

Open

Additional Papers Audit Committee

**Agenda Item 5 – Audit Finding Report for Wyre
Forest District Council 2018-19 Accounts**

Agenda Item 6 – Statement of Accounts 2018-19

**6pm
Monday, 29th July 2019
Council Chamber
Wyre Forest House
Finpoint Way
Kidderminster**





The Audit Findings for Wyre Forest District Council

Year ended 31 March 2019

23 July 2019



Contents



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

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Wyre Forest District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance (in the case of Wye Forest District Council the Audit Committee).

<p>Financial Statements</p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>We commenced our post-statements onsite visit in late May and as at 23 July 2019 our audit is substantially complete. Our findings are summarised on pages 5 to 13.</p> <p>The balance sheet and supporting notes have been adjusted for the revaluation of the pension liability by £1.013m, there is no impact on the reported financial position for the year ended 31 March. We have recommended a small number of adjustments to improve the presentation of the financial statements.</p> <p>The draft financial statements were presented for audit in accordance with the agreed timetable of the end of May 2019. The accounts were supported by generally good quality working papers overall and we received prompt responses to our queries. The earlier commencement date of the audit this year together with some team resourcing and capacity issues was challenging but issues were resolved by cooperation between the audit and finance team to avoid unacceptable delays in completion of work.</p> <p>We have also raised recommendations for management as a result of our audit work in Appendix A. The position against our prior year recommendation to management is detailed in Appendix B. Audit adjustments are detailed in Appendix C.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated audit report opinion will be unmodified.</p> <p>Subject to a number of outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 29 July 2019, as detailed in Appendix E.</p>
<p>Value for Money arrangements</p>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Wyre Forest District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 14 to 19.</p>
<p>Statutory duties</p>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit. 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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.

Summary

Overview of the scope of our audit

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

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

Audit approach

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

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

We have not had to alter or change our audit plan, as communicated to you in February 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 29 July 2019 . These outstanding items include:

- Completion of our review of revaluation of PPE
- Review of the IAS19 disclosures following actuarial review of the impact of the McCloud ruling
- receipt of management representation letter
- completion of a small number of outstanding queries; and
- review of the final set of financial statements.

Summary continued

Our approach to materiality

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

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Wyre Forest District Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,070,000	We decided that gross expenditure is a relevant benchmark for assessing the Council's materiality, in line with other local authorities that are . We also decided that 2 per cent of gross expenditure was an appropriate level of materiality. Our 2018/19 audit did not identify any significant deficiencies in the control environment and we concluded that would require us to change materiality.
Performance materiality	802,000	On the basis that there are no significant control issues and there is a stable management team in place at the Council we concluded that 75 per cent of materiality was an appropriate level for performance materiality.
Trivial matters	53,000	We set the level of triviality at 5 per cent of our headline materiality. We considered that amounts below this are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.
Materiality for senior officer based on 2% of total officer remuneration	9,000	We have identified senior management remuneration as a sensitive item and set a lower materiality of £9,000 (based on note 30 out-turn expenditure)

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>1 The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Auditor commentary</p> <p>We highlighted in the plan that we had rebutted this risk and we have not changed that assessment.</p> <p>No matters have been raised from our work on revenues.</p>
<p>2 Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>	<p>Auditor commentary</p> <p>We have performed the following work in respect of this risk:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>There are no matters arising from our work.</p>

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

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Valuation of land and buildings (Periodic revaluation with desktop valuation in intervening years)

The Council revalues its land and buildings on a rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.

Auditor commentary

We have performed the following work in respect of this risk:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- wrote to the valuer to obtain confirmation on the basis on which the valuation was carried out to ensure that the requirements of the Code are met. We challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register
- For new property purchases reviewed the categorisation and valuation at year end.

We have yet to finalise our work in this area but expect to complete by the Audit Committee and will update members at that meeting.

One area where we challenged management was in the classification of the council's property acquisitions in 2018/19. The Council has spent over £9m on property this year, as part of its capital portfolio. The Council is satisfied that whilst these assets have been acquired partly for income generation purposes they support the Council's economic development priorities. We are satisfied that the Council has provided sufficient evidence and has made adequate disclosure in the accounts to support this assertion that these assets should be classified and valued as operational assets.

We also discussed with management the basis for valuation of the car parks. It had been noted that a car park has changed significantly in value this year on revaluation and as a consequence the Council extended the valuation exercise to include all car parks to ensure they had an up to date valuation. We sought additional evidence from officers on the basis for the reduction in valuation and why they were satisfied that there was no indication of an error in valuation in previous years, which would have required a prior period adjustment. The evidence provided was appropriate.

Management has included reference to these matters as critical judgements or narrative to notes within the accounts.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

4

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.

Auditor commentary

We have performed the following work in respect of this risk:

- Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement
- Evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made
- Checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report
- Undertook procedures to ensure that the data sent to actuary are complete and accurate

The following matters were not anticipated when we drafted our audit plan:

Pension - McCloud ruling re age discrimination

The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where there was transitional protections given to scheme members. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for other pension schemes where they have implemented transitional arrangements on changing benefit. Our view is that the McCloud judgement gives rise to a past service cost and liability within the scope of IAS 19 as the ruling creates a new obligation. This matter was discussed with officers who, in conjunction with the other Worcestershire Councils, asked the actuary to provide an estimate of the impact.

This has now been received and for Wyre Forest District Council it has been determined that there is no impact. However, as part of the review the actuary has revised his assessment of the value of scheme assets and the resulting pension fund deficit, as disclosed in the accounts. The accounts have been adjusted by £1.013m which represents a reduction in the actuary's assessment of the Council's pension deficit liability.

