> <p>Although Members now have better access to information this is limited to numeric measures and does not include the impact on people or services. More work needs to be completed on this.</p>

Section 4: Other statutory powers and duties

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

We have not used any statutory powers or duties.

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

	Issue	Commentary
1.	Public interest report	<ul style="list-style-type: none">We have not identified any matters that would require a public interest report to be issued.
2.	Written recommendations	<ul style="list-style-type: none">We have not made any written recommendations that the Council is required to respond to publicly. We have provided an update on progress in addressing the 2014/15 statutory recommendations on pages 37 and 38.
3.	Application to the court for a declaration that an item of account is contrary to law	<ul style="list-style-type: none">We have not used this duty.
4.	Issue of an advisory notice	<ul style="list-style-type: none">We have not used this duty.
5.	Application for judicial review	<ul style="list-style-type: none">We have not used this duty.

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

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

	Recommendation	Progress update
3.	The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions which enable an accurate forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates.	<p>We comment on page 32 “The savings plans generally are not well developed and are overly simplistic. Insufficient progress has been made in implementing the schemes.</p> <p>The MTFP should only include savings which have been agreed by Members and these plans should have a robust business case to support them. One of the existing Member led groups would be well placed to agree business plans before they are included in the MTFP.”</p>
4.	The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end outturn and action to be taken, where necessary, to address budget variances.	<p>We comment on page 30 “We have noted some improvements to reconciling budgets per monitoring reports to the originally agreed budget, but the supporting explanations need to be clearer. Reporting of savings has improved, but is still weak– it does not provide a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions. There is no RAG rating or similar.”</p>

Section 5: Fees, non-audit services and independence

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

We have yet to finalise our audit fee.
We have no independence issues to report.

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

Fees

	Proposed fee £	Final fee £
Council audit	57,960	TBC
Grant certification	23,291	TBC
Total audit fees (excluding VAT)	81,251	TBC

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

Grant certification

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

Independence and ethics

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

Fees for other services

Service	Fees £
Audit related service	
Pooling of Housing Capital Receipts	1,654 (estimated)
Non-audit services	
CFO insights (to be confirmed)	7,500 (estimated)

Independence and non-audit services

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

	Service provided to	Fees	Threat?	Safeguard
Certification of the Pooling of Housing Capital Receipts return	Redditch Borough Council	1,654 (estimated)	Self Interest	This is a recurring fee and therefore a self-interest threat exists. However, the level of this recurring fee taken on its own is not considered to be a threat to independence as the fee for this work in comparison to the total fee for the audit for the Council and in particular to Grant Thornton UK LLP overall turnover is very low .
CFO insights – a data analytics tool through subscription (to be confirmed)	Redditch Borough Council	7,500 (estimated)	None	This fee is for one year only, and does not involve any members of the audit team.
	TOTAL	£9,154		

Section 6: Communication of audit matters

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

We have communicated matters appropriately.

Communication to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

Appendices

- A. Action Plan
- B. Audit Opinion

A. Action plan

Financial Statements

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	2017/18 financial statements production Officers need to develop a robust and realistic project plan to ensure that the high quality financial statements are prepared by 31 May 2018, and that officers are able to support auditors to complete the audit and provide an opinion by 31 July.	Red	Agreed. The timetable is being reviewed to bring forward the timetable (EG. Revaluations) and the Council is exploring the purchase of CIPFA's Big Red Button (BRB) to automate the financial statement. Final account support to be procured Financial Services Manager to be in place by 1/12/17	Review Timetable 31/10/17 – Chief Accountant Purchase BRB and final accounts support 31/10/17– Director of Finance
2.	IT Systems review A review of the staff assigned administrator rights should be performed on a periodic basis to ensure that administrator level access is given on a needs only basis. Least privilege should be the guiding principle when granting all system access. The Agresso accounts should be removed as the system has been replaced this year.	Amber	A review of administrator rights within active directory has been implemented. Date due for completion 21/7/17 Agresso is switched off and only accessed by a formal request from Finance.	21/7/17 Completed
3.	Pension fund returns The Council should ensure that all necessary returns are made to the County Council on a timely basis.	Red	Agreed. This is an issue with the software. If a fix is not found by 30/9/17 a manual process will be identified.	Software solutions or manual fix by 30/9/17 – Business Support

Priority
 ● High – (Red)
 ● Medium – (Amber)

A. Action plan (continued)

Financial Statements (continued)

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
4.	Work in progress The Council should introduce commitment accounting to ensure that expenditure on capital projects is recognised appropriately.	Red	Agreed. This is mainly housing projects but an approach across all capital projects will be introduced for 2017/18 year end to obtain works completed to 31st March 2018.	Will be part of the timetable process to be completed by 31/10/17 – Chief Accountant
5.	Creditor process All invoices should be sent to a central location for processing, and be addressed to the Council. All invoices should be supported by a purchase order.	Amber	Agreed. This is an ambition that we are implementing but it does require a disciplined approach.	31/12/17 Financial Services Manager
6.	Accruals policy The Council should adopt and follow an appropriate accounting policy for accruals.	Amber	Agreed. A new accounting policy will be introduced for 2017/18.	Will be part of the 2017/18 accounting policies reported to Audit Committee by 30/04/18 – Financial Services Manager
7.	Journal authorisation Parameters within the ledger should be reviewed to ensure that only those individuals set up to authorize journals can complete that process.	Amber	Agreed. Preference is to remove the ability to create and post a journal but need to speak to the software producer (ABS).	31/12/17 – Financial Services Manager

A. Action plan (continued)

Value for Money

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

B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REDDITCH BOROUGH COUNCIL

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

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

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

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion:

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

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if:

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

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

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

Respective responsibilities of the Authority and auditor

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria 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 2017.

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

Basis for qualified conclusion

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

In year reporting to Members

The Authority's in year budgetary monitoring reports to Members do not adequately explain changes to the originally agreed budget. Reporting of savings is weak, and does not provide a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions. There is no risk assessment on the deliverability of schemes. Reports to Members do not give any indication of progress with delivery of the Authority's Efficiency Plan or actions being taken to bring it back into line.

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

Financial Sustainability

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

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

Qualified Conclusion

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

Certificate

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

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

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

XX September 2017



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APPENDIX 2

Redditch Borough Council

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21 September 2017

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham B4 6AT

Dear Sirs

Redditch Borough Council
Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the financial statements of Redditch Borough Council for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

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

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") which give a true and fair view in accordance therewith.

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.

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 regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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

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. There are no other material judgements that need to be disclosed.

Except as disclosed in the financial statements:
there are no unrecorded liabilities, actual or contingent
none of the assets of the Council has been assigned, pledged or mortgaged
there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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.

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

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

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

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.

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

We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the 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

We have provided you with:
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;
additional information that you have requested from us for the purpose of your audit; and
unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

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

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

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.

We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
management;
employees who have significant roles in internal control; or
others where the fraud could have a material effect on the financial statements.

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

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.

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

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

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

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, Governance and Standards Committee at its meeting on 21 September 2017.

Yours faithfully



Jayne Pickering
Executive Director (Finance and Corporate Resources)
Bromsgrove District Council & Redditch Borough Council

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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS****21ST SEPTEMBER 2017****STATEMENT OF ACCOUNTS 2016/17**

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering (Exec Director)
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

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

2. RECOMMENDATIONS

- 2.1 That Audit, Governance and Standards considers the Statement of Accounts 2016/17 and recommends the approval of the accounts to Council.

3. KEY ISSUES**Financial Implications**

- 3.1 None other than those included in this report.

Legal Implications

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

Service / Operational Implications

- 3.3 The Statement of Accounts were approved by the Executive Director of Finance and Resources by 27th June 2017 and submitted to the External Auditors Grant Thornton on the same day.
- 3.4 The Financial Statements have been audited by Grant Thornton and they have reported in their opinion that the accounts were better prepared than previous years and were supported by good quality working papers. The Grant Thornton audit opinion is included as an agenda item to this meeting. A copy of the Financial Statements is provided as Appendix 1.
- 3.5 There are some changes to the format of the accounts this year. For example the presentation of the Comprehensive Income and Expenditure Statement has been revised so that this will better reflect

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS****21ST SEPTEMBER 2017**

how the Council is structured and manages its resources. In addition, a new funding and expenditure note will reconcile the movement on the General Fund balance to the Surplus or Deficit on Provision of Services. The proposed changes are designed to help make the accounts clearer for readers.

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

3.6.1 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council. This schedule shows the General Fund revenue balances for 2016/17 have decreased to £1,895k by £129k and earmarked reserves have increased by £393k to £1,816k. Details of individual earmarked reserves can be found in the notes to these financial statements.

3.6.2 Comprehensive Income and Expenditure Statement

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

3.6.3 The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS****21ST SEPTEMBER 2017**

example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

3.6.4 The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

3.7 The Supplementary Financial Statements:**3.7.1 The Collection Fund**

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

3.8 Financial Summary**3.8.1 General Fund Revenue Account**

At its meeting on 22nd February 2016 Redditch Borough Council set a net revenue budget of £11,964k (including planned transfers from earmarked reserves). Band D equivalent Council Tax was set at £222.21, a 2.3% increase on the previous year.

There was a planned use of General Fund Revenue Balances of £477k but in 16/17 use of balances were actually £129k this has meant that

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS****21ST SEPTEMBER 2017**

the Council has not had use as much as anticipated of General Fund balances. General Fund balances as at 31st March 2017 were £1,895k.

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

Strategic Purpose	Budget £'000	Actuals £'000	Variance £'000
Keep my place safe and looking good	5,094	4,582	(512)
Help me run a successful business	8	(40)	(48)
Help me be financially independent	531	58	(473)
Help me to live my life independently	410	381	(29)
Help me find somewhere to live in my locality	1,208	1,235	27
Provide Good things for me to see, do and visit	1,382	1,487	105
Enable others to work/do what they need to do (to meet their purpose)	7,519	7,459	(60)
Costs recovered from the Housing Revenue Account	(4,747)	(3,760)	987
Totals	11,405	11,402	(3)
Corporate Financing	(11,405)	(11,750)	(345)
General Fund Surplus	-	(348)	(348)
Planned Use of Balances	-	477	477
Contribution to reserves	-	(933)	(933)
Total as reported on Expenditure and Funding Analysis	-	(804)	(804)

3.8.2 Capital Expenditure

Capital expenditure amounted to £12.3m against a planned budget of £17.3m. The main areas of expenditure were in, Environmental Services replacement of vehicles & plant (£1.3m), Community Services for Disabled Facilities Grants and Discretionary Home Repairs (£430k), IT Hardware and Software (£74k), Leisure Services Health and Fitness Facilities (£372k) and Housing Revenue Account (£9.2m).

Customer / Equalities and Diversity Implications

3.9 None as a direct result of this report.

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – RBC Statement of Accounts 2016/17

AUTHOR OF REPORT

Name: Jayne Pickering – Exec Director Finance and Resources
 E Mail: j.pickering@bromsgroveandredditch.gov.uk
 Tel: 01527-881207

Redditch Borough Council

Financial Statements for the year ended 31 March 2017

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Redditch Borough Council

Financial Statements for the year ended 31 March 2017

Narrative Report

Narrative Report

Introduction

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

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

Overview

2016/17 has been a challenging financial year. Redditch faced a reduction in resources with Revenue Support Grant received from the Government reducing from £1,578k in 2015/16 to £946k in 2016/17. It will reduce further to £407k in 2017/18, £35k in 2018/19 and from 2019/20 the Council will need to pay a levy to the Government of £331k rather than receive Revenue Support Grant. The Council has sought to balance the budget through savings whilst attempting to protect the services that are most important to the community.

The budgets set for 2016/17 were challenging but aware of the need for additional savings in future years there has been a prudent approach to spending and a commercial approach to attracting income. This has enabled a £348k surplus to be reported.

Strategic Purposes

Redditch Borough Council is committed to providing residents with effective and efficient services that not only meet their needs but understand them too. We have listened to demand from our customers in order to understand what goes on in our communities and considered how we work with partners to support the issues within those communities.

Through considering what really matters to our residents we produced a set of six strategic purposes to guide us; they are based on customer demands and data and evidence about the needs of and issues affecting the people of Redditch Borough.



Strategic purpose: Help me run a successful business

How we achieve this:

- Nurture existing businesses and encourage a future generation of entrepreneurs
- Enhance the retail, leisure and residential offer
- Positively promote Redditch as a place to live, work, invest and visit and encourage new inward investment
- Work with partners to improve the aspirations of our younger population and develop skills to meet the future demands of employers
 - ❖ There are a number of international companies established in the Borough and the Kingfisher Shopping Centre boasts many big name stores

Strategic purpose: Help me to be financially independent (including education and skills)

How we achieve this:

- Develop education and skills to sustain financial independence
- Support communities during changes to welfare and benefits
- Support residents to reduce levels of individual debt
 - ❖ The Financial Inclusion Team (FIT) is working with residents to help them manage their finances and debt
 - ❖ The Fusion job coaching project has been working to help more people move into employment

Strategic purpose: Help me to live my life independently (including health and activity)

How we achieve this:

- Understand and support the additional needs of our residents
- Promote independence and reduce social isolation
- Help people to have active bodies and active minds
- Strengthening and supporting families and individuals
 - ❖ Through the partnership project, Connecting Families, we have been able to support many more families across the Borough
 - ❖ Over 2,000 residents are being helped to stay in their own home through the support of Lifeline
 - ❖ Redditch Dial-A-Ride runs a Borough wide service to help the most vulnerable residents access services, providing on average 2,000 journeys each month
 - ❖ The Redditch and Bromsgrove Community Safety schools programme has provided one to one mentoring sessions for 81 young people across both areas since September 2015
 - ❖ During 2016/17 there were over 22,006 free swims provided by the Borough Council

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

How we achieve this:

- Support the development of appropriate and affordable housing in the borough
- Raise housing standards and the quality of the local environment across the Borough
- Greater involvement and empowerment of tenants and residents in service delivery and reform
- Identify and support vulnerable people to prevent homelessness
- Build sustainable communities and neighbourhoods
 - ❖ During 2016/17, 73 affordable homes were completed
 - ❖ During 2016/17 there were 211 homeless preventions

Strategic purpose: Keep my place safe and looking good

How we achieve this:

- Participate in the creation of safe and well maintained places
- Demonstrate concern and care for the environments
- Create a sense of belonging and pride in our neighbourhoods
 - ❖ The increased take up of the bulky waste service has seen a reduction in fly tipping

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

How we achieve this:

- Help create flourishing town and district centres
- Support the provision of leisure opportunities for the whole Borough
- Provide well maintained community parks and green spaces
- Provide and support high quality, culturally diverse events and arts activities
 - ❖ There were over 24,650 attendances at Redditch Borough Council events during 2016/17
 - ❖ Redditch has hosted the Pearl Izumi Tour Series cycle race for the last 5 years and it attracts over 10,000 visitors each year with an estimated income of around £120k for the Worcestershire economy

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page 32. The objective is to demonstrate to council tax payers and housing rent payers how the funding available to the Authority (ie Government grants, council tax, rents and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's strategic purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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

Strategic Purpose	Budget £'000	Actuals £'000	Variance £'000
Keep my place safe and looking good	5,094	4,582	(512)
Help me run a successful business	8	(40)	(48)
Help me be financially independent	531	58	(473)
Help me to live my life independently	410	381	(29)
Help me find somewhere to live in my locality	1,208	1,235	27
Provide Good things for me to see, do and visit	1,382	1,487	105
Enable others to work/do what they need to do (to meet their purpose)	7,519	7,459	(60)
Costs recovered from the Housing Revenue Account	(4,747)	(3,760)	987
Totals	11,405	11,402	(3)
Corporate Financing	(11,405)	(11,750)	(345)
General Fund Surplus	-	(348)	(348)
Planned Use of Balances	-	477	477
Contribution to reserves	-	(933)	(933)
Total as reported on Expenditure and Funding Analysis	-	(804)	(804)

The actuals reported above are based on the management accounts for the authority. The management accounts are prepared on controllable budgets and there is a difference to the definitions used in the comprehensive income and expenditure summary (CIES) and the expenditure and funding analysis (EFA).

As an example the management accounts would record and manage any direct revenue financing of capital expenditure within the strategic priority but this would be recorded as other income and expenditure in the EFA.

The surplus is consistent with the management accounts reported throughout the year.

Keep my place safe and looking good

There has been additional income generated from planning applications, bulky waste, work recharged to Worcestershire County Council and an increase in cremations earlier in the day. In addition savings have been realised from proactive maintenance in previous years, energy costs and vacancy or maternity leave.

Help me run a successful business

There has been a steady increase in licensing income throughout the year to result in additional income compared with the budget

Help me be financially independent

The majority of this variance relates to the benefit subsidy which cannot be readily determined for projection in a financial year and results in a variance to that anticipated. In addition the income from overpayment is higher than that expected; there is a bad debt provision in place to support any irrecoverable debt.

Help me to live my life independently

There has been a renegotiation of contracts within Lifeline to increase income generated.

Help me find somewhere to live in my locality

The overspend to budget reflects the cost associated with the interest free lifetime loans that the Council has entered into over the last number of years.

Provide Good things for me to see, do and visit

There are significant shortfalls in income generated due to the sports centres and golf club not achieving the expected income. The recent works to improve capacity at the Abbey Stadium has started to show an increase in usage and this should ensure that current members are retained along with new membership generated. Officers continue to review the position with the aim to make the service as efficient as possible whilst securing income.

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

There has been an increase in income from the property portfolio owned by the Council together with savings from utility and contract charges.

Additional income has been received from legal service contract work and savings made on training whilst the skills matrix is being developed as a result of the staff survey.

As part of the budget setting a saving is identified to be realised from management of vacancies across the Council. For 2016/17 this was £245k and has been reallocated from Corporate Management to the Strategic Purposes based on a proportion of the underspend in the area.

Costs recovered from the Housing Revenue Account

The adverse variance on the recovery of costs from the HRA arises from an error made in the recharge calculation in the General Fund where the HRA recovery assumption was increased by £987k without the corresponding cost on the HRA. The HRA has paid the due amount of £3,760k not the £4,747k as included in the budget allocations. This overspend has been met by other savings in 2016/17 and officers are currently addressing the impact into 2017/18.

Corporate Financing

The projected saving on borrowing costs of £125k has materialised due to slippage on the capital programme. In addition there has been a repayment made from the Business Rates Pool and other grants and receipts received of approximately £220k.

Housing Revenue Account (HRA)

Details on the HRA are provided on pages 70 to 74. Overall, the HRA balances to a zero net expenditure and there has been no transfer to or from HRA Balances. Compared with budget there was a £278k reduction in rent income which was mainly due to increased right-to-buy receipts. Expenditure on repairs and maintenance was £689k higher than budgeted due to extreme high demand for ad hoc repairs and increased number of voids requiring major works. Overall the HRA income and expenditure account funded £1,184k of capital expenditure on acquisition of new property and contributed £540k to the HRA Capital Reserve for future acquisitions or the repayment of debt.

The Movement in Reserves Statement

This Statement, often referred to as MiRS, is set out on page 15. It shows movement in the year on the different reserves held by Redditch, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing our services, more details of which are shown in the Comprehensive Income and Expenditure Summary (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'Net Increase /Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by Redditch.

Comprehensive Income and Expenditure Summary

This statement, often referred to as the CIES, is on page 16 and shows the expenditure and income in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet

The Balance Sheet is set out on page 17, shows the value as at the Balance Sheet date of our assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services on the disposal of the asset.

The main changes to the Balance Sheet in 2016/17 are:-

Fixed Assets –there has been a £37,606k increase in the valuation of the Housing Revenue Account dwellings which accounts for the majority of the increase of property, plant and vehicles.

There has been an increase in pension deficit from £65,375k to £73,881k. Note 35 on page 63 provides a detailed analysis of the pension changes but the main reasons for the change are increased liabilities from changes in actuary assumptions (£24,714k) offset by financial return on assets (£16,208k).

Group Accounts

The Code requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Redditch does not have material interests in such bodies and accordingly is not required to prepare group financial statements.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of Redditch during the reporting period. The statement shows how we generate and use cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by way of taxation and grant income or from the recipients of services provided by Redditch. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to our future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Redditch Borough Council

Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

Annual Governance Statement

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

The Authority's Responsibilities

Redditch Borough Council is required to:

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

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

The Executive Director of Finance and Resources is responsible for the preparation of Redditch Borough Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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

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

The Executive Director of Finance and Resources has also:

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

The Accounts present a true and fair view of the financial position of Redditch Borough Council at 31 March 2017 and its income and expenditure for the year ended on that date.

