



COTSWOLD  
DISTRICT COUNCIL

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# AUDIT COMMITTEE AGENDA

Thursday 30 July 2020, 4.00 p.m.

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To be held virtually, due to social distancing requirements and guidance relating to Coronavirus Regulations 2020 – Part 3 -  
Modification of meeting and public access requirements

## NOTES

(i) Questions Arising on the Agenda/Minutes of previous meeting

Questions regarding an update on progress on a specific item contained in the Minutes of the previous meeting, should be forwarded to the reporting officer prior to the meeting. If no advance notice is given a full response to any question cannot be guaranteed at the meeting. Once the minutes have been signed Members may ask questions to ascertain progress on issues.

(ii) All Mobile Phones/digital devices should be **SWITCHED OFF OR SET TO SILENT** before the start of the meeting.

(iii) Recording of Proceedings

The public proceedings of Council, Cabinet, and Committee Meetings may be recorded, which includes filming as well as audio-recording. Photography is also permitted.

As a matter of courtesy, if you intend to record any part of the proceedings please let the Committee Administrator know prior to the date of the meeting. The Chair will exclude anyone whose behaviour is disruptive.

(iv) Committee Administrator

If any Member has any general questions about the Meeting or the associated agenda papers, or is unable to attend, he/she is asked to contact Democratic Services on 01285 623210/623236 [democratic@cotswold.gov.uk](mailto:democratic@cotswold.gov.uk)

Distribution:

All Members of the Audit Committee  
(Councillors Patrick Coleman, Stephen Andrews, Tony Berry, Mark Harris, Roly Hughes, Nick Maunder, Ray Theodoulou)

All other Councillors for information

**Christine Gore**  
Interim Chief Executive

22 July 2020

# AUDIT COMMITTEE : 30 JULY 2020

## AGENDA

- (1) **Apologies**
- (2) **Substitute Members** - To note details of any substitution arrangements in place for the Meeting.
- (3) **Declarations of Interest**
  - (a) To receive any declarations of interest from Members under the Code of Conduct for Members.
  - (b) To receive any declarations of interest from Officers under the Code of Conduct for Officers.
- (4) **Minutes**

To confirm the Minutes of the Meeting of the Committee held on 30 April 2020 (attached).
- (5) **Chair's Announcements** (if any)
- (6) **Public Questions**

Council Procedure Rule 10 - Not more than fifteen minutes allowed for questions to be put by members of the public on any matter in relation to which the Council has any power or duties or which affects the District.

Any member of the public wishing to ask a public question is requested to contact Democratic Services by no later than 5.00pm the working day before the Meeting.
- (7) **Member Questions**

Council Procedure Rule 11 - To deal with written questions by Members, relating to issues under the Committee's remit, with the maximum length of oral supplementary questions at Committee being no longer than one minute. The maximum length of oral responses to questions, or supplementary questions, by Cabinet Members or Committee Chairs to be two minutes.

## Items for Consideration and Decision

- (8) **Internal Audit Opinion Report**
- (9) **Corporate Risk Register Updates**
- (10) **Annual Treasury Management Review 2019/20**

- (11) **The Public Sector Social Impact Fund**
- (12) **Annual Governance Statement 2019/20**
- (13) **Statement of Accounts 2019/20**
- (14) **External Auditor Assurance**
- (15) **External Auditor Report**
- (16) **The role of Audit Committee in Code of Conduct and Standards Matters**
- (17) **Response to the LGA Consultation on the Model Member Code of Conduct**
- (18) **Response to Consultation on Public Works Loan Board (Report to Follow)**
- (19) **Work Plan 2020/21**

## **Other Matters**

- (20) **Date of Next Meeting** - 29 October 2020
  - (21) **Other Business** - Such other business which, in the opinion of the Chair, is urgent.
- (END)

COTSWOLD DISTRICT COUNCIL

AUDIT COMMITTEE

30 JANUARY 2020

Present:

Councillors

Patrick Coleman

Chair

Nick Maunder

Ray Theodoulou

Richard Morgan

Apologies: Roly Hughes

Observers: Mike Evemy, Tony Dale, Stephen Andrews, Joe Harris (left 5.00pm)

AUD.41 SUBSTITUTION ARRANGEMENTS

There were no substitute arrangements.

AUD.42 DECLARATIONS OF INTEREST

There were no declarations of interest under the Code of Conduct for Members or Section 106 of the Local Government Finance Act 1992.

There were no declarations of interest under the Code of Conduct for Officers.

AUD.43 MINUTES

**RESOLVED that the Minutes of the Meeting of the Committee held on 14 November 2019 be confirmed.**

**Record of Voting - for 4, against 0, abstention 0, absent 1.**

AUD.44 CHAIR'S ANNOUNCEMENTS

There were no announcements from the Chair.

AUD.45 PUBLIC QUESTIONS

No public questions had been received.

AUD.46 MEMBER QUESTIONS

No Member questions had been received.

AUD.47 INTERNAL AUDIT MONITORING REPORT

The Senior Auditor was introduced to the Committee. At future Committees he may substitute for the Assistant Director of SWAP. Officers presented the report

and explained that this was a quarterly update. Five audits had been finalised since the last update and the next meeting would receive a follow-up report for procurement.

Questions from Members were responded to as follows:

- (i) Waste and Recycling Service Redesign took place in 2018. The internal audit review found that governance arrangements for the Waste and Recycling redesign project had not been supported by the use of best practice in project management principles, ultimately this resulted in costs being under valued when presented to Cabinet and Council for decision making.

The Committee were concerned that this situation would happen again and sought assurance on the application of good project management in the future. The Chief Finance Officer explained that improvements to project and programme management were being implemented which would reduce this risk in the future.

The Commissioning team were undertaking a review to understand the issues and lessons learnt from the outcome of the internal audit review. In future Ubico would be expected to present information correctly. The Chief Finance Officer explained that the level of scrutiny taking place on the contract has increased and monthly financial reports were provided by Ubico, moving forward better procedures and governance should be in place improving the quality of information presented to Cabinet and Council.

The Chair proposed to thank the Auditors for their work and to draw the findings to the Cabinet Member and Full Council. This was seconded by Councillor Morgan.

- (ii) 2018/19 Section 106 Agreements and Funds Audit. Members queried whether there was a report on the monies spent or paid back to developers. Overview and Scrutiny Committee had received a report at their Committee in December 2019 and a proposal was being drafted, for reporting monies received from agreements. The Chairs of Overview and Scrutiny Committee and Audit Committee would discuss whether there were responsibilities for each Committee to look at process and improvement.
- (iii) 2018/19 Human Resources (Sickness Absence) and Safeguarding. There were outstanding recommendations. Officers explained that work on this was ongoing and would be raised with the Publica Directors.
- (iv) The outcome of the audit on cyber security will be presented to the next meeting in April.

**RESOLVED that the report be noted and the Internal Auditors be thanked for the work on audits.**

**Record of Voting - for 4, against 0, abstentions 0, absent 1.**

AUD.48 KPMG LLP REPORTS – HOUSING BENEFIT SUBSIDY CERTIFICATION.

The Committee discussed the Housing Benefit Subsidy Grant Certification letter for 2018/19. The claim was qualified, Officers explained that if a claim is not correct

by the smallest amount claims are qualified. The Chair queried whether the report should have been in the public domain. The Chief Finance Officer explained that in her opinion there was nothing in the report which warranted it being put in private session.

Random samples of twenty cases were tested and there was one case which had been underpaid which had a total value of £1,268.76. The claim was corrected.

Questions from Members were responded to as follows:

- (i) A query was raised relating to CAKE testing and the meaning of this acronym. Officers explained that this was when work needed to be carried out on a particular area of claims to ensure they were correct. The explanation of CAKE was set out in Section 1 of the Housing Benefit circular and meant 'Cumulative Audit Knowledge and Experience'.
- (ii) The Deputy Leader and Cabinet Member for Finance was invited to speak and explained that he was concerned about the audit being qualified, but understood that if there was an error at all, the audit would be qualified. He queried if monitoring from the reports was carried out; how many errors were found; were improvements being made and could evidence be presented to Committee to ensure everything was carried out correctly and for Members to have an appreciation of the work. He queried whether external advice may be appropriate.
- (iii) Testing levels are set out by the Department of Work and Pensions (DWP), there was an appeals process that claims could be taken through for reconsideration.
- (iv) The DWP states that ten percent of the caseload is tested. Officers within the Council carry out a test on twenty percent of the caseload. One out of sixty cases was found to be incorrect.

**RESOLVED that**

- (a) the outcome of the housing benefit subsidy certification work be noted;**
- (b) a report be presented to a future Committee for Members to have an appreciation of the work being carried out in relation to monitoring of claims, to ensure the submission was correct prior to the audit of the Housing Benefit Subsidy claim.**

**Record of Voting - for 4, against 0, abstentions 0, absent 1.**

AUD.49 CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES REPORT FOR 2020/2021

Committee received a report on the draft Capital, Investment and Treasury Management Strategies for 2020/21.

The Chief Finance Officer explained that this was the second year that the Council was required to produce the strategies. The Medium Term Financial Strategy and Budget for 2020/21 had been presented to the Overview and Scrutiny Committee in December 2019 and a further iteration would be considered by Cabinet and Council in February 2020. Officers had endeavoured to ensure that the documents are set out in layman terms and had been given support from Arlingclose, the Council's Treasury Management advisors.

Questions from Members were responded to as follows:

- (i) The financial implications in the report referred to the target for investment income from cash investments for 2020/21 being £585,000, Officers assured the Committee that the return from investments was expected to exceed that figure.
- (ii) The investment strategy report related to the capital programme which was part of the Medium Term Financial Strategy (MTFS). The capital programme included £30m available to invest in housing which could mean lending money to registered providers for a return and mark-up. Due diligence would be carried out before lending money to the registered providers. The money would be repayable over 50 years, although it could be repaid early.
- (iii) Officers explained that this method of financing was enabling the delivery of increased levels of affordable housing by a neighboring authority. Concern was expressed to ensure that before lending money the Council should be sure of the commitments and risks relating to this programme.
- (iv) In relation to capital investments - £20m, related to economic development and could include projects for acquiring and developing land or leasing units, the Council should take account of the climate change declaration, when carrying out negotiations.
- (v) The budget for 2020/21 included funding for the development of the Commercialisation strategy.
- (vi) Borrowing for housing allocation would be subject to a business case which would be considered by the Council.
- (vii) Some properties the Council owns outside the district were valued at less than the Council's paid to acquire them, this was currently an unrealised loss. The Council would only recognise the loss if it chose to sell the properties.
- (viii) Cash reserves which invested in property and stocks and shares could be realised within a few days, if needed. At 31 December the value of cash investments was £38.5m, some of this money was in short term deposits and officers are looking at diversifying the investment portfolio, however,



the security and liquidity of the investments were key considerations for new investments.

- (ix) Following a query on the Treasury Management Strategy, Officers clarified that the level of investments were forecast to reduce to £19.240m in 2022 from £32.203m in 2019 as a result of the Council funding the proposed capital programme. Officers would seek best value for the Council in its treasury management transactions and would use the perimeters set out within the strategy. Officers explained that the Council received money for various grants which was shown in the statement of accounts. The collection fund at the end of the year showed how much the Council is holding in terms of business rates and council tax on behalf of third parties; The Treasury Management team was always analysing and reviewing investments.
- (x) Investments in fossil fuel industries and ethical investing were queried. Officers advised that ethical investment needed to be carefully considered. The Council already invested in a CCLA diversified income fund which had removed all holdings in oil companies. As 250 Councils have signed up to the Climate Change Emergency, Arlingclose were addressing their clients requests for advice upon ethical investments and were arranging a workshop on ethical investments. Officers noted that there is a balance between ethical and environmental investments and the requirement for investment returns. The Council had declared a climate change emergency, which had implications for the direction of further treasury management.

The Deputy Leader and Cabinet Member for Finance highlighted that the Church of England were looking at their investments with the information energy companies released. He explained this was an area of emerging policy, which needed greater consideration on whether there was a need to change the Council's investment policies.

Brunel runs the County Council Pension fund and it was considered that caution should be exercised relating to investments.

- (xi) Concern was expressed that the Council should not be seeking further investment in retail property.
- (xii) Officers explained that the budget setting process was iterative and the MTFS is refreshed annually to take into account latest information.

A recommendation was made to Cabinet to formally develop guidance on ethical investments with advice from Arlingclose. This was not seconded.

The Chair proposed that the strategies were recommended and any comments received forwarded to Cabinet and Council. This was seconded by Councillor Maunder.

**RESOLVED that the Capital, Investment and Treasury Management Strategies 2020/21 are considered and the views of the Committee reported to Cabinet and Council in February 2020.**

**Record of Voting - for 3, against 1, abstentions 0, absent 1.**

**AUD.50** CORPORATE RISK REGISTER UPDATE

Committee received updates to the Council's Corporate Risk Register 2019/20 Quarter 3.

Queries from Members related to recruitment; business rates income in relation to empty retail premises; Ubico recruitment of drivers. Officers explained that there was a risk to the Council when the business rate system changes were implemented in April 2021.

In relation to recruitment, Publica had introduced an intern programme which would mean that Officers could be trained and progress through the company.

The Deputy Leader and Cabinet Member for Finance explained that the Government intends to consult in the Spring on the future of Local Government Finance, there could be a fundamental review on business rates.

**RESOLVED that the updates to the Council's Corporate Risk Register be noted.**

**Record of Voting – for 4, against 0, abstentions 0, absent 1.**

**AUD.51** WORK PLAN 2019/20

Committee considered the work plan and added a report on Cyber Security to be presented to the next meeting.

**AUD.52** DATE OF NEXT MEETING

Members discussed the date of the next meeting which will take place on Thursday 30 April at 4.00pm in the Council Chamber at Trinity Road.

The Chief Finance Officer informed Committee that the Counter Fraud Team had been shortlisted for an award at the Public Finance event in London on 23 April 2020.

**AUD.53** OTHER BUSINESS

There was no other business that was urgent.

The Meeting commenced at 4.00 pm and closed at 5.42 pm.