GMP equalisation

Separately on 26 October, the High Court ruled that defined benefit pension schemes must remove any discriminatory effect that guaranteed minimum pension entitlements have had on members benefits. GMPs must be equalised between men and women and that past underpayments must be corrected. We engaged our auditor's expert, PWC, to consider the assumptions made by the pension scheme's actuary (Mercer's) on the matter. Mercers have not made allowances for the post 2021 element in their IAS 19 estimates on the basis that these future liabilities are uncertain, and our internal actuary has confirmed his agreement with that view.

We judged that we would await the outcome of the two matters above before we completed our work on the pensions fund disclosures and as a consequence our work is not yet complete, although we anticipate that it will be finalised by the Audit Committee and we will provide an update at that meeting.

We are currently finalising our work in the above areas.

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment																								
<p>Net pension liability – £136,873m</p>	<p>The Council's total net pension liability at 31 March 2019 is £136,873m (PY £132,882m) comprising the Worcestershire Local Government pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have:</p> <ul style="list-style-type: none"> considered the accuracy of source data and local assumption where our auditor's expert have indicated that the information is based on local data. (in progress) asked the pension fund auditor to provide assurance on the operation of controls at the pension fund administrator and to provide assurance around some key information (in progress) undertaken analytical procedures to confirm the accuracy of key disclosures used PWC as an auditors expert to assess the actuary and assumptions made by actuary – and concluded that the assumptions used are reasonable (in progress and table below) considered the impact of the McCloud and GMP on actuarial assumptions (as referred to earlier in the report) considered the completeness and accuracy of the underlying information used to determine the estimate considered the impact of any changes to valuation method (in progress) reviewed the reasonableness of the Council's share of LPS pension assets. <table border="1" data-bbox="763 879 2069 1345"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.4%-2.5%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.2%</td> <td>2.3%-2.2%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>1.5% p.a, 1.25% p.a, 1.25% p.a. 18/19 - 20/21</td> <td>Scheme and employer specific</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>24.9-25.1 22.7-22.8</td> <td>24.8-26.3 22.2-23.7</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>28.0-28.2 25.7-25.8</td> <td>27.9-29.0 25.0-26.4</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.4%-2.5%	●	Pension increase rate	2.2%	2.3%-2.2%	●	Salary growth	1.5% p.a, 1.25% p.a, 1.25% p.a. 18/19 - 20/21	Scheme and employer specific	●	Life expectancy – Males currently aged 45 / 65	24.9-25.1 22.7-22.8	24.8-26.3 22.2-23.7	●	Life expectancy – Females currently aged 45 / 65	28.0-28.2 25.7-25.8	27.9-29.0 25.0-26.4	●	<p>●</p>
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Assessment

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

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
<p>1 Significant events or transactions that occurred during the year</p>	<ul style="list-style-type: none"> During the year the council purchased property to add to the Council's capital portfolio. We discussed with management their procedures for assessing and approving such acquisitions, the update to the capital portfolio strategy and their consideration of CIPFA's statements on such arrangements, including the accounting treatment. 	<ul style="list-style-type: none"> We have challenged management on their assumptions and judgements on these acquisitions and officers have demonstrated to us that the Council has adequately considered and reported on the associated risk from such acquisitions and its compliance with the CIPFA code and guidance.
<p>2 Business conditions affecting the Council, and business plans and strategies that may affect the risks of material misstatement</p>	<ul style="list-style-type: none"> As part of our value for money work we have considered the key assumptions within the Medium term financial plan including assumptions around future balances. As part of our opinion on the accounts we have considered whether the Council remains a going concern. 	<p>Auditor view</p> <ul style="list-style-type: none"> We are satisfied that the Council has adequate levels of balances and reserves and remains a going concern.

Significant findings - Going concern

Our responsibility

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

Going concern commentary

Management's assessment process

Management has considered the Council's current and projected positions against the regulatory and control environment applicable to the Council as a local authority. The Council has a proven track record in reducing net spend by a raft of efficiency and improvement initiatives all of which stands us in good stead to close our projected funding gap in the years ahead.

Auditor commentary

- Management considers going concern as part of the update to its medium term financial plan. Specific reports are not prepared to Cabinet or Council because management consider that current reporting arrangements are sufficient and appropriate. The response to our ISA 240 letter (management representation letter) does not highlight any concerns in relation to going concern.
- As part of our planning procedures, we took 'Informing the Risk Assessment' document to the Audit Committee. Within this document management outline the arrangements that the Council has in place to support the going concern assertion. Members (those charged with governance) were satisfied with the explanations provided within that document.
- Overall we consider arrangements to support the going concern assertion to be appropriate, particularly when considered in the context of the financial outturn and current and projected level of balances. These areas were considered as part of our work supporting the value for money conclusion.
- We do not consider that there is a material uncertainty and disclosures within the financial statements are adequate.

Concluding comments

Auditor commentary

- There are no matters to report in relation to the council's going concern

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	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any 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	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council, which is included in the Audit Committee papers.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to the Council's banks, lenders and investors. Permission was granted and we have received all the necessary confirmations which support the accounts disclosures.
⑥ Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements. Some changes to disclosures have been made to improve the presentation of the accounts
⑦ Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
① Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters .</p>
③ Specified procedures for Whole of Government Accounts	<p>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.</p> <p>Note that work is not required as the Council does not exceed the threshold.</p>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audit of Wyre Forest District Council in the audit opinion, as detailed in Appendix E.</p>