SIGNED

27th June 2017

ANNUAL GOVERNANCE STATEMENT 2016/17

Scope of Responsibility

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

The Governance Framework

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

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan has recently been approved to reflect the activities that need to be undertaken by the Council to further support the delivery of these purposes.
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Councils aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the Borough
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Executive and the other Committees operated by the Council
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by Council. An officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements
- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross party Member Development Steering Group and includes; induction, chairmanship and specific Committee based training
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the scheme of delegation to officers
- Decision making is carried out through Executive, Planning Committee and Audit, Standards and Governance Committee . Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.

- Regular staff briefings and 4th tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition the Council is looking at increasing the revenue generated by taking a more commercial approach to its activities. With this in mind working groups of officers have been established to further identify and develop opportunities.
- Robust financial management arrangements in place through regular budget monitoring, on line purchase ordering systems and robust financial internal controls ensure that the Council complies with statutory legislation
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner. This is currently under review to ensure it best meets the Council's needs
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no issues raised during 2016/17
- The Constitution clearly defines the roles of Monitoring officer, S151 and Head of Paid Service
- A whistleblowing policy is in place and is to be reviewed in 2017/18
- Regular press releases are submitted and on line information about the Council is sent to residents to inform them of the Council's activities and services provided. In addition information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

Review of Effectiveness

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

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

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

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

There have been three code of conduct complaints reported to the Audit Standards and Governance Committee. Two have been investigated and resolved locally and one ongoing.

- **Internal Audit**
RBC's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

The Worcestershire Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources.

During 2016/17 the Internal Audit team delivered a comprehensive programme including:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example Governance, and

- a number of operational systems, for example – bereavement, housing, ICT and customer services were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

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

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

Internal Audit reports are considered by the relevant Head of Service and Director of Finance and Resources, before submission to the Audit, Standards and Governance Committee for further scrutiny. In relation to the 27 reviews that have been undertaken, 21 have been finalised and 6 are at draft report stage. Areas which returned an assurance level of 'limited' were Contracts – post contract appraisals, Performance Measures, Risk Management, Housing Capital Programme, Community Centres and Allotments. Due to the nature of the findings in regard to the Contracts – post contract appraisals a further piece of work which focussed on the Housing Capital Programme was commissioned after discussions between Senior Management Team and the Head of Internal Audit. This was a significant piece of work for internal audit lasting approximately three months culminating in a number of high risk areas that required immediate attention being identified. A key outcome of this review was a decision by the Senior Management Team to employ a Senior Contracts Manager who is now working on developing as well as delivering a robust action plan to address the identified risks. The Manager is reporting directly to the Senior Management Team and internal audit have worked with the team sharing information. Further work is required to embed risk management throughout the organisation with the outcomes now being monitored by the Executive Director - Finance and Resources. Actions include development of a new risk management strategy together with improvements to reporting of the Corporate Risk Register to Committee.

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

Significant Governance Issues

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

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

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

An opinion from the Head of Worcestershire Internal Audit is provided in the accounts on pages 13 and 14.

Following an Internal Audit report an independent investigation is being carried out to identify the nature and extent of non-compliance with procurement regulations and the Council's standing orders.

Local Government Ombudsman

There have been six reported cases to the Ombudsman within 2016/17, all have been resolved. One of the six cases had an outcome of maladministration, however the apology and write off of the outstanding minor debt was accepted as an appropriate resolution by the Ombudsman.

Signed Date

Signed Date

Leader of the Council & Chief Executive on behalf of Redditch Borough Council

Certificate of the Chief Financial Officer

I certify that:

- (a) the Statement of Accounts for the year ended 31 March 2017 has been prepared in the form directed by the Code and under the accounting policies set out on pages 19 to 28.
- (b) in my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

.....
Chief Financial Officer
27th June 2017

Authority Approval of Statement of Accounts

These accounts were approved by resolution of the Council on

.....
Chairman

.....
Date

Worcestershire Internal Audit Shared Service Opinion on the Effectiveness of the System of Internal Control at Redditch Borough Council (the Council) for the Year Ended 31st March 2017.

1. Audit Opinion

- 1.1 The internal audit of Redditch Borough Council's systems and operations during 2016/17 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Standards and Governance Committee on 21st April 2016 and any subsequent revision.
- 1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms with CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 1.3 The Internal Audit Plan for 2016/2017 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk) using a predefined scoring system. It included:
 - a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
 - a number of operational systems, for example, allotments, bereavement services, planning enforcement, grants to voluntary bodies were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 1.4 The 2016/17 internal audit plan and any revision thereto, was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.
- 1.5 In relation to the 27 reviews that have been undertaken, 21 have been finalised and 6 are at draft report stage. Areas which returned an assurance level of 'limited' were Contracts – post contract appraisals, Performance Measures, Risk Management, Housing Capital Programme, Community Centres and Allotments. Due to the nature of the findings in regard to the Contracts – post contract appraisals a further piece of work was commissioned after discussions between Senior Management Team and the Head of Internal Audit which focussed on the Housing Capital Programme. This was a significant piece of work for internal audit lasting approximately three months culminating in a number of high risk areas being identified that required immediate attention. A key outcome of this review was a decision by Senior Management Team to employ a Senior Contracts Manager who is now working on developing as well as delivering a robust action plan to address the identified risks. The Manager is reporting directly to the Senior Management Team and internal audit have worked with the team sharing information.
- 1.6 A clear management action plan has been formulated to address the issues identified in all the other audit areas where 'limited' assurance was identified to mitigate the risk. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer. Further work is required to embed risk management throughout the organisation with the outcomes now being monitored by the Executive Director - Finance and Resource. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer from the relevant Service Manager.
- 1.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. No areas of significant risk have been identified in addition to those already identified in the audit work completed. Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.

- 1.8 The majority of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of significant transformation and change. However, there were 6 audits allocated a 'limited' assurance which indicates weaknesses in the design and / or inconsistent application of controls potentially putting the achievement of the organisation's objectives at risk in those areas reviewed. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively.
- 1.9 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein. Based on the audits performed in accordance with the approved plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2016/17 effectively managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. However, there remains a significant risk which could jeopardise this in the future in regard to the Housing Capital Programme and Risk Management. Close monitoring of deployed measures are set to continue but the need to reduce the overall risk and work towards a better approach beyond 2016/17 will be critical to create better transparency, expectation and accountability. This will be necessary in order to ensure the Borough can deliver a satisfactory housing capital programme, manage its risk management effectively, and, ensure other areas which attracted a 'limited' assurance develop and deploy a sound control environment.

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

Redditch Borough Council

Movement in Reserves Statement For the current and comparative year

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	HRA Balance	Earmarked HRA Reserves	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2015	1,984	2,616	4,600	1,031	16,039	17,070	1,623	13	808	24,114	49,046	73,160
<u>Movement in reserves during the year</u>												
Total Comprehensive Income and Expenditure	(1,260)	0	(1,260)	4,531	0	4,531	0	0	0	3,271	5,980	9,251
Adjustments between accounting basis & funding basis under regulations (Note 9)	107		107	(1,156)	0	(1,156)	135	108	440	(366)	366	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,153)	0	(1,153)	3,375	0	3,375	135	108	440	2,905	6,346	9,251
Transfers to or from earmarked reserves	1,193	(1,193)	0	(2,931)	2,931	0				0		0
(Increase)/Decrease in Year	40	(1,193)	(1,153)	444	2,931	3,375	135	108	440	2,905	6,346	9,251
Balance as at 31 March 2016	2,024	1,423	3,447	1,475	18,970	20,445	1,758	121	1,248	27,019	55,392	82,411
Closing General Fund and HRA Balance 31 March 2016						23,892						
<u>Movement in reserves during the year</u>												
Total Comprehensive Income and Expenditure	675	0	675	40,515	0	40,515	0	0	0	41,190	(6,262)	34,928
Adjustments between accounting basis & funding basis under regulations	(411)		(411)	(39,975)		(39,975)	2,429	(29)	20	(37,966)	37,966	0
Net Increase/Decrease before Transfers to Earmarked Reserves	264	0	264	540	0	540	2,429	(29)	20	3,224	31,704	34,928
Transfers to or from earmarked reserves	(393)	393	0	(540)	540	0				0		0
(Increase)/Decrease in Year	(129)	393	264	0	540	540	2,429	(29)	20	3,224	31,704	34,928
Balance Sheet as at 31 March 2017	1,895	1,816	3,711	1,475	19,510	20,985	4,187	92	1,268	30,243	87,096	117,339
Closing General Fund and HRA Balance 31 March 2017						24,696						

Redditch Borough Council

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

Notes

		2016/17			RESTATED 2015/16		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Enabling of the Authority		5,833	(906)	4,927	5,524	(1,627)	3,897
Help me be financially independent (including Education and Skills)		25,136	(25,073)	63	26,121	(25,527)	594
Help me find somewhere to live in my locality		1,567	(733)	834	1,632	(697)	935
Help me to live my life independently (including Health and Activity)		3,153	(2,938)	215	3,571	(3,189)	382
Help me run a successful business		1,060	(1,174)	(114)	930	(1,154)	(224)
Keep my place safe and looking good		6,890	(2,620)	4,270	7,579	(2,723)	4,856
Provide good things for me to see, do and visit		4,727	(3,546)	1,181	4,996	(3,363)	1,633
Local authority housing - (HRA)		(20,009)	(24,948)	(44,957)	15,851	(25,426)	(9,575)
Cost of Services		28,357	(61,938)	(33,581)	66,204	(63,706)	2,498
Other Operating Expenditure	11	(1,853)		(1,853)	173		173
Financing and Investment Income and Expenditure	12	5,854	(9)	5,845	5,641	(209)	5,432
Taxation and Non-Specific Grant Income and Expenditure	13	12,691	(24,292)	(11,601)	11,750	(23,124)	(11,374)
(Surplus) or Deficit on Provision of Services				(41,190)			(3,271)
(Surplus) or deficit on revaluation of Property, Plant and Equipment	14, 15			(1,156)			(2,102)
Recognition of Long Term Debtors which in previous years were treated as revenue expenditure charged to capital under statute				(327)			0
Remeasurement of the net defined benefit liability/(asset)	35			7,745			(3,878)
Other Comprehensive Income and Expenditure				6,262			(5,980)
Total Comprehensive Income and Expenditure				(34,928)			(9,251)

Redditch Borough Council

Balance Sheet as at 31 March 2017

	Notes	31st March 2017 £000	31st March 2016 £000
Property, Plant & Equipment	14/14a	298,853	258,242
Heritage Assets		53	54
Intangible Assets	15	187	273
Long Term Debtors	16	950	731
Long Term Assets		300,043	259,300
Inventories	17	322	282
Short Term Debtors	18	7,204	7,435
Cash and Cash Equivalents	19	901	0
Assets held for sale	20	0	101
Current Assets		8,427	7,818
Cash and Cash Equivalents	19	0	(480)
Short Term Borrowing	16	(3,000)	(5,000)
Short Term Creditors	21	(8,138)	(8,130)
Provisions	22	(1,830)	(1,669)
Current Liabilities		(12,968)	(15,279)
Long Term Borrowing	16	(104,063)	(104,053)
Other Long Term Liabilities	35	(73,881)	(65,375)
Capital Grants received in advance	31	(219)	0
Long Term Liabilities		(178,163)	(169,428)
Net Assets		117,339	82,411
Usable reserves	23	30,243	27,019
Unusable Reserves	24	87,096	55,392
Total Reserves		117,339	82,411

Redditch Borough Council

Cash Flow Statement at 31 March 2017

	Notes	2016/17 £000	2015/16 £000
Net surplus on the provision of services		41,190	3,271
Adjustment to surplus or deficit on the provision of services for non-cash movements	25	(26,256)	10,681
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	(6,367)	(5,691)
Net cash flows from Operating Activities		8,567	8,261
Investing Activities	26	(4,970)	(5,376)
Financing Activities	27	(2,216)	(3,209)
Net increase or decrease in cash and cash equivalents		1,381	(324)
Cash and cash equivalents at the beginning of the reporting period		(480)	(156)
Cash and cash equivalents at the end of the reporting period		901	(480)

Redditch Borough Council

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

1 Accounting Policies

General Principles

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

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

Summary of Significant Accounting Policies

i) Accruals of Income and Expenditure

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

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

ii) Cash and Cash Equivalents

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

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

iv) Charges to Revenue for Non-Current Assets

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

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

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

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

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

Accounting for Council Tax and NDR

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

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

**vi) Employee Benefits
Benefits Payable During Employment**

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

Termination benefits

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

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

Post Employment Benefits

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on the indicative rate of return on a basket of high quality corporate bonds, government gilts and other factors).
- The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

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

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

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

Discretionary Benefits

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

vii) Events After the Reporting Period

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

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

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

xviii) Fair Value Measurement

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

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

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

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

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

ix) Financial Instruments**Financial Liabilities**

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-sale assets

The Council has no available for sale assets

x) Government Grants and Contributions

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

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

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

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

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

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

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

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

xii) Intangible Assets

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

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

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

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

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

xiii) Inventories and Long Term Contracts

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

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

xiv) Joint Operations

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

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

xv) Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor**Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xvi) Materiality

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

xvii) Overheads and Support Services

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

xviii) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings - the s151 Officer has reviewed the use of the Major Repairs Allowance as depreciation for Housing Revenue Account properties, and considers this to be a reasonable estimate for depreciation cost. An amount equivalent to the Major Repairs Allowance has been used as the annual depreciation charge for HRA assets. Other buildings – straight-line allocation over the useful life of the property as estimated by the valuer and is between 15-100 years.
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

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

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xix) Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

Job evaluation was implemented during 2016-17 and backpay was included where appropriate. There is no provision for backpay or equal pay claims.

Contingent Liabilities

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

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

Contingent Assets

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

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

xx) Reserves

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

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

xxi) Revenue Expenditure Funded from Capital under Statute

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

xxiii) Shared Services

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

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

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

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

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

xxiii) Value Added Tax (VAT)

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

Redditch Borough Council

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

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

International Accounting Standard (IAS) 8 requires that the Council disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the code. The 2017/18 CIPFA code of Practice include the amendments listed below; it is expected that these will have no material impact on the Statement of Accounts.

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

Note 3 Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council holds earmarked reserves of £1,816k and a General Fund Balance of £1,895k.

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

The Council has made a provision against the potential cost of business rates appeals based on indicative information from the Valuation Office combined with other factors including the outcome of previous appeals and local knowledge. In total the provision for rating appeals at 31 March 2017 was £2,842k and the Council share is 40% amounting to £1,137k. Further details are in Note 22 on page 48.

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

Redditch Borough Council

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for PPE (excluding Council dwellings) would increase by £86k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate would result in a decrease in the pension liability of £2,953k. Further sensitivity analysis can be seen in the defined benefit pension scheme note.
Bad Debt Provisions	As at 31 March 2017 the Council had sundry debtor arrears of £1.280m. Provisions for bad debts are made according to the age of the debt and past experience and a provision of £168k is in place in respect of these balances.	If recoverability of these balances were to fall the amount set aside as a provision for bad debts would have to increase. For example, if recoverability of all ages of debt fell by 10% an additional £46k would have to be set aside.
Provision for Business Rates Appeals	Since the introduction of the Business Rates Retention Scheme the Council has been liable for its share of the cost of successful appeals against business rates charged to businesses. A provision has been established for the estimated cost of outstanding appeals. The provision is based on the current list of appeals based on various factors including the outcomes of previous appeals, local knowledge and indicative information from the Valuation Office Agency.	Should the success rate of appeals increase the provision would need to increase accordingly. A 10% increase in the cost of successful appeals would increase Councils share of the provision required by £114k. The provision only covers appeals lodged to date. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk that national and local appeals may have a future impact on the accounts.

Redditch Borough Council

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

Note 5 Material Items of Income and Expense

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

Non-current Assets have increased from £258,242k to £298,667k and this mainly relates to revaluation of Council dwellings and garages which have increased in the year by £37,743k. The increase follows an increase to the social housing factor which has changed from 34% to 40% for the West Midlands. The increase in the valuation follows a deduction in 2010 when the social housing factor was last adjusted. In 2010/11 £56,218k was charged against the housing revenue account income and expenditure account. The increased valuation has been credited back to the housing revenue account income and expenditure account to largely reverse the 2010/11 charge.

There has been an increase in pension deficit from £65,375k to £73,881k. Note 35 on pages 63 to 65 provides a detailed analysis of the pension changes but the main reasons for the change are increased liabilities (£24,714k), offset by increased assets (£16,208k).

Note 6 Events after the Reporting Period

The Council has entered into an arrangement with the Worcestershire Pension Fund to make an advance payment of pension contributions. The advance payment covers three years of pension contributions covering both the lump sum payments due to recover the prior year deficits and also 90% of the anticipated future contributions on current membership payments. The advance payment totalled £11,039k covering the financial years 2017/18 to 2019/20. Over the three years the discount amounts to £759k.

Redditch Borough Council

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

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

2016/17			Strategic Purpose	2015/16		
Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
6,241	1,314	4,927	Enabling of the Authority	3,885	(12)	3,897
(51)	(114)	63	Help me be financially independent (including Education and Skills)	806	212	594
828	(6)	834	Help me find somewhere to live in my locality	1,070	135	935
143	(72)	215	Help me to live my life independently (including Health and Activity)	531	149	382
(340)	(226)	(114)	Help me run a successful business	(238)	(14)	(224)
3,555	(715)	4,270	Keep my place safe and looking good	4,530	(326)	4,856
725	(456)	1,181	Provide good things for me to see, do and visit	1,639	6	1,633
(5,323)	39,634	(44,957)	Local authority housing - (HRA)	(8,368)	1,207	(9,575)
5,778	39,359	(33,581)	Net Cost of Services	3,855	1,357	2,498
(6,582)	1,027	(7,609)	Other Income and Expenditure	(6,077)	(308)	(5,769)
(804)	40,386	(41,190)	Surplus or Deficit	(2,222)	1,049	(3,271)
(23,892)	-	-	- Opening General Fund and HRA Balance	(21,670)	-	-
(804)	-	-	- Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(2,222)	-	-
(24,696)	-	-	- Closing General Fund and HRA Balance at 31 March	(23,892)	-	-

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

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

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

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

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

Redditch Borough Council

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

Note 7a Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Other Differences	Total
	£000	£000	£000	£000	£000
Enabling of the Authority	(37)	1,349	2	0	1,314
Help me be financially independent (including Education and Skills)	(3)	(113)	2	0	(114)
Help me find somewhere to live in my locality	0	(7)	1	0	(6)
Help me to live my life independently (including Health and Activity)	(61)	(11)	0	0	(72)
Help me run a successful business	(223)	(4)	1	0	(226)
Keep my place safe and looking good	(443)	(273)	1	0	(715)
Provide good things for me to see, do and visit	(330)	(128)	2	0	(456)
Local authority housing - (HRA)	38,927	707	0	0	39,634
Net Cost of Services	37,830	1,520	9	0	39,359
Other Income and Expenditure from the Expenditure and Funding Analysis	2625	(2,281)	683	0	1,027
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	40,455	(761)	692	0	40,386

Adjustments between Funding and Accounting Basis 2015/16

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Other Differences	Total
	£000	£000	£000	£000	£000
Enabling of the Authority	336	(352)	3	0	(12)
Help me be financially independent (including Education and Skills)	(5)	215	2	0	212
Help me find somewhere to live in my locality	(9)	143	1	0	135
Help me to live my life independently (including Health and Activity)	14	134	1	0	149
Help me run a successful business	(19)	5	0	0	(14)
Keep my place safe and looking good	(496)	168	2	0	(326)
Provide good things for me to see, do and visit	(355)	357	4	0	6
Local authority housing - (HRA)	767	440	0	0	1,207
Net Cost of Services	233	1,111	13	0	1,357
Other Income and Expenditure from the Expenditure and Funding Analysis	892	(2,179)	979	0	(308)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,125	(1,068)	992	0	1,049

Redditch Borough Council

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

Note 7b Segmental Income and Expenditure

Income and expenditure on a segmental basis are analysed below:

2016/17	Revenue from External Customers	Revenues from Transactions with Other Operating Segments of the Authority	Interest Revenue	Interest Expense	Depreciation and Amortisation	Material Non- cash Items other than Depreciation and Amortisation
	£000	£000	£000	£000	£000	£000
Enabling of the Authority	(1,669)	2,216	(9)	14	355	0
Help me be financially independent (including Education and Skills)	(3,031)	0	0	0	3	0
Help me find somewhere to live in my locality	(289)	0	0	0	0	0
Help me to live my life independently (including Health and Activity)	(852)	0	0	0	61	0
Help me run a successful business	(1,170)	0	0	0	137	0
Keep my place safe and looking good	(2,546)	0	0	0	443	0
Provide good things for me to see, do and visit	(3,519)	0	0	0	347	0
Local authority housing - (HRA)	(24,949)	0	0	3,559	6,061	37,743
Total Income Analysed on a Segmental Basis	(38,025)	2,216	(9)	3,573	7,407	37,743