Chair

(END)



Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT COMMITTEE - 30 JULY 2020</b>
Report Number	<b>AGENDA ITEM (8)</b>
Subject	<b>INTERNAL AUDIT ANNUAL OPINION 2019/20</b>
Wards affected	N/A
Accountable member	Cllr. Mike Every - Deputy Leader and Cabinet Member for Finance Email: <a href="mailto:mike.every@cloud.cotswold.gov.uk">mike.every@cloud.cotswold.gov.uk</a>
Accountable officer	Jenny Poole - Chief Finance Officer Tel: 01285 623313 Email: <a href="mailto:jenny.poole@cotswold.gov.uk">jenny.poole@cotswold.gov.uk</a>
Summary/Purpose	To present a summary of the work undertaken by Internal Audit during 2019/20 and to give an overall opinion on levels of assurance resulting from this work.  Due to the information contained in The Internal Audit Annual Opinion, it was deemed unnecessary to submit a separate quarterly monitoring report. Instead, we have produced a condensed version of the usual report which contains a summary of the work concluded since the last meeting of this Committee.
Annexes	Annex A - Internal Audit Annual Opinion 2019/20 Annex B - Summary of work completed since January 2020
Recommendation/s	<i>That the Committee considers the report and comments, as necessary.</i>
Corporate priorities	Ensure that all services delivered by the Council are delivered to the highest standard.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A

## **1. BACKGROUND**

- 1.1.** The Annual Opinion Report 2019/20, Annex 'A', provides the Head of Internal Audit's (SWAP Assistant Director) opinion, on the adequacy and effectiveness of internal control within Cotswold District Council. The opinion is based on the adequacy of control, noted from a selection of risk-based audits carried out during the year, and other advice work on control systems including the proactive work of the service as it supports the control arrangements within change projects. The results of any external inspections also inform the opinion.
- 1.2.** Throughout the year the Internal Audit service have measured the degree of control assurance within the systems, or elements of systems, audited or supported by way of control advice. Overall, the opinion is that a 'Reasonable' assurance level can be given for the controls in place, within the areas where audit activity has taken place, to safeguard these systems which in turn support the delivery of the Council's overall business objectives.
- 1.3.** Where operational control issues were raised, the risks associated with the control issues raised, in the audit reports, are being actively managed by Management.
- 1.4.** The report outlines how the Internal Audit function has supported the Council in meeting the requirements of the Public Sector Internal Audit Standards. These state that:

  - "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."
  - "A relevant authority must conduct, each financial year, a review of the effectiveness of the system of internal control."
- 1.5.** The purpose of the Head of Internal Audit's Annual Opinion is to contribute to the assurances available to the Interim Chief Executive and the Council which underpin the Council's own assessment of the effectiveness of the authority's system of internal control. This opinion is one component that the Council must take into account when completing its Annual Governance Statement.
- 1.6.** Officers from SWAP will be in attendance at the Committee meeting and will be available to address Members' questions.

## **2. MAIN POINTS**

- 2.1.** In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion, based upon, and limited to, the work performed, on the overall adequacy and effectiveness of the organisation's control arrangements. This is achieved through a risk-based programme of activities, agreed with management and approved, for 2019/20, by the Audit Committee, which should provide a level of assurance across a range of Council activities. The opinion does not imply that the internal audit service has reviewed all risks and controls relating to the Council or the systems it reviews.

**3. FINANCIAL IMPLICATIONS**

- 3.1.** The Internal Audit Service is operating within the contract sum.

**4. LEGAL IMPLICATIONS**

- 4.1.** None directly from this report. Internal Audit reviews consider compliance with legislation relevant to the service area under review.

**5. RISK ASSESSMENT**

- 5.1.** Weaknesses in the control framework, identified by the Internal Audit activity, will continue to threaten organisational objectives if recommendations are not implemented.

**6. BACKGROUND PAPERS**

- 6.1.** Internal Audit Reports and update reports presented to the Audit Committee.

(END)

# Cotswold District Council

Internal Audit Annual Report and Opinion 2019/20

# Contents

## The contacts at SWAP in connection with this report are:

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### Summary:

Purpose & Scope	Page 1-2
Annual Opinion	Page 3-5



### Internal Audit Annual Opinion 2019/20:

Internal Audit Work Programme	Page 6
Significant Corporate Issues	Page 7
Summary of Audit Opinion 2019/20	Page 8
Priority Actions	Page 9



### Plan Performance:

Added Value	Page 10-11
SWAP Performance	Page 12-13



### Appendices:

Appendix A – Audit Definition	Page 14
Appendix B – Internal Audit Work Plan	Page 15-18

## Summary

**The Head of Internal Audit is required to provide an opinion to support the Annual Governance Statement.**

### Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
  - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
  - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
  - the effectiveness of risk management processes.
- disclose any qualifications to that opinion, together with the reasons for the qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- draw attention to any issues the Head of Internal Audit judges particularly relevant;
- compare the work undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria;
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.



# Summary

## Three Lines of Defence

To ensure the effectiveness of an organisation’s risk management framework, the Audit Committee and Senior Management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The ‘Three Lines of Defence’ model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- The first line of defence – functions that own and manage risk.
- The second line of defence – functions that oversee or specialise in risk management and compliance.
- The third line of defence – functions that provide independent assurance.

## Scope

The Internal Audit service for Cotswold District Council is provided by SWAP Internal Audit Services Limited (SWAP). The team’s work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the organisation’s control environment by evaluating its effectiveness. Primarily the work of the service is based on the Annual Plan agreed by Senior Management and the Audit Committee. This report summarises the activity of the Internal Audit Team for the 2019/20 year against the Internal Audit Plan (approved by the Audit Committee, April 2019).

The position of Internal Audit within an organisation’s governance framework is best summarised in the three lines of defence model shown below.



Chartered Institute of Internal Auditors, October 2019

## Internal Audit Annual Opinion 2019/20

The Head of Internal Audit is required to provide an opinion to support the Annual Governance Statement.

### Annual Opinion

I have considered the balance of 2019/20 audit work, the assurance levels provided, the profile of each audit and outcomes, together with the response from Senior Management and am able to offer '**Reasonable Assurance**' in respect of the areas reviewed during the year. Generally, risks are well managed, but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

This opinion is however qualified, in light of the current coronavirus pandemic and the impact of this on Cotswold District Council. The opinion given above is based on internal audit work undertaken, and completed, prior to emergency measures being implemented as a result of the pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. It is therefore not possible to quantify the additional risk arising from the current short-term measures or the overall impact on the framework of governance, risk management and control.

Internal Audit's work has been guided by the Annual Audit Plan and emerging risks identified by Senior Management; therefore, we have not reviewed all risks and assurances relating to Cotswold District Council and Publica and cannot provide absolute assurance on the internal control environment. Senior Management and Members are ultimately responsible for ensuring an effective system of internal control.

The Annual Opinion is made based on the following sources of information:

- Completed audits (during 2019/20) which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from advisory / consultancy support.
- Follow-Up of previous audit activity, including agreed actions against recommendations.
- Significant / material risk where management has not accepted the need for mitigating action.

Opinions are a balanced reflection, not a snapshot in time. Information to support this assessment is obtained from multiple engagements and sources (including advice / consultancy work and the assurance mapping

### Audit Opinion Continued

records the team maintain). The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.

Over the year, the Audit Team have found that Senior Management of Cotswold District Council and Publica to be generally supportive of Internal Audit findings and responsive to recommendations made. In addition, there is a good relationship with management whereby they feel they can approach the Audit Team openly in areas where they perceive potential problems. There are a number of outstanding priority 1 and 2 recommendations, which we will continue to monitor. These recommendations are discussed at Corporate Governance Group and have been taken into account when formalising this opinion.

We have completed 28 reviews for Cotswold District Council, including assurances over Publica's control framework. The completed reviews consist of assurance pieces of work, follow-ups, advice and consultancy and non-opinions.

The majority of audits from the 2019/20 plan have been completed to final or draft report stage. The Covid-19 pandemic has inevitably caused some delay in progress due to availability of Officers dealing with service delivery priorities.

Where audits were in progress, or draft reports have been issued, we have not actively pursued these in the early phase of Covid-19 lockdown, however we are now working to finalise outstanding audits. These reports and assurances will be included in the 2020/21 Annual Opinion.

In agreement with Management, and previously reported to this meeting some reviews were exchanged, removed or deferred from the approved plan, as the need to respond to new and emerging risks was identified. Any new, or unplanned, audit work has been included in the annual plan and can be identified with an \*.

All recommendations made are followed up by the Audit Team. The team have not raised any additional concerns over the delay / non-implementation of recommendations.

Determining whether risk management processes are effective is a judgement resulting from the internal auditor's assessment that:

- Organisational objectives support and align with the organisation's priorities.

- Significant risks are identified and assessed.
- Appropriate risk responses are selected that align risks with the organisation's risk appetite.
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management, and members to carry out their responsibilities.

It is also worth noting the 'Non-Opinion' audits during 2019/20. Given the level of change Internal Audit has a role to play in being the 'Trusted Advisor'. Although no opinion is offered with this work, details of the work and findings are shared with Senior Management and the Committee and an action plan to address areas for improvement is agreed.

### 2020/21

We recognise the changing risk environment that Covid-19 has and will bring to Cotswold District Council. During these unprecedented times, organisations are having to take a wide range of decisions quickly and effectively. Naturally services & processes have needed to adapt, staff reallocated, and wide-spread remote working leading to changes in communication and oversight. These changes in working practices will also present financial challenges. Due to this the 2020/21 audit plan will be under constant review and work prioritised on a quarterly basis and therefore there could be more frequent changes to the audit plan. Any changes will be clearly communicated to the Audit Committee with an explanation for the change.

## Internal Audit Annual Opinion 2019/20

### Our audit activity is split between:

- Governance Audits
- Key Financial Control Audits
- ICT Audits
- Operational Audits
- Follow-Up Audits
- Advice and Consultancy

### Internal Audit Work Programme

The schedule, included in the report (pages 15-18), contains a list of all audits agreed for inclusion in the Annual Audit Plan 2019/20 and the final outturn for the year. In total, 48 pieces of work were commissioned. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

The 48 reviews in the 2019/20 audit plan are broken down as follows:

Type of audit	2019/20 plan
• Governance Audits	4
• Key Financial Control Audits	12
• ICT Audits	5
• Operational Audits	14
• Follow-Up Audits	5
• Advice and Consultancy	6
• Grant Certification	2
• TOTAL	48

### Significant Corporate Issues

**Identified Significant Issues should be brought to the attention of Members.**

### Significant Corporate Issues

The following are the significant issues / areas identified during the course of our audit programme of work for 2019/20. Follow-Up audits have been included in the 2020/21 audit plan to ensure agreed recommendations have / are being actioned.

The Procurement review focussed on the processes undertaken on behalf of the Publica partner Councils. A number of weaknesses were identified which include:

- Incomplete Contract Registers and not publicly available
- Monitoring of expected contract spend to actual contract spend is not widely undertaken.
- Waivers not being logged
- Central record of waivers was not maintained
- Training for all staff

We have completed a follow-up review for this audit and can confirm that some progress has been made to improve controls. However, our report has not been finalised with Publica.

# Internal Audit Annual Opinion 2019/20

## SWAP Performance - Summary of Audit Opinions

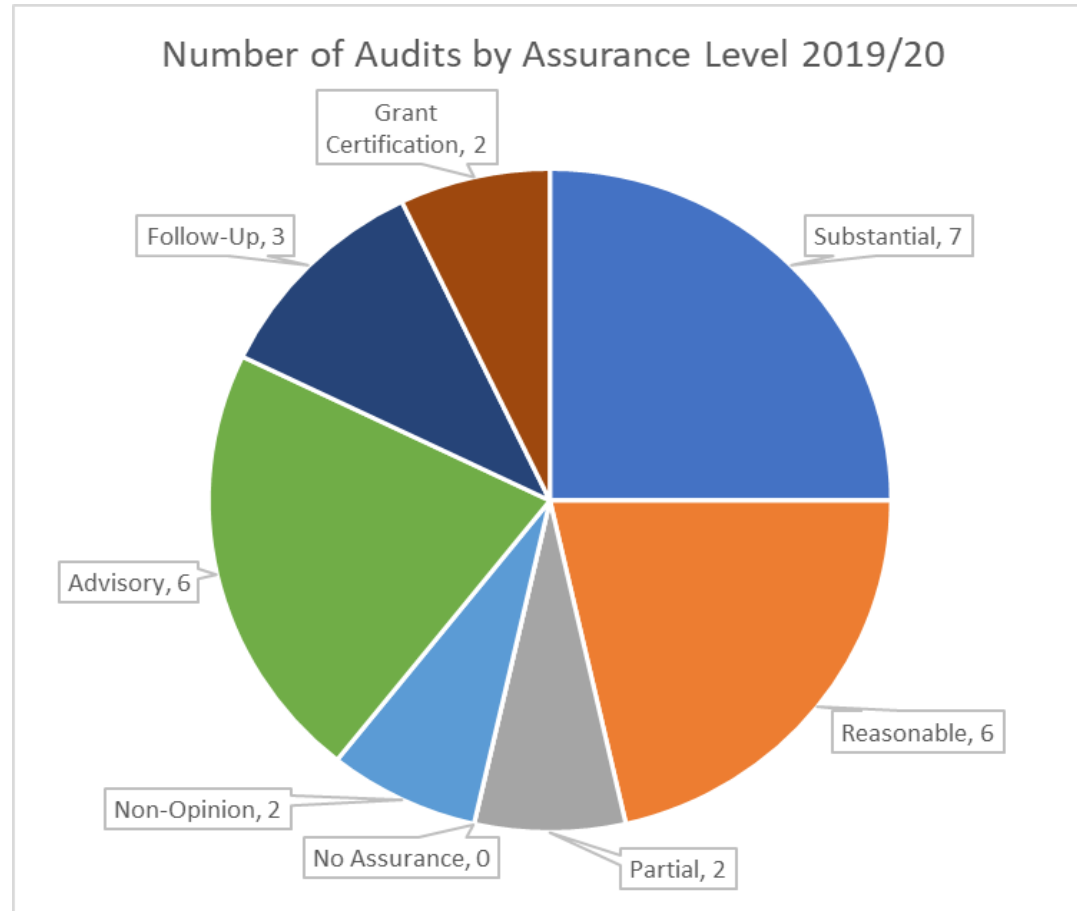
At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- No Assurance

We also undertake ‘non-opinion’ work on a consultancy basis where we have been asked to look at a specific area of potential concern.