Value for Money

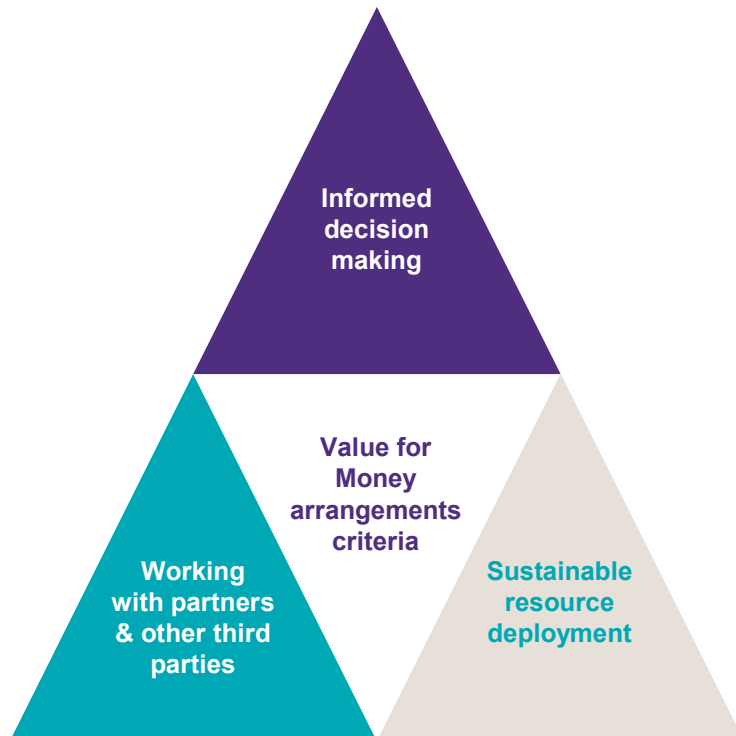
Background to our VFM approach

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

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in January 2019 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated February 2019.

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 risk we identified from our initial and ongoing risk assessment.

Value for Money

Our work

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

The Council's financial strategy recognises the financial pressures in the sector including reduced grant funding, changes in the new homes bonus and the aspirations to extend future capital portfolio acquisitions. Significant savings have been achieved over a number of years but there is more to do to ensure financial sustainability is maintained whilst providing capacity to deliver against strategic priorities.

We have therefore focused our work on the Council's arrangements around sustainable resource deployment; budget delivery and reserves management.

In arriving at our conclusion, our main considerations were the:

- accuracy and timeliness of budget reporting
- savings programme and arrangements in place to manage delivery
- capital strategy focussing on the changes to support the councils capital portfolio acquisition strategy and how these are reflected in the MTFP.
- robustness of assumptions made in the MTFP in respect of income from capital portfolio acquisitions
- delivery of the 2018/19 budget and financial position at 31 March 2019

Following our review of arrangements in these areas we are satisfied that the vfm risk has been mitigated, and we can conclude that the Council's arrangements are adequate.

We have set out more detail on this risk, the results of the work we performed, and the conclusions we drew from this work on pages 16 to 19.

Overall conclusion

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

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

Recommendations for improvement

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

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

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

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	Findings	Conclusion
<p>1 The Council's financial strategy recognises the financial pressures in the sector including reduced grant funding, changes in the new homes bonus and the aspirations to extend future capital portfolio acquisitions. Significant savings have been achieved over a number of years but there is more to do to ensure financial sustainability is maintained whilst providing capacity to deliver against strategic priorities.</p>	<p>2018/19 outturn</p> <p>Note 7.10 of the accounts is reporting that the Council's outturn was £2m more favourable than planned, due to additional taxation, non specific grant income and one off transfers from the business rates pool.</p> <p>In common with previous years, there is a tendency for in-year reporting for the first three quarters of the year to indicate a broadly on-budget position only for the final quarter to report significant underspends and additional income resulting in a large underspend. Specifically the quarter 3 forecast outturn projected a £23k underspend but this increased to a net understand £310k at year end, after allowing for transfers to reserves and provisions.</p> <p>To improve accuracy, the Council did review the prior year outturn and reflect this in the in-year revision to the budget and this has made the year end outturn more accurate. The Council had a 'windfall' of £533k representing the Council's share of the county business rates pool risk reserve, the value of which was not known until March and was not included in any in year forecast. This was a major contributory factor to the overall underspend in 2018/19 on business rates of £1.2m against original budget (£917k against revised budget). Underspends against Q3 position include vacancies totalling £136k and improved benefits overpayments recovery of £166k. The provision for business rates appeals has risen by £765k (46%) compared with £218k applied in year. The Council's share of the provision for business rates appeals has risen by £765k (46%) compared with £218k applied in year due to a more lengthy process for considering and settling appeals under the Valuation Office Check, Challenge Appeal process.</p> <p>In year reporting</p> <p>The Quarter 3 report was presented to Cabinet at the end of March which is about 3 months after the period to which it relates. Whilst this timing is relatively common in local government it provides no opportunity for input by members or approval of any actions and is therefore effectively for information only.</p> <p>The follow up peer review report in January 2019 makes positive comments on the progress the Council is making against its 2017 recommendations around financial management. Improvements include more sensitivity analysis around assumptions within the financial strategy.</p>	<p>We are satisfied that the Council has appropriate arrangements in place to maintain spending within its budget. We do, however, note the trend of variations against budget emerging in the final quarter resulting in historic underspends against budget. Scope exists to ensure that budgets are challenging and realistic rather than prudent.</p> <p>Scope exists going forward to improve the timeliness of in year financial reporting.</p>