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

2015/16	Revenue from External Customers	Revenues from Transactions with Other Operating Segments of the Authority	Interest Revenue	Interest Expense	Depreciation and Amortisation	Material Non- cash Items other than Depreciation and Amortisation
	£000	£000	£000	£000	£000	£000
Enabling of the Authority	(1,639)	1,113	(22)	21	360	0
Help me be financially independent (including Education and Skills)	(1,068)	38	0	0	5	0
Help me find somewhere to live in my locality	(2,617)	137	0	0	9	0
Help me to live my life independently (including Health and Activity)	(800)	4	0	0	57	0
Help me run a successful business	(1,252)	22	0	0	18	0
Keep my place safe and looking good	(2,614)	2,170	0	0	496	0
Provide good things for me to see, do and visit	(3,338)	0	0	0	355	0
Local authority housing - (HRA)	(24,894)	0	0	3,542	5,967	397
Total Income Analysed on a Segmental Basis	(38,222)	3,484	(22)	3,563	7,267	397

Redditch Borough Council

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

Note 8 Expenditure and Income Analysed by Nature

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

Expenditure:	2016/17 £000	2015/16 £000
Employee Benefits Expenses	14,450	17,425
Other Services Expenditure	44,239	41,949
Depreciation and Amortisation	7,407	7,267
Revaluation of HRA dwellings reversing previous losses	(37,743)	(396)
Interest Payments	5,854	5,742
Precepts and Levies	8	8
Payments to Housing Capital Receipts Pool	783	886
Gain on the Disposal of Assets	(2,644)	(762)
Income:	2016/17 £000	2015/16 £000
Fees, Charges and other service Income	(38,025)	(38,045)
Interest and Investment Income	(9)	(310)
Income for Council tax, non-domestic rates, district rate income	(8,365)	(7,502)
Government grants and Contributions	(27,145)	(29,058)
Other Income	0	(475)
(Surplus) or Deficit on the Provision of Services	(41,190)	(3,271)

Redditch Borough Council

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

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

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

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

2016/17	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.						
Pension cost (transferred to (or from) the Pensions Reserve)	399	362				(761)
Council tax and NDR (transfers to or from the Collection Fund)	(683)					683
Holiday pay (transferred to the Accumulated Absences reserve)	(9)	0				9
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	0					0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,555	(28,953)				27,398
Total Adjustments to Revenue Resources	1,262	(28,591)	0	0	0	27,329
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,375)	(4,229)	5,604			
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	91	(91)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	783		(783)			
Posting of HRA resource from revenue to the Major Repairs Reserve		(6,061)		6,061		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(709)	0				709
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(39)	(1,185)				1,224
Total Adjustments to Revenue Resources	(1,340)	(11,384)	4,730	6,061	0	1,933
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			(2,301)			2,301
Use of the Major Repairs Reserve to finance new capital expenditure				(6,090)		6,090
Application of capital grants to finance capital expenditure	(333)	0			20	313
Total Adjustments to Capital Resources	(333)	0	(2,301)	(6,090)	20	8,704
Total Adjustments	(411)	(39,975)	2,429	(29)	20	37,966

2015/16	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repair Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.						
Pension cost (transferred to (or from) the Pensions Reserve)	645	423				(1,068)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	0	0				0
Council tax and NDR (transfers to or from the Collection Fund)	(979)					979
Holiday pay (transferred to the Accumulated Absences reserve)	(13)	0				13
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	0					0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,930	7,680				(10,610)
Total Adjustments to Revenue Resources	2,583	8,103	0	0	0	(10,686)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,888)	(2,920)	4,808			
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	14	65	(79)			
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	886		(886)			
Posting of HRA resource from revenue to the Major Repairs Reserve		(5,967)		5,967		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(37)	0				37
Mitigation of operating leases as lessee reclassified as finance leases upon transition to IFRS	28		(14)			(14)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(932)	0				932
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(34)	(437)				471
Total Adjustments to Revenue Resources	(1,963)	(9,259)	3,829	5,967	0	1,426
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			(3,725)			3,725
Use of the Major Repairs Reserve to finance capital expenditure				(5,859)		5,859
Application of capital grants to finance capital expenditure	(513)	0			440	73
Cash payments in relation to deferred capital receipts			31			(31)
Total Adjustments to Capital Resources	(513)	0	(3,694)	(5,859)	440	9,626
Total Adjustments	107	(1,156)	135	108	440	366

Redditch Borough Council

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

Note 10 Movements in Earmarked Reserves

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

	Balance as at 1 April 2015 £000	Transfers In 2015/16 £000	Transfers Out 2015/16 £000	Balance as at 31 March 2016 £000	Transfers In 2016/17 £000	Transfers Out 2016/17 £000	Balance as at 31 March 2017 £000
General Fund:							
2 Pennies	8	0	0	8	0	(8)	0
Arts Development	8	2	0	10	0	(10)	0
Business Rate grants	490	0	(483)	7	0	0	7
Car Loan Guarantee Scheme	7	0	0	7	0	(7)	0
Support for Commercialism	0	0	0	0	50	0	50
Community Development	110	0	(82)	28	50	(60)	18
Community Safety	229	304	(242)	291	357	(291)	357
Corporate Services	0	0	0	0	150	0	150
Customer Services	0	0	0	0	12	0	12
DWP FERIS	0	11	0	11	17	0	28
Economic Development	24	0	(24)	0	0	0	0
Electoral Services	74	26	0	100	45	(17)	128
Energy	0	17	0	17	0	(17)	0
Environmental Health	1	0	(1)	0	0	0	0
Environmental Services	0	0	0	0	39	0	39
Equalities	0	0	0	0	11	0	11
Equipment Replacement	0	0	0	0	100	0	100
Hemming Road Enterprise Centre	20	0	(20)	0	0	0	0
Housing Benefit Implementation	74	45	0	119	27	(119)	27
Housing Support	306	117	0	423	101	(21)	503
IT Licences	15	0	0	15	0	(15)	0
Job Evaluation	755	0	(755)	0	0	0	0
Land Charges	100	61	(62)	99	0	(90)	9
Land Drainage	20	25	0	45	195	(20)	220
Lifeline	0	14	0	14	4	(14)	4
Mercury Emissions	15	0	(1)	14	20	0	34
Planning Services	117	0	(78)	39	0	(39)	0
Public Donations - Shopmobility	29	0	(3)	26	0	(6)	20
Regulatory Service	31	0	0	31	0	(31)	0
Risk Management	19	0	(19)	0	0	0	0
Shared Services/Transformation	10	0	0	10	0	(10)	0
Sports Development	103	49	(102)	50	40	(49)	41
Town Centre	51	0	0	51	0	(7)	44
Warmer Homes	0	12	0	12	0	0	12
PPL Retained Earnings	0	(4)	0	(4)	6	0	2
Total General Fund	2,616	679	(1,872)	1,423	1,224	(831)	1,816
HRA							
Housing Capital	15,998	2,631	0	18,629	2,025	(1,185)	19,469
Job Evaluation	0	300	0	300	0	(300)	0
Supporting People	41	0	0	41	0	0	41
Total HRA	16,039	2,931	0	18,970	2,025	(1,485)	19,510
Total Earmarked Reserves	18,655	3,610	(1,872)	20,393	3,249	(2,316)	21,326

Redditch Borough Council

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

Note 11 Other Operating Expenditure

	2016/17 £000	2015/16 £000
Parish council precepts	8	8
Payments to the Government Housing Capital Receipts Pool	783	886
Gains/losses on the disposal of non current assets	(2,645)	(762)
Other	0	41
Total	(1,854)	173

Note 12 Financing and Investment Income and Expenditure

	2016/17 £000	2015/16 £000
Interest payable and similar charges	3,573	3,563
Net interest on the net defined benefit liability (asset)	2,281	2,179
Interest receivable and similar income	(9)	(22)
Income and expenditure in relation to investment properties and changes in their fair value	0	(294)
Other investment income	0	6
Total	5,845	5,432

Note 13 Taxation and Non-Specific Grant Income and Expenditure

	2016/17 £000	2015/16 £000
Income		
Council Tax Income	(5,864)	(5,436)
Non Domestic Rates Income and Expenditure	(2,501)	(2,066)
Non-ringfenced government grants	(2,473)	(3,013)
Capital Grants and Contributions	(763)	(859)
Total	(11,601)	(11,374)

Redditch Borough Council

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

Note 14 Property, Plant and Equipment

Current Year

	Property, Plant & Equipment (PP&E)								
	Council Dwellings	Land	Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
Balance as at 1 April 2016	211,548	5,890	31,654	12,067	2,799	1,372	522	1,745	267,597
Additions (Note 41)	8,991	0	505	1,450	527	6	330	0	11,809
Revaluation increases/decreases to Revaluation Reserve	0	249	318	0		0	0	3	570
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	31,751	(40)	(25)	0	0	0	0	0	31,686
Derecognition - Disposals	(2,727)	0	0	(414)	0	0	0	0	(3,141)
Derecognition - Other	0	0	0	(607)	0	0	0	0	(607)
Reclassifications & Transfers	0	0	7	0	479	0	(486)	0	
Balance as at 31 March 2017	249,563	6,099	32,459	12,496	3,805	1,378	366	1,748	307,916
Depreciation and Impairment									
Balance as at 1 April 2016	0	0	(615)	(8,202)	(538)	0	0	0	(9,355)
Depreciation Charge	(5,854)	0	(764)	(547)	(94)	0	0	0	(7,259)
Depreciation written out on Revaluation Reserve	0	0	586	0		0	0	0	586
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	5,854	0	133	0	0	0	0	0	5,987
Derecognition - Disposals	0	0	0	373	0	0	0	0	373
Derecognition - Other	0	0	0	607	0	0	0	0	607
Balance as at 31 March 2017	0	0	(660)	(7,769)	(632)	0	0	0	(9,061)
Net Book Value									
Balance as at 31 March 2017	249,563	6,099	31,799	4,727	3,173	1,378	366	1,748	298,853
Balance as at 31 March 2016	211,548	5,890	31,039	3,865	2,261	1,372	522	1,745	258,242

Redditch Borough Council

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

Note 14 a Comparative Year

	Property, Plant & Equipment (PP&E)								
	Council Dwellings	Land	Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
Balance as at 1 April 2015	211,529	5,778	30,915	10,165	2,630	1,349	484	0	262,850
Additions (Note 41)	7,791	0	410	1,897	169	23	43	67	10,400
Revaluation increases/decreases to Revaluation Reserve	0	46	9	0	0	0	0	1,716	1,771
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(5,700)	66	340	0	0	0	0	(67)	(5,361)
Derecognition - Disposals	(2,043)	0	(20)	0	0	0	0	0	(2,063)
Reclassifications & Transfers	(29)	0	0	5	0	0	(5)	29	0
Balance as at 31 March 2016	211,548	5,890	31,654	12,067	2,799	1,372	522	1,745	267,597
Depreciation and Impairment									
Balance as at 1 April 2015	0	0	(415)	(7,625)	(444)	0	0	0	(8,484)
Depreciation Charge	(5,834)	0	(663)	(577)	(94)	0	0	0	(7,168)
Depreciation written out on Revaluation Reserve	0	0	331	0	0	0	0	0	331
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	5,834	0	132	0	0	0	0	0	5,966
Balance as at 31 March 2016	0	0	(615)	(8,202)	(538)	0	0	0	(9,355)
Net Book Value									
Balance as at 31 March 2016	211,548	5,890	31,039	3,865	2,261	1,372	522	1,745	258,242
Balance as at 31 March 2015	211,529	5,778	30,500	2,540	2,186	1,349	484	0	254,366

Redditch Borough Council

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

Depreciation

All assets other than land have been depreciated using a straight line method. For the housing revenue account the depreciation is an amount equivalent to the major repairs allowance has been used which represents the estimated annual cost of maintaining the condition of the housing stock over a 30 year period and this is considered a reasonable estimate of depreciation.

The useful economic life of the assets has been determined by the Council's valuers and surveyors.

Buildings have a useful life of between 15 to 100 years.

Vehicles, plant and equipment and software licences have a useful life between 5 to 10 years.

Valuation of Property, Plant and Equipment

The basis for valuation of individual classes of asset owned by the Council is explained in the Accounting Policies. The net book value as at 31 March represents the value of the assets belonging to the Council. The Council carries out a rolling programme that ensures that all Property, Plant and Equipment is measured at fair value at least every 5 years. All valuations are carried out by the Council's valuation provider, Place Partnership Limited. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

Valuations of non-current assets carried at current value:

Description	Dwellings £000	Land £000	Building £000	Surplus Assets £000	Other Asset Classes £000	Total £000
Valued at Historical Cost					9,644	9,644
Valued at current value in:						0
2016/17	249,563	1,473	7,108	1,748		259,892
2015/16		2,780	3,329			6,109
2014/15		1,846	12,934			14,780
2013/14			4,172			4,172
2012/13			4,256			4,256
Total	249,563	6,099	31,799	1,748	9,644	298,853

Other asset classes include Vehicles, Plant and Equipment (£4,727k), Infrastructure (£3,173k), Community Assets (£1,378k) and Assets under construction (£366k).

Fair Value Hierarchy for Surplus Assets

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

2016/17 Recurring fair value measurements using:	Quoted Prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 2017 £000
Land at Upper Norgrove		1,501		1,501
Land at Middlehouse Lane		247		247
Total	0	1,748	0	1,748

2015/16 Recurring fair value measurements using:	Quoted Prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 2016 £000
Land at Upper Norgrove		1,500		1,500
Land at Middlehouse Lane		245		245
Total	0	1,745	0	1,745

Transfers between levels of the fair value hierarchy

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

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

Significant observable inputs – Level 2

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

Highest and best use of surplus assets

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

Valuation Techniques

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

Valuation Process for Surplus Assets

The fair value of the authority's Surplus Assets is measured at £1,748k. All valuations are carried out by Place Partnership Limited, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Place Partnership Limited work closely with finance officers reporting directly to the Executive Director of Finance and Corporate Resources on a regular basis regarding all valuation matters.

Redditch Borough Council

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

Note 15 Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £146k charged to revenue in the current year was charged to revenue cost centres who use the software which was mainly revenue and benefits, cashiers and the IT service.

A review was undertaken in 2016/17 to intangible assets that were no longer in use. All the assets removed were fully amortised with a net carrying value of zero. The removal of these assets is recorded in the table below through the derecognition of £191k gross carrying value and £191k amortisation.

The Movement in Intangible Assets for the Year is as Follows

	2016/17			2015/16		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
· Gross carrying amounts	0	1,791	1,791	0	1,679	1,679
· Accumulated amortisation	0	(1,518)	(1,518)	0	(1,421)	(1,421)
Net carrying amount at start of year	0	273	273	0	258	258
Additions:						
· Internal development	0		0	0	0	0
· Purchases		60	60		112	112
Derecognition		(191)	(191)			0
	0	142	142	0	370	370
Amortisation for the period	0	(146)	(146)	0	(97)	(97)
Derecognition	0	191	191	0	0	0
Net carrying amount at end of year	0	187	187	0	273	273
Comprising:						
· Gross carrying amounts	0	1,660	1,660	0	1,791	1,791
· Accumulated amortisation	0	(1,473)	(1,473)	0	(1,518)	(1,518)
Net carrying amount at end of year	0	187	187	0	273	273

Redditch Borough Council

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

Note 16 Financial Instruments

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

	Long-term		Current	
	31/03/2017 £000	31/03/2016 £000	31/03/2017 £000	31/03/2016 £000
Cash and Cash Equivalents	0	0	901	0
Cash and Cash Equivalents	0	0	901	0
Debtors				
Loans and receivables	950	731	0	0
Financial assets carried at contract amounts	0	0	4,734	5,762
Total Debtors	950	731	4,734	5,762
Borrowings				
Financial liabilities at amortised cost	(104,063)	(104,053)	(3,000)	(5,000)
Financial liabilities reflected as cash and cash equivalents	0	0	0	(480)
Total borrowings	(104,063)	(104,053)	(3,000)	(5,480)
Total other long term liabilities	(104,063)	(104,053)	(3,000)	(5,480)
Creditors				
Financial liabilities carried at contract amount	0	0	(6,239)	(7,167)
Total creditors	0	0	(6,239)	(7,167)

There has been a review of long term loans which identified that the balance had been understated by £327k. The main reasons were that loans in previous years for homes of multiple occupation (£175k) and some lifetime loans to owner occupiers had not been treated as long term debtors but recorded as revenue expenditure financed by capital by statute.

Soft Loans

	2016/17	2015/16
Opening Soft Loans	0	0
Nominal Value of New Loans Granted During the Period	31	0
The fair value adjustment on initial recognition	(7)	0
Reclassification	959	0
The fair value adjustment on reclassification	(95)	0
Nominal value of loans at the end of the period	888	0

The new advances are lifetime loans granted to owner occupiers which will be repaid on the sale of the property. The reclassification relate to lifetime loans granted to owner occupiers and loans to owners of homes of multiple occupation in previous years which will be repaid on the sale of the property. In all cases no interest is charged on the loans and a fair value adjustment has been made assuming the loan is repaid after 10 years.

Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required).

Except for the financial assets carried at fair value (described in the table above) all other financial liabilities and financial assets held by the authority are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows.

	Balance as at 31 March 2017		31st March 2016	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial Liabilities				
Financial liabilities held at amortised cost:				
PWLB Loans	98,966	116,148	98,956	107,054
Long Term Loans	5,097	6,900	5,097	6,642
Total	104,063	123,048	104,053	113,696

The fair value of borrowings is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required).

	31st March 2017				31st March 2016			
	Quoted prices in active markets for identical assets / liabilities (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total	Quoted prices in active markets for identical assets / liabilities (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Recurring Fair Value Measurements using:	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities								
Financial liabilities held at amortised cost:								
PWLB	0	116,148	0	116,148	0	107,054	0	107,054
Long Term Loan	0	6,900	0	6,900	0	6,642	0	6,642
Total	0	123,048	0	123,048	0	113,696	0	113,696

The fair value of Public Works Loan Board (PWLB) loans of £116,148k measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the (additional/reduced) interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against that would be paid if the loans were at prevailing market rate.

Financial Liabilities
- No early repayment is recognised
- The interest rates payable at 31 March 2017 range between 3.01% to 4.71% and the fair value calculation uses current lending rates for equivalent loans at that date which range from 0.95% to 1.94%.

Redditch Borough Council

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

Note 17 Inventories

	Consumable Stores		Maintenance Materials		Total	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	31	34	251	271	282	305
Purchases	19	0	832	745	851	745
Recognised as an expense in year	(11)	(3)	(824)	(769)	(835)	(772)
Written off balances			24	4	24	4
Balance outstanding at year end	39	31	283	251	322	282

Note 18 Debtors

	Long term debtors		Short term debtors	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Central Government Bodies	0	0	1,057	1,007
Other Local Authorities	0	0	1,401	2,934
Other entities and individuals	950	731	6,452	5,134
Housing Rents	0	0	1,221	1,285
Less bad debt provision	0	0	(2,927)	(2,925)
Total	950	731	7,204	7,435

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

	2016/17 £000	2015/16 £000
General Fund Debtors	(85)	(257)
Council Tax	(511)	(408)
NNDR	(688)	(760)
Housing Benefit	(1,091)	(933)
Housing Rents	(552)	(567)

Note 19 Cash and Cash Equivalents

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

	2016/17 £000	2015/16 £000	2014/15 £000
Cash and Bank balances	901	88	42
Short Term Investments	0	0	0
Short Term Deposits	0	0	0
Bank Overdraft	0	(568)	(198)
Total	901	(480)	(156)

Redditch Borough Council

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

Note 20 Assets Held for Sale

	Current	
	2016/17	2015/16
	£000	£000
Balance outstanding at start of year	101	567
Assets declassified as held for sale:		
Assets sold	(101)	(466)
Balance outstanding at year-end	0	101

The asset held for sale related to land at Birmingham Road, Redditch which was sold during 2016/17 for £105k and was held for sale with a carrying value of £101k.

Note 21 Creditors

	2016/17	RESTATED 2015/16
	£000	£000
Central government bodies	(1,573)	(2,615)
Other local authorities	(2,750)	(2,150)
Housing Rents prepaid	(561)	(555)
Other entities and individuals	(3,254)	(2,810)
Total	(8,138)	(8,130)

An adjustment has been made to the Employee Benefit Provision for 2015/16 as it was incorrectly classified under creditors instead of within in the provision calculation.