## Summary of Audit Opinion

The following chart is a summary of all the reviews finalised / completed during 2019/20.



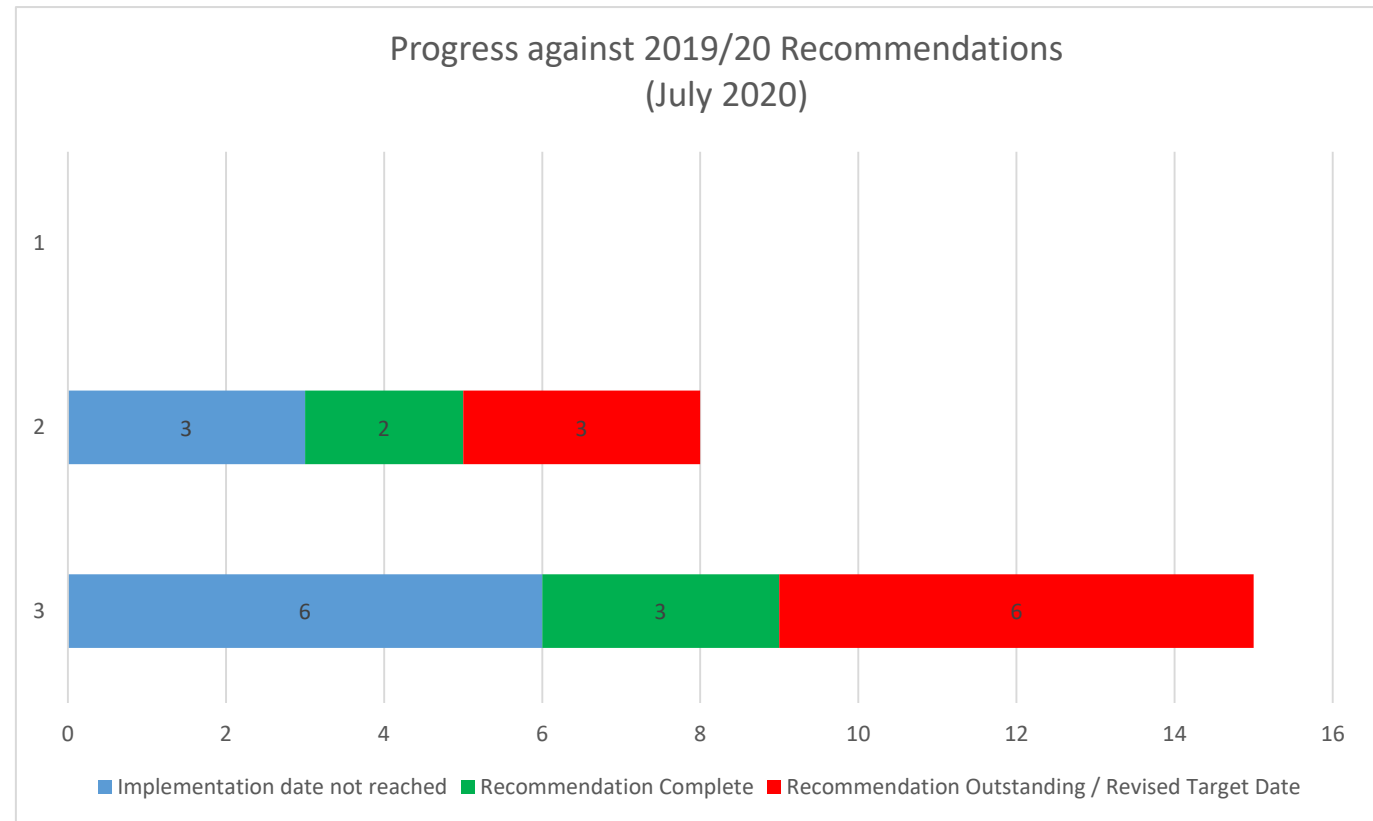
# Internal Audit Annual Opinion 2019/20

## SWAP Performance - Summary of Audit Recommendations by Priority

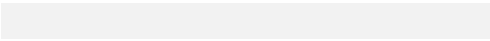
We rank our recommendations on a scale of 1 to 3, with 1 being major concern requiring immediate corrective action and 3 being minor or administrative concerns

## Priority Actions

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. Therefore, recommendations are assessed as to how important they are to the scope of the area audited.







### Added Value

**Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.**

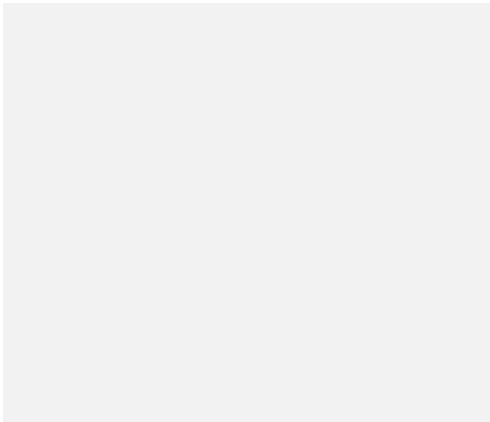


### Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, as we complete our audit reviews and through our governance audit programmes across SWAP, we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of “added value” is; “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

In addition to our audit plan, where requested by client officers we look to share risk information, best practice and benchmarking data/information. The following are some of the areas where Cotswold District Council has requested or participated in enabling us to produce benchmarking reports across the partnership:

- Fraud Bulletins – We send out regular fraud bulletins highlighting where there are attempted frauds and what officers need to be on the lookout for.
- Partners Newsletters – We produce quarterly partner newsletters that provides information on topical areas of interest for public sector bodies. We have increased the frequency of our newsflash to weekly during Covid-19 to provide relevant information.
- An Internal Audit View – These are quarterly newsletters where SWAP and other Local Authority Audit Partnerships convey key audit matters that Local Authorities should be aware.
- Responsiveness - we adapt our audit plans to address emerging risks and areas requiring assurance to management.
- Benchmarking and best practice – we share best practice from our partners wherever possible and undertake benchmarking exercises in a number of audits.
- Data Analytics – We are increasing the use of data analytics across all audits to provide a greater level of assurance and insight to trends and themes.
- Procurement threshold – Provided comparison on the limits set for when quotations and tenders need to be completed across the SWAP partners.
- Supplier Resilience – compared the approach to managing the risk posed by supplier failure.
- Lone Working Arrangements – Compared the approach to managing lone working arrangements and



- identifying best practice.
- Members Training Events.
  - Support to our partners and clients during the Coronavirus pandemic.

## Plan Performance 2019/20

Internal Audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



### SWAP Performance

SWAP's performance is subject to regular monitoring and review by the (SWAP) Board and Member Meetings. The respective outturn performance results for Cotswold District Council for the 2019/20 year are as follows:

Performance Target	Average Performance
<b><u>Audit Plan – Percentage Progress*</u></b>	
Final Report / Complete / Position Statements	67%
Draft Report (awaiting management response)	16%
In Progress	10%
Not Started	7%
<b><u>Quality of Audit Work</u></b>	
**Customer Satisfaction Questionnaire	100%

\*Note some work has taken longer to conclude due to Covid-19 lockdown and changes in priorities and officer availability.

\*\*At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated office. The aim of the questionnaires is to gauge satisfaction against timeliness, quality, professionalism and value added.

SWAP's work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm conformance to the required standards. SWAP was recently externally assessed in February 2020 and confirmed that we 'Generally Conform' to the standards.

Attribute Standard 1300 of the IPPF requires heads of internal audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues that the programme must include both internal and external assessments for improvement. Following our external assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want to achieve, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our agreed actions.

And finally, just like any other company and Cotswold District Council itself, our accounts are subject to both Internal and External Audit Review. The auditor confirmed that the audit did not find any areas of concern and the auditor was confident that the processes in place are adequate to support SWAP's annual report and financial statements.

At the conclusion of an audit assignment a ‘Control Assurance’ is awarded. A summary of the assurance levels is as follows:

Assurance Definitions	
<b>None</b>	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Reasonable</b>	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Substantial</b>	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

**Non-Opinion/Advice** – In addition to our opinion-based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendations are assigned a priority rating based on the following framework:

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

Audit Type	Audit Area	Status	Opinion	No of Recs	1 = Major, 2 = Moderate, 3 = Minor		
					Recommendation		
					1	2	3
<b>Finalised / Completed Reviews &amp; Position Statements</b>							
ICT	Data Protection Act (GDPR)	Final Report	Substantial	1			1
Operational	Procurement and Contract Management	Final Report	Partial	2		1	1
Key Financial Control	Systems Admin	Final Report	Reasonable	7		2	5
Key Financial Control	Human Resources	Final Report	Reasonable	2		1	1
Key Financial Control	Procurement	Final Report	Partial	10		7	3
Governance	Risk Management	Final Report	Substantial	-			
ICT	Cyber Security	Complete	Advisory	-			
Governance	Annual Governance Statement	Final Report	Substantial	3			3
Operational	Affordable Housing	Final Report	Substantial	1			1
Key Financial Control	Council Tax and NNDR	Final Report	Reasonable	2		1	1
Key Financial Controls	Housing Benefit / Council Tax Support	Final Report	Substantial	1			1
Key Financial Controls	Accounts Payable	Final Report	Substantial	-			

Audit Type	Audit Area	Status	Opinion	No of Recs	1 = Major, 2 = Moderate, 3 = Minor		
					Recommendation		
					1	2	3
Key Financial Controls	Treasury Management and Bank Reconciliations	Final Report	Substantial	3			3
Key Financial Controls	Payroll	Final Report	Reasonable	1		1	
ICT	Systems Admin	Final Report	Follow-Up	4		1	3
Key Control	Human Resources (Safer Recruitment)	Final Report	Reasonable	3		2	1
Key Control	Health and Safety (Fire Risk Assessments)	Final Report	Reasonable	2		1	1
Grant Certification Work	Disabled Facilities Grants	Complete	Not Applicable	-			
Grant Certification Work	Disabled Facilities Grants (Additional Funding)	Complete	Not Applicable	-			
Follow-Up	Follow-Up of Recommendations made in Substantial and Reasonable Audits	Complete	Follow-Up	-			
Follow-Up	Follow-Up of Control Weaknesses identified by the Counter Fraud Unit	Complete	Follow-Up	-			
Advice and Consultancy	Benefits Realisation (Publica)	Position Statement	Non-Opinion	-			
Advice and Consultancy	Cemetery Services Fees	Complete	Advisory	-			
Advice and Consultancy	Ubico – Waste and Recycling Collection Contract	Position Statement	Non-Opinion	-			
Advice and Consultancy	Support to the Publica Transformation Programme	Complete	Not Applicable				



Audit Type	Audit Area	Status	Opinion	No of Recs	1 = Major, 2 = Moderate, 3 = Minor		
					Recommendation		
					1	2	3
Operational	Support to the Council in respect of Covid-19 – Leisure Centre Funding	Complete	Not Applicable	-			

Audit Type	Audit Area	Status	Comments
<b>Draft Reports</b>			
Key Financial Controls	Accounts Receivable	Draft Report	
Follow-Up	S106 Agreements and Funds	Draft Report	
Follow-Up	Procurement Audit	Draft Report	
Follow-Up	Procurement and Contract Management Audit	Draft Report	
Operational	Asset Management	Draft Report	
Operational	Commercial Property / Investment Property		
Operational	Use of Volunteers	Draft Report	

Audit Type	Audit Area	Status	Comments
<b>Work Incomplete / Not Commenced as at 30<sup>th</sup> June 2020</b>			
Operational	Grants	In Progress	
Key Financial Control	Main Accounting	Not Commenced	Annual review therefore scope will be included in 2020/21 audit
ICT	Business Continuity	In Progress	
ICT	Incident Management	In Progress	
Operational	Civil Contingencies	In Progress	Work commenced but put on hold due to flooding at FoDDC and COVID-19
Governance	Risk Management	Not Commenced	Planned as a Quarter 4 Audit, not commenced due to COVID-19. Scope will be included in 2020/21 audit.
Governance	Performance Management	Not Commenced	Planned as a Quarter 4 Audit, not commenced due to COVID-19. Scope will be included in 2020/21 audit.
<b>Audits Deferred / Removed from the Plan during the year</b>			
Operational	Business Rates Reset		Audit removed due to changes in government legislation
Operational	Internal Enforcement Agency		Deferred due to change in service provision
Operational	Corporate Culture		Audits deferred to 2021/22 by request of Head of HR
Advice and Consultancy	Workforce Strategy		
Operational	Cash Handling		Audit deferred to 2021/22 due to other unforeseen work

Audit Type	Audit Area	Status	Comments
	Management and Monitoring of Contracts		Audit deferred to 2020/21 due to delays in finalising procurement audits
	Publica Transformation Benefits Realisation		Audit deferred to 2020/21 by request of client and will allow 2 full years to be reviewed
	Waste and Recycling Assets		Removed from the plan to utilise the days for the Ubico – Waste and recycling collection audit

# Cotswold District Council

## Report of Internal Audit Activity

Summary of work completed since January 2020

July 2020

# Contents

The contacts at SWAP in connection with this report are:

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Appendix C – Executive Summary of Finalised Audit Assignments

Summary of Audit Assignments Finalised since the last Internal Audit update to this Committee

Audit Assignments finalised since the last Meeting of the Board:

- Summary of Audit Findings and High Priority Service Findings

**2019/20 – Revenues and Benefits (Housing Benefit and Council Tax Support) – Substantial Assurance**

**Background**

The Revenues and Benefits service area are responsible for the day to day processing, collection and arrears management and application of any discounts and reliefs of Council Tax and NNDR as well as Housing Benefit and Council Tax support schemes.

Housing Benefit is a means-tested benefit which is administered on behalf of the Department of Works and Pensions (DWP). New claimants who meet the criteria for Universal Credit or existing recipients of Universal Credit are not able to claim Housing Benefit.

Local authorities are entitled to make an annual claim for the refund of the housing benefit subsidy from Central Government. The claim should be submitted by 30th April and it is then required to be independently audited by 30th November each year.

Council tax support helps people on low income to pay their council tax. The scheme is approved locally for working age customers and nationally for pension age customers.