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	Findings	Conclusion
1	<p>The Council’s financial strategy recognises the financial pressures in the sector including reduced grant funding, changes in the new homes bonus and the aspirations to extend future capital portfolio acquisitions. Significant savings have been achieved over a number of years but there is more to do to ensure financial sustainability is maintained whilst providing capacity to deliver against strategic priorities.</p>	<p>Savings Programme</p> <p>The savings programme is relatively large, however, the Council has historically delivered its savings plans, plus made further in year underspends which has supported the financial position. Identification and monitoring of savings and savings delivery is well structured and builds on arrangements reviewed by audit in prior years. The MTFP highlights that further savings are required to fill the budget gap. The MTFP has savings of £11.6m over the 4 years, of which £1.4m has been delivered (reflecting recurring nature of the savings plans).</p> <p>Balances and reserves</p> <p>At the 31 March 2019 the Council has a healthy general fund balance of £4.9m and earmarked reserves totalling £7.9m. Despite the continuing austerity the Council continues to strengthen its reserves (General Fund balances down from £5.1m and earmarked reserves up from £6.2m on the prior year).</p> <p>The MTFP projects that the Council will need to draw on £847k of reserves by 2020/21, although the intention is that plans will be developed to offset the shortfall. However, the Council would still have adequate general reserves over and above the £1.2m working balance. Earmarked reserves contain a number of 'risk' reserves to mitigate future uncertainties, for example around business rates. The financial strategy highlights that in common with other councils there are considerable uncertainties over the medium term, particularly from future funding streams from central government and business rates and it is therefore appropriate for the Council to be building in a healthy level of balances to mitigate against risk.</p> <p>As outlined above, the Council is also actively seeking further savings and new sources of income in order to be sustainable in the future. We do not consider that there is currently a financial resilience risk based on the current level of reserves and spending plans.</p>	<p>We are satisfied that the Council has appropriate arrangements in place to manage to deliver against its savings plans.</p> <p>We are satisfied that the Council has a sufficient level of reserves and balances.</p>

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	Findings	Conclusion
1	<p>The Council's financial strategy recognises the financial pressures in the sector including reduced grant funding, changes in the new homes bonus and the aspirations to extend future capital portfolio acquisitions. Significant savings have been achieved over a number of years but there is more to do to ensure financial sustainability is maintained whilst providing capacity to deliver against strategic priorities.</p>	<p>Capital asset portfolio and development loan fund</p> <p>In common with other councils facing funding pressures, the Council investigated alternative forms of income and subsequently established its capital portfolio and development fund. The capital programme totals £35m to be funded from borrowing for these proposals. The Council has revised its capital strategy to set out the basis for these investment and borrowing plans. During 2018/19 the Council spent £9.8m of this fund in capital portfolio acquisitions, including two purchases outside the Council's geographical area, although within one of its LEP areas. Further schemes are in the pipeline. The Council has indicated that future surplus from property acquisitions are a by-product of a broader strategy, not a form of borrowing in advance of need as the acquisitions meet Council objectives, such as economic development, for example as part of the Council's commitment to the Solihull and Greater Birmingham LEP. PWLB rates are relatively low and thus many councils are acquiring assets in similar circumstances, although investing out of area is now regarded as controversial, particularly following the comments made by the CIPFA president in October 2018.</p> <p>The MTFP reflects that these acquisitions are to be funded from PWLB borrowing, and builds in assumptions around the revenue impact of this borrowing, including Minimum Revenue Provision (MRP) and interest. Projected gross borrowing will rise from £18m in 2017/18 to £58m in 2020/21 and the Council will be paying £1.3m pa in interest and MRP as a consequence of the capital portfolio and development fund should the full capital programme be implemented (£35m). Operational costs and revenue on these acquisitions are currently assumed to provide an annual net income flow of £230k pa by 2021/22.</p> <p>The Council is aware that there is greater inherent risk in such acquisitions but also that there is a risk of doing nothing and adopting a purely low risk investment strategy. It is progressing with these new investments cautiously and with appropriate due diligence. Before progressing any scheme, a business case (development supported by KPMG) is prepared and approved.</p> <p>The Council should continue to review its strategy given the downturn in the commercial sector and the associated risks that could lead to falling rents or higher vacancies as well as reduced capital values.</p>	

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	Findings	Conclusion
<p>1 The Council’s financial strategy recognises the financial pressures in the sector including reduced grant funding, changes in the new homes bonus and the aspirations to extend future capital portfolio acquisitions. Significant savings have been achieved over a number of years but there is more to do to ensure financial sustainability is maintained whilst providing capacity to deliver against strategic priorities.</p>	<p>Capital asset portfolio and development fund (cont.)</p> <p>The Council has developed indicators for management to monitor the returns on these investments. Given the sensitivities of such acquisitions, the Council should ensure that its is actively considering and reporting on both the financial and operational benefits of these acquisitions annually due to the considerable investment made by the Council and the associated financial risks.</p> <p>The Council considers these acquisitions provide wider benefits which help it meet its wider aspirations such as economic regeneration. As a result the assets have been classified as operational on the balance sheet rather than as an investment asset and are therefore valued at current value. Our expectation is therefore that they will be revalued on a rolling programme and be depreciated in line with the council policy on its operational assets, whereas Investment properties are valued annually at fair value and the rental return is required to be reported in the annual accounts.</p>	<p>Auditor view</p> <p>We are satisfied that the Council has appropriate arrangements in place to manage its capital acquisitions. The Council should continue to review its strategy in this area to ensure the changing market makes further investment appropriate.</p> <p>.</p> <p>Overall Conclusion</p> <p>We are satisfied that the Council has appropriate arrangements in place for sustainable resource deployment.</p>

Independence and ethics

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

We are aware that an employee of Wyre Forest District Council is married to a Director at Grant Thornton based out of Birmingham. We have consulted with the Council's S151 Officer and our own ethical standards leads, and we are all satisfied that because the Director is not involved with the Council in an audit, advisory or any other capacity then this does not present an independence risk or conflict with the ethical standards. We are reporting the matter here for transparency.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No non-audit services were identified which were charged from the beginning of the financial year to July 2019.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits Subsidy	8,785	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,785 in comparison to the total planned fee for the audit of £37,681 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related		There are no non – audit related fees.	

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been communicated to the Audit Committee. The services provided are not subject to contingent fees.