Redditch Borough Council

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

Note 22 Provisions

	Balance as at 1 April 2016 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2017 £000
Compensation Payments	(520)	(28)	0	(548)
NNDR Appeals	(995)	(142)	0	(1,137)
Employee Benefit	(154)	9	0	(145)
Total	(1,669)	(161)	0	(1,830)

Comparative Year

	RESTATED			
	Balance as at 1 April 2015 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2016 £000
Compensation Payments	(480)	(40)	0	(520)
NNDR Appeals	(1,435)	0	440	(995)
Employee Benefit	(167)	13		(154)
Total	(2,082)	(27)	440	(1,669)
Current Provisions	(2,082)	(27)	440	(1,669)
Long Term Provisions	0	0	0	0
Total	(2,082)	(27)	440	(1,669)

An adjustment has been made to the Employee Benefit Provision for 2015/16 as it was incorrectly classified under creditors instead of within in the provision calculation.

Business Rates Appeals Provision

The Council has set aside a provision for any potential liabilities as a result of business rates appeals against rateable value. The Council is responsible for a 40% share of any successful appeals and the £1,137k is an estimate of the potential refunds based on appeals received up to 31st March 2017.

Insurance Provision

The Council also holds a provision for potential insurance claims, this is currently £548k. The Council self insures up to the value of £27k per claim and this provision is calculated with regard to the level of outstanding claims.

Redditch Borough Council

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

Note 23

Usable Reserves

	31/03/2017	31/03/2016
	£000	£000
Capital Receipt Reserve	4,187	1,758
Capital Grants Unapplied	1,268	1,248
Major Repairs Reserve	92	121
HRA Balances	1,475	1,475
HRA Earmarked Reserves	19,510	18,970
General Fund Balances	1,895	2,025
General Fund Earmarked Reserves	1,816	1,423
Total Unusable Reserves	30,243	27,020

Capital Receipts Reserve

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

	31/03/2017	31/03/2016
	£000	£000
Balance 1 April	1,758	1,623
Capital Receipts in year	5,513	4,729
Deferred Receipts realised	0	17
Sub-Total	7,271	6,369
Less:		
Capital Receipts Pooled	(783)	(886)
Capital Receipts used for financing	(2,301)	(3,725)
Balance 31 March	4,187	1,758

The main capital receipts were from the sale of Council houses (£4,046k) and a release of a covenant in Nine Days Lane (£1,240k).

General Fund capital receipts received in 2016/17 (£1,375k mainly consisting of the Nine Days Lane receipt) have not been used for capital financing. The reason for this is that from 1st April 2016 local authorities have had more flexibility in the use of capital receipts. There is greater scope to use the capital receipts to fund upfront costs that will generate ongoing savings and/or transform service delivery. The £1,375k will be carried forward and used either for financing capital investment or funding projects qualifying for the flexible use.

There are also £2,207k housing revenue account capital receipts earmarked for financing the acquisition of new housing stock. Under the regulations capital receipts can be used to fund 30% of the acquisition with the remaining 70% being funded for the HRA earmarked reserves.

Major Repairs Reserve

The major repairs reserve receives the depreciation relating to housing revenue account assets which totalled £6,061k in the year. The reserve was used to finance £6,090k of the Housing Investment Programme reducing the balance held in the reserve from £121k to £92k.

	2016/17	2015/16
	£000	£000
Balance at 1 April	121	13
Depreciation	6,061	5,967
Capital expenditure on HRA Land, Houses and Other Property	(6,090)	(5,859)
Balance at 31 March	92	121

Capital Grants Unapplied

	31/03/2017 £000	31/03/2016 £000
Balance on 1 April	1,248	808
Unapplied Capital Grants received in year	333	513
Capital Grants applied in year to finance capital projects	(313)	(73)
Balance on 31 March	1,268	1,248

Redditch Borough Council

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

Note 24 Unusable Reserves

	31/03/2017	31/03/2016
	£000	£000
Revaluation Reserve	11,388	10,424
Available for Sale Financial Instruments Reserve	0	0
Capital Adjustment Account	149,653	110,433
Financial Instruments Adjustment Account	0	0
Deferred Capital Receipts Reserve (England and Wales)	0	666
Pensions Reserve	(73,881)	(65,374)
Collection Fund Adjustment Account	80	(603)
Unequal Pay Back Pay Account	0	0
Accumulated Absences Account	(144)	(154)
Total Unusable Reserves	87,096	55,392

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

	31/03/2017	31/03/2016
	£000	£000
Balance at 1 April	10,424	9,064
Upward revaluation of assets	1,156	2,102
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	1,156	2,102
Difference between fair value depreciation and historical cost depreciation	(192)	(742)
Amount written off to the Capital Adjustment Account	(192)	(742)
Balance at 31 March	11,388	10,424

Capital Adjustment Account

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

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

	31/03/2017		31/03/16	
	£000	£000	£000	£000
Balance at 1 April		110,433		109,255
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(1,273)		(7,170)	
Revaluation losses on Property, Plant and Equipment	31,686		605	
Amortisation of Intangible Assets	(146)		(97)	
Revenue expenditure funded from capital under statute	(430)		(512)	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,869)		(3,979)	
		26,968		(11,153)
Adjusting amounts written out of the Revaluation Reserve		519		742
Net written out amount of the cost of non current assets consumed in the year		27,487		(10,411)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	2,301		3,725	
Use of the Major Repairs Reserve to finance new capital expenditure	6,090		5,859	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	430		346	
Application of grants to capital financing from the Capital Grants Unapplied Account	313		73	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	709		932	
Capital expenditure charged against the General Fund and HRA balances	1,224		471	
		11,067		11,406
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0		197
Deferred Capital Receipts realised		666		(14)
Balance at 31 March		149,653		110,433

Pensions Reserve

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

	31/03/2017 £000	31/03/2016 £000
Balance at 1 April	(65,375)	(68,184)
Remeasurements of the net defined benefit liability/(asset)	(7,745)	3,878
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,876)	(4,942)
Employers pensions contributions and direct payments to pensioners payable in the year	4,115	3,873
Balance at 31 March	(73,881)	(65,375)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

During 2016/17 a review of deferred capital receipts was completed which identified that the source of the deferred capital receipt was loans to long term debtors rather than disposals of a non-current assets with a deferred cash settlement. As a result the deferred capital receipt account has been written down to zero by a transfer to the Capital Adjustment Account.

	31/03/2017 £000	31/03/2016 £000
Balance at 1 April	666	660
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	37
Transfer to the Capital Receipts Reserve upon receipt of cash	0	(31)
Deferred Capital Receipts written down on review of Long Term Debtors	(666)	0
Balance at 31 March	0	666

Collection Fund Adjustment Account

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

	31/03/2017 £000	31/03/2016 £000
Balance at 1 April	(603)	(1,582)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	683	979
Balance at 31 March	80	(603)

Accumulated Absences Account

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

	31/03/2017 £000	31/03/2016 £000
Balance at 1 April	(154)	(167)
Settlement or cancellation of accrual made at the end of the preceding year	154	167
Amounts accrued at the end of the current year	(145)	(154)
Balance at 31 March	(145)	(154)

Redditch Borough Council

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

Note 25 Cash Flow Statement - operating activities

The cash flows from operating activities include the following items

	2016/17 £000	2015/16 £000
Interest Paid	3,546	3,569
Interest Received	(9)	(22)

	2016/17 £000	2015/16 £000
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation	7,259	7,168
Impairment & downward valuations	(37,672)	(603)
Amortisation	146	97
(Increase)/Decrease in Debtors	1,890	(2,476)
Increase/(Decrease) in Creditors	(2,220)	2,029
(Increase)/Decrease in Inventories	(41)	23
Movement in pension liability	761	1,068
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	2,869	3,979
Other items charged to the net surplus or deficit on provision of services	752	(604)
Total	(26,256)	10,681

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of PP&E, investment property and intangible assets	(5,604)	(4,832)
Any other items	(763)	(859)
Total	(6,367)	(5,691)

Note 26 Cash Flow From Investing Activities

	2016/17 £000	2015/16 £000
Purchase of PP&E, investment property and intangible assets	(11,761)	(11,078)
Purchase of Short Term Investments (not considered to be cash equivalents)	(63,150)	(53,650)
Other Payments for Investing Activities	188	0
Proceeds from the sale of PP&E, investment property and intangible assets	5,573	4,808
Proceeds from Short Term Investments (not considered to be cash equivalents)	63,150	53,650
Other Receipts from Investing Activities	1,030	894
Net Cash flows from Investing Activities	(4,970)	(5,376)

Note 27 Cash flows from Financing Activities

	2016/17 £000	2015/16 £000
Cash Receipts from Short and Long Term Borrowing	21,300	35,200
Repayment of Short and Long Term Borrowing	(23,300)	(39,200)
Other payments for Financing Activities	(216)	791
Net Cash flows from Financing Activities	(2,216)	(3,209)

Redditch Borough Council

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

Note 28 Members' Allowances

During the year Members allowances, including employer's costs totalled £148k (2015/16 £150k) and are as follows:

	2016/17 £000	2015/16 £000
Salaries	95	97
Allowances	39	39
Expenses	14	14
Total	148	150

Note 29 External Audit Costs

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

	2016/17 £000	2015/16 £000
Grant Certification Work 2015/16	8	0
Grant Certification Work 2016/17	9	0
Fees payable with regard to external audit services carried out by the appointed auditor for the year	58	76
Fees payable in respect of other services provided during the year	0	46
Total	75	122

Redditch Borough Council

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

Note 30 Employees Remuneration

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

Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council)

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Revised Total £
Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
Deputy Chief Executive and Executive Director of Leisure, Environmental & Community Services	2016/17	103,856	13,187	117,043	58,522	58,522
	2015/16	102,189	12,546	114,735	57,368	57,367
TOTAL	2016/17	103,856	13,187	117,043	58,522	58,522
	2015/16	102,189	12,546	114,735	57,368	57,367

Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council)

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Revised Total £
Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
Chief Executive	2016/17	131,401	15,067	146,468	73,234	73,234
	2015/16	127,500	14,408	141,908	70,954	70,954
Executive Director of Finance & Resources	2016/17	95,906	11,149	107,055	53,528	53,528
	2015/16	94,945	10,662	105,607	52,804	52,804
Head of Legal & Democratic Services	2016/17	79,365	9,284	88,649	44,325	44,324
	2015/16	78,806	8,894	87,700	43,850	43,850
TOTAL	2016/17	306,672	35,500	342,172	171,087	171,086
	2015/16	301,251	33,964	335,215	167,608	167,607

Senior Employees' Remuneration

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

Redditch Borough Council

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

Bromsgrove District Council

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

Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0-£20,000	0	0	26	16	26	16	195,229	98,974
£20,001 - £40,000	0	0	1	3	1	3	47,159	75,817
Total cost included in bandings							242,388	174,791
Recharge to Bromsgrove District Council							0	0
Cost to Redditch Borough Council							242,388	174,791
Exit Packages undertaken by Bromsgrove District Council with a shared cost to Redditch Borough Council							67,655	1,721
Total cost included in the CIES							310,043	176,512

Redditch Borough Council

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

Note 31 Grant Income

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

Credited to Taxation and Non-Specific Grant Income	2016/17 £000	2015/16 £000
Revenue Support Grant	(946)	(1,578)
New Homes Bonus	(1,075)	(1,435)
S31	(436)	0
New Burdens	(16)	0
Capital Grants	(763)	(859)
Total	(3,236)	(3,872)

Credited to Services	2016/17 £000	2015/16 £000
Cabinet Office - Individual Electoral Registration	(19)	(26)
DCLG - Council Tax Support Admin Subsidy	(113)	(121)
DCLG - Local Plans	0	(5)
DCLG - Cost of Collection	(110)	0
DCLG - Other Grant Income	(37)	0
DWP - Benefit Schemes	(70)	(194)
DWP - Discretionary Housing	(158)	(59)
DWP - Housing Benefit Subsidy	(22,947)	(23,798)
DWP - Housing Benefit Subsidy Admin Grant	(310)	(370)
Sport England Lottery Funding	(54)	(19)
Worcestershire County Council - Bus Grant	(7)	(111)
Worcestershire County Council - Essential Living Fund	0	(193)
Worcestershire County Council - Sports Development	(12)	(63)
Worcestershire County Council - Council Tax Hardship Fund	(56)	0
Fraud - Feris Maintenance Fund	(15)	(11)
Safer and Stronger Communities	0	(216)
Other Grants	(1)	0
Total	(23,909)	(25,186)

The Authority has received £649k disabled facilities grant in 2016/17 from the Worcestershire Better Care Fund. £430k was applied in 2016/17 and the balance is yet to be recognised as income as the grant has conditions attached to it that may require the monies to be refunded. The balances at year-end are as follows:

Long-term Liabilities

Grants Received in Advance (Capital)	2016/17 £000	2015/16 £000
Disabled Facilities Grant	(219)	0
Total	(219)	0

Redditch Borough Council

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

Note 32 Related Parties

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

Central Government

Central government has effective control over the general operations of the Authority– it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in Note 31.

Members

Members of the council have direct control over the council's financial and operating policies . The total of members allowances paid in 2016/17 is shown in Note 28. The Council maintains a register of Councillors interests that is regularly updated and available online for public inspection.

Many Redditch Borough Councillors are also County Councillors and/or elected members of the parish council.

In 2016/17 all members have completed a register of members disclosable pecuniary interest. There are no material interest disclosures that require reporting.

Officers

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

Entities Controlled or Significantly Influenced by the Authority

As host of the Worcester Regulatory Shared Service, Bromsgrove District Council were paid £535k for hosting Environmental Health and Licensing.

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

The Council has been involved in shared service arrangements for Markets, Economic Development and Land Drainage with Wyre Forest District Council. The Council has paid £338k to Wyre Forest for services hosted by them.

A shared service arrangement has also been set up between the Council, Bromsgrove and Wyre Forest for the provision of Building Control. Redditch Borough Council paid Bromsgrove District Council £94k for this service (this figure is included within the shared service figures above).

For the provision of Car Park Services, the Council paid £44k to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £88k to Worcester City Council.

In total, the Council received £1,647k from Worcestershire County Council for running the Early Help services.

From 1st September 2015, the Council entered into an arrangement with Place Partnership Limited for the provision of Asset Maintenance. The cost in 2016/17 was £431k.

Redditch Borough Council

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

Note 33 Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing	2016/17	2015/16
	£000	£000
Opening Capital Financing Requirement	137,790	138,162
Capital Investment		
Property, Plant and Equipment	11,809	10,400
Investment Properties	0	0
Intangible Assets	60	112
Heritage Assets	0	10
Long Term Debtors	31	0
Revenue Expenditure Funded from Capital under Statute	430	512
Total Capital investments	12,330	11,034
Sources of finance		
Capital receipts	(2,301)	(3,725)
Government grants and other contributions	(743)	(419)
	0	0
Major Repairs Allowance	(6,090)	(5,859)
Sums set aside from revenue:		
Direct revenue contributions:		
General Fund	(39)	(34)
HRA	(1,185)	(437)
Minimum Revenue Provision	(709)	(932)
Total Sources of Finance	(11,067)	(11,406)
Long Term Debtors previously financed through CFR	(993)	0
Closing Capital Finance Requirement	138,060	137,790
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	270	(372)
Increase/(decrease) in Capital Financing Requirement	270	(372)

Redditch Borough Council

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

Note 34 Leases

Operating and Finance Leases

Authority as Lessee:

Operating Leases (Authority as lessee)

Payments amounting to £49k have been made in relation to vehicle leases in 2016/17. This is because the Council had to extend the lease to allow for delivery of replacement vehicles, most of these were returned by 31st March 2017 and the remainder by May 2017, costs of £2k have been incurred in 2017/18.

The Rubicon Centre is leased with a remaining lease period of just over 2 years. This is a business centre sublet to small business.

The Council also leases photocopiers and other office equipment, this lease is due to finish on 30th April 2018.

The future minimum lease payments due under non-cancellable operating leases in future years are set

	2016/17 £000	2015/16 £000
Minimum lease rentals payable:		
No later than 1 year	159	44
Later than 1 year and no later than 5 years	13	38
Total	172	82

An amendment has been made to the analysis for 2015/16 as the figures that were included only accounted for a quarter rather than a full year.

The expenditure charged to services in the CIES during the year in relation to these leases was:

	2016/17 £000	2015/16 £000
Minimum lease payments	292	274
Less: Sublease payments receivable	(191)	(107)
Total	101	167

Finance Leases

The Council has no finance leases.

Authority as Lessor:

Operating Leases

The Council has no operating leases.

Finance Leases

Within 2016/17 the Council no longer had a finance lease relation to Threadneedle House as this was sold in July 2015.

Redditch Borough Council

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

Note 35 Defined Benefit Pension Schemes

Retirement Benefits

Participation in the Local Authority Pension Scheme

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

The Authority participates in two post-employment schemes:

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

Discretionary Post-retirement Benefits

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

Transactions relating to Post-Employment Benefits

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

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

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	2,233	2,653	0	0
Past service cost	362	110	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	2,146	2,047	135	132
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	4,741	4,810	135	132

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	(11,856)	4,323	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(17,264)	(8,126)	(232)	0
Actuarial gains and losses arising on changes in financial assumptions	36,217	0	633	(134)
Other	247	59	0	0
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	12,085	1,066	536	(2)

Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,741)	(4,810)	(135)	(132)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	3,839	3,594		
Retirement benefits payable to pensioners			276	279

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Present value of the defined obligation	(168,128)	(143,591)	(4,147)	(3,887)
Fair value of plan assets	98,561	82,353	0	0
Net liability arising from the defined benefit obligation	(69,567)	(61,238)	(4,147)	(3,887)

Net Liability and Pension Strain	Local Government Pension Scheme	
	2016/17 £000	2015/16 £000
Local Government Pension Scheme	(69,567)	(61,238)
Discretionary Benefits	(4,147)	(3,887)
Pension Strain Liability	(167)	(250)
Total	(73,881)	(65,375)

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Opening fair value of scheme assets	82,353	83,858	0	0
Interest income	3,022	2,780	0	0
Remeasurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	11,856	(4,323)	0	0
Incorporation of Place Partnership Assets	1,023	0	0	0
Increased share in Reg Services Assets	754	464	0	0
Contributions from employer	3,839	3,594	276	279
Contributions from employees into the scheme	636	659	0	0
Benefits/transfers paid	(4,884)	(4,638)	(276)	(279)
Administration costs	(38)	(41)	0	0
Closing value of scheme assets	98,561	82,353	0	0

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Opening balance at 1 April	(143,591)	(147,457)	(3,887)	(4,168)
Current service cost	(2,233)	(2,653)	0	0
Interest cost	(5,168)	(4,827)	(135)	(132)
Contributions from scheme participants	(636)	(659)	0	0
Remeasurement (gains) and losses:				
Actuarial (gains)/losses from changes in demographic assumptions	2,276	8,126	62	0
Actuarial (gains)/losses from changes in financial assumptions	(36,217)	0	(633)	134
Experience (gains)/losses	14,988	0	170	0
Increased in share of Reg Services Pension Liabilities	(1,046)	(649)	0	0
Inclusion of Place Partnership liabilities	(1,023)	0	0	0
Past service cost				
Losses/(gains) on curtailments where relevant	(362)	(110)	0	0
Liabilities assumed on entity combinations				
Benefits/transfers paid	4,884	4,638	276	279
Balance as at 31 March	(168,128)	(143,591)	(4,147)	(3,887)

Local government pension scheme assets comprised:

		Fair value of scheme assets	
		31/03/2017	31/03/2016
		£000	£000
Cash and cash equivalents		2,257	1,745
Equities:			
UK quoted		513	604
Overseas quoted		27,538	28,126
PIV - UK managed		26,572	23,062
PIV - UK managed (overseas)		29,482	16,383
Health and care		0	0
PIV - Overseas managed		0	607
Sub-total equity		84,105	68,782
Bonds:			
Corporate		325	342
Government		5,036	4,706
Sub-total bonds		5,361	5,048
Property:			
European Property Fund		2,769	2,577
UK Property Debt		916	963
Overseas Property Debt		493	184
Sub-total property		4,178	3,724
Alternatives			
UK Infrastructure		2,660	3,054
Sub-total alternative funds		2,660	3,054
Total assets		98,561	82,353

All scheme assets have quoted prices in active markets

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2016.

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17	2015/16	2016/17	2015/16
Mortality assumptions:				
<i>Longevity at 65 current pensioners:</i>				
Men	22.6	23.5	22.6	23.5
Women	25.6	25.9	25.6	25.9
<i>Longevity at 65 for future pensioners:</i>				
Men	24.8	25.8	24.8	25.8
Women	27.9	28.2	27.9	28.2
Financial assumptions:				
Rate of inflation	2.3%	2.0%	2.3%	2.0%
Rate of increase in salaries	3.8%	3.5%	3.8%	3.5%
Rate of increase in pensions	2.3%	2.0%	2.3%	2.0%
Discount Rate	2.5%	3.6%	2.5%	3.6%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in one year)	3,447	(3,447)
Rate of inflation (increase or decrease by 0.1%)	3,479	(3,479)
Rate of increase in salaries (increase or decrease by 0.1%)	3,376	(3,376)
Rate for discounting liabilities (increase or decrease by 0.1%)	(3,277)	3,277

Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

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

The Authority anticipates to pay £3.874m expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2016/17 (18 years 2015/16).