The Revenues and Benefits service constantly handle personal information and are therefore required to comply with the regulations set out in the Data Protection Act 2018 which incorporates the General Data Protection Regulations (GDPR).

**Audit Conclusion / Findings**

The Revenues & Benefits team generate daily reports to ensure that the Housing Benefit and Council Tax Support system agrees with the Council Tax system. This enables any identified discrepancies to be addressed promptly. Monthly reconciliation of Housing Benefit payments to the General Ledger is undertaken by the Business Partner Accountant. We were also provided with the 2018/19 year end reconciliation.

Evidence supported that exception reports are generated and reviewed daily and that claims processing targets are monitored weekly.

Weekly performance reports are generated and are available to the Business Manager to inform management decisions.

We provided a 'Reasonable' assurance opinion on the Subsidy Claim process in June 2019.

Finally, we can confirm that the two recommendations from the 2018/19 audit have been implemented.

Revenues and Benefit Service:

Our review found that quality assurance processes were satisfactory. We were advised that quality checks are undertaken on 20% of all claims. Additional checks are undertaken on work completed by trainees and officers returning to work after a long absence to ensure that accuracy is maintained and that any training needs are addressed.

Key performance indicators (KPI) including overpayments are monitored weekly and are reported to the JMT (Joint Management Team) on a quarterly basis. We were advised that KPIs were currently being agreed for the new financial year.

We were advised there are adequate cover arrangements to ensure that key tasks will not be disrupted in the event of officer absence or system failure, however, the service Business Continuity Plan (BCP) is not up to date in terms of current contact details and remote working arrangements. A recommendation has been made to update the BCP and to review it annually.

Data Protection (GDPR) education has been provided to the Revenues and Benefits staff, and processes are in place to ensure compliance with these regulations.

The Revenues and Benefits service area are responsible for the day to day processing, collection and arrears management and application of any discounts and reliefs of Council Tax and NNDR as well as Housing Benefit and Council Tax support schemes.

Housing Benefit is a means-tested benefit which is administered on behalf of the Department of Works and Pensions (DWP). New claimants who meet the criteria for Universal Credit or existing recipients of Universal Credit are not able to claim Housing Benefit.

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Council tax support helps people on low income to pay their council tax. The scheme is approved locally for working age customers and nationally for pension age customers.

The Revenues and Benefits service constantly handle personal information and are therefore required to comply with the regulations set out in the Data Protection Act 2018 which incorporates the General Data Protection Regulations (GDPR).

**2019/20 – Systems Admin – Follow Up of 2018/19 Audit****Background**

Seven recommendations were made in the 2018/19 review of Systems Admin to put controls in place or strengthen existing controls. Due to the number of recommendations made, the 2019/20 audit has concentrated on following-up these recommendations and documenting progress made.

Three of the recommendations are complete and therefore can be closed. At the time of testing three of the recommendations have not been actioned by the implementation date, and therefore we have agreed to extend this date to ensure the recommendations can be fully actioned and one has not commenced as it will be incorporated into a larger piece of work (Data Audit).

A further Follow-Up will be planned to be undertaken once the revised target dates have been reached for the outstanding recommendations.

To summarise, three of the recommendations are complete and therefore can be closed. The other three recommendations are almost complete; therefore, we have extended the target implementation dates to allow for the recommendations to be fully implemented.

**2019/20 Payroll – Reasonable Assurance****Background**

Publica HR and Payroll Teams provide a centralised function for Publica employees and those of the Member Councils.

The scope of this review covers the Member Councils and Publica.

Employees' salaries are paid on the 20<sup>th</sup> of each month. Therefore, processes require all the necessary payroll changes to be in place, verified and authorised to ensure that employees are paid on time.

The HR and Payroll systems and the General Ledger systems are all part of the same integrated system – Agresso Business World (ABW).

**Audit Conclusion / Findings**

Testing was carried out on a sample of starters, leavers and payroll variations. The information recorded on ABW was compared to



physical source documentation held within personnel files for each test to ensure accuracy and verification of data. Records were also checked to ensure that any changes were made in a timely manner.

Overall, testing results were satisfactory. One finding has been made relating to inconsistency of pre-employment checks during the onboarding process for starters. Instances were identified during testing where full references had not been obtained, and also identified that standard pre-employment checks were not applied to employees where TUPE transfers applied (nor was assurance gained from the previous employing organisation that these checks had been carried out previously).

In the 2019/20 Safer Recruitment audit, a suggestion was made to consider using third-party checks (e.g. BPSS or similar) for all employees. Currently, they are used only for employees working within specific teams or with access to certain systems/information. These third-party checks can verify right to work, employment history and can include a basic criminal record check. A recommendation has been made in this report to implement this within the recruitment process, to mitigate fraud and safeguarding risk and to encourage best practice.

Recommendations from the 2018/19 Payroll Audit were also followed-up as part of this review. Of four recommendations made, one has been completed and three are still in progress. The target implementation date of these recommendations has been amended to June 2020 and will be followed-up again at this time. Further information on the progress made to date can be found within the body of the report.

Priority	Recommendation	Management Response	Due Date
2	We recommend that all new starters are subject to a BPSS (or similar) check regardless of the role to which they are being recruited. This will ensure that consistent checks of right to work, employment history and basic criminal record checks are carried out on all employees.	A piece of work has been carried out to re-write the pre-employment check process. The HR and Recruitment Teams are also working towards the implementation of an Application Tracking System (ATS), subject to approval at Publica and the Councils, which would help to mitigate the risks identified. The ATS would not allow for progression in the recruitment and onboarding process without specific criteria being fulfilled first (e.g. obtaining references, ID checks etc).	30 <sup>th</sup> September 2020

**2019/20 Treasury Management and Bank Reconciliation – Substantial Assurance****Background**

As part of the 2019/20 Internal Audit plan, a review was carried out to provide our partners and clients assurance over the adequacy of procedures and controls in respect of Treasury Management and Bank Reconciliations.

CIPFA defines Treasury Management (TM) as "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks." The importance of Treasury Management to an organisation is evident from the CIPFA definition, and as such is included in each year's internal audit plan for review.

Bank reconciliation is one of the primary key financial controls to detect fraud and error, and as such it is very important to provide assurance that this fundamental control is being undertaken correctly and on a regular basis. Consequently, bank reconciliation is also included in each year's internal audit plan for review.

**Audit Conclusion / Findings**

We are pleased to offer Substantial Assurance for Treasury Management and Bank Reconciliation.

Records of investments and diversification were reviewed regarding Treasury Management investments, which were found to be in line with the approved strategies of the authorities. There is an appropriate level of segregation of duty in respect on making investment payments, treasury information is accurately recorded, and updated regularly which allows detailed forecasting.

Bank reconciliations are conducted on a monthly basis for each Council. Any imbalances, as part of the process, are investigated and corrected prior to posting to the ledger. Bank reconciliations are reviewed by an independent officer prior to completion and posting.

**2019/20 – Revenues and Benefits (Council Tax and NNDR) – Reasonable Assurance****Background**

The Revenues and Benefits service area are responsible for the day to day processing, collection and application of any discounts and reliefs of Council Tax (CT) and National Non-Domestic Rates (NNDR) as well as Housing Benefit and Council Tax Support schemes.

CT is a local property tax to help fund local public services and is payable on all residential properties regardless of whether they are rented or owned. Discounts and exemptions are available under certain circumstances, including but not limited to discounts for students, single person occupation and unoccupied properties.

NNDR is also a tax collected to contribute towards the cost of local services and is payable on National Non-Domestic properties. Reliefs and discounts are available under certain circumstances, including unoccupied or partly occupied properties, small business rate relief and charity occupied properties.

The Revenues and Benefits service area constantly handle personal information and are therefore required to comply with the regulations set out in the Data Protection Act 2018 which incorporates the General Data Protection Regulations (GDPR).

#### **Audit Conclusion / Findings**

Council Tax (CT) and National Non-Domestic Rates (NNDR) discounts and exemptions can be applied to accounts in certain circumstances. Testing found that where this is applicable, evidence and appropriate notes to support the discounts given were documented in the CT and NNDR system. We were advised that account reviews where exemptions and discounts had been granted were ceased a few years ago but that the service is now recommencing this work. We can confirm the Counter Fraud Unit have been engaged to review Single Persons Discount (SPD) accounts as part of the NFI (National Fraud Initiative) data match process, work is ongoing at CDC.

Daily checks are undertaken of the cash receipt load files into the CT and NNDR system. Evidence supported that the CT and NNDR systems are reconciled to the General Ledger on a monthly basis.

The NNDR liability reconciliation does not balance for CDC. We identified this in previous year's reviews and recommended the system fault be addressed with the system provider, Northgate. We were advised this had been resolved however, testing identified the system imbalance still exists. We understand the Revenues & Benefits service is in the process of procuring a new system to be used across all partner Councils, we suggest system controls are addressed to resolve this issue.

As part of the annual billing process, reconciliation of the CT and NNDR bills issued by the mailing companies to that expected on the CT and NNDR system should be undertaken which ensures bills are issued as required. Our testing identified this control was not operating as expected. A recommendation has been made accordingly.

Our review of closed accounts (at 8th January 2020) for CDC identified credit balances on accounts that had been closed as far back as 1993 and in some years the credit values are significant. 32 accounts were closed between 1993 – 2018 and show a total credit value of £159,794. Although the individual values may be deemed immaterial, there is a risk that the Council's Statement of Accounts are inaccurate as income is being overstated, therefore these accounts must be reviewed, and appropriate action taken.

Exception reports are regularly run and found to be actioned appropriately, however, testing could not evidence that the suspense accounts are cleared regularly. This was identified and a recommendation made in last year’s review. We will follow this up in due course.

Our follow up of the 4 recommendations made in our 2018/19 audit can confirm that one recommendation has been fully addressed and another which we understand will be addressed when the new system is procured. We have revised the target implementation dates for the recommendations relating to clearing the suspense account and for reviewing of accounts in credit as discussed above.

Revenues and Benefits Service

Evidence supported weekly performance reports are reviewed by the Revenues Manager and are available to the Business Manager to inform management decisions across the whole service.

We can confirm that Data Protection (GDPR) education has been provided to the Revenues and Benefits staff, and processes are in place to ensure compliance with this regulation.

A service business continuity plan is in place, although it needs review/update. A recommendation has been made in the Housing Benefit & Council Tax Support report.

Priority	Recommendation	Management Response	Due Date
2	Periodic review (quarterly) of accounts in credit should be undertaken and action taken to return monies that are not due to the Council. These actions must be documented on customer accounts to provide an audit trail. Where monies are unable to be refunded, appropriate accounting actions must be undertaken to remove the credit value from the CT / NDR system.	Putting into place a periodic report of credit accounts to be followed up by Revenues Officers	31 <sup>st</sup> March 2020

**2019/20 – Health and Safety (Fire Risk Assessments) – Reasonable Assurance**

**Background**

In 2004 fire and rescue services attended over 33,400 fires in non-domestic buildings in England and Wales, which killed 38 people and injured over 1,300 (HM Government, 2006). The cost of these fires was estimated at £2.5 billion. In a 2009 presentation given to the Chief Fire Officers Association from the Association of British Insurers, it was reported the incidence of fires and fire deaths was decreasing; however the cost of fires on businesses was increasing. In 2018 South Oxfordshire District Council offices were demolished following an arson attack in 2015.

The Regulatory Reform (Fire Safety) Order 2005 covers general fire precautions and other fire safety duties which are needed to protect persons in the case of a fire in, or around, most premises. The Order requires organisations to implement fire precautions where necessary, which are reasonable and practical. This is done through carrying out fire risk assessments. Organisations that employ five or more employees must record the significant findings of the assessment. Risks assessments and any preventative/protective measures must be carried out by a person with enough training and experience to implement these measures properly. These assessments must be reviewed when necessary.

**Audit Conclusion / Findings**

The Regulatory Reform (Fire Safety) Order 2005 (the Order) requires organisations to complete fire risk assessments to identify and mitigate risks to fire safety. Our review found that fire risk assessments have been completed for all buildings that the Council has responsibility for. In line with the Order, these assessments are up to date, have been completed by a qualified person and documented appropriately. The risk assessments identified a number of fire safety control weaknesses and offer potential remedial actions to mitigate the risks. These are presented within risk assessment documents in the form of an action plan.

Historically, completing the remedial actions has been undertaken by Property Services officers based at each Council’s main offices. These officers have developed individual methods for monitoring progress for the completion of and any outstanding remedial actions. At the time of this review the Building Services Officer & Joint Operations Manager was aligning the monitoring process across the three councils, to allow all remedial actions to be monitored during Health & Safety and Property Services catch-up meetings.

Recommendations have been made around the timeliness of completing remedial actions and lack of reporting to Heads of Paid Service (Responsible Person). Furthermore, a suggestion has been made to commission the independent consultant used by Cotswold District Council and West Oxfordshire District Council to renew Forest of Dean District Council’s fire risk assessment.

Priority	Recommendation	Management Response	Due Date
2	We recommend that officers should ensure all remedial actions identified in fire risk assessments are completed using a risk-based approach.	These remedial action requirements are in progress and will be completed in accordance with the noted time scale.	30 <sup>th</sup> September 2020

**2019/20 – Safer Recruitment – Reasonable Assurance**

**Background**

Safer recruitment is the method of designing recruitment processes to deter unsuitable applicants from applying for roles with vulnerable groups, and to identify and reject them if they do. Safer recruitment processes should include things like:

- Informing candidates of the organisation's commitment to safeguarding
- Detail that candidates will undergo pre-employment checks and other checks - such as DBS - if appropriate to the role
- Carry out pre-employment checks
- Ensure staff receive appropriate training for their role

The traditional focus of Safer Recruitment is in education, social services and other sectors that have regular and direct contact with children. As a public facing organisation that provides front-line services to a wide range of groups across several districts, it is important that Publica also has robust safer recruitment practices in place.

Pre-employment checks play an important part of the recruitment process and enable the organisation not only to ensure they are recruiting the most suitable person for the role, but also allows the organisation to safeguard against any negative impact caused by the recruitment of that impact – e.g. potential reputational risk. There are key pieces of legislation surrounding the recruitment process and pre-employment checks, such as the Immigration, Asylum and Nationality Act 2006 which covers illegal working and right-to-work checks and the Rehabilitation of Offenders Act 1974 which regulates the disclosure of criminal records.