Action plan

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
●	We are satisfied that the Council has appropriate arrangements in place to manage its capital acquisitions. The Council should however continue to review its strategy in this area to ensure the changing market makes further investment appropriate.	<ul style="list-style-type: none"> Council should monitor and keep under review its capital acquisition strategy, as part of its annual review cycle. <p>Management response</p> <ul style="list-style-type: none"> We agree that an annual review of the capital strategy is appropriate, and this is factored into our reporting cycle
●	We are satisfied that the Council has appropriate arrangements in place to maintain spending within its budget. We do, however, note the trend of variations against budget emerging in the final quarter resulting in historic underspends against budget. Scope exists to ensure that budgets are challenging and realistic rather than prudent.	<ul style="list-style-type: none"> Management should keep under review its in year budget reporting and ensure it reflects known changes and highlights risks (both positive and negative) to the forecast outturn. <p>Management response</p> <ul style="list-style-type: none"> As part of our ongoing work to close the funding gap we will be reviewing budgetary control procedures and seeking to improve the accuracy of forecast out-turn reports.
●	Quarter 3 reporting was provided at the year end providing limited scope for action by those charged with governance and is effectively for information only due to the timing.	<ul style="list-style-type: none"> Scope exists going forward to improve the timeliness of in year financial reporting. <p>Management response</p> <ul style="list-style-type: none"> We will consider bringing Quarter 3 reporting forward a month subject to resource capacity

Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of Wyre Forest District Council's 2017/18 financial statements, which resulted in two recommendations being reported in our 2017/18 Audit Findings report:

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	The narrative report and the EFA should more clearly link with budget reporting, to more clearly comply with code requirements.	<ul style="list-style-type: none"> Management did take steps to improve the link between the narrative report and the EFA. We agreed with management that this would be further improved by including the outturn as a column within the EFA statement and this has now been adjusted.
2	✓	Specific provision for bad debts; Officers should demonstrate consideration of the bankruptcies and liquidations when determining the bad debt provision for Business Rates.	<ul style="list-style-type: none"> we identified no particular concerns from our audit of the business rates bad debt provision.

Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

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

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 ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1 Reassessment by the actuary of the fair value of pension assets as shown in the IAS19 disclosures (note 35). The increase in the assets is due to the actuary updating the investment return from 3.08% to the actual return of 4.38%. This will have a corresponding impact on the disclosed pension liability and the charge to the CIES (re-measurements).	(£1,013)	(£1.013m) pension fund liability	£nil
Overall impact	(£1,013)	£1,013	£nil

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Annual governance statement	Conclusion	Agreed with management that the overall conclusion would be made clearer	✓
Accounting policies	Reference to the new standards	Reference to IAS 9 and 15 and the impact made in accounting policy 1	✓
Note 6: EFA	Outturn report	Additional columns to allow the user of the accounts to link the outturn with the financial statements more easily.	✓
Note 14:PPE	Disclosure of downward revaluation	There has been a material change in value of the car parks – agreed that additional disclosure would be made to aid the user of the accounts	✓
Note 29	Financial references	Financial references have been made to disclosures.	✓

Audit Adjustments

Impact of unadjusted misstatements

We do not currently have any unadjusted misstatements to report

Impact of prior year unadjusted misstatements

There are no unadjusted 2017/18 misstatements to consider.

Fees

We confirm below our proposed final fees charged for the audit

Audit Fees

Our Audit Plan included a PSAA published scale fee for 2018/19 of £37,681. Our audit approach, including the risk assessment, continues as the year progresses and fees are reviewed and updated as necessary as our work progresses.

Update to our risk assessment – Additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

Additional Audit Fees

Area of work	Timing	Comment	£
Assessing the impact of the McCloud Ruling	June-July 2019	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statement along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert.	1,500
Pensions – IAS 19	June-July 2019	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.	1,500
PPE Valuation – work of experts	June-July 2019	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	1,500

Total Audit Fees

	Actual 2017/18 fee £	Proposed 2018/19 fee £	Final 2018/19 fee £	Fees for other services	Fees £
Council Audit	48,936	37,681	37,681	Audit related services:	
Additional Audit Fee (see above)		-	4,500	• Certification of Housing Benefit	£8,785
Total audit fees (excl VAT)	48,936	37,681	42,181		

Audit opinion

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wyre Forest District Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the core financial statements, including accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Audit opinion

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls. We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director: Resources. The Corporate Director: Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director: Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit opinion

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Audit opinion

Report on other legal and regulatory requirements - Certificate

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

Use of our report

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

Signature to be added

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

Birmingham

30 July 2019



WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE REPORT****29th JULY 2019****STATEMENT OF ACCOUNTS 2018/19**

OPEN ITEM	
CABINET MEMBER:	Strategy and Finance
DIRECTOR:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall Ext 2100 tracey.southall@wyreforestdc.gov.uk Helen Ogram Ext 2907 Helen.ogram@wyreforestdc.gov.uk Lisa Hutchinson Ext 2120 lisa.hutchinsonl@wyreforestdc.gov.uk
APPENDIX 1	Appendix 1 - Draft Letter of Representation 2018/19 Appendix 2 - Statement of Accounts Overview 2018/19

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the changes that have been required to the Statement of Accounts for 2018/19 following the audit undertaken by Grant Thornton UK LLP (Grant Thornton).
- 1.2 The Council is also required to provide an updated version of the Letter of Representation to the auditors, before they will issue the audit opinion for 2018/19; the wording of this is attached for approval.

2. RECOMMENDATION

The Audit Committee is asked to DECIDE that:

- 2.1 The Revised Statement of Accounts for 2018/19 be approved.**
- 2.2 The Letter of Representation for 2018/19 attached at Appendix 1 be approved.**

3. BACKGROUND

- 3.1 The draft Statement of Accounts was certified as a true and fair position by the Chief Financial Officer, and endorsed by Audit Committee at the meeting held on May 29th 2019.
- 3.2 During the course of the audit there were some minor issues raised by the Auditors and the Accounts were amended accordingly. Most of these were changes to/or additional disclosures that improve the presentation of the clarity of the financial statements for the users of the accounts, these are detailed within the Annual Findings Report also on this agenda.