Redditch Borough Council

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

Note 36 **Contingent Liabilities**

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

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

Note 37 **Contingent Assets**

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

There are no Contingent Assets as at 31 March 2017.

Redditch Borough Council

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

Note 38 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

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

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

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

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

Financial Asset Category	Minimum Criteria (Fitch ratings)	Maximum Investment
Term Deposits	Long Term: A-	£3 million
Deposits with Debt Management Account – Deposit Facility (DMADF)	Not applicable - HM Treasury	£no upper limit *

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

At 31st March 2017, Bromsgrove District Council had no investments held in our call accounts, the Council did hold £1,218k in the Current Account.

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

	2016/17 £000	2015/16 £000
Less than three months	933	1,471
Three to six months	40	93
Six months to one year	55	372
More than one year	252	488
Total	1,280	2,424

Liquidity Risk

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

The maturity analysis of borrowings is summarised as follows:

	31/03/2017	31/03/2016
	£000	£000
Less than one year	3,000	5,000
Between one & five years	0	0
More than five years	103,929	103,929
	106,929	108,929

The Council has been able to benefit from borrowing on a short-term basis at low rates from other local authorities.

Included within the long-term borrowing is a £5,000k loan due to mature in 2032 with an interest rate of 4.71%. In addition, the Council has borrowings of £98,929k in order to fund the Housing Settlement payment, secured through the Public Works Loan Board. This is made up of maturities lasting between 11 and 26 years.

Interest Rate Risk

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

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

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

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

Price Risk

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

Redditch Borough Council

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

Note 39 Joint Operations - Place Partnership Limited

Place Partnership Limited (PPL) is a Joint Operation between Worcestershire County Council, Worcester City Council, Redditch Borough Council, Hereford and Worcester Fire Authority, West Mercia Police and Warwickshire Police. Each own two shares which equates to 16.67%.

Although Redditch hold two shares which equates to 16.67% the most appropriate basis of incorporating the company as a joint operation that reflects the true relationship is the percentage that Redditch BC transact with PPL which is 4.4%.

The Balance Sheet therefore reflects 4.4% of the PPL latest financial forecast adjusted for inter company sums where Redditch Borough Council owe PPL (Creditors) which are within PPL debtors. The position is summarised below:-

Balance Sheet

	Authority Share		Inter Company	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
PPL Accounts				
Current Assets				
Trade Debtors	44	75	-382	-196
Other Debtors	0	2		
Cash at bank	133	49		
Total Assets	177	126	-382	-196
Current Liabilities				
Trade Creditors	-175	(130)		
Retained Earnings	2	(4)		
Redditch BC Accounts				
Current Liabilities				
Creditors	-8,138	-8,130	-382	-196

Redditch Borough Council

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

Housing Revenue Account for the year ended 31st March

	2016/17 £000	2015/16 £000
Expenditure		
Repairs & Maintenance	(5,394)	(4,669)
Supervision & Management	(6,029)	(5,269)
Rents, Rates, Taxes and other charges	(127)	(160)
Depreciation, impairments and revaluation losses of non-current assets	31,681	(5,637)
Debt Management Costs	(1)	(3)
Movement in the allowance for bad debts	(121)	(113)
Total Expenditure	20,009	(15,851)
Income		
Dwelling rents	23,762	24,260
Non-dwelling rents	495	494
Charges for services and facilities	637	315
Contributions from General Fund	54	357
Total Income	24,948	25,426
Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	44,957	9,575
HRA Services Share of Corporate & Democratic Core	(660)	(886)
Net Expenditure of HRA Services	44,297	8,689
Gains/(loss) on sale of HRA Fixed Assets	1,410	812
Interest Payable and Similar Charges	(4,183)	(4,165)
HRA Interest and Investment Income	36	58
Net interest on the defined benefit liability	(1,045)	(863)
Surplus or (Deficit for Year) on HRA Services	40,515	4,531

The surplus is so much higher in 2016/17 as a result of the revaluation of Council dwellings and garages which have increased by £37,743k. This increased valuation follows an increase to the social housing factor which has changed from 34% to 40% for the West Midlands. The social housing factor was last changed in 2010/11 and at that time it resulted in £56,218k deficit being charged to the Housing Revenue income and expenditure account. The increased valuation has been credited back to the the housing revenue income and expenditure account and largely reverses the 2010/11 charge.

Redditch Borough Council

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

Adjustments between accounting basis and funding basis

Movement on the HRA Statement

	2016/17 £000	2015/16 £000
Balance on the HRA at the end of the previous year	1,475	1,031
Surplus or (Deficit) on the HRA Income and Expenditure Statement	40,515	4,531
Adjustments between accounting basis and funding basis under statute	(39,975)	(1,156)
Net Increase or (Decrease) before transfers to or from reserves	540	3,375
Transfers (to)/from Reserves	(540)	(2,931)
Increase or (decrease) on the HRA for the year	0	444
Balance on the HRA at the end of the current year	1,475	1,475

	2016/17 £000	2015/16 £000
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	0	0
Transfers to/from the Capital Adjustment Account	(31,681)	5,637
Gain or loss on sale of HRA non current assets	(1,410)	(812)
HRA Share of Contributions to or from the Pension Reserve	362	423
Transfers to/(from) Major Repairs Reserve	(6,061)	(5,967)
Capital expenditure funded by the HRA	(1,185)	(437)
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(39,975)	(1,156)

Transfers to/from Reserves

	2016/17 £000	2015/16 £000
Transfers (to)/from earmarked reserves	(540)	(2,931)
Total Transfers	(540)	(2,931)

Redditch Borough Council

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

Current Year

Property, Plant & Equipment (PP&E)					
	Council Dwellings	Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000
Cost or Valuation					
Balance as at 1 April 2016	211,548	3,758	534	1,500	217,340
Additions	8,991	0	0	0	8,991
Revaluation increases to Revaluation Reserve	0	0	0	1	1
Revaluation increases to Surplus or Deficit on the Provision of Services	31,751	4	0	0	31,755
Derecognition - Disposals	(2,728)	0	0	0	(2,728)
Balance as at 31 March 2017	249,562	3,762	534	1,501	255,359
Depreciation and Impairment					
Balance as at 1 April 2016	0	(12)	0	0	(12)
Depreciation Charge	(5,854)	(133)	(74)	0	(6,061)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	5,854	133			5,987
Balance as at 31 March 2017	0	(12)	(74)	0	(86)
Net Book Value					
Balance as at 31 March 2017	249,562	3,750	460	1,501	255,273
Balance as at 31 March 2016	211,548	3,746	534	1,500	217,328

Comparative Year

Property, Plant & Equipment (PP&E)					
	Council Dwellings	Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000
Cost or Valuation					
Balance as at 1 April 2015	211,529	3,628	0	0	215,157
Additions	7,791	0	534	67	8,392
Revaluation increases to Revaluation Reserve	0	0	0	1,471	1,471
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(5,700)	130	0	(67)	(5,637)
Derecognition - Disposals	(2,043)	0	0	0	(2,043)
Reclassifications & Transfers	(29)	0	0	29	0
Balance as at 31 March 2016	211,548	3,758	534	1,500	217,340
Depreciation and Impairment					
Balance as at 1 April 2015	0	(12)	0	0	(12)
Depreciation Charge	(5,834)	(133)	0	0	(5,967)
Depreciation written out on Revaluation Reserve	0	0	0	0	0
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	5,834	133	0	0	5,967
Balance as at 31 March 2016	0	(12)	0	0	(12)
Net Book Value					
Balance as at 31 March 2016	211,548	3,746	534	1,500	217,328
Balance as at 31 March 2015	211,529	3,616	0	0	215,145

Dwellings within the Housing Revenue Account are valued in accordance with the RICS Appraisal and Valuation Manual, as published by the Royal Institution of Chartered Surveyors, and DCLG guidance. Accordingly the Existing Use Value for Social Housing (EUV-SH) has been used as the basis of valuation. The beacon approach to valuation of the housing stock has been adopted as recommended by the DCLG, including the regional adjustment to be adopted within the EUV-SH valuation. Valuations of dwellings are carried out annually valued at 1 April each year.

The vacant possession value (open market value) of Council dwellings as at 31 March 2017 was £624m. This does not compare to the Balance Sheet, which shows the Existing Use Value, the difference being an indication of the economic and social costs of providing Council housing at less than market rent.

Redditch Borough Council

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

Notes to the Housing Revenue Account

Housing Stock

The number of dwellings in the Authority's housing stock, as at 31 March 2017, totalled 5808 properties. The type of properties and the period in which they were built, were as follows:

	2016/17	2015/16
	No	No
Property Type		
Flats and Maisonettes		
1 Bed	1,555	1,561
2 Bed	552	556
3 Bed	30	30
Sub-Total	2,137	2,147
Non Permanent	41	41
Sub-Total	41	41
Houses / Bungalows		
1 Bed	657	659
2 Bed	888	898
3 Bed	1,920	1,951
4 or More	165	170
Sub-Total	3,630	3,678
Total Dwellings 31 March 2017	5,808	5,866

Housing Revenue Account Capital Expenditure

	2016/17	2015/16
	£000	£000
Capital investment		
Operational assets	8,991	7,848
	8,991	7,848
Sources of funding		
Capital Receipts	1,716	1,562
Major Repairs Reserve	6,090	5,859
Direct Revenue Financing	1,185	437
	8,991	7,858

Rent Arrears

During 2016/17 total rent arrears decreased by £15k . A summary of rent arrears and prepayments is shown in the following table:

	2016/17	2015/16
	£000	£000
Current Tenant Arrears	716	727
Former Tenant Arrears	356	360
Total Rent Arrears	1,072	1,087
Prepayments	(415)	(411)
Net Rent Arrears	657	676

The rent arrears and prepayments exclude supporting people balances.

Depreciation and Impairment of Non-Current Assets

	2016/17		2015/16	
	£000		£000	
	Depreciation	Impairment	Depreciation	Impairment
Council Dwellings	5,854	0	5,834	0
Other Land and Buildings	133	0	133	0
Vehicles, Plant, Furniture and Equipment	74	0	0	0
Total	6,061	0	5,967	0

Transactions relating to retirement benefits

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

The Council participates in the Worcestershire Local Government Pension Fund administered by Worcestershire County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

However the charge required to be made against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Housing Revenue Account after Net Operating Expenditure. The following transactions have been made in the Housing Revenue Account during the year.

	2016/17	2015/16
HRA Income & Expenditure Account	£000	£000
Current Service Cost	1,024	1,051
Past Service Costs	166	43
Net interest expense	1,045	863
Total	2,235	1,957
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	(1,873)	(1,534)
Movement on Pension Reserve	362	423

Total Capital Receipts Generated during the year

	2016/17	2015/16
	£000	£000
Council Houses	4,046	2,920
Other Property	183	-
Total	4,229	2,920

Redditch Borough Council

Collection Fund Statement

FOR THE YEAR ENDED 31 MARCH 2017

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

2015/16			Collection Fund	2016/17		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
			INCOME			
	(39,624)	(39,624)	Council Tax Receivable		(41,485)	(41,485)
(36,836)		(36,836)	Business Rates Receivable	(37,073)		(37,073)
(36,836)	(39,624)	(76,460)	Total amounts to be credited	(37,073)	(41,485)	(78,558)
			EXPENDITURE			
			Apportionment of Previous Year Surplus/Deficit			
(1,143)		(1,143)	Central Government	(1,204)		(1,204)
(915)	55	(860)	Billing Authority	(963)	104	(859)
(206)	274	68	County Council	(217)	516	299
(23)	19	(4)	Fire Authority	(24)	89	65
	47	47	Police Authority		37	37
			Precepts, demands and shares			
18,362		18,362	Central Government	18,873		18,873
14,689	5,405	20,094	Billing Authority	15,099	5,596	20,695
3,305	26,829	30,134	County Council	3,397	28,220	31,617
367	1,901	2,268	Fire Authority	377	1,961	2,338
	4,619	4,619	Police Authority		4,767	4,767
			Charges to Collection Fund			
174	124	298	Write-offs of uncollectable amounts	175	47	222
661	512	1,173	Increase/(decrease) in allowance for impairment	(234)	(1,043)	(1,277)
(1,100)	0	(1,100)	Increase/(decrease) in allowance for appeals	355	0	355
46	0	46	Transitional Protection Payments Payable	34	0	34
			Charge to General Fund for allowable collection costs for non-domestic rates			
110	0	110		110	0	110
34,327	39,785	74,112	Total amounts to be debited	35,778	40,294	76,072
(2,509)	161	(2,348)	(Surplus) /deficit arising during the year	(1,295)	(1,191)	(2,486)
4,041	(248)	3,793	(Surplus)/deficit b/f at 1 April	1,532	(87)	1,445
1,532	(87)	1,445	(Surplus)/deficit c/f at 31 March	237	(1,278)	(1,041)

Redditch Borough Council

Collection Fund Statement FOR THE YEAR ENDED 31 MARCH 2017

Note 1 - Council Tax Income

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

FOR THE YEAR ENDED 31 MARCH 2017

Band	Valuation band limits		Calculated number of dwellings		Ratio to Band D		Equated number of dwellings	Council Tax Payable
		£	£					
				21	11.78	5/9	6.54	
A	Up to & including	40,000		7,632	4,384.47	6/9	2,922.98	148.14
B		40,001	-	11,899	9,080.94	7/9	7,062.95	172.83
C		52,001	-	7,380	6,311.24	8/9	5,609.99	197.52
D		68,001	-	4,279	3,863.09	9/9	3,863.09	222.21
E		88,001	-	3,152	2,947.80	11/9	3,602.87	271.59
F		120,001	-	1,163	1,093.76	13/9	1,579.88	320.97
G		160,001	-	450	430.90	15/9	718.17	370.35
H	More Than		320,001	21	16.00	18/9	32.00	444.42

Adjustment 0.99

Council tax base **25,144.48**

FOR THE YEAR ENDED 31 MARCH 2016

Band	Valuation band limits		Calculated number of dwellings		Adjusted for discounts	Ratio to Band D		Equated number of dwellings	Council Tax Payable
		£	£						
				18	9.81	5/9	5.45		
A	Up to & including	40,000		7,514	4,315.15	6/9	2,876.77	144.80	
B		40,001	-	11,758	8,963.25	7/9	6,971.42	168.94	
C		52,001	-	7,215	6,217.67	8/9	5,526.82	193.07	
D		68,001	-	4,246	3,847.47	9/9	3,847.47	217.21	
E		88,001	-	3,089	2,913.15	11/9	3,560.52	265.48	
F		120,001	-	1,139	1,087.29	13/9	1,570.53	313.74	
G		160,001	-	439	424.03	15/9	706.72	362.01	
H	More Than		320,001	17	16.00	18/9	32	434.41	

Adjustment 0.99

Council tax base **24,846.72**

The breakdown above is for Redditch Borough Council only, below is the total payable for band D equivalent for the district for all Preceptors:

	2016/17 £	2015/16 £
Redditch Borough Council	222.21	217.21
Worcestershire County Council	1,122.31	1,079.77
Police and Crime Commissioner for West Mercia	189.60	185.90
Hereford and Worcestershire Fire and Rescue	78.00	76.50
Feckenham Parish Council	22.69	22.86
Total Council Tax for the District	1,634.81	1,582.24

Note 2 – Non-Domestic Rates

Non-Domestic Rates are organised on a local basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2016/17 the amount was 49.07p (49.03p for 2015/16). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. This is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 13. The total rateable value @ 31 March 2017 was £83,978,575 (31 March 2016 £84,413,503).

Redditch Borough Council

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

Glossary

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the authority, i.e. it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Authority.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLb)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

WORCESTERSHIRE PENSION FUND (WPF)

The Worcestershire Pension Fund is administered by Worcestershire County Council and consists of the County and Districts within Worcestershire together with admitted bodies such as Academy Schools.

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Date: 21st September 2017

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

**THE INTERNAL AUDIT PROGRESS REPORT OF THE HEAD OF INTERNAL
AUDIT SHARED SERVICE; WORCESTERSHIRE INTERNAL AUDIT SHARED
SERVICE.**

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Paul Field, Interim Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non-Key Decision

1. SUMMARY OF PROPOSALS

1.1 To present:

- The progress report of internal audit work with regard to 2017/18.

2. RECOMMENDATIONS

2.1 **The Committee is asked to RESOLVE that the report be noted.**

3. KEY ISSUES

Financial Implications

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

Legal Implications

3.2 The Council is required under the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Date: 21st September 2017**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Service / Operational Implications

- 3.3 The involvement of Members in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council's Annual Governance Statement.

This section of the report provides commentary on Internal Audit's performance for the period 01st April 2017 to 31st July 2017 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (6th July 2017):

2017/18 AUDIT SUMMARY UPDATES:**Palace Theatre 2017/18**

The review found the following areas of the system were working well:

- Stock checks are regularly carried out
- Income is being cashed up and banked correctly
- Patronbase system has improved methods of working and enabled an increase in online sales for the booking of tickets
- Overall performance has improved and a growing customer base
- Procurement cards are being used in line with guidance

The review found the following areas of the system where controls could be strengthened:

- Resilience to operational tasks
- Use of signatures on Cash Summary sheets
- Tightening of use of stock sheets

There was 1 'medium' and 3 'low' priority recommendations reported.

Type of audit: Full Systems Audit

Assurance: Significant

Report issued: 29th June 2017

Pitcher Oak Golf Course 2017/18

The review found the following areas of the system were working well:

- Income is cashed up and banked correctly, any discrepancies were investigated.
- Performance Monitoring was more efficient and regular with clearly defined action points.

Date: 21st September 2017**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

- The majority of the contract requirements were in place.
- Activities were planned and in place to engage in promoting the golf course and support the public health and community agenda.
- Staff had received training in the required aspects.

The review found the following areas of the system where controls could be strengthened:

- Specific documentation required by the contractor including risk assessments had not been done.
- Due to change in layout, the safe location was more exposed.
- Refund audit trail

There were 2 'medium' and 1 'low' priority recommendations reported.

Type of audit: Full Systems Audit
Assurance: Significant
Report issued: 29th June 2017

Procurement

The review found the following areas of the system were working well:

- The implementation and current use of the eProcurement site
- Contracts are being advertised within guidelines
- Arrangements are in place for reminders of renewals of contracts
- Procurement information is published in line with the Local Government Transparency code.

The review found the following areas of the system where controls could be strengthened:

- Implementation of new strategy
- Training and awareness linked to the strategy
- Single dependency on Procurement Officer for use of 'due north' eProcurement site
- Use of agency staff outside of Matrix contract
- Ensuring all procurement of supplies are within guidelines

Procurement is due to be moved and will be administered by the Legal department from September 2017.

There were 5 'medium' priority recommendations reported.

Type of audit: Full Systems Audit
Assurance: Moderate
Report issued: 30th August 2017

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VAT

The review found the following areas of the system were working well:

- Clear documented process
- Timely and accurate returns completed
- Regular reconciliation carried out
- Prompt recording in the main ledger
- Payments received and made to HMRC are in accordance with the VAT returns and recorded in the main ledger
- Checks and authorisation are visible.

There were no 'high' or 'medium' priority recommendations reported.

Type of audit: Full Systems Audit

Assurance: Full

Report issued: 10th August 2017

Shared Service – North Worcestershire Building Control.

The review found the following areas of the system were working well:

- Operations outlined in agreement are being carried out;
- Consistent and clear approach of handling applications;
- Uniform system is up to date with notes and applications;
- Fees and charges are in line with what is approved and consistent against applications;
- Payments are taken before the processing of application;
- There are regular updates to the authorities on the position of Building Control;
- Payments were all accounted for against the ledger;
- There is a good working relationship between finance and building control.

The review found the following areas of the system where control could be strengthened:

- A signed Financial Charging Statement
- Check on payment codes

There was 1 'medium' and 1 'low' priority recommendation reported.

Type of Audit: Full System Audit

Assurance: Significant

Draft Report Issued: 10th August 2017

Date: 21st September 2017**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Summary of assurance levels:

2017/18	
Palace Theatre	Significant
Pitcher Oak Golf Course	Significant
Procurement	Moderate
VAT	Full
North Worcestershire Building Control	Significant

Audits completed to draft report stage and awaiting management response include:

- Housing – Homelessness
- Housing - Allocations
- Community Services - Disabled Facilities Grants
- Legal and Democratic - Land Charges
- Environmental - Waste Management
- Fees and Charges (2016/17)

2017/18 reviews which were on going as at the 31st July 2017 included.