The Disclosure and Barring Service (DBS) promotes safer recruitment choices by processing DBS checks, and also maintains the adults' and children's Barred Lists and decides whether an individual should be included on one or both of these lists and barred from engaging in regulated activity. 'Regulated activity' is defined in the Safeguarding Vulnerable Groups Act 2006 and is work that a barred person is not permitted to do. There are 3 levels of DBS check – basic, standard and enhanced – and a gov.uk tool allows potential employers to check which level (if any) of DBS check is required for the role they are recruiting for.

HR Business Partners and the HR Recruitment Team support the recruiting manager through the initial vacancy, advertising and shortlisting process. Once the successful candidate is chosen after interview, the HR Team conduct the rest of the process including the pre-employment checks. Responsibilities of the recruiting manager and HR are recorded within flowcharts which set out the key steps and ensure compliance with the process.

#### **Audit Conclusion / Findings**

The recruitment and 'onboarding' process for new employees is effectively managed and administered by the Recruitment and HR Teams. Safer recruitment practices have been embedded into the recruitment process by ensuring that all necessary pre-employment checks are made before an employee commences with Publica; the standard pre-employment checks carried out by the HR Team are in line with legislation and good practice within the HR sector (Chartered Institute of Personnel and Development). Recruiting managers are asked to indicate at an early stage whether the post they are recruiting for requires a Baseline Personnel Security Standard (BPSS)

check or Disclosure and Barring Service (DBS) check is required for the post being advertised.

Some opportunities for improvement have been highlighted within the report around the DBS check procedure and three recommendations have been made to enhance the control environment and the procedures already in place.

Testing was carried out to ensure that where BPSS or DBS checks had been carried out, the information recorded was both relevant and consistent. The information was also reviewed to ensure that renewals had been processed for any DBS checks that required them (3 years from the initial check date). Testing found that inconsistent information relating to checks was recorded, resulting in a potential for DBS checks requiring renewal to be missed. We were advised that the process in place for checking the requirement to renew DBS checks quarterly had not been consistently applied due to resourcing and workload within the department. A priority 2 recommendation has therefore been made to ensure this procedure is carried out.

Although recruiting managers are prompted to indicate whether a BPSS or DBS check is required for a new post, this is not reflected in the form used when a current employee changes post within the organisation. A priority 3 recommendation has been made to amend the form to ensure that this prompt is made, reducing the resulting reputational or safeguarding risk should an unchecked individual be placed in a post that requires a BPSS or DBS check.

A priority 3 recommendation has also been made relating to the implementation of a DBS Policy or formalised guidance. Individual DBS policies exist at all of the Member Councils which require review and update, and these could then be used across Publica to promote consistency and aid HR Support Advisors.

Priority	Recommendation	Management Response	Due Date
2	We recommend that DBS renewal dates are regularly monitored, and checks renewed in a timely manner. All DBS check details should be recorded within ABW to aid this process, including the original DBS check date, the DBS check renewal date and the DBS check reference number.	A process has been implemented to ensure that a report showing BPSS and DBS expiry dates is produced monthly from ABW in relation to DBS/BPSS checks and any required renewals are processed accordingly.	Complete







# COTSWOLD DISTRICT COUNCIL

Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT COMMITTEE - 30 JULY 2020</b>
Report Number	<b>AGENDA ITEM (9)</b>
Subject	<b>CORPORATE RISK REGISTER UPDATES</b>
Wards affected	N/A
Accountable member	Cllr. Mike Evemy - Deputy Leader and Cabinet Member for Finance Email: <a href="mailto:mike.evemy@cotswold.gov.uk">mike.evemy@cotswold.gov.uk</a>
Accountable officer	Jenny Poole - Chief Finance Officer Tel: 01285 623313 Email: <a href="mailto:jenny.poole@cotswold.gov.uk">jenny.poole@cotswold.gov.uk</a>
Summary/Purpose	To update the Committee on the Council's corporate risk register.
Annexes	Annex 'A' - Corporate Risk Register 2019-20 Q4
Recommendation/s	<i>That the Committee notes the updates to the Council's corporate risk register.</i>
Corporate priorities	Ensure that all services delivered by the Council are delivered to the highest standard.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	None

## **1. BACKGROUND**

- 1.1. The Corporate Risk Register was updated by the risk owners at the end of Q4; and reviewed by the Shared Risk Management group (SRMG), comprising the partner Councils' statutory officers and the Publica Directors.
- 1.2. Since the end of March 2020, the work of both Cotswold District Council and Publica has been focussed on managing the Covid-19 pandemic. More recently, this focus has shifted to a recovery phase and the anticipated return to normal working. Throughout this period, Publica and its partner Councils, has maintained a register of risks associated with both the pandemic itself as well as the on-going process of recovery.
- 1.3. The Corporate Risk Register is attached at Annex A.
- 1.4. The SRMG also has oversight of Publica's strategic risk register and high scoring risks from the Transformation Programme risk register. The risk registers, when considered together with the partner Councils' corporate risk registers provide SRMG with an overview of risk across the organisations, and enables it to manage risk more effectively.

## **2. FINANCIAL IMPLICATIONS**

- 2.1. There are no financial implications.

## **3. LEGAL IMPLICATIONS**

- 3.1. None.

## **4. RISK ASSESSMENT**

- 4.1. None.

## **5. ALTERNATIVE OPTIONS**

- 5.1. None.

## **6. BACKGROUND PAPERS**

- 6.1. None.

(END)

Cotswold District Council - Corporate Risk Register 2019-20 Q4

Overarching strategic risks

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To	Updater
CRR-D01-014	If the Government imposes legislative changes that are not expected then it could have an impact on the Council's finances and other resources	Financial Community	Horizon scanning Professional publications Four year funding settlement	3	3	9	09-Jan-20	09-Oct-2019 No change in rating. The Council responded to the consultation on Defra's Waste and Resources strategy. The Strategy suggested that garden waste collection should be free which if imposed would have a significant financial impact on the Council. Defra has now published its consultations response which acknowledges the strong opposition from LAs and accepts that this proposal needs to be reconsidered. Any financial implications will be considered as part of the update to the Council's MTFS	Chief Finance Officer	Jenny/Claire
CRR-D01-019	If there are insufficient resources to deliver the objectives of the new Corporate Strategy and Plan then the expectations of our communities may not be met resulting in lower satisfaction and reputational damage	Financial Community Reputational	Medium Term Financial Strategy	3	3	9	16-Jan-20	16-Jan-2020 No change in rating. The financial implications of the Council's new Corporate Strategy have been included in the refresh of the Medium Term Financial Strategy. The MTFS will be considered by Council in February 2020.  This risk links to risk CRR-D02-028 regarding the Local Government Funding Settlement over the Medium Term. This is the biggest risk to the deliverability of the objectives in the new Corporate Strategy.	Chief Finance Officer	Jenny
CRR-D01-018	If the Government does not provide adequate funding to the Council to enable the Council to fulfil new expectations of the Council's role in preparations for the UK exit from the EU, there could be negative implications on the Council's reputation or the Council's finances	Financial Community	Public Executive Director undertaking role of Brexit Lead Officer as per requirement from MHCLG  Local Resilience Forum  Government funding	3	2	6	09-Jan-20	09-Jan-20 Likelihood reduced from 3 (possible) to 2 (remote). The changed circumstances in relation to Brexit, i.e. the expectation of an orderly exit on 31 January 2020, should reduce the level of any additional expenditure likely to be incurred by the Council. The Brexit Risk Register is being maintained and any change to this assessment will be reflected accordingly. £53k has been provided to date by the government to CDC to fund its Brexit preparations.	Executive Director - Commissioning; Head of Paid Service	Christine

CRR-D01-017	If the UK leaves the European Union with no deal then there could be a disruption to the delivery of Council services which would impact on residents/communities	Community Financial Performance	Support from the LGA Local Resilience Forum Government funding to support Councils Business Continuity Plans Service specific planning - Publica ERS, Ubico and GLL Publica Executive Director undertaking role of Brexit Lead Officer as per requirement from MHCLG	3	1	3	09-Jan-20	09-Jan-20 Likelihood reduced from 3 (possible) to 1 (improbable). Following the general election in December 2019 the proposed Withdrawal Agreement was passed on 20 December 2019. Whilst the Bill is still progressing through the Parliamentary processes, the government has stood down its preparations for a 'No-Deal' Exit from the EU and is planning for an orderly exit to take place on 31 January 2020. The Brexit Planning Group is continuing to meet at the present time and is currently undertaking a fundamental review of the risk register to take account of the changed circumstances.	Executive Director - Commissioning; Head of Paid Service	Christine
CRR-D01-016	If the Council fails to successfully implement the Local Plan and new National Planning Framework then central government may intervene and/or speculative planning applications may increase	Financial Reputational	Local Plan Adopted in Aug 2018. Local Plan Programme Board reconvened with updated Terms of Reference and membership	3	1	3	02-Jan-20	02-Jan-2020 No change in rating. Ongoing monitoring of the housing supply and delivery indicates that CDC is on target. Forward Planning Officers are undertaking a review of the adopted local plan to establish whether an update is required and, if so, the scale. Senior Management team will be presented a copy of the review in Jan 2020. The outcome of this review will guide timeframes and resource requirements.	Group Manager - Strategic Support	James B

Financial management & control

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To	Updater
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CRR-D02-028	If the Local Government settlement over the medium term is unfavourable then the Council's savings target may need to increase	Financial	<p>Medium Term Financial Strategy</p> <p>Capped value of New Homes Bonus in MTFS (mitigates against fall in housing development)</p> <p>2020 Vision Programme/shared working</p> <p>Four year funding settlement</p>	5	4	20	16-Jan-20	<p>16-Jan-20 No change in rating. The MTFS is currently in the process of being updated. A one-year Spending Round 2019 has been announced which is indicating a roll-forward of funding from 2019/20 with an inflationary increase. New Homes Bonus awarded for 2020/21 will be for one year only (no legacy payments from 2021/22 due to implementation of Fairer Funding changes). The significant changes to LG Funding (75% Business Rate Retention, Business Rate Reset, Fairer Funding Review and new Spending Round) have been delayed until 2021/22.</p> <p>Members and Officers are working on contingency plans, which includes a Commercialisation Strategy to address the potential funding gap from 2021/22.</p>	Chief Finance Officer	Jenny
CRR-D02-018	If unavoidable budget pressures exceed provision within the MTFS then the Council may need to: find additional income or savings, use its reserves, or there may be pressures on services or tax levels and agreed budget targets will not be achieved	Financial	<p>Service Delivery Planning</p> <p>Budgetary control system</p> <p>CT/HoS consider financial pressures</p> <p>Key variances reported to Cabinet and Overview and Scrutiny Committee</p>	4	5	20	16-Jan-20	<p>16-Jan-2020 No change in rating. The MTFS is currently being updated and includes significant additional costs of the new waste service from 2020/21.</p> <p>The Council has announced a Climate Emergency and financial resources will be required to enable the Council to take action. Funding for a Climate Change Manager is included in the update to the MTFS. One-off funding has been made available from earmarked reserves to fund research which will enable the Council to develop a costed action plan.</p> <p>Members and Officers are working on a plan to increase income to the Council to fund both new objectives from the new Corporate Strategy and to bridge the expected funding gap from 2021 as a result of changes to local government funding.</p> <p>The Council is seeing a downturn in material markets, initially textiles and now paper. Values have reduced significantly which will have a budgetary impact. In addition, Ubico is reporting that the costs of its Corporate Overhead</p>	Chief Finance Officer	Jenny

CRR-D02-030	If Ubico is unable to deliver services to the required standard or to budget then it could damage the Council's reputation and result in additional costs for the Council	Financial Reputational	Service management  Performance monitoring  Service risk registers	4	5	20	09-Jan-20	09-Jan-2020 No change in rating. The waste fleet has deteriorated before expected resulting in high levels of breakdown, and as a consequence is impacting on residents and increasing service costs. The fleet has been re-procured as part of a new service which commences on 18th March 2020. Modelled costs for the new service were agreed at Council in December 2018 and embedded in the budget in February 2019, however, costs have been reviewed and estimates revised. There are elements such as fleet numbers and tonnages which are based on estimates and may be subject to change which could increase costs.	Group Manager - Commissioning	Claire
CRR-D02-027	If Publica does not deliver the agreed objectives in accordance with its business plan then the planned savings for the Council would not be delivered and consequently there would be a risk that services could not be delivered in line with the budget	Financial Reputational	Programme Board  Local Political Support  National Political Support  Early Engagement with employees and Unions  Funding provided to develop detailed business case	3	3	9	03-Jan-20	03-Jan-2020 Likelihood decreased from 4 (probable) to 3 (possible). At the end of Q2, very good progress was being made in delivering the savings of £930,000 included in the revenue budget for 19/20 and a small underspend was reported. Progress in preparing actions to deliver against business case targets for 2020/21 are not as far advanced as hoped to deliver full assurance that the remaining business case and MTFS savings for the councils will be achievable in 2020/21 but an agreed savings target of £500,000 has been included in draft budgets. This puts business case delivery ahead of target by around £250,000.	Head of Paid Service; Managing Director	Frank
CRR-D02-024	If the Council is unable to meet the savings required to balance the budget then it may need to make unplanned use of revenue reserves, raise council tax, find further savings and/or cut services	Financial Performance Community	Regular meetings with Members and Cabinet  MTFS and budget process  CT/SMT discussions and lead  Vision 2020 programme	3	3	9	16-Jan-20	16-Jan-2020 No change in rating. Awaiting Q3 financial performance data.  The level of savings required as a result of changes to local government funding which will now come into effect in 2021/22 remains unclear. The Council is developing contingency plans to deliver the savings, or generate additional income, required from changes to local government funding	Chief Finance Officer	Jenny