- 3.3 In addition to these changes around additional disclosures and presentation, during the course of the audit a national issue arose regarding pension fund liabilities commonly referred to as McCloud. This was problematical since the exact impact on the Local Government Pension Scheme (LGPS) of the Guaranteed Minimum Pension (GMP) and the Court of Appeal's judgement on the age discrimination transitional arrangements is unknown. Following the decision of the Supreme Court to deny the Government the right to appeal, Mercer the Worcestershire Pension Fund actuary was instructed to undertake further detailed estimates of the impact of this ruling specific to each Council. The more detailed estimate shows that, due to the two local pay agreements for this Council running below general pay inflation and the age profile of our active pension members, the only impact of McCloud is a decrease in our overall pension fund liability compared to the previous estimate calculated to reflect the impact of Brexit. This has arisen because as part of the revaluation exercise undertaken Mercers have updated their assessment of the fair value of plan assets resulting in a favourable gain of £1.013m (and therefore a decrease in pension fund deficit) which, whilst being below materiality, is too close to our materiality level to class as immaterial. We have therefore worked with Grant Thornton and made the changes to the accounts.
- 3.4 Grant Thornton has almost concluded its audit of the accounts and has indicated it intends to provide an unqualified opinion, although that is subject to confirmation at the time of issue of this report.
- 3.5 Incorporating the agreed changes, the Statement of Accounts will be published following approval by the Audit Committee and it will also be made available on the Council's web-site. This accelerated timetable was trialled last year and the statutory date for publication from 2018/19 is the 31st July in each year.
- 3.6 The Letter of Representation is attached at Appendix 1. This letter is in line with Grant Thornton's requirements as detailed within their Audit Findings Report. This letter is to be signed by the S.151 Officer (Corporate Director: Resources), and the Chair of the Audit Committee.
- 3.7 The Statement of Accounts overview is attached at Appendix 2. A full copy of the Statement has been emailed to all Audit Committee members; paper copies will be made available at the meeting on request.

4. KEY ISSUES

- 4.1 The audit of the Statement of Accounts for 2018/19 has almost been concluded and Grant Thornton has indicated it will issue an unqualified opinion. This is subject to the finalisation of the audit.

5. FINANCIAL IMPLICATIONS

- 5.1 This is a financial report identifying changes to the Statement of Accounts 2018/19 following the audit, and presentation of the Letter of Representation.
- 5.2 The Audit Findings Report also sets out additional work in respect of the audit code undertaken by Grant Thornton this year, along with the impact on the audit fee. The proposed additional fees totalling £4,500 are estimates based on the auditor's best projection of work and will be subject to approval by Public Sector Audit Appointments Limited in line with the terms of appointment. The proposal for increases in audit fees is due to an update to Grant Thornton's risk assessment based on prevailing national

issues and is common across most Councils. The main areas of work requiring additional resource are assessing the impact of the McCloud ruling, Pensions work to meet International Accounting Standard 19 and Property, Plant and Equipment valuation work to ensure the quality of work across the sector.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 It is a requirement of the Accounts and Audit Regulations 2015 that the Statement of Accounts is published by the 31st July following the end of the financial year.

7. RISK MANAGEMENT

- 7.1 The principal risks to the Council are non-achievement of the Accounts and Audit Regulations 2015 deadline, in respect of production and approval of the Statement of Accounts before 31st July 2019; and qualification of the Accounts by the Council's External Auditors. As the report sets out, the deadline should be met and a clean audit opinion is expected.

- 7.2 Grant Thornton has updated its risk assessment for the final accounts audit work based on prevailing national issues to improve the quality of work across the Sector.

8. EQUALITY IMPACT ASSESSMENT

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

9. CONCLUSION

- 9.1 This report details with the finalisation of the Statement of Accounts for 2018/19.

10. CONSULTEES

- 10.1 CLT/Cabinet Member for Strategy and Finance
10.2 Grant Thornton

11. BACKGROUND PAPERS

- 11.1 Accounts and Audit Regulations 2015
11.2 Financial Strategy 2019/22
11.3 Strong Leader Cabinet Report 23rd May 2019 – Report on Provisional Final Accounts 2018/19
11.4 Audit Committee 29th May 2019 - Report on Provisional Final Accounts 2018/19



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Appendix 1

Tracey Southall

Corporate Director: Resources

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fax: 01562 732104

email:tracey.southall@wyreforestdc.gov.uk

my ref: TS/JHL

29th July 2019

Dear Sirs

**Wyre Forest District Council
Financial Statements for the year ended 31st March 2019**

This representation letter is provided in connection with the audit of the financial statements of Wyre Forest District Council for the year ended 31st March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

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

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Resources Directorate

Wyre Forest House

Finepoint Way

Kidderminster

DY11 7WF

Tracey Southall, Corporate Director: Resources

- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vi Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii 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.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.

The financial statements are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii 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

- xiv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv We have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii 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.
- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx 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.
- xxi We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii 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

- xxvi 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

- xxvii The disclosures within the Narrative Report fairly reflect our understanding of

the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 29th July 2019.

Signed on behalf of Wyre Forest District Council:

Name: Tracey Southall

Position: Corporate Director: Resources

Date: 29th July 2019

Name: Councillor Alan Totty

Position: Chair of the Audit Committee

Date: 29th July 2019

Signed on behalf of the Governing Body

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2018-19 – OVERVIEW

1. INTRODUCTION

Each year the Council has to produce a set of accounts just like any other organisation. The formal document is the Statement of Accounts (Statement) which sets out the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. The full Audited Statement will be published on the Council's web-site after 31st July 2019. The purpose of this overview document is to provide a summary of key aspects of the more detailed Statement to aid understanding and assist with the scrutiny process.