- Records Management
- Customer Services - One Stop Shops/reception Services channel shift
- Housing - St David's House
- Treasury Management
- Cash Collection
- Transformation

The summary outcome of all of the above reviews will be reported to Committee in due course when they have been completed and management have confirmed an action plan.

Critical review audits are designed to add value to an evolving Service area. Depending on the transformation that a Service is experiencing at the time of a scheduled review a decision is made in regard to the audit approach. Where there is significant change taking place due to transformation, restructuring, significant legislative updates or a comparison required a critical review approach will be used. In order to assist the service area to move forwards a number of challenge areas will be identified using audit review techniques. The percentage of critical reviews will be confirmed as part of the overall outturn figure for the audit programme. To report this percentage during the year based on outturn will cause the figure to fluctuate throughout the year, however, a final percentage figure will be reported in the annual report. The

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outturn from the reviews will be reported in summary format as part of the regular reporting as indicated at 3.3 above.

Follow up reviews are an integral part of the audit process. There is a rolling programme of review that is undertaken to ensure that there is progress with the implementation of the agreed action plans. The outcome of the follow up reviews is reported on an exception basis taking into consideration the general direction of travel and the risk exposure. An escalation process is continuing to be developed involving CMT and SMT to ensure more effective use of resource in regard to follow up and reduce the number of revisits that are currently necessary to confirm the recommendations have been satisfied.

3.4 AUDIT DAYS

Appendix 1 shows the progress made towards delivering the 2017/18 Internal Audit Plan and achieving the targets set for the year. As at 31st July 2017 a total of 125 days had been delivered against an overall target of 400 days for 2017/18.

Appendix 2 shows the performance indicators for the service. Performance and management Indicators were agreed by the Committee on the 27th April 2017 for 2017/18.

Appendix 3 shows the tracking of completed audits.

Appendix 4 shows the 'high' and 'medium' priority recommendations for finalised which are reported to the Committee for information.

3.5 OTHER KEY AUDIT WORK

Much internal audit work is carried out "behind the scenes" but is not always the subject of a formal report. Productive audit time is accurately recorded against the service or function as appropriate. Examples include:

- Governance for example assisting with the Annual Government Statement
- Risk management
- Transformation review providing support as a 'critical appraisal'
- Dissemination of information regarding potential fraud cases likely to affect the Council
- Drawing managers' attention to specific audit or risk issues
- Audit advice and commentary
- Internal audit recommendations: follow up review to analyse progress
- Day to day audit support and advice for example control implications, etc.
- Networking with audit colleagues in other Councils on professional points of practice

Date: 21st September 2017

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

- National Fraud Initiative.
- Investigations

There has been on going work undertaken in regard to the National Fraud Initiative. 2016/17 saw the 2 yearly cycle of data extraction and uploading to enable matches to be reported. The initiative is over seen by the Cabinet Office. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to this investigative exercise in Redditch Borough Council.

The Worcestershire Internal Audit Shared Service (WIASS) is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards.

We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

WIASS confirms it acts independently in its role and provision of internal audit.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

- Failure to complete the planned programme of audit work within the financial year; and,
- The continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

5. APPENDICES

Appendix 1 ~ Internal Audit Plan delivery 2017/18

Appendix 2 ~ Performance indicators 2017/18

Appendix 3 ~ Tracking analysis of previous audits

Date: 21st September 2017

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Appendix 4 ~ 'High' and 'Medium' priority recommendations

6. BACKGROUND PAPERS

Individual internal audit reports which are held in the internal audit service.

7. KEY

N/a

AUTHOR OF REPORT

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Worcestershire Internal Audit Shared Service
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REDDITCH BOROUGH COUNCILDate: 21st September 2017**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****APPENDIX 1****Delivery against Internal Audit Plan for 2017/18**
1st April 2017 to 31st July 2017

Audit Area	2017/18 PLAN DAYS	Forecasted days to the 30th September 2017	Days used to 31st July 2017
Core Financial Systems (see note 1)	108	11	8
Corporate Audits(see note 2)	81	46	22
Other Systems Audits	157	139	82
TOTAL	346	196	112
 Audit Management Meetings	 20	 10	 6
Corporate Meetings / Reading	9	5	2
Annual Plans and Reports	12	6	4
Audit Committee support	13	7	1
Other chargeable	0	0	0
TOTAL	54	28	13
GRAND TOTAL	400	224	125

Note 1

Core Financial Systems are audited in quarters 3 and 4 in order to maximise the assurance provided for the Annual Governance Statement and Statement of Accounts.

Note 2

A number of the budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters.

Date: 21st September 2017**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****Appendix 2****PERFORMANCE INDICATORS 2017/18**

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2017/18. Other key performance indicators link to overall governance requirements of Redditch Borough Council e.g. governance indicators. The position will be reported on a cumulative basis throughout the year.

	KPI	Trend/Target requirement/Direction of Travel	2017/18 Position (as at 31 st July 2017)	Frequency of Reporting
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 18 Delivered = 5 plus 5 in draft	When Audit, Governance and Standards Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	31%	When Audit, Governance and Standards Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	67%	When Audit, Governance and Standards Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	Nil to date	When Audit, Governance and Standards Committee convene
5	No. of moderate or below assurances	Downward (minimal)	1	When Audit, Governance and Standards Committee convene
6	'Follow Up' results (Using 2017/18 reviews onwards)	Management action plan implementation date exceeded (<5%)	Nil to report	When Audit, Governance and Standards Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	4 issued 3x excellent	When Audit, Governance and Standards Committee convene

WIASS considers it operates within, and conforms to, the Public Sector Internal Audit Standards 2013.

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APPENDIX 3

Planned Follow Ups:

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action that is planned going forward in regard to the more recent audits providing assurance that a programme of follow up is operating.

To provide the Audit, Governance & Standards Committee with assurance we are following a comprehensive 'follow up' programme to ensure recommendations and risks have been addressed from previous audits. Commentary has been provided on audits as part of the normal reporting process. Previous audit year updates in regard to 'follow ups' will be provided every six months to avoid duplication of information. Any exceptions (i.e. where no action has commenced by the agreed implementation date) will be reported to the Committee.

For some audits undertaken each year 'follow-ups' may not be necessary as these may be undertaken as part of the full audit. Other audits may not be time critical therefore will be prioritised as part of the over all work load and are assessed by the Team Leader.

Follow up in connection with the core financials is undertaken as part of the routine audits that were performed during quarters 3 and 4.

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Results of follow Up 1st</u>	<u>Results of follow Up 2nd</u>	<u>Results of follow Up 3rd & 4th</u>
Corporate Governance – AGS	22/02/16	Financial Services Manager	Moderate	1 'high' priority and 3 'medium' priority recommendations; No action plan, compilation of AGS, review of terminology and circulation of document	A follow up took in September 2016 and found 3 recommendations were in progress relating to the circulation of the AGS, action plan and the responsibility for compilation of the AGS. 1 recommendation was still to be actioned relating to a review of the AGS.	Follow up was scheduled for February, however, due to change of Financial Service Manager, the interim manager will pick up AGS as part of job therefore follow up has been delayed until June 2017.	A follow-up was undertaken in July 2017. The follow up has found that full implementation of the 1 'medium' priority recommendation detailed above was not required, as there is a sufficient process in place to enable Heads of Service to challenge and comment on the Annual Governance Statement, and therefore reduce the risk of challenge to the authority. Sufficient action has been taken regarding the recommendation. No further follow-up is required.
S106s - Planning obligations	08/04/2016	Head of Planning and Regeneration, Financial Services Manager, Principal Solicitor	Critical review	Challenge points and good practice in relation to Committee Reporting, Policies/Procedures, Waste Services Contributions, Project Contribution areas, Central Finance Spreadsheets, Withdrawn Planning Applications, Online Publication and Retention and Income	The follow up in September 2016 found that the service is progressing with the challenges made. The follow up has found that out of the nine challenges made above Management have actioned five of them and have/are giving due consideration to the other challenges made. These relates to the contributions formula being updated, process to monitor amount	Follow up originally scheduled for March 2017, however, it has been delayed until after the restructure has taken place in mid May 17. Management are currently considering the progress report.	The follow-up was undertaken in June 2017. Of the remaining four challenges, two relating to monitoring developments and uploading agreements to the public website have been actioned, the one relating to updating the contribution formula is progressing, and the one relating to committee reporting format is under

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				Management	of developers per project and uploading of S106 agreements. Further follow up in 6 months.		consideration. Internal audit are satisfied with the overall direction of travel in addressing these issues. No further follow-up is required.
CCTV	31/03/2016	Head of Community Services	Critical review	Challenge points and good practice in relation to Training and the CCTV system.	A follow up was undertaken in September 2016 and found although both recommendations have been actioned however there is more progress to be made relating to access rights to CCTV and a new anti-social behaviour policy.	Follow up originally scheduled for April 2017, however, delayed until May 17 due to staff resource issues in Community Services.	Audit met with both responsible managers on 10.05.17 and was informed position was the same as previous follow up. Restructure is still to take place and the Anti-social behaviour policy to be finalised. Further follow up date Nov 17.
Consultancy and Agency	13/06/2016	Corporate and Senior Management Team	Limited	2 'high' and 3 'medium' priority recommendations in relation to Matrix, Procurement procedures, Post transformation reviews, professional indemnity Insurance and accuracy of invoices received.	A follow up took place in December 2016 which found that 4 recommendations are still in progress relating to the use of Matrix, the procurement procedures, outcomes set for the use of agency staff and processing invoices. One recommendation is still to be actioned reliant on the outcome of a recommendation.	Audit met with the Director of Finance and Resources on 10.05.17. The review of Matrix is still in progress. As several recommendations rely on the matrix review being completed no official follow up will take place until completed. Further follow up date Nov 17	
Housing Right to Buy	08/06/2016	Head of Housing and Housing Performance and Database Manager	Moderate	3 'medium' priority recommendations in relation to confirmation of the right to buy, Completion of Sale	A follow up was undertaken in February and found that 2 recommendations relating to issuing of RTB2 and completion of sales were	A follow up was undertaken in August 2017 which found there was agreement to investigate costs and actual however there have been no	

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Results of follow Up 1st</u>	<u>Results of follow Up 2nd</u>	<u>Results of follow Up 3rd & 4th</u>
				and Mortgage rescue Scheme	implemented. One recommendation relating to the mortgage rescue scheme has yet to be actioned. Further follow up in 6 months.	mortgage rescue schemes to test this process No further follow up is required.	
Regulatory Services	08/06/2016	Head of Regulatory Services	Critical Review	Time recording challenges in relation to Systems Specification, Policies & Guidance, Coding Structure, Fee Earners, Performance Measurement and Database Accuracy.	A follow up took place in December, it found that 2 challenges had been actioned, 4 considered and 1 considered but still awaiting further action. Direction of travel is positive. Further follow up in 6 months.	2nd Follow Up undertaken July 2017. All recommendations now assessed as implemented. No further follow up is required.	
Allotments	16/08/2016	Head of Leisure and Cultural Services	Limited	1 'high' priority recommendation in regard to the overall management of allotment services	A follow up took place in February 2017 finding one recommendation relating to the allotment action plan was in progress. Further follow up in 3 months.	A follow up took place in May 2017 and found that the one recommendation was on going with two action points still in progress relating to the use of SLA and the use of a new management information software. Further follow up date Nov 2017.	
One Stop Shop/Customer Services	28th September 2016	Community Services	Significant	Three medium priority recommendations were made relating to training, minutes of meetings and safety of staff. Two low priority recommendations were made relating to assistance for translators and for	A follow up was undertaken in February 17 finding 1 recommendation relating to training has been implemented, and 2 recommendations relating to documenting meetings and safety of staff are in progress. Follow up 6 months.	Aug- 17	

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Results of follow Up 1st</u>	<u>Results of follow Up 2nd</u>	<u>Results of follow Up 3rd & 4th</u>
				data management.			
Insurance	13th January 2017	Corporate	Critical Friend	This audit reported 3 recommendations to all 5 authorities, these related to, documentation of claims, insurance risk on risk register and admin and claim handling fee. Follow up in 6 months.	Aug- 17		
Community Centres	6th February 2017	Leisure and Cultural Services	Limited	This audit report reported 1 high priority recommendation relating to debt monitoring and 6 medium priority recommendations relating to documents, invoices, cancellations and security. Follow up in 3 months.	A follow up was undertaken in May 2017 and found that 5 recommendations were implemented and 2 were in progress relating to booking forms and invoice reconciliation. A further follow up will take place in Nov 2017.		
Contracts - Post Contract Appraisal	17th March 2017	Housing	Limited	This audit reported 5 high priority recommendations and 3 medium priority recommendations relating to performance measures, contract specifications, variations, payments, tender evaluations,	Sept -17		

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Results of follow Up 1st</u>	<u>Results of follow Up 2nd</u>	<u>Results of follow Up 3rd & 4th</u>
				insurance, contract documents and meetings. Contract specification, variations and contractor meetings have been satisfied.			
Performance Measures	3rd May 2017	Corporate	Limited	This audit report made 3 high priority recommendations and 1 medium priority recommendation relating to resilience, timeliness, integrity of information and other aspects of performance. A follow up will take place in 3 months time.	Aug-17		
Worcester Regulatory Services	26th May 2017	WRS	Moderate	This audit made 1 high priority recommendation and 2 medium priority recommendations relating to payment for licences granted, cheque payment and application forms. A follow up will take place in 3 months time.	Aug-17		
Risk Management	24th May 2017	Executive Director	Limited	This audit made 5 medium priority recommendations relating to corporate risk management	Sep-17		

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				strategy, risk management group, risk register updates, portfolio holder monitoring and training. A follow up will take place in 3 months time.			
end							

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APPENDIX 4

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
Significant Assurance	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Moderate Assurance	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

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Priority	Definition
High	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
Medium	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
Low	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Palace Theatre					
Assurance: Significant					
Summary: Full system review					
1	Medium	<p>Resilience</p> <p>It was apparent to audit especially with regards to the Patronbase system that procedures were in place for certain aspects that only one person was able to operate such as putting the shows onto the system, investigating and pulling off certain reports such as a till error.</p> <p>The Assistant Theatre Manager undertakes all activities relevant to stock from ordering, checking delivery, recording in the system, stock checking</p> <p>Staff are currently stretched with their roles and with continued growth they have become busier.</p>	<p>There is a risk that although everything operates smoothly now it could be compromised if certain members of the team are not there. This could lead to tasks not being performed, inconsistency and potential losses.</p> <p>There is a potential fraud risk with the fact that one person is carrying out all roles in relation to stock and there is no protection to this individual.</p>	<p>To ensure there is a plan of contingency to be able to cover the main roles in a period of absence and training is carried out where necessary.</p>	<p>Responsible Manager: Theatre Manager</p> <p>All 3 members of the management have been trained and are compliant to the requirement of the system. Other senior members of the team have a working knowledge of the system and have access to the software provider for guidance should this be required. Operating Procedures will be prepared for the system to ensure there is clear process in place for how it operates.</p> <p>Implementation date: Sept 2017</p> <p>Responsible Manager: Assistant Theatre Manager</p> <p>Additional support from the increased capacity in Box office team will facilitate an additional staff member involved in the stock taking process to ensure that responsibilities are split to minimise risk in this area.</p> <p>Implementation date: Aug 2017</p>
Audit: Pitcher Oak Golf Course					
Assurance: Significant					
Summary: Full systems audit					
1	Medium	<p>Documentation</p> <p>As part of the contractor's contract the following documentation should be in</p>	<p>There is a risk of non-compliance and potential for</p>	<p>The council to ensure that the contractor produces and implements</p>	<p>Responsible Manager: Leisure Services Manager</p> <p>During monthly contract meetings the</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>place; risk assessments, Normal operating procedures, manual handling assessment and Control of substances hazardous to health however are not in place. This has been put as an action from the Performance Monitoring Meeting in April.</p> <p>Policies relating to Health and Safety, Equal Opportunities, Customer Service, Recruitment/Discipline and Grievance are not in place either.</p>	incidents to occur, also a risk of non-confirmation of operating causing potential harm to individuals and potential liable action which could lead to reputational damage.	the necessary policies and procedures and documents within defined timelines to reduce the risk to the Council.	<p>contractor has been asked to provide their own sets of Risk Assessments, NOP'S, EAP's and COSHH Assessments. This requirement is documented in contract notes and on the contractors reporting tool used to record progress on measures / actions required to ensure the contractor is compliant against the terms and conditions of the lease and management agreement.</p> <p>A revised and final deadline of July has been given to get these in place. Should the contractor not produce a full set of documents then the responsible officer will seek legal advice as this will be a breach of the terms and conditions of the contract. These policies and procedures will be reviewed every 12 months and discussed at contract meetings.</p> <p>Implementation date: July 17</p>
2	Medium	<p><u>Safe</u></p> <p>The position of the safe is no longer covered by the till it is obvious that the floor tile can be removed. The floor tile is raised although the safe is not visible with the floor tile in place the area is open to the public.</p>	There is a risk that the safe could be taken from its location leading to loss of income.	That an assessment is undertaken of the potential for theft including any other security measures used e.g. CCTV and other options that could be considered in relation to the safe keeping of the monies on a cost/risk basis.	<p>Responsible Manager: Leisure Services Manager</p> <p>Currently the area in which the safe is located is supervised and is in close proximity to the reception area where a member of staff is located. When the building is closed the facility is alarmed. Also there is a lockable cover that requires a safe key to open it before anyone can access the floor safe.</p> <p>However in light of this recommendation being made a revised Risk Assessment will be written and further control measures identified. The outcome of this may be to provide a new safe in a staff only/ secure area.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					Implementation date: July 17
Audit: Procurement					
Assurance: Moderate					
Summary: Full systems audit					
1	Medium	<u>Procurement Strategy</u> The Procurement Strategy has still not been published; it has been written and is currently being held to coincide with the issue of financial Regulations and as Procurement is being moved in with Legal it is being checked for any changes required to fit with changes being made.	Lack of clear guidance potentially leading to procurement activities which are not in accordance with corporate or legislative requirements, resulting in financial penalty and reputational damage.	Once the draft policy has been approved documentation to be made available to all staff in a format that is easily accessible (e.g. Orb and 'quick view' templates used). Relevant training to be provided to staff on important changes to processes and procedures and general awareness announcements to be made either through the Orb or via email.	Responsible Manager: Commercial Team Leader Procurement Officer Implementation date: The Procurement Strategy will be reported to Cabinet on 4 th October 2017 and Executive on 31 st October 2017 subject to incorporating any implications arising from the Contract Working Group.
2	Medium	<u>Training</u> Ad-hoc training has been taking as and when required, however as the strategy has not been published an overall training programme has not yet been commenced.	Lack of clear guidance potentially leading to procurement activities which are not in accordance with corporate or legislative requirements, resulting in financial penalty and reputational damage.	A robust training and development programme to be implemented	Responsible Manager: Commercial Team Leader Procurement Officer Implementation date: On agreement of Strategy A full and robust training and development programme is currently being worked on and put in place supporting the Procurement Strategy , Contract and Procedure rules and financial regulations.
3	Medium	<u>Agency Staff</u> 3 out of a sample of 30 suppliers tested were for the supply of agency staff, these were for benefits, housing locality and St David's House. All agency staff are to be sourced through	Not following corporate requirements which could impact on the overall contract being used due to not using for the purposes	Reminder to all services to ensure awareness to comply with procedures and guidelines in using the Matrix Contract for services using agency staff.	Responsible Manager: Human Resources and Development Manager to monitor the contract. Commercial Team Leader and Procurement Officer for review

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		Matrix and all were aware that they use Matrix to supply staff. .. 2 staff sourced outside of Matrix had been approved by S151 but there were occasions when specialist staff could not be provided by Matrix.	required. The use of other suppliers not part of the agreement could result in extra cost to the authority.	Review of current levels of agency staff not within Matrix contract.	<p>Implementation date: January 2018</p> <p>A wholesale review is currently underway to determine the current contract and its relevance within and if it is meeting the needs of the organisation.</p>
4	Medium	<p><u>UK Container Maintenance Limited</u></p> <p>It was found that a contract was not in place where there was a high level spend for the supplier UK Container Maintenance Limited. The service thought they were part of an Eastern Shires Purchasing Organisation framework. During the audit they were looking at signing up to this process.</p>	There could potentially be other suppliers used that could be under contract with a better deal for the authority. There is also a risk that suppliers are not being reviewed for best value. There is potential for financial loss if there is no contract/framework being followed leading to possible reputational damage, a breach of procurement regulations and challenge from other potential suppliers.	A check needs to be made of all contracts given under a framework agreement to ensure that they are actually attached to that agreement.	<p>Responsible Manager: Environmental Services Manager</p> <p>Commercial Team Leader and Procurement Officer for review</p> <p>Implementation date: December 2017</p> <p>The framework prices are inputted to the stores finance system and these are checked against invoices. Any variation is questioned with the supplier and crosschecked against the framework. Unfortunately in this case the supplier was on a framework but the prices quoted by them were not the framework price. All framework prices will be systematically checked to ensure that the correct price is in our system and any future deviation will be picked up at the invoice stage.</p> <p>There is a wholesale review of stores and the mechanisms in place for assuring compliance with entering into and monitoring of contracts.</p>
5	Medium	<p><u>EProcurement Administration</u></p> <p>The procurement officer is currently the only officer with the access to and knowledge of the due-north eProcurement system in order to place adverts and</p>	Potentially a resilience risk exists if the Procurement Officer was off for some time the procurement process	To ensure there is a support mechanism in place to cover the administrative and monitoring of the eProcurement system to enhance	<p>Responsible Manager: Commercial Team Leader and Procurement Officer</p> <p>Implementation date: There is a single dependency at the moment.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		monitor questions from potential suppliers re procurement opportunities.	through the eProcurement system could be held up leading to contracts not being fulfilled in a timely manner leading to some operations being stopped or placed on hold which could lead to reputational damage. There could also be challenge if it was found that the council did not have contracts in place in line with EU rules.	the business resilience.	This is expected to be resolved as part of the reorganisation when the post transfers to Legal in September 2017.
Audit: North Worcestershire Building Control					
Assurance: Significant					
Summary: Full systems audit					
1	Medium	<u>Financial Statement</u> There is no evidence of a separate annual financial statement with the breakdown required by the Building Regulations 2010 with an approved Local Authority Signature	Risk of non compliance with legislation to demonstrate that Building Control is breaking even leading to potential reputational damage.	Redditch Borough Council to satisfy itself that they are acting in accordance with the Building (Local Authority Charges) Regulations 2010 by ensuring that a Fee Charging financial statement is produced at the end of each financial year and is signed off by an appropriate financial officer of the Council	Responsible Manager: Building Control Manager Agreed. The need for a financial statement was complied with by Finance however this was not sufficiently separate from that required by regulation. A separate financial statement will be produced for the end of this current financial year. Implementation date: Close of financial year 17 / 18
end					

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND STANDARDS
COMMITTEE**21st September 2017**COMPLIANCE TEAM UPDATE**

Relevant Portfolio Holder	Councillor John Fisher, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	√
Relevant Head of Service	Amanda de Warr, Head of Customer Access and Financial Support
Wards Affected	All Wards

1. SUMMARY OF PROPOSALS

This report provides an update on the work of the compliance team following the transfer of benefits fraud to the DWP Single Fraud Investigation Service in February 2016.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE, that subject to any comments, the report be noted.