CRR-D02-029	If contractors do not meet their obligations under key contracts then it could lead to a fall in service standards, reduced customer service or a failure to meet legal requirements	Financial Reputational	Robust and effective contract management to ensure standards and requirements in contracts are met and any failings are identified and addressed quickly and effectively  Regular meetings to review performance/standards	3	3	9	09-Jan-20	09-Jan-2020 No change in rating. An internal audit report has identified improvement in procurement and contract management to be implemented.	Group Manager - Commissioning	Claire
CRR-D02-	If there is a legal challenge to any	Financial	Managerial advice and	3	2	6	08-Jan-20	08-Jan-2019 No change in rating	Head of Legal	Bhavna
CRR-D02-	If the Council fails to meet income	Financial	Systems of budgetary control	3	3	9	16-Jan-20	16-Jan-2020 No change in rating, waiting	Chief Finance	Jenny
CRR-D02-	If the level of pay inflation exceeds	Financial	National negotiations on pay	3	3	9	16-Jan-20	16-Jan-2020 No change in rating.	Chief Finance	Jenny
CRR-D02-	If there was a civil emergency in	Financial	Mutual aid arrangements would	2	3	6	30-Dec-19	30-Dec-19 No change in rating. There	Group Manager -	Andy

#### Customer focus

Risk Code	Description	Risk Factors	Internal Controls	Current	Current	Current	Last Review	Latest Note	Assigned To	Updater
CRR-D03-007	If the Council does not consult properly, or Publica does not consult properly on the Council's behalf, then the Council's decisions could be challenged	Community Reputational Legal Financial	Press and PR officer  Cotswold News  Engagement strategy  Neighbourhood coordination meetings  Annual Town & Parish council meetings  Annual Budget consultation	3	2	6	10-Jan-20	10-Jan-2020 No change in rating. Ongoing consultations on the Waterloo car park project. Budget consultation proposals were approved by Cabinet in December 2019 for consultation to commence in January. Draft documentation on revised Homeseecker Plus policy will be considered by Cabinet in January, with formal consultation in February	Head of Paid Service	Nigel

#### Organisational learning, staffing & development

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To	Updater
CRR-D04-	If Publica or the Council is unable	Performance	Financial incentives (market	3	3	9	08-Jan-20	08-Jan-2020 No change in rating.	Head of Paid	Sue P
CRR-D04-	If secondments to posts in the	Performance	Flexible working	3	3	9	08-Jan-20	08-Jan-2020 No change in rating. A	Head of Paid	Bill
CRR-D04-	If staff morale and motivation is	Performance	Communication	2	3	6	03-Jan-20	03-Jan-2020 Impact reduced from 3	Head of Paid	Frank

CRR-D04-011	If key Officers in the Council (such as the Head of Paid Service, Chief Finance Officer or Monitoring Officer) are not available, the Council may not be able to respond effectively to urgent matters which could result in reputational or financial damage	Legal Financial Reputational	Deputy CFO and Monitoring Officers in place  Support from Shared Legal Services team- employed by the Publica Partner Councils  Support from professionals within Publica (e.g. Strategic Directors, Group Managers, Accountants, HR)  Support available from other Statutory Officers from across the Publica Partner Councils  Effective working relationships between Officers and Cabinet Members	3	2	6	16-Jan-20	16-Jan-2020 No change to rating.	Head of Paid Service; Managing Director	Jenny
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#### Business processes

Risk Code	Description	Risk Factors	Internal Controls	Current	Current	Current	Last Review	Latest Note	Assigned To	Updater
CRR-D05-001	If the Council's data is of poor quality or it does not make appropriate use of its data then the decisions it makes may be flawed	Reputational Financial Legal Performance Community	Internal processes and self assessments  Internal audit assurance and support  Dedicated staff resource on performance management and data quality  Performance Management Framework	3	3	9	08-Jan-20	08-Jan-2020 No change in rating. Data quality and the use of information is being addressed as part of the organisational re-design. The Business Manager responsible for business analytics is working with the Lead officer for information on data quality.	Chief Finance Officer; Head of Paid Service	Bill
CRR-D05-016	If the Council does not comply with relevant Information Management legislation including the new GDPR and Transparency Agenda then the government may intervene which could have a reputational impact on the Council	Financial Reputational Legal	Access to Information Policy  FOI process reviewed  LGA guidance and supporting documents & templates	3	3	9	08-Jan-20	8-Jan-20 No change in rating. Progress on the GDPR action plan is being reported to the Council and Publica on a regular basis, and includes advice and guidance at staff inductions. The online training programme has now been successfully rolled out across Publica, with over 98% of staff completing the courses. The remaining staff have been identified and will be included in the new programme along with all new recruits going forward.	Data Protection Officer; Head of Paid Service	Phil



CRR-D05-019	If contractors do not comply with health and safety requirements then there could be both financial and reputational implications for the Council	Financial Reputational	Contract management in place to ensure appropriate measures such as risk assessments, appropriate policies, and training is in place.  Health and Safety business partners provide advice and support	4	2	8	09-Jan-20	09-Jan-2020 No change in rating	Group Manager - Commissioning	Claire
CRR-D05-010	If there is insufficient capacity to	Reputational	Contract terms with Everyone	3	2	6	30-Dec-19	30-Dec-2019 At the end of quarter 4	Head of Paid	Andy
CRR-D05-010	If there is severe weather then the Council may be unable to deliver key services which could impact on residents	Performance Community Reputational	BCPs  Weather reports/national news  Remote working solution available to staff	3	2	6	30-Dec-19	30-Dec-2019 No change in rating. All business continuity plans have been updated.	Head of Paid Service; Managing Director	Andy
CRR-D05-011	If the Council's IT System / infrastructure failed due to cyber attacks and/or virus then system performance could be reduced leading to poor service delivery/financial impact	Performance Financial Legal Reputational	Preventative measures introduced such as blocking of USB and other devices  Undertaken and passed a central government ICT audit, meeting the very high standards set for network security  Introduction of new / revised joint policies  Periodic staff awareness training  BCP in place and reviewed & tested	3	2	6	08-Jan-20	8-Jan-2020 No change in rating. All Councils have PSN accreditation, which compliments the Cyber Essential Plus, which is a Government-backed, industry-supported scheme to help organisations protect themselves against common online threats	Group Manager - Business Support Services	Phil

CRR-D05-012	If there is a loss of data (both on site and as a result of remote/mobile working) / security failure in our IT systems then it could lead to a reduced level of service and have a negative impact on the Council's reputation and finances	Performance Financial Legal Reputational	Preventative measures introduced such as blocking of USB and other devices  Undertaken and passed a central government ICT audit, meeting the very high standards set for network security  Introduction of new / revised joint policies  Periodic staff awareness training  BCP in place and reviewed & tested	3	2	6	08-Jan-20	8-Jan-2020 No change in rating. All Councils have PSN accreditation, which compliments the Cyber Essential Plus. The online training programme (Bob's Business) has now been completely rolled out and completed by 98% of staff which is helping to reinforce the need for staff to be aware of their responsibilities with regards to data security, passwords and GDPR	Group Manager - Business Support Services	Phil
CRR-D05-	If the Council's buildings are	Reputational	BCPs including ICT	3	2	6	30-Dec-19	30-Dec-2019 No change in rating. All	Group Manager -	Andy

Longer term risks

Risk Code	Description	Risk Factors	Internal Controls	Current	Current	Current	Last Review	Latest Note	Assigned To	Updater
CRR-D06-	If Health and Safety procedures	Legal	Health and Safety procedures	4	2	8	31-Dec-19	31-Dec-2019 No change in rating. No	Head of Paid	Phil/Katrin



Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT COMMITTEE - 30 JULY 2020</b>
Report Number	<b>AGENDA ITEM (10)</b>
Subject	<b>ANNUAL TREASURY MANAGEMENT REVIEW 2019/20</b>
Wards affected	N/A
Accountable member	Cllr. Mike Every - Deputy Leader and Cabinet Member for Finance Email: <a href="mailto:mike.every@cotswold.gov.uk">mike.every@cotswold.gov.uk</a>
Accountable officer	Jenny Poole - Chief Finance Officer Tel: 01285 623313 Email: <a href="mailto:jenny.poole@cotswold.gov.uk">jenny.poole@cotswold.gov.uk</a>
Summary/Purpose	The CIPFA Treasury Management Code of Practice, adopted by Council on 25 February 2010 requires the submission to Council of an annual report on the treasury management activities and results for the previous financial year. It is also a requirement of the Code to report during the year on activities undertaken and on variations from agreed policies/practices.
Annexes	Annex A - Treasury Management Outturn Report for 2019/20
Recommendation/s	a) <i>For Members to receive and discuss the Annual Treasury Outturn Report for 2019/20;</i> b) <i>for Members to agree any comments to be passed to full Council when considering this item.</i>
Corporate priorities	Priority - Ensure that all services delivered by the council are delivered to the highest standard Principle - Value for money - we will use the Council's resources wisely, but will invest in the fabric and future of the district
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Arlingclose Limited - Council's treasury advisors

## **1. BACKGROUND**

- 1.1** The CIPFA Treasury Management Code of Practice requires the submission to Council of an annual report on the treasury management activities and results for the previous financial year. The Treasury Management Outturn Report for 2019/20 is attached at **Annex 'A'**.
- 1.2** The Council has complied with the requirements under CIPFA Code of Practice on Treasury Management.

## **2 FINANCIAL IMPLICATIONS**

- 2.1.** The Council maintained an average investment portfolio of £33.544m during 2019/20. The funds earned an average rate of return of 2.16%, this compares to 1.16% in 2018/19.
- 2.2.** The Council budgeted for £533,568 in treasury investment income for 2019/20. Actual performance exceeded target by £106,049, with investment income received of £639,617.
- 2.3.** Further detail is contained within the report at **Annex 'A'**.

## **3 LEGAL IMPLICATIONS**

- 3.1.** None.

## **4 RISK ASSESSMENT**

- 4.1.** Treasury risk is managed by the application of the Council's Treasury Management Strategy. Treasury risk is recorded in the Council's Corporate Risk Register which is reported regularly to the Audit Committee.

## **5 BACKGROUND PAPERS**

- 5.1.** None.

(END)

**COTSWOLD DISTRICT COUNCIL**  
**TREASURY MANAGEMENT OUTTURN REPORT**  
**2019/20**

## **1. Introduction**

In February 2011 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

This report fulfils the Authority's legal obligation to have regard to the CIPFA Code

The Authority's treasury management strategy for 2019/20 was approved at Council on the 26th February 2019. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the authority's treasury management strategy.

Treasury risk management at the authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a Treasury Management Strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

## **2. Economic commentary**

The UK's exit from the European Union and its future trading arrangements had remained one of major influences on the UK economy and sentiment during 2019/20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.7% y/y in February, below the Bank of England's target of 2%. Labour market data remained positive. The ILO unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

GDP growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

The US economy grew at an annualised rate of 2.1% in Q4 2019. After escalating trade wars and a protracted standoff, the signing of Phase 1 of the trade agreement between the US and China in January was initially positive for both economies, but COVID-19 severely impacted sentiment and production in both countries. Against a slowing economic outlook, the US Federal Reserve began cutting rates in August. Following a series of five cuts, the largest of which were in March 2020, the Fed Funds rate fell from of 2.5% to range of 0% - 0.25%. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a \$2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.

### **3. Financial markets**

Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touch its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark falling from 0.75% in April 2019 to 0.26% on 31st March. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period. 1-month, 3-month and 12-month bid rates averaged 0.61%, 0.72% and 0.88% respectively over the period.

Since the start of the calendar 2020, the yield on 2-year US treasuries had fallen from 1.573% to 0.20% and from 1.877% to 0.61% for 10-year treasuries. German bund yields remain negative.

#### 4. Credit background:

In Q4 2019 Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative. The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would remain twice their level before the 2008 financial crisis.

After remaining flat in January and February and between a range of 30-55bps, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March and through to mid-April but remain above their initial 2020 levels. NatWest Markets Plc (non-ringfenced) remains the highest at 128bps and National Westminster Bank Plc (ringfenced) still the lowest at 56bps. The other main UK banks are between 65bps and 123bps, with the latter being the thinly traded and volatile Santander UK CDS.

While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days in mid-March.

Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and Non-UK banks. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as cutting Close Brothers long-term rating to A-. Having revised their outlooks to negative, Fitch upgraded the long-term ratings on Canadian and German banks but downgraded the long-term ratings for Australian banks. HSBC Bank and HSBC UK Bank, however, had their long-term ratings increased by Fitch to AA-.

#### 5. Local Context

On 31st March 2020, the Authority had net investments of £24.987m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31/3/2019 Actual £m	2019/20 Movement £m	31/3/20 20 Actual £m
General Fund CFR	0	0	0
Less: External borrowing	0	0	0
Less: Usable reserves	27.890	(5.581)	22.309
Less: Working capital	4.313	(1.635)	2.678
<b>Net Investments</b>	<b>32.203</b>	<b>(7.216)</b>	<b>24.987</b>

The Council's strategy has been to diversify investments into pooled funds in order to reduce risk and increase returns. The treasury management position as at 31<sup>st</sup> March 2020 and the year-on-year change is shown in Table 2 below.

Table 2: Treasury Management Summary

	31/3/2019 Actual £m	2019/20 Movement £m	31/3/2020 Balance £m	31/3/2020 Rate %
Short-term borrowing	0	0	0	-
<b>Total borrowing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>
Long-term investments	14.370	(3.178)	11.192	4.24
Short-term investments	13.190	(5.082)	8.108	0.94
Cash and cash equivalents	4.643	1.044	5.687	0.71
<b>Total investments</b>	<b>32.203</b>	<b>(7.216)</b>	<b>24.987</b>	<b>2.16</b>
<b>Net investments</b>	<b>32.203</b>	<b>(7.216)</b>	<b>24.987</b>	<b>2.16</b>

## 6. Investment Activity

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2019/20, the Authority's investment balance ranged between £22.034 and £43.114 million due to timing differences between income and expenditure. The year-end investment position and the year-on-year change in show in table 3 below.