2. APPROVAL PROCESS

The statutory deadline for approval of the Pre-Audit 2018-19 Statement of Accounts was 31st May in accordance with the Accounts and Audit Regulations.

This Council's timetable for approval of the 2018-19 Accounts is as follows:

: Chief Financial Officer approval/Audit Committee endorsement – 29th May 2019
: Strong Leader Cabinet Report – 23rd May 2019 (Major Variations only); and then
: Audit Committee – 29th July 2019 (audited version) – formal approval

The Accounts are audited by Grant Thornton who are the Council's external auditors. Regulations require that the Statement of Accounts 2018-19 is published by 31st July 2019.

3. BASIS OF ACCOUNTS

The Corporate Director: Resources, Tracey Southall, is responsible for the preparation of the Statement in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19. This includes full compliance with the International Financial Reporting Standards (IFRS).

The Accounts present a true and fair view of the financial position of Wyre Forest District Council for the year ended 31st March 2019. Up to date and proper accounting records have been maintained in accordance with the accounting policies outlined in the detailed Statement. In addition, the Chief Executive and Leader of the Council are required to confirm the Council's Governance arrangements can be relied upon to produce an accurate Statement of Accounts; this is contained within the Annual Governance Statement.

4. KEY COMPONENTS

The Council's accounts for the financial year ended 31st March 2019 mainly comprise:-

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

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

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

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

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

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

The Business Rates Retention Scheme is in its fifth year and the main aim is to give Councils a greater incentive to grow businesses in their areas. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates tax base. The scheme allows the Council to retain a proportion of the total Business Rates growth received. The share retained by this Council is 40% with the remainder paid to Central Government (50%), Worcestershire County Council (9%) and Hereford and Worcester Fire Authority (1%).

(d) **The Balance Sheet**

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

(e) **The Cash Flow Statement**

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

5. FINANCE STRATEGY

The Council continues to implement the three year Finance Strategy, endeavouring to balance service priorities against resources available. The financial landscape continues to be very challenging. The continuing Wyre Forest Forward Transformation programme in 2018-19, and work with the cross party Cabinet Financial Strategy Advisory Panel enabled the Council to set a forward-looking budget for 2019-20 and continued investment in the key priority of economic and regeneration initiatives, aided by membership of both the Worcestershire and Greater Birmingham and Solihull Local Enterprise Partnerships.

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

2017-18 Net Expenditure/ (Income) £000's	Service Area	2018-19 Net Expenditure/ (Income) £000's
1,860	Chief Executive and Solicitor to the Council	1,783
5,806	Community Well-Being and Environment	5,518
2,575	Economic Prosperity and Place	3,364
1,842	Resources	1,538
12,083	Net Cost of Services	12,203
976	Parish Precepts	1,061
(438)	Other Net Operating (Income)/Expenditure	(108)
468	Net Investment (Income)/Borrowing Costs	518
457	Other Accounting Adjustments*	(222)
13,546	Amount to be met by Government Grant/Council Tax	13,452
	Funded by:	
(3,525)	Business Rates Retention	(3,832)
(553)	Revenue Support Grant	(101)
(7,795)	Council Tax	(8,039)
(1,910)	New Homes Bonus	(1,273)
-	NNDR Levy Redistribution	(43)
(237)	Movement in Revenue Fund Balance	164
* This takes into account entries required to reflect issues including depreciation, changes in market value of assets and the position of this Council's Pension assets and liabilities administered in the Worcestershire County Council Pension Fund.		

7. OVERALL BUDGET VARIATIONS

Major revenue variations between the revised budget and actual were shown in Appendix 1 to the reports to Audit Committee on 29th May 2018 and the Strong Leader Cabinet Report on 23rd May 2019.

A further analysis of actual compared to the original budget used for 2018-19 is contained in the full Statement.

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

Civic & Administrative Buildings	2
Car Parks	24
Asset Under Construction (Forest House, Kidderminster)	1
Cemetery Sites	2
Trading Estates & Enterprise Centres	5
Public Conveniences	9
Leisure Centres (leasehold interest in Bewdley Leisure Centre included)	2
Museums	1
Sports, Social Clubs, Fields & Parks	22
Nature Reserves	4
Other Land & Buildings	33
Vehicles	74
Heritage Assets	Various
Play Equipment / Systems Software / Open Spaces Equipment	Various
Note: The Council also owns a number of assets below the de minimis level of £10,000 which are not shown in these figures.	

9. **SIMPLIFIED BALANCE SHEET**

31-03-18 £000's	What the Council owns and is owed	31-03-19 £000's
	What we own:	
51,016	Buildings, Land, Vehicles and Equipment	58,638
83	Inventories	97
13,535	Cash Invested	16,133
5,455	Money owed to the Council	5,816
	What we owe:	
(26,097)	Money owed by the Council	(38,673)
(54,241)	Pension Fund Liability	(58,247)
(10,249)	Total Value of what we own/(owe)	(16,236)
	Financing:	
	Usable Reserves	
2,759	Capital Expenditure Reserve	2,752
6,293	Earmarked Reserves	7,868
5,151	General Reserves	4,987
627	Capital Grants Unapplied	623
	Unusable Reserves	
32,852	Capital Financing Reserves	27,704
(57,771)	Pensions Reserve	(60,002)
(160)	Short-term Accumulated Absences Account	(168)
(10,249)	Total Reserves	(16,236)

10. **WHAT ARE OUR RESERVES?**

31-03-18 £000's	General Fund Reserves:	31-03-19 £000's
4,914	At beginning of the year	5,151
237	Movement in Revenue Fund Balance	(164)
5,151	Balance at the end of the year	4,987

The Council has a duty in law to keep an appropriate (prudent) level of General Reserves. It is our policy to keep a minimum working balance that was increased from £1m (2017-18) to £1.2m in 2018-19.