3. KEY ISSUES

3.1 In February 2016 responsibility for benefits fraud investigations transferred to DWP.

3.2 Various duties remained with the team at this time such as

- Investigation of Council Tax Support claims
- Compliance / Verification of HB claims
- HBMS referrals
- National Fraud Initiative (NFI) data matching
- Police requests for information / liaison
- Support to DWP in respect of Housing Benefit fraud cases.

3.3 We took this as an opportunity to develop work in relation to wider non compliance issues around Council Tax and Business Rates.

Financial Implications

3.4 The work of the team has resulted in increased income as follows.

3.5 £37k in incorrectly claimed Council Tax discounts and exemptions

3.6 £28k in increase in Business Rates billing, with a further £500k awaiting valuation by the Valuation Office.

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- 3.7 13 properties missing off the Council Tax data base which have created 27.5k in extra Council Tax income.
- 3.8 Housing Benefit Matching Service (HBMS) work managed by the Compliance team resulted in the identification of overpayments of the following:
- | | |
|----------------------|------|
| Housing Benefit: | £16k |
| Council Tax Support: | £13k |
- 3.9 £11k in overpaid Housing Benefit and Council Tax Support identified through the National Fraud Initiative.
- 3.10 As a result of the work to date we have been able to evidence financial benefits to the other major preceptor, who receive the majority of the Council Tax collected. County colleagues have agreed and extra 10% of additional income to be awarded to this council as a result of the increase in proactive work.

Legal Implications

- 3.11 There are no specific legal implications.

Service/Operational Implications

- 3.12 Council Tax Discounts & Exemptions
The team has identified £37k in incorrectly claimed Council Tax discounts and exemptions. The team are currently working with the Revenues department to implement procedures to reduce fraud and error within the discounts and exemptions.
- 3.13 Business Rates
The team began working on Business Rates from January 2017. We are currently working with a 3rd party supplier to identify any businesses which have not registered for business rates or have expanded in size and not declared it to the council. There is a 3 month backlog at the Valuation Office and we expect this figure to be higher in later reports, as shown by the expected £500k awaiting a decision by the Valuation Office.
- 3.14 Council Tax missing properties
The team identified 13 missing properties which have all been valued by the valuation office, amounting to £27.5k per annum. The team have introduced a procedure within the Revenues department to mitigate the risk of missing properties.
- 3.15 National Fraud Initiative

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The team has completed all 685 Housing Benefit data matches from the National Fraud Initiative. £11k in overpaid Housing Benefit was identified as a result of this initiative.

Customer / Equalities and Diversity Implications

- 3.16 Identification of overpayments, or incorrectly claimed discounts and exemptions and the subsequent work to recover these debts can result in financial hardship, therefore consideration is given to this when agreeing repayment plans. Where additional support, such as money management advice, is provided where relevant.

4. RISK MANAGEMENT

The work of the team is to reduce the risk of lost income to the authority. The results to date show that this work is both necessary and rewarding.

5. APPENDICES

None

6. BACKGROUND PAPERS

None

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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS COMMITTEE 21st SEPTEMBER 2017****RISK MANAGEMENT STRATEGY**

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering – Executive Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No

1. SUMMARY OF PROPOSALS

- 1.1 For Members to consider the draft risk management strategy which will provide a robust framework for the identification and management of risks.

2. RECOMMENDATIONS

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

2.1.1 consider the draft strategy and propose any changes

3. KEY ISSUES**Financial Implications**

- 3.1 There are no financial implications in relation to the development of the strategy

Legal Implications

- 3.2 The Council operates within a number of statutory Governance regulations and having a risk strategy and framework ensures that the Council manages its service delivery within a legal and safe environment.

Service / Operational Implications**Draft Risk Management Strategy**

- 3.3 The Risk Strategy is attached at Appendix 1. This is revised from the previous one that required updating and reflects best practice as informed by Zurich Municipal the Councils insurance company. The strategy will ensure that a robust framework is in place to identify and manage risks in the delivery of the council's strategic purposes. The recent internal audit review into risk management recommended that the strategy required updating
- 3.4 In addition to the strategy , a risk management handbook is attached at Appendix 2. This is to support managers and staff in identifying, managing and monitoring risks to ensure that services are delivered in a safe environment and there is a consistent approach to risk management.

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Customer / Equalities and Diversity Implications

- 3.5 By having a robust risk management framework in place the Council can demonstrate that it is aware of the risks associated with the delivery of services and is managing them appropriately.

4. RISK MANAGEMENT

- 4.1 The strategy and handbook for managers provide a robust risk management framework

5. APPENDICES

Appendix 1 - Risk Management Strategy

Appendix 2 - Risk Management Handbook for Managers

AUTHOR OF REPORT

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Tel: 01527-881207

RISK MANAGEMENT

What is Risk Management, and Why do it?

What – The process of identifying possible risks to the council achieving its objectives. Followed by the evaluation of the potential consequences, their severity and likelihood of occurrence. Finally the use of effective methods of controlling or managing them, making the resultant level of risk acceptable.

- The right balance between innovation and change on one hand, and the avoidance of shocks on the other.

Why –

- Preserve & protect the council's assets, reputation, staff, councillors, customers, and anyone else to whom the council has a duty of care;
- Ensure compliance with statutory obligations;
- Inform key corporate & corporate planning, including for partnership working;
- Promote a risk aware culture where we are not averse to risk; we avoid unnecessary liabilities/costs, but encourage taking calculated risks where opportunities will benefit the council;
- Preserve & improve business performance & service delivery.

In addition, it meets the **CIPFA/SOLACE** requirements for authorities to establish and maintain a systematic strategy, framework and processes for managing risk.

APPENDIX 1

For risk management to be effective there must be a clear link between objectives and risk. It is therefore essential that risk management is embedded in the service planning process.

This Framework, combined with the Risk Management Top Tips for Managers Guide, forms our Risk Management Policy and Strategy..

RISK MANAGEMENT STRATEGY

RBC's approach to Risk Management

Strategy & Aim

Our Risk Management strategy will achieve:

- A culture of embedded risk awareness across the council that leaders enable, and for which individuals are responsible for creating and supporting;
- A positive culture, where we are not averse to embracing risks provided they have been well thought through and managed effectively;
- Assignment of clear roles & responsibilities for identifying, reporting and managing risk (see **Appendix I**);
- A common methodology for assessing and classifying risks;
- Consistent, but flexible, risk recording procedures which facilitate effective monitoring and reporting.

RISK MANAGEMENT FRAMEWORK

- Sets out the council's objectives for the management of risk at both strategic and operational levels in all activity, within projects, partnerships and by suppliers;
- Describes the risk management framework by defining a simple, but robust, systematic approach to how risk will be managed across the council;
- Uses set criteria for managing and controlling risks;
- Considers risks in the setting of projects and formal reports to councillors, as appropriate;
- Ensures maintenance of risk registers and associated risk profiles;
- Ensures that associated thinking and practice is embedded in everyday processes, policies and activity.

*** Strategic Level Risks –** factors affecting the achievement of the council's visions, aims and priorities *

*** Operational Level Risks –** factors that affect day to day service delivery *

The Risk Management cycle must be followed for **every** strategic risk and every operational service objective.

IDENTIFY

- A risk is an event or action that will have an affect on our ability to achieve our strategic or corporate objectives.
- Those best placed to identify risks are those responsible for the delivery of the objective. Therefore, at RBC, we identify risks when:
 - setting strategic priorities
 - setting objectives in Council Plans
 - in the early stages of project planning
 - entering partnerships
- **Strategic Risks** are identified in the Corporate Risk Register, which is the responsibility of CMT.
- **Operational Risks** are identified in each individual Service Plan to ensure the risks associated with all key business objectives are managed.

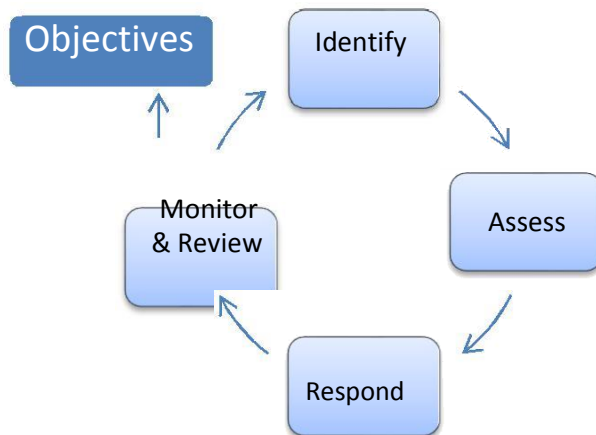
ASSESS

- Once identified, risks at RBC are assessed on the basis of the likelihood of their occurrence and the impact the event would have.

**** The 'Risk Management Top Tips for Managers Guide' describes each element of the Cycle, including assessment of likelihood and impact, in more detail and should be used in conjunction with the Framework. ****

RISK MANAGEMENT CYCLE

The council employs a **Risk Management Cycle**, which is represented as follows.



RISK MANAGEMENT FRAMEWORK

ASSESS contd.

Likelihood measured as:	Impact measured as:
<ul style="list-style-type: none"> • High • Medium • Low 	<ul style="list-style-type: none"> • Critical • Significant • Noticeable

The risk, after assessment, is considered in the Risk Matrix:

		RISK ASSESSMENT MATRIX		
LIKELIHOOD OF OCCURRENCE	HIGH	4	7	9
	MEDIUM	2	5	8
	LOW	1	3	6
		NOTICEABLE	SIGNIFICANT	CRITICAL
		IMPACT		

The colour rating for the risk defines how we will respond to the risk, and sets out our Risk Appetite. Calculated controlled risks may be taken providing the risk exposure is within the council's tolerance levels. These are defined in the Risk Matrix as:

Unacceptable risk: immediate control improvement required

Acceptable risk: monitor closely and seek cost effective control improvements

Acceptable risk: review regularly and seek low cost control improvements if possible

RESPOND

- For each risk individually assessed, controls must be put in place to deal with the risk by:
- Reducing the likelihood of occurrence
- Reducing impact of occurrence
- Changing consequences
- Consider risk mitigation using four Ts
 - Tolerate
 - Transfer
 - Treat
 - Terminate
- Once mitigating action is in place, reassess and rescore the risk to provide 'residual' risk. Record on risk register.

MONITOR & REVIEW

We have a dynamic process of review; identifying new risks, removing mitigated risks and tracking changing risk scores throughout the year. In addition, there are formal review points:

Corporate Risk

- Monitored formally on a six monthly basis by CMT
- Annual report to CMT

Operational Risk

- Monitored formally in Departmental meetings

On an annual basis all risks are reviewed feeding into the Annual Planning Process and the setting of objectives (see also the Performance Management Framework). This includes building in any lessons learned from risk events that have occurred during the year.

RISK MANAGEMENT HANDBOOK – Roles & Responsibilities

APPENDIX I

In the following table, risk management responsibilities relate to business as usual, projects, risks and financial performance

Employees	Resources – (Insurance Officer) <ul style="list-style-type: none"> Leading the annual review of the Risk Management Handbook/Policy and Strategy Maintaining and reporting on the Corporate Risk Register Advising Service Managers on the identification, assessment and management of operational risks during the Service Planning process Working with Service Managers on a quarterly basis to review risk management, as part of the Performance Management Framework Providing ongoing support and training to staff in relation to risk management. Consolidate inspection policy 		All Employees <ul style="list-style-type: none"> All council employees are responsible for ensuring there are robust and fit for purpose systems of internal control and risk management in place, and that they are aware of the risks that they: <ul style="list-style-type: none"> Are empowered to take Must avoid Must report upward Risk Owners are accountable for the management of their own risk, and these are defined in Risk Registers. All staff are responsible for reporting hazards/risks to their manager for escalation/consideration for inclusion in the Corporate Risk Register.
Managers	Senior Management Team / CMT <ul style="list-style-type: none"> Collectively, approving the risk management approach Considering the Risk Management Framework Individually, ensuring risk is managed effectively in their own service area, in line with the agreed strategy Ensure risk is managed and monitored effectively in shared services (hosted and non-hosted) in their area Affirming and supporting the work of risk management throughout the council, which is an important part of the council's corporate governance arrangements Monitoring corporate risks on a six monthly basis and annually in SMT meetings Reporting all new and amended risks to Insurance Officer for inclusion in the Corporate Risk Register, and to ensure they are linked to the budget planning process 		Service Managers <ul style="list-style-type: none"> Ensuring that all employees within their service understand and comply with the risk management policy & procedures Identifying, evaluating and managing operational risks and reporting any possible corporate risks to the Head of Service Ensure that operational risk registers are established for their services and regularly reviewed to ensure that risks are adequately monitored and managed Formally review all arrangements for risk management affecting their service areas at least annually as part of the business planning process
Members	Council The Leader of the Council is responsible for acting as the Lead Councillor for risk management.	Executive Committee Executive Committee is responsible for considering risk implications when making any decision Approve risk management strategy	Audit, Governance & Standards Committee Notified of Corporate Risk Register and its contents on an annual basis. Review on a quarterly basis
All Members	<ul style="list-style-type: none"> Considering risk implications in planning and decision making Have a responsibility to understand the strategic risks facing the council Bringing to the attention and discussing with officers any risks relating to the council's policies and activities, or any risks identified when undertaking duties as an elected member Have an understanding of the key council risks falling within their portfolio area, where relevant Providing leadership and direction for the management of risk on 		
Internal Audit	<ul style="list-style-type: none"> Undertaking audits of the council's Risk Management system and procedures in order to assess their effectiveness and compliance with the council's requirements as part of the corporate governance process Making recommendations to improve the effectiveness of Risk Management within the council 		

RISK MANAGEMENT HANDBOOK – TOP TIPS FOR MANAGERS GUIDANCE

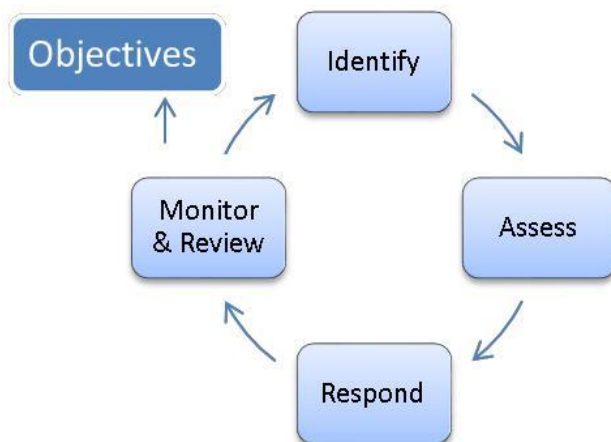
RISK MANAGEMENT AT RBC

The **Risk Management Handbook** provides an overview for all staff of the council's approach to Risk Management, including the extent to which Performance Management and Data Quality are integral to this.

This '**Top Tips for Managers**' Guide aims to provide more detailed guidance for Service Managers to support the identification and management of risk, aligned with the available resources, and contributing to the delivery of the council's overall strategic purposes.

RISK MANAGEMENT CYCLE

The Risk Management Cycle must be applied both to strategic and operational risks. It is as follows:



IDENTIFY YOUR RISKS

- A risk is an event or action that will have an affect on our ability to achieve our purposes
- Those best placed to identify risks are those who are responsible for the delivery of the purposes.

To be effective, Risk Management needs to be aligned with corporate aims, purposes and priorities. At RBC, risk is embedded at the heart of planning and ongoing performance management.

Strategic risks recorded on the Corporate Risk Register:

- The risks that are potentially damaging to the achievement of the council's overall purposes, or have an impact on the council corporately (e.g. damage to reputation). Strategic risk management is a task for the CMT, in close liaison with elected members.

- Corporate Plan

Operational risks recorded in individual Operational Risk Registers:

- The risks associated with individual service delivery, which will be managed by the Service Managers responsible for delivering those services

RISK MANAGEMENT – TOP TIPS

You can begin to think about your potential risks using a range of tools. These could include:

- Analysing past claims and other losses;
- Analysing past corporate incident/failures;
- Health & Safety inspections;
- Induction training & performance meetings;
- Staff and customer feedback

It may also help to think about the kinds of categories in which risks may sit. Suggestions are listed at Appendix I to assist.

ASSESS YOUR RISKS

Once the potential risks to service delivery have been identified, these need to be analysed by:

- Assessing the likelihood of the risk occurring
- Assessing the impact of the risk

Measure the LIKELIHOOD – the chance of something nasty happening

- **High** – event expected to occur in most circumstances
- **Medium** – might occur in most circumstances
- **Low** – likely to occur only in exceptional circumstances

Measure the IMPACT – the effect that something nasty happening would have

Seven criteria can help up measure impact; injury to personnel, loss of service, damage in reputation, number of people involved, scope for complaint/litigation, amount of financial loss or regulatory breach.

We use the following three categories to measure impact. Each can be defined in line with the seven criteria. However, it should be noted that these criteria are for **guidance only** and do not need to all apply exactly. Each risk should be considered individually.

CRITICAL

1. Death, extensive permanent injuries, long term injury
2. Short to medium term loss of service capability
3. Adverse local publicity, potential for embarrassment nationally
4. More than 40 people involved
5. Strong possibility of litigation
6. Financial loss in excess of £250,000
7. Breaches of law punishable by fines and/or imprisonment

SIGNIFICANT

1. Medical treatment required, long term sickness
2. Short to medium term disruption to service capability
3. Needs careful public relations management
4. Up to 40 people involved
5. High potential for complaint, litigation possible
6. Financial loss between £50,000 and £250,000
7. Breaches of regulations/national standards

NOTICEABLE

1. No injuries beyond 'first aid' level
2. No significant disruption to service capability
3. Unlikely to cause any adverse publicity
4. No more than 6 people involved
5. Unlikely to cause complaint/litigation
6. Financial loss below £50,000
7. Breaches of local procedures/standards

NB. A number of low impact incidents may have a significant cumulative effect and require attention.

**** Wherever possible, describe your risk using:
“Loss / failure of xxx, leading to xxx, resulting in xxx” ****

RISK MANAGEMENT – TOP TIPS

ASSESS contd.