Table 3: Investment Position (Treasury Investments)

	<b>31/3/2019 Actual £m</b>	<b>2019/20 Movement £m</b>	<b>31/3/2020 Balance £m</b>	<b>31/3/2020 Rate %</b>
Banks & building societies (unsecured)	8.033	(2.033)	6.000	0.87%
Government (incl. local authorities)	5.010	(3.010)	2.000	1.00%
Money Market Funds/Call	6.712	(1.026)	5.687	0.39%
Pooled Funds	12.370	(1.178)	11.192	4.24%
Cash equivalents	0.78	0.31	0.109	N/A
<b>Total investments</b>	<b>32.203</b>	<b>(7.216)</b>	<b>24.987</b>	<b>2.16%</b>

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

£12.5m of the Authority's investments are held in externally managed strategic pooled (bond, equity, multi-asset, property and cash) funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated a total return of £437,114 (4.24%), however capital reduced by £1.165m for reasons noted below, which are treated as an unrealised capital loss.

In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, businesses and individuals. Volatility measured by the VIX index was almost as high as during the global financial crisis of 2008/9 and evidenced in plummeting equity prices and the widening of corporate bond spreads, very close to rivalling those twelve years ago. Gilt yields fell but credit spreads widened markedly reflecting the sharp deterioration in economic and credit conditions associated with a sudden stagnation in economies, so corporate bonds yields (comprised of the gilt yield plus the credit spread) rose and prices therefore fell.

In furtherance of these objectives, and given the increasing risk and low returns from short-term unsecured bank investments, the Council diversified into higher yielding asset classes during 2019/20. In November 2019 the Council invested £1m into the new Fundamentum Social Housing REIT which purchases property and holds long term leases with Housing Associations who house vulnerable adults. Since the launch of the Fundamentum Social Housing REIT, the Investment Advisor has overseen 7 transactions up to the end of March 2020. Returns of 5% are expected when the full portfolio of properties have been purchased.

Table 4: Pooled Funds Sold

	Initial Investment	Capital Value 31 <sup>st</sup> March 2019	Capital Value When sold	Dividends paid out in 2018/19	Gain / (Loss) for 2019/20	Gain / (Loss) to Initial Principal
Payden Sterling Reserve Fund	1,000,000	1,013,640	1,007,919	7,538	-	7,919

Table 5: Current Pooled Funds

Fund Manager	Investment	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2020	Dividends Received 2019/20	2019/20 Gain/(Loss)	Gain/(Loss) v Original Investment
	£	£	£	£	£	£
CCLA Property	2,500,000	2,384,385	2,299,101	103,088	(85,284)	(200,899)
Schroders	1,000,000	930,978	621,563	71,005	(309,415)	(378,437)
M&G UK Income	2,000,000	1,932,672	1,561,084	96,605	(371,588)	(438,916)
Investec Div Income	2,000,000	2,027,051	1,837,499	83,378	(189,552)	(162,501)
Threadneedle Bond	2,000,000	2,026,591	1,915,356	50,210	(111,235)	(84,644)
CCLA Div	1,000,000	998,850	909,165	32,828	(89,685)	(90,835)
Federated Cash +	1,000,000	1,056,241	1,068,604	-	12,363	68,604
Fundamentum REIT	1,000,000	0	980,000	-	(20,000)	(20,000)
Total –current funds	<b>12,500,000</b>	<b>11,356,768</b>	<b>11,192,372</b>	<b>437,114</b>	<b>(1,164,396)</b>	<b>(1,307,628)</b>
Including Sold & Current		<b>12,370,408</b>	<b>11,192,372</b>	<b>444,652</b>	<b>(1,164,396)</b>	<b>(1,299,709)</b>

The Pooled Funds' have performed well in producing dividends amounting to £444,652 against a budgeted figure of £404,250 returning 4.24% for the year on the original £12.5m invested. In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout has been sharp and large. Market reaction has been extreme with the large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, businesses and individuals. The consequences of the fallout saw over £1.164m of the capital value of the existing Funds decrease from the same time as last year. The total capital funds value is now £1.300m less than the initial investments made (£12.5m). The nature of these funds is that values can fluctuate from one year to another. At the time of this report the Funds had gained £405k in capital value just in the first quarter of the current financial year. Their performance and suitability in meeting the Authority's investment objectives are monitored and discussed with Arlingclose on a regular basis. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

## 7. Financial Implications

The outturn for investment income received in 2019/20 was £533,568 which equates to a 2.16% return (18/19 – 1.26%) on an average investment portfolio of £33.544 million against a budgeted £533,568 on an average investment portfolio of £32.5 million at an average interest rate of 1.64%.

Net investments made an actual surplus of £106,049 for the 2019/20 financial year.

## 8. Compliance Report

The Chief Finance Officer is pleased to report that all treasury management activities undertaken during 2019/20 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 6: Debt Limits

	<b>31.3.20 Actual £m</b>	<b>2019/20 Operational Boundary £m</b>	<b>2019/20 Authorised Limit £m</b>	<b>Complied</b>
Borrowing	0	7.8	10.8	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt was never above the operational boundary during 2019/20.

## 9. Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

### 9.1. Security

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by

the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	<b>31.3.20 Actual</b>	<b>2018/19 Target</b>	<b>Complied</b>
Portfolio average credit	A	A-	✓

## 9.2. Principal Sums Invested for Periods Longer than 364 days:

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Actual principal invested beyond year end	£11.5m	£11.5m	£11.5m
Limit on principal invested beyond year end	£20m	£20m	£20m
Complied	✓	✓	✓



Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT COMMITTEE - 30 JULY 2020</b>
Report Number	<b>AGENDA ITEM (11)</b>
Subject	<b>THE PUBLIC SECTOR SOCIAL IMPACT FUND</b>
Wards affected	ALL
Accountable member	Cllr. Mike Every - Deputy Leader and Cabinet Member for Finance Email: <a href="mailto:mike.every@cotswold.gov.uk">mike.every@cotswold.gov.uk</a>
Accountable officer	Jenny Poole - Chief Finance Officer Tel: 01285 623313 Email: <a href="mailto:jenny.poole@cotswold.gov.uk">jenny.poole@cotswold.gov.uk</a>
Summary/Purpose	This report presents a treasury investment opportunity for the Council to invest available long term funds in a specialist Public Sector Investment Fund investing in a diversified range of UK secured assets with positive social impact, generating competitive market returns.
Annexes	Annex A - Public Sector Social Impact Fund Fact Sheet January 2020
Recommendation/s	<i>To consider the investment opportunity and to provide feedback to the Chief Finance Officer for consideration.</i>
Corporate priorities	Respond to the challenges presented by the climate change emergency Deliver good quality social rented homes
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Arlingclose Limited - Council's treasury advisors Warrington Borough Council Altana Wealth Limited Grant Thornton LLP - Council's external auditors

## **1. BACKGROUND**

- 1.1.** Council officers have been working with Warrington Borough Council and Altana Wealth Limited on an investment opportunity which aims to provide an investment return over the medium term of between 5% and 8% and also supports the Council climate change emergency priority.
- 1.2.** Pooled Local Authority Treasuries, Pension Funds and related entities are encouraged to invest into projects/assets which aims are to improve the lives of UK residents. Social impact projects/investments can be across a variety of industry sectors as set below, but are not limited to:
  - Automotive – electric car charging points
  - Education – special needs schools
  - Energy – solar/wind
  - Environmental – forestry
  - Finance – local lending vehicles
  - Industrial – energy savings and efficiency equipment
  - Property – social housing
- 1.3.** Whilst Officers have delegated powers to enter into such an investment under the Council's Treasury Management Strategy 2020/21, the Chief Finance Officer invites Members to express their views on the suitability of investing in this Public Sector Social Impact Fund.

## **2. MAIN POINTS**

- 2.1.** The Public Sector Investment Fund, is a UK domiciled LLP, investing in a diversified range of UK secured assets with positive social impact, generating competitive market returns of between 5% to 8% gross. This joint venture was started between Warrington Borough Council and Altana Wealth Limited and a further five cornerstone investors have joined investing over £60m to date, and over the next year is looking for new investors, such as Cotswold District Council.
- 2.2.** Altana Wealth Limited have shared due diligence documents, which were commissioned on behalf of the cornerstone investors. Due diligence was carried out on the accounting treatment of the transaction, legality of the transaction, and included advice from treasury management advisors. The Council's finance team have reviewed the due diligence reports and the legal team are currently completing a review. Any concerns from the legal team will be raised at the Committee meeting.
- 2.3.** The Council has also sought advice from its external auditors (Grant Thornton LLP) to ensure that the treatment of the transaction as a treasury investment rather than a capital investment is appropriate and to mitigate, as far as possible, the risk of unintended accounting issues arising during the audit of the 2020/21 financial statements.
- 2.4.** This type of investment meets the council priorities in supporting the development of social rented homes and investing in green initiatives.

### **3. FINANCIAL IMPLICATIONS**

- 3.1.** The 2020/21 Treasury Management Strategy allows officers to invest up to £5m in this category of investment. The investment needs to be considered as a long term investment with a timeframe of 7 to 10 years. The fund offers potential returns of between 5% and 8%, however the fund will need to identify investment opportunities in order to achieve this level of return. Initially, it is anticipated that the investment will return between 3% and 5% by being invested in any one single asset of any class (including equity, debt and property within the projects noted in paragraph 1.2. The Fund Manager will adopt best practice, in measuring the social impact of the Partnership's investments. So far as is possible, investments will be assessed against quantifiable metrics, which shall form the basis of management information used by the Investment Advisory Committee in making decisions on individual investments and in shaping the Partnership's investment strategy.
- 3.2.** The Audit Committee's views on an appropriate level of investment are sought to support the Chief Finance Officers decision on the transaction. The minimum amount that can be invested is £1million, and that is the level of investment which the Chief Finance Officer is proposing. Members are advised to review to the Risk Assessment at section 5 of this report.
- 3.3.** The Council will withdraw monies which are currently invested with Money Market Funds and short term deposits returning an average rate of 0.15% per annum in order to invest in the Public Sector Social Impact Fund.
- 3.4.** By diversifying the councils investment portfolio even further eliminates potential credit losses and provides a much improved return on a social purpose investment.

### **4. LEGAL IMPLICATIONS**

- 4.1.** The Council's legal team are currently reviewing the due diligence documents provided by Altana Wealth Management. Any issues arising from the review will be reported at the meeting.

### **5. RISK ASSESSMENT**

- 5.1.** The Council procures treasury advice from Arlingclose Limited. Arlingclose have reviewed the investment and have provided the following advice:
- "Given the higher risk nature of this specialist fund and the likely low liquidity, we would not recommend it for clients' treasury management investments. We acknowledge, however, some local authorities may consider investing for a social purpose. Should the Council consider investing, before committing to any investment:*
- *You must first seek all the necessary legal documentation on the PSSIF and ask your legal department to scrutinise the terms of the partnership deed which will be binding on all partners.*
  - *The Council should also determine what its role will be in the partnership and also have sight of the conflicts of interest policy to which the factsheet refers."*
- 5.2.** The Council's legal team is currently reviewing the documentation provided in order to provide assurance on the points raised by Arlingclose.

- 5.3.** Given the advice received, the Chief Finance Officer, is considering an investment of £1 million which can be financed by utilising funds currently held in Money Market Funds. An investment of £1 million would represent 7% of the Council's long term pooled investment portfolio.

**6. BACKGROUND PAPERS**

- 6.1.** The Council approved the 2020/21 Treasury Management Strategy Statement a requirement of the Treasury Management Code of Practice which gives the Council the opportunity to invest in this type of investment.
- 6.2.** Attached at **Annex A** to this report is further information on the scheme provided by Altana Wealth and Warrington Borough Council.

(END)



## Public Sector Social Impact Fund

### Founder & CIO

Lee Robinson

### Investment Director

Omar Ghafur

### Investment Manager

Altana Wealth Limited

### Advisor

Warrington Borough Council

### PSSIF Overview and Features

#### Fund terms

##### Asset type

Private Asset Backed Investments

##### Holdings

15-20

##### Holding period

7-10 years with annual income

##### Targeted Returns

6.0% to 10.0% Gross

##### Structure

UK LLP

##### Domicile

UK

##### Transparency

Full costs transparency

##### Financial Reporting

Quarterly & Annual

##### Social Impact Reporting

Annual report on social impact achieved

### Legal Structure & Service Providers

#### General Partner

PSSIF (GP) LLP

#### Legal & Tax Adviser

Freeths LLP

#### Administrator

Apex Fund and Corporate Services (UK) Limited

#### Depository

Apex Depository (UK) Limited

### Public Sector Social Impact Fund “PSSIF” - A Public Private Sector Partnership

- A specialist Public Sector Investment Fund, domiciled in the UK, investing in a diversified range of UK secured assets with positive social impact, generating competitive market returns
- By pooling together the resources and knowledge of like-minded Public Sector groups, Local Authorities cash flows are improved, investments in projects with long-lasting social impact are created and benefitting the lives of local constituents.
- Joint Venture between Warrington Borough Council (WBC) and Altana Wealth (Altana)
- Alignment of interests and shared values, with Altana co-investing alongside Local Authorities
- A thorough due diligence process, conducted by industry experts with specialised experience, alongside a rigorous social impact investment philosophy
- The Fund will follow best practise of the Global Steering Group and the UN Sustainable Development Goals framework
- Regular reporting of the social impact achieved by the fund
- Highest standards of governance with representation from Local Authorities
- No upfront or exit fees

### Investment and Governance

#### Types of Investment

Social Enterprise UK defines Social Impact as:

**“The effect of an activity on the social fabric of the community and well-being of individuals and families”**

The remit of PSSIF is defined similarly. All investments must improve the lives of UK residents. However, investments must be backed by real assets in mature businesses that consistently deliver real yields.