31-03-18 £000's	Capital Expenditure Reserve and other Reserves and Capital Contributions set aside for the future:	31-03-19 £000's
	The savings and money set aside for the future are :-	
2,759	Capital Expenditure Reserve	2,752
6,192	Earmarked Reserves	7,401
101	Collection Fund Reserve	467
627	Capital Contributions Unapplied (Grants)	623
9,679	Total Capital and Revenue Reserves	11,243

11. HOW WELL HAVE WE PERFORMED?

Finances:

Borrowing Money – the Council took out a further 12 loans during 2018-19 (net of in-year maturities that were replaced) taking the total borrowing up to £29m.

The rates are as follows:

12/13 £1m @ 2.62% for 9 years
14/15 £1m @ 3.99% for 19 years
14/15 £1m @ 3.54% for 42 years
14/15 £1m @ 3.44% for 25 years
14/15 £1m @ 2.99% for 24 years
14/15 £1m @ 2.87% for 26 years
14/15 £1m @ 2.80% for 22 years
15/16 £1m @ 2.96% for 20 years
15/16 £1m @ 3.35% for 17 years
15/16 £1m @ 3.40% for 16 years
15/16 £1m @ 3.13% for 15 years
15/16 £1m @ 2.96% for 13 years
15/16 £1m @ 2.99% for 48 years
16/17 £1m @ 2.21% for 10 years
16/17 £1m @ 2.42% for 45 years
17/18 £1m @ 2.28% for 46 years
18/19 £1m @ 2.53% for 42 years
18/19 £1m @ 2.49% for 50 years
18/19 £1m @ 2.59% for 44 years
18/19 £2m @ 1.40% for 2 years
18/19 £1m @ 1.79% for 6 years
18/19 £1m @ 2.47% for 50 years
18/19 £1m @ 2.46% for 48 years
18/19 £1m @ 2.38% for 46 years
18/19 £1m @ 2.36% for 47 years
18/19 £1m @ 1.82% for 8 years
18/19 £1m @ 2.29% for 40 years
18/19 £1m @ 2.20% for 48 years

Investing Money - average interest rate 0.72% (compared to a benchmark 7 day LIBID average rate of 0.51%)

Payment of what we owe:

Prompt payment – we paid 97.44% of all invoices within 30 days

Collection of what is owed to us:

Council Tax - we collected 97.15%

Business Rates – we collected 98.82%

Performance against national and local measures:

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

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

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

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

12. SUMMARY

This Overview gives a summary of the Statement of Accounts 2018-19, which is a snapshot of this Council's finances as at 31st March 2019, showing:-

- How we raised income during the year
- How we spent money during the year
- How we performed against our budget
- How we performed in looking after the money
- How much money we have at 31st March 2019 (reserves)
- How the money is invested at 31st March 2019 (buildings, equipment and cash)

13. FINANCIAL TERMS EXPLAINED

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

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

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

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

Capital Expenditure Reserve: Allocated usable capital receipts.

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

Creditors: Those to whom we owe money.

Debtors: People or organisations who owe us money.

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

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

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

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

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

Reserves: Savings or money set aside for the future.

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

14. CORPORATE DIRECTOR: RESOURCES' ENDORSEMENT

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

Through careful planning and management Wyre Forest District Council has been able to close its 2018-19 accounts showing a robust position which will support the Council in meeting the financial challenges of 2018-19 and beyond. Whilst a balanced budget has been set for 2019-20, the projections for future years indicate a significant gap of around £2.1m between the Council's expected funding streams and the Council's

expenditure. It is therefore essential that the Council continues with its transformation and efficiency programme to identify further saving and income opportunities to ensure future balanced budgets can be set. Alongside this work, the Council continues to oversee significant capital programme expenditure, including major injections of finance in its key priority of securing the economic prosperity of the district.

This has been the sixth year of the Business Rates Retention Scheme and the final year of operation of the smaller Worcestershire Business Rates Pool without Malvern Hills District Council. Results for this year show the outturn for 2018-19 to be in line with the optimistic forecast growth assumed in the approved budget. The Council has exceeded our revised budget estimate of £3.282m including our estimated share of retained growth of £547k over baseline. This has facilitated an additional £17k top-up towards the Business Rates Equalisation Risk Reserve.

Since 2018-19 was the final year of the smaller Worcestershire Business Rates Pool with a move to the Pan-Worcestershire 75% Pilot for 2019-20, in line with governance arrangements, agreement was reached to redistribute the accumulated Risk Reserve to Pool members in March 2019. The Total Risk Reserve stood at £3.114m as at 31st March 2019. This Council's share was £533k. This has facilitated an essential top-up of the Business Rates Equalisation Risk Reserve to £1m to mitigate the significant inherent risk of the Funding Reform planned for implementation from 2020-21. The balance of the returned Risk Reserve was used to top-up the Innovation Fund to help us with essential transformation work to close the Funding Gap and protect our future financial sustainability.

These remain extremely challenging times for the Council given the impending changes to the landscape of the Government's funding regime that will continue to emerge as consultation papers are published. The ongoing "Brexit" process and pressures across the national budget add further layers of uncertainty but as yet it is too early to judge the impact on Local Government Finances and district councils in particular. The saving on outturn is welcomed and has been utilised to earmark funds to meet potential liabilities, create resilience and also to increase General Balances compared to forecasts, to mitigate the potential future impact of funding volatility.

What is clear, is that funding pressures will continue; the raft of transformational reviews being developed and implemented as part of the Wyre Forest Forward programme are essential to secure ongoing financial sustainability

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

A full copy of the Statement of Accounts will be published on the Council's website after 31st July 2019.