After assessment, the likelihood and impact measures can be input into our Risk Matrix:

		RISK ASSESSMENT MATRIX		
LIKELIHOOD OF OCCURENCE	HIGH	4	7	9
	MEDIUM	2	5	8
	LOW	1	3	6
		NOTICEABLE	SIGNIFICANT	CRITICAL
		IMPACT		

This will produce a 'score' for the risk and, more importantly, a colour risk rating (i.e. red, amber or green). These colours define our Risk Appetite (the level of risk we are willing to accept), and therefore guide how we will respond to each risk.
(note this may change subject to current work to identify risk appetite) The ratings are:

Unacceptable risk: immediate control improvement required

Acceptable risk: monitor closely and seek cost effective control improvements

Acceptable risk: review regularly and seek low cost control improvements if possible

RESPOND TO THE RISKS

Our risks, once identified and assessed, must be dealt with in line with the colour rating/Risk Appetite so we are providing a proportionate and cost effective response.

- Can we take action to reduce the likelihood of the event happening?
- Can we reduce the impact of the event?
- Can we change the consequences of the event?

Ask yourself:

We use four basic ways of responding to risk although, in practice, we will probably need to used mixture of responses to address risk. These are;

- **Tolerate**
- **Treat**
- **Transfer**
- **Terminate**

See page four for a description of each.

RISK MANAGEMENT – TOP TIPS

Tolerate

- Do nothing / consciously accept the risk
- Certain risks cannot be adequately treated by either avoidance, transfer or control. In such cases, there is no alternative but for the council to accept the 'residual', or remaining, risk.
- We need to keep an eye on trends as too many may need investigation. Although they may not merit the cost of action, even very low risks, if repeated often enough, can become a problem that needs management.

Treat

- Take action to ensure existing controls are effective by periodic review and/or by implementing additional controls where considered necessary to reduce either the impact or likelihood that the event will materialise.
- The effort/cost must be proportionate to the level of risk.

Transfer

- Involves another party taking on, or sharing, the risk.
- Good examples of this are insurance and contracting out/shared services.
- **NB** Ultimate responsibility to undertake statutory requirements remains with the council, even if third party provision is engaged.

Terminate

- Deciding not to continue or proceed with an activity in view of the level of risk involved, wherever possible.
- **NB** Statutory requirements cannot be avoided.

RE-ASSESSING RISK

Putting in place appropriate actions to respond to the risk will allow for the risk to be measured again. The risk matrix can be used to re-evaluate the risk after control measures have been put in place, and this will provide the risk's '**residual score**'.

The 'Residual Score' should be at a level that is acceptable to management, and will also be recorded on the relevant **Risk Register (corporate or operational)**. It will give a measure of the effectiveness of the various control measures, and help to raise awareness of their importance.

It will also inform managers of the level and type of monitoring and management that will be required for the risk on an ongoing basis.

MONITOR & REVIEW THE RISKS

Effective risk management requires a reporting and review structure to ensure that risks are effectively identified and assessed, and that appropriate controls and responses are in place. The **Risk Registers** record risks to the council.

Corporate Risk Register

- Published on the intranet
- Reviewed quarterly by risk management group and reported to CMT
- 6 monthly review to Audit Committee
- Annual report also produced for SMT

RISK MANAGEMENT – TOP TIPS

Operational Risk Register

- Council Plan actions and Operational Risk Registers are combined
- Maintained by service areas on the 4 Risk system
- Having carried out assessment of risk, managers must:
 - Ensure that the agreed control measures continue to be applied
 - Check whether there has been any change in circumstances that necessitate a fresh risk assessment being carried out
 - Formally review all risk assessments affecting their areas of activity quarterly, **providing a current risk score each quarter.**
 - Revisit all risks each year.

New Risks

New risks identified throughout the year must be captured on the appropriate risk register, either by Service Managers for operational risks, and then discussed at risk management group meetings, or through notification to the HOS for corporate risks.

New corporate risks will be reported to the next quarter's CMT meeting and added to the register if deemed appropriate by CMT..

The assessment and response to new risks must be recorded in line with the Risk Management Handbook, as with any other risk.

Review

The risk assessment process involves all managers and will be repeated at least annually to monitor the effectiveness of the risk control measures implemented.

Audits are carried out in line with Internal Audit's rolling three year plan to identify opportunities for improvement. Changes in the council and the environment in which it operates will continue to be identified and appropriate modifications made to systems.

The monitoring process will provide assurance that there are appropriate controls in place for the council's activities, and that procedures are understood and followed.

DECISION MAKING, PROJECT PLANNING & WORKING IN PARTNERSHIP

Decision making

The Council needs to be able to demonstrate that it has considered the key risks associated with any proposed activity before arriving at a decision. This must also include considering the key risks associated in deciding against that proposed activity.

Risk therefore needs to be addressed at the point at which decisions are being taken. Where members and managers are being asked to make decisions they will be advised of the key risks associated with the recommendations being made.

Risk management is used to guide decisions and policy development.

RISK MANAGEMENT – TOP TIPS

Project Planning

Risk management must also be an integral part of project management, both in terms of the initial project/solution design and as part of ensuring that projects are delivered successfully.

Working in partnership

Where the council provides services in partnership, potential risks that could prevent success still need to be considered, just as though the council were providing those services itself. Risks should be managed through formal contracts and partnership agreements that clearly identify risks and allocate them to the appropriate parties. They are also included in our Corporate Risk Register.

Agreeing clear partnership outcomes is essential from the outset of an agreement. There must be open communication between the partners about the key risks that the partnership faces in achieving its purposes, which are formalised in partnership agreements.

Risks in partnerships should be considered using the council's Risk Management Framework and cycle which will:

- Highlight the risks that the partnership faces
- Identify the barriers to the partnership's success
- Creates a common understanding among partners of the issues the partnership faces
- Prioritise the risks and ensures that these are regularly reviewed and monitored
- Allocates responsibility for managing the risks to the party best placed to do it
- Provides the necessary assurance to each organisation that the partnership is being adequately managed.

Risks associated with key partnerships must be regularly reviewed with the monitoring process agreed when the partnership is set up. Reports to the partnership and the individual organisations should be determined by the significance of the risks involved.

The following documents will include formal identification of associated risks:

All reports to members

Business cases and project plans

Recommendations to CMT

Business Plans

ACCOUNTABILITIES, ROLES & RESPONSIBILITIES

The Director of Finance and Resources has the lead role for developing the council's approach to risk management. She is assisted by the Finance Manager and Insurance Officer, who support officers in implementing risk management on an annual and day to day basis.

Risks cannot be managed if they are not owned. This means the day to day responsibility for risk management lies with managers and staff.

Roles & Responsibilities are described in Appendix II.

RISK MANAGEMENT – TOP TIPS

TRAINING

Having established responsibilities for risk management, the council must ensure that staff and members have the appropriate skills to undertake the roles.

It is the responsibility of managers to ensure their staff are properly trained in the implementation of this strategy.

A programme of training will then be provided including:

- An induction to 4-risk
- Awareness raising for all staff
- Refresher training
- Ad hoc training from Zurich, the council's Risk Advisers, to meet identified need

This 'Top Tips for Managers' Guide is also intended for use as an ongoing training resource.

APPENDIX 1

RISK CATEGORIES

Here is a list of risk categories to help you identify your risks. Risks can be strategic, operational or sometimes a mixture of both. These categories are only intended as a guide to help you consider risk, and will not be exhaustive or cover every risk in every situation.

We also need to bear in mind Governance factors:

STRATEGIC	Sources of Risk	Risk Examples
	Business Continuity	Loss of data / records / buildings
	Infrastructure	Functioning of transport, communications and utilities infrastructure. Impact of storms, floods, pollution
	Financial	Funding sources
	Politics and Law	Effects of change of government policy, UK or EC legislation, national or local political pressures or control, meeting the administrations manifesto commitments
	Social Factors	Effects in changes in demographic, residential and social trends on ability to deliver objectives
	Technology	Capacity to deal with obsolescence and innovation, product reliability, development and adaptability to use technology to address changing demands
	Competition and Markets	Affecting the competitiveness (cost & quality) of the service and/or ability to deliver Best Value and general market effectiveness
	Stakeholder related factors	Satisfaction of: citizens, users, central and regional government and other stakeholders
	Environmental	Environmental consequences of progressing strategic objectives (e.g. in terms of energy efficiency, pollution, recycling emissions etc.)

OPERATIONAL	Sources of Risk	Risk Examples
	Finance	Associated with accounting and reporting, internal financial delegation and control e.g. managing revenue and capital resources, pensions
	Human Resources	Recruiting and retaining appropriate staff and applying and developing skills in accordance with corporate objectives, employment policies, health and safety and absence rates
	Contracts and Partnerships	Failure of Contractors to deliver services or products to the agreed cost and specification. Procurement, contract and relationship management. Overall Partnership arrangements e.g. for pooled budgets or Community Safety
	Tangible Assets	Security of land and buildings, safety of plant and equipment, control of I.T. hardware
	Environmental	Relating to pollution, noise or the energy efficiency of ongoing operations
	Processes	Infection control, inspection compliance, project management, performance management
GOVERNANCE	Professional judgement and activities	Risks inherent in professional work such as legal or other professional advice, working with children, designing buildings

GOVERNANCE	Integrity	Fraud and corruption, accountability and openness, equality and diversity, legality of actions and transactions and limits on authority
	Leadership	Reputation, authority, democratic renewal, trust and identity
	Policy and strategy	Ensuring clarity of purpose and communication. Policy planning, community planning and monitoring and managing overall performance
	Data and information for decision making	Data protection, data reliability and data processing. Information and communication quality. Effective use and interpretation of information. Control of data and information.
	Risk Management	Incident reporting and investigation, risk measurement, evaluation and monitoring

RISK MANAGEMENT HANDBOOK – Roles & Responsibilities

APPENDIX I

In the following table, risk management responsibilities relate to business as usual, projects, risks and financial performance

Employees	Resources – (Insurance Officer) <ul style="list-style-type: none"> Leading the annual review of the Risk Management Handbook/Policy and Strategy Maintaining and reporting on the Corporate Risk Register Advising Service Managers on the identification, assessment and management of operational risks during the Service Planning process Working with Service Managers on a quarterly basis to review risk management, as part of the Performance Management Framework Providing ongoing support and training to staff in relation to risk management. Consolidate inspection policy 		All Employees <ul style="list-style-type: none"> All council employees are responsible for ensuring there are robust and fit for purpose systems of internal control and risk management in place, and that they are aware of the risks that they: <ul style="list-style-type: none"> Are empowered to take Must avoid Must report upward Risk Owners are accountable for the management of their own risk, and these are defined in Risk Registers. All staff are responsible for reporting hazards/risks to their manager for escalation/consideration for inclusion in the Corporate Risk Register.
Managers	Senior Management Team / CMT <ul style="list-style-type: none"> Collectively, approving the risk management approach Considering and approving the Risk Management Policy, as formed by the Handbook Individually, ensuring risk is managed effectively in their own service area, in line with the agreed strategy Ensure risk is managed and monitored effectively in shared services (hosted and non-hosted) in their area Affirming and supporting the work of risk management throughout the council, which is an important part of the council's corporate governance arrangements Monitoring corporate risks on a six monthly basis and quarterly at CT meetings Reporting all new and amended risks to Insurance Officer for inclusion in the Corporate Risk Register, and to ensure they are linked to the budget planning process 		Service Managers <ul style="list-style-type: none"> Ensuring that all employees within their service understand and comply with the risk management policy & procedures Identifying, evaluating and managing operational risks and reporting any possible corporate risks to the Head of Service Ensure that operational risk registers are established for their services and regularly reviewed to ensure that risks are adequately monitored and managed Formally review all arrangements for risk management affecting their service areas at least annually as part of the business planning process
Members	Council The Leader of the Council is responsible for acting as the Lead Councillor for risk management.	Executive Committee Executive Committee is responsible for considering risk implications when making any decision Approve risk management strategy	Audit, Governance & Standards Committee Notified of Corporate Risk Register and its contents on an annual basis. Quarterly review
All Members	<ul style="list-style-type: none"> Considering risk implications in planning and decision making Have a responsibility to understand the strategic risks facing the council Bringing to the attention and discussing with officers any risks relating to the council's policies and activities, or any risks identified when undertaking duties as an elected member Have an understanding of the key council risks falling within their portfolio area, where relevant Providing leadership and direction for the management of risk on 		
Internal Audit	<ul style="list-style-type: none"> Undertaking audits of the council's Risk Management system and procedures in order to assess their effectiveness and compliance with the council's requirements as part of the corporate governance process Making recommendations to improve the effectiveness of Risk Management within the council 		

Audit, Governance and Standards Committee Action List – 21st September 2017 Meeting

Ref	Action / Issue	Discussed	Lead Officer(s) / Member(s)	Priority / timescale	Latest Officer / Member Response & Action Status
1	Statement of Accounts 2014/15 Inventories Request for further details in relation to £27k Inventories.	Minute No's: 32 of 28.01.16 62 of 21.04.16 12 of 07.07.16 37 of 02.02.17 51 of 27.04.17 65 of 06.07.17 meeting	Jayne Pickering Kevin Hirons Dave Jones Cllr Potter	21.09.17 meeting	<p>Mr Jones reported at the 02.02.17 meeting that he had met with Officers in late April 2016 to discuss the inventories position and detailed his findings in this regard. A delay had arisen with the reporting of this information as Mr Jones had not been able to attend the previous two meetings of the Committee. In light of the feedback provided the Committee requested that Kevin Hirons, Environmental Services Manager, be invited to attend the 27.04.17 meeting to discuss the issues raised by Mr Jones. As Mr Hirons was unable to attend that meeting it was agreed that a separate meeting (outside of the Committee) would take place between relevant Officers and Members, and that this would be reported back on at the 06.07.17 meeting. Update given at 06.07.17 meeting advising that additional work was being undertaken by Officers, and that a further update would be provided at the 21.09.17 meeting.</p> <p>FURTHER UPDATE TO BE PROVIDED AT 21.09.17 MEETING. REMOVE FROM ACTION LIST IF REQUIRED ACTION COMPLETED.</p>

Audit, Governance and Standards Committee Action List – 21st September 2017 Meeting

2	Debt Recovery Update – Quarters 1 and 3 2015/16 Write-offs / Measures Dashboard Request for levels of debts written off for 2014/15.	Minute No's: 43 of 28.01.16 62 of 21.04.16 12 of 07.07.16 37 of 02.02.17 51 of 27.04.17 65 of 06.07.17 meeting	Jayne Pickering Dave Jones	21.09.17 meeting	<p>Mr Jones reported at the 02.02.17 meeting that he had met with Officers to review the Measures Dashboard. In light of the feedback provided it was agreed that Mr Jones would arrange to meet with Jayne Pickering to discuss the position, and that a further update on this would be given at the 27.04.17 meeting. No update was provided at the April meeting and it was therefore agreed that this would be given at the 06.07.17 meeting. No update was provided at the 06.07.17 meeting and it was therefore agreed that this would be given at the 21.09.17 meeting.</p> <p>UPDATE TO BE PROVIDED AT 21.09.17 MEETING. REMOVE FROM ACTION LIST IF REQUIRED ACTION COMPLETED.</p>
3	Compliance Team Update Monies Recovered and Repayment Timescales Request for details of actual monies recovered and agreed repayment timescales to be included in next report.	Minute No. 33 of 02.02.17 meeting	Mandy Singleton Paul Stephenson	21.09.17 meeting	<p>Officers will look to see whether it is possible to include this information in the next report to Committee on 21.09.17.</p> <p>REMOVE FROM ACTION LIST IF REQUIRED ACTION COMPLETED.</p>

Audit, Governance and Standards Committee Action List – 21st September 2017 Meeting

4	<p>Treasury Management Strategy Statement and Investment Strategy 2017/18 to 2019/20</p> <p>Yield Benchmark Data Request from Mr Jones for yield benchmark data showing how the Authority invested its funds to be included in report.</p>	<p>Minute No's: 32 of 02.02.17 51 of 27.04.17 meeting</p>	Jayne Pickering	01.02.18 meeting	<p>Officers will look to provide this information in the 2018 Treasury Management Strategy report.</p> <p>RETAIN ON ACTION LIST FOR 01.02.18 MEETING.</p>
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**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

21st September 2017

Work Programme for the calendar year ahead**Statement of Accounts**

Copies of the unaudited financial statements and the Annual Governance Statement are sent to members of the Committee at the same time these are issued to the Council's external auditors at the end of June. An Officer briefing on the statement of accounts is due to take place on 11th September 2017, prior to the Committee's formal consideration of the audited financial statements at the 21st September 2017 meeting.

Earlier closedown of Accounts

Under the Accounts and Audit Regulations 2015, with effect from 2017/18 unaudited financial statements will need to be published by the end of May and audited financial statements by the end of July.

1st February 2018 meeting**Standards**

- Monitoring Officer's Report

Governance

- Review of Independent Member Appointment (either to February or April 2018 meeting – prior to expiry of current 4-year term of office in July 2018 – Minute No. 22 of 25th September 2014 meeting refers)
- External Audit – Update Report
- External Audit – Grant Claims Certification Work Report
- External Audit – Annual Audit Letter 2016/17
- Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2018/19
- Compliance Team Update
- Internal Audit – Progress Report
- Internal Audit – Draft Audit Plan 2018/19

Monitoring

- S11 Action Plan Monitoring
- Corporate Governance and Risk (report to include: Governance and Accounts Action Plan (for any accounts and/or governance issues raised by the auditors), Annual Governance Statement and Corporate Risk Register update – to all meetings, plus any required Treasury Management monitoring updates)
- Financial Savings Monitoring Report (subject to timings and to include any relevant Quarterly Budget Monitoring commentary from Portfolio Holder)
- Committee Action List and Work Programme
- Calendar of Meetings 2018/19 (or April 2018 meeting)

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****21st September 2017****26th April 2018 meeting****Standards**

- Monitoring Officer's Report

Governance

- External Audit – Update Report
- External Audit – Audit Plan 2017/18
- External Audit – Audit Fee Letter 2018/19
- External Audit – Auditing Standards 2017/18 (Communication with the Audit, Governance and Standards Committee)
- Proposed Accounting Policies 2017/18 (Statement of Accounting Policies)
- Internal Audit – Progress Report
- Internal Audit – Final Audit Plan 2018/19

Monitoring

- Compliance Team Update
- S11 Action Plan Monitoring
- Corporate Governance and Risk (report to include: Governance and Accounts Action Plan (for any accounts and/or governance issues raised by the auditors), Annual Governance Statement and Corporate Risk Register update – to all meetings, plus any required Treasury Management monitoring updates)
- Financial Savings Monitoring Report (subject to timings and to include any relevant Quarterly Budget Monitoring commentary from Portfolio Holder)
- Committee Action List and Work Programme
- Annual Review of the Operation of the Committee (Chair's oral report) and the Committee's Procedure Rules (Minute No. 4 of 28th June 2012 meeting refers)
- Calendar of Meetings 2018/19

July 2018 meeting (meeting date to be confirmed)**Standards**

- Monitoring Officer's Report (including any updates from the Parish Council's Representative(s) and Hearing Sub-Committee memberships if any changes to main Committee membership for the 2018/19 Municipal Year)
- General Dispensations Report (to first meeting of the Committee following the 2018 Borough Council elections)

Governance

- External Audit – Audit Findings Report 2017/18 (note: external auditors don't usually provide general update report at this meeting)
- Audited Statement of Accounts 2017/18 (including final Annual Governance Statement)

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE****21st September 2017**

- Internal Audit – Annual Report 2017/18 (including review of effectiveness of Internal Audit – Note: a separate Internal Audit Progress Report does not usually go to this meeting)

Monitoring

- S11 Action Plan Monitoring
- Corporate Governance and Risk (report to include: Governance and Accounts Action Plan (for any accounts and/or governance issues raised by the auditors), Annual Governance Statement and Corporate Risk Register update – to all meetings, plus any required Treasury Management monitoring updates)
- Financial Savings Monitoring Report (subject to timings and to include any relevant Quarterly Budget Monitoring commentary from Portfolio Holder)
- Committee Action List and Work Programme

21st September 2018 meeting (meeting date to be confirmed)**Standards**

- Monitoring Officer's Report (including any updates from the Parish Council's Representative(s))

Governance

- Internal Audit – Progress Report

Monitoring

- Compliance Team Update
- Re-appointment of Lead Risk and Fraud Members on the Committee
- S11 Action Plan Monitoring
- Corporate Governance and Risk (report to include: Governance and Accounts Action Plan (for any accounts and/or governance issues raised by the auditors), Annual Governance Statement and Corporate Risk Register update – to all meetings, plus any required Treasury Management monitoring updates)
- Financial Savings Monitoring Report (subject to timings and to include any relevant Quarterly Budget Monitoring commentary from Portfolio Holder)
- Committee Action List and Work Programme

Details of reports for subsequent meetings will be added to the Work Programme in due course, as part of the rolling year programme.

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