Examples:

- **Automotive** – electric car charging points
- **Education** – special needs schools
- **Energy** – solar/wind
- **Environmental** – forestry
- **Finance** – local lending vehicles
- **Industrial** – energy savings and efficiency equipment
- **Property** – social housing

A large proportion of investments will see local authorities both source investment ideas and also act as high quality creditors backing their proposals

#### Governance

Altana will be legally responsible and act as the regulated manager of the funds

There will be multiple checks and measures in place before an investment can be made:

1. The Investment Committee has eight participating members
  - a) Three are from Local Authorities
  - b) Three are from Altana
  - c) Two are experienced financial professionals and entrepreneurs
2. There is a Conflicts of Interest Policy in place
3. Proposals can only be executed if there is a super majority (>75%)

### PSSIF Benefits

- Higher returns than standard deposits. For example, circa £42bn of Public Sector money (62%) currently sits on deposit each day earning interest rates of close to zero, despite only needing a portion of this liquidity ([data.gov.uk](https://data.gov.uk), *Borrowing & Investment Live Table Q1 2019*)
- Secured investments (the bulk of Local Authority investments are unsecured)
- Local Authorities gain exposure to interesting, off-market, social impact investment opportunities introduced by their peers
- The collective force of Local Authority and Altana enables better terms to be negotiated, improving returns for all and increasing Local Authority budget resources
- Opportunity to co-invest additional amounts in projects of interest
- Through PSSIF Local Authorities can pool resources to help them invest in a socially impactful manner, cutting down on costs and lead time

# Public Sector Social Impact Fund

## Risk Management

For further information, please contact:

**Ann Panchen**  
[sales@altanawealth.com](mailto:sales@altanawealth.com)  
+44 (0) 20 70 79 1080

### PSSIF will adhere to the following framework:

- Maximum position size of 10%
- UK assets with maximum concentration of 10% in any one transaction and 20% in any one sector or region
- Invest across the capital structure, predominantly in senior asset backed securities
- Counterparties to be investment grade quality
- Market based or higher returns, with a minimum hurdle of Libor +500
- Legal due diligence with experienced law firms
- Independent third party trustees

## Joint Venture Partners

### Altana Wealth

Altana was created in 2009 by Lee Robinson, a co-founder of Trafalgar Asset Managers. Altana has consistently developed innovative alpha strategies across the investment spectrum and has won seven performance awards in the past five years. Altana's interests are totally aligned with those of their investors, has always been driven by performance and is proud to have made more from its performance than management fees. The company has over 30 employees with its headquarters based in London, where it has built an institutional quality operational infrastructure for back office and fund accounting, it has an independent risk manager and has retained well-trusted service providers.

### Warrington Borough Council

Warrington Borough Council is at the forefront of social impact investment by local government. During the past few years it has diversified its investment and debt portfolio, with the collective aims of increasing yield through secured investments, making its portfolio more ethical and increasing social returns. The Council has developed the concept of developing collective investments with other Local Authorities, particularly in the area of green energy bonds - where £500m has been structured using the Council's model to date. Warrington Borough Council became the first Council in a generation to issue a City Bond, when it structured a £150m bond in 2015. This is one of the most successful issues in recent years.

## Experienced Team

<p><b>Lee Robinson</b></p>	<p>Lee has two almost three decades experience in financial markets. He started as an equity and fixed income derivatives trader at BNP Paribas and Deutsche Bank, before joining Tudor and setting up Trafalgar Asset Managers and Altana. In his close to 20 years in asset management Lee has won multiple industry awards and generated over \$1bn in gross profits for his investors.</p> <p>Lee is a Board Member of RFPL, the holding company of Redwood Bank. He holds a degree in Mathematics from Cambridge University (Magdalene College).</p>
<p><b>Omar Ghafur</b></p>	<p>Omar has over 15 years of experience in the private investments sector. Prior to Altana he was the Investment Director of Private Equity at LGPS Central Ltd, responsible for investing the pooled assets of nine Midlands-based local government pension schemes. During his tenure with LGPS Central Limited, he built and launched the LGPS Central PE Fund platform in under six months, whilst ensuring there was a robust ESG framework policy in place. The Fund was tailored to fit the LGPS "pooling" mandate of significantly reducing costs and enhancing risk-adjusted returns whilst ensuring underlying investments met high ESG standards. Omar and his team successfully deployed circa 90% of the LGPS Central PE Funds capital within eight months of its launch in AAA quality private equity investments.</p> <p>He started his career at a Bank of America Structured Finance Affiliate Co. in London, and more recently was a Board Director and Senior Investment Manager with Special Situations Investment Partners, the private investments arm of a charitable trust. Omar holds a bachelor's degree in Finance and Computer Science from New Jersey City University and an MBA in Finance from Cass Business School, City University, London.</p>
<p><b>Phil Crate</b></p>	<p>Phil is responsible for investing PSSIF's capital in money market instruments prior to funds being called for social impact investments. He is an experienced portfolio manager with a successful track record in direct investments and portfolio allocation, including reviewing ESG compliance with regard to external manager selection.</p> <p>He started his career at the Bank of England and then went on to become Global Head of Credit Research at BNP Paribas.</p>
<p><b>Investment Committee</b></p>	<p>Comprised of local authority representatives (Warrington Borough Council, City of London Police), financial professionals (ex Citigroup, Goldman Sachs and Barclays) and entrepreneurs.</p>

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Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT COMMITTEE - 30 JULY 2020</b>
Report Number	<b>AGENDA ITEM (12)</b>
Subject	<b>ANNUAL GOVERNANCE STATEMENT 2019/20</b>
Wards affected	N/A
Accountable member	Cllr. Mike Evely - Deputy Leader and Cabinet Member for Finance Email: <a href="mailto:mike.evely@cotswold.gov.uk">mike.evely@cotswold.gov.uk</a>
Accountable officer	Jenny Poole - Chief Finance Officer Tel: 01285 623313 Email: <a href="mailto:jenny.poole@cotswold.gov.uk">jenny.poole@cotswold.gov.uk</a>
Summary/Purpose	To present the Audit Committee with the draft Annual Governance Statement (AGS) 2019/20 for consideration and comment.
Annexes	Annex A - Draft Annual Governance Statement 2019/20 Annex B - Local Code of Corporate Governance
Recommendation/s	For Members to receive and discuss the draft Annual Governance Statement for 2019/20.
Corporate priorities	Priority - Ensure that all services delivered by the council are delivered to the highest standard Principle - Value for money - we will use the council's resources wisely, but will invest in the fabric and future of the district
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Public Executive Directors, Interim Chief Executive, Monitoring Officer, Leader of the Council

## 1. BACKGROUND

### General

- 1.1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangement for the management of risk. Attached at '**Annex B**' is a copy of the Council's Local Code of Corporate Governance which was approved last year. The Local Code remains consistent with the principles of the CIPFA/SOLACE Guidance. Due to the impact of Covid 19 on resources, the Local Code has not been updated for 2019/20 but will be reviewed during 2020/21 to reflect any necessary changes.
- 1.3. The Annual Governance Statement (AGS) details how the Council has complied with the Code and also meets the requirements of Regulation 4(4) of the Accounts and Audit Regulations 2011 in relation to the publication of an AGS and, from 1st April 2015 the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Annual Governance.

### The Annual Governance Statement

- 1.4. The AGS is a corporate issue and has been developed, and subsequently reviewed, by the Council's Local Management Team and Publica Directors.
- 1.5. The AGS details the Governance Framework and the Review of Effectiveness that has been used to measure the Council's existing governance arrangements. The AGS also includes improvements which have been identified to strengthen the Governance Framework.
- 1.6. A copy of the draft AGS is attached at **Annex 'A'**.
- 1.7. The draft version of the AGS for 2019/20 is brought to this Committee for consideration and comment. Amendments will be made where appropriate, and the final version of the AGS will be presented to this Committee, for approval, in October 2020 together with the audited Statement of Accounts.

## 2 FINANCIAL IMPLICATIONS

- 2.1. None.

## 3 LEGAL IMPLICATIONS

- 3.1. None.

**4 RISK ASSESSMENT**

4.1. None.

**5 BACKGROUND PAPERS**

5.1. None.

(END)

## ANNUAL GOVERNANCE STATEMENT 2019/2020

### 1. SCOPE OF RESPONSIBILITY

Cotswold District Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards;
- Public money is safeguarded and properly accounted for;
- Public money is used economically, efficiently and effectively; and
- There is a sound system of governance, incorporating the system of internal control

The Council has a Best Value duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

The Council has developed and approved a code of corporate governance, which is consistent with the core principles and sub-principles as set out in the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)” (‘the Framework’). This statement explains how the Council has complied with the code and also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 (England) which requires the Council to conduct a review at least once a year on the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.

In addition to this, CIPFA issued its “Statement on the Role of the Chief Finance Officer in Local Government (2015)”. The Annual Governance Statement (AGS) reflects compliance with this statement for reporting purposes.

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to:

- Identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives;
- Evaluate the likelihood of those risks occurring;
- Assess the impact should those risks occur; and
- Manage the risks efficiently, effectively and economically

The governance framework has been in place at Cotswold District Council for the year ended 31<sup>st</sup> March 2020 and up to the date of approval of the Annual Statement of Accounts.

Since March 2020, the Council has been managing the impact of Covid-19 which has had a significant impact on the Council and our residents, requiring us to change the way we deliver services, and driving the creation of new services in order to meet the needs of our residents. Although Covid 19 only impacted on the Council from March 2020 onwards, the Annual Governance Statement incorporates the current governance arrangements and how these have changed during 2020/2021 as a consequence of the pandemic.

### 3. THE GOVERNANCE ENVIRONMENT

The key elements of the Council's governance arrangements are outlined in the Local Code of Corporate Governance. The governance framework includes arrangements for:

- Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users;
- Reviewing the Council's vision and its implications for the Council's governance arrangements;
- Measuring the quality of services for users, ensuring that they are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources;
- Defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- Reviewing and updating Financial Rules, Contract Rules, Constitution, Scheme of Delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;
- Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015);
- Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities;
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- Whistleblowing and for receiving and investigating complaints;
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the Council's overall governance arrangements.

The main areas of the Council's governance framework, and the key evidence of delivery, are set out below, under the headings of the core principles and sub-principles from the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)

**A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- Behaving with Integrity
- Demonstrating strong commitment to ethical values
- Respecting the rule of the law

- The roles and responsibilities of Members generally and all office holders are set out in the Council's Constitution, along with the way in which the various elements of the Council interact and complement each other. The Constitution is supported and underpinned by separate Codes of Conduct for Members and Officers, and a joint Member / Officer Protocol, which sets out guidelines as to behaviour and practical issues.
- Declarations are made at meetings by Members, and Officers, where appropriate, and are recorded in the minutes of the meeting. The Members Code of Conduct requires Members to make declarations of interest when necessary, these are also recorded.
- Registers of Interest are completed annually by Members and Officers and a Register of Gifts and Hospitality is maintained. Members are reminded quarterly to update the Register of Interests.
- The Monitoring Officer and Section 151 Officer report directly to the Head of Paid Service (from July 2020 Chief Executive) and are members of the Corporate Leadership Team.
- Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures/statutory legislation. Where non-compliance is identified, this is reported to Management and to Members via the Council's Audit Committee.
- Whistleblowing policies have been ratified by Cabinet. A Counter-Fraud Unit, which delivers services across Gloucestershire and in West Oxfordshire District Council is hosted by this Council to help prevent and detect fraud and corrupt practices, including misuse of power. This service reports to the Audit Committee twice a year.
- The Council has put in place a robust set of emergency governance measures to monitor and respond to the Covid-19 pandemic, which has very quickly had an extraordinary impact across the Council, our services, residents and communities. These measures are in line with national Emergency Management protocols and involve working with Partner Councils and its main service providers including Publica.
- Meetings are minuted, with decisions and key actions recorded appropriately. The Council continues to publish key decisions, in line with legal best practice. The Council has implemented regular updates to and conversations with Members and staff across the Council and within Publica, with extended use of conference call platforms as well as mass emails.
- The Communications service has been fully mobilised to ensure communications through all our channels to support public health advice/information, council service and support information to reach audiences externally and internally. A bespoke Communications strategy was quickly put in place to help key audiences feel 'informed, reassured, safe and inspired', and is evaluated and adapted as the pandemic situation develops and needs change.



<p><b>B. Ensuring openness and comprehensive stakeholder engagement</b></p> <ul style="list-style-type: none"> <li>● Openness</li> <li>● Engaging comprehensively with institutional stakeholders</li> <li>● Engaging with individual citizens and service users effectively</li> </ul>
<ul style="list-style-type: none"> <li>● Annual accounts are published in a timely manner to help communicate the Council's financial position and performance.</li> <li>● All Committee, Cabinet and Council reports clearly outline their purpose, so the community can understand what is trying to be achieved. Reports also address financial, legal, equalities, risk and climate change implications to aid understanding of the potential impact of their recommendations.</li> <li>● The roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions are defined in the Council's Constitution</li> <li>● A Scheme of Delegation for officers is included within the Constitution</li> <li>● Communication channels with staff include one-to-one meetings, a weekly update email from Directors (Keeping you connected) and an online portal.</li> <li>● A Customer Feedback form is available publicly for handling comments, complaints and compliments.</li> <li>● The Council maintains clear channels of communication with all sections of the Community and other Stakeholders. As part of the response to Covid 19, the Council introduced weekly social media CDC Live broadcasts. These broadcasts will continue but have now reduced in frequency to a monthly basis.</li> <li>● The ability for members of the public to ask questions at Cabinet meetings, Overview and Scrutiny Committee meetings and meetings of the Full Council.</li> <li>● A report is produced quarterly for the Overview and Scrutiny Committee and Cabinet regarding the performance of the council and the achievement of its aims and objectives.</li> <li>● The Council publishes transparency data on its website which includes supplier payments, senior management structure charts and the Annual Pay Policy Statement. Where data is not available in the published data sets, instructions are available on how to make a Freedom of Information request and the procedure that will be followed to answer the request.</li> <li>● Restrictions imposed as a result of the pandemic disrupted the normal democratic meeting and decision making procedures. Emergency powers contained within the Council's Constitution have provided the necessary facilities to allow decisions to be made by the Head of Paid Service (from July 2020 Chief Executive), the S.151 Officer or the Monitoring Officer.</li> <li>● Although Committee meetings had to be suspended, committees with decision making powers were able to be convened using remote participation by the appropriate members. These meetings included Cabinet Members, representatives from the Opposition Group and other non-executive Members to ensure that decisions were taken in an open and transparent manner.</li> </ul>
<p><b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b></p> <ul style="list-style-type: none"> <li>● Defining outcomes</li> <li>● Sustainable economic, social and environmental benefits</li> </ul>
<ul style="list-style-type: none"> <li>● The Council's vision is contained within the Corporate Strategy which was approved by the new Administration in September 2019 which contained the Aim, Priorities and Principles of the new Council. A Corporate Plan is in preparation which will provide detail of the outcomes to be delivered by the Council over the next four years. Corporate and Service Plans are drafted and updated annually to support the delivery of the Council's Aim and Priorities.</li> <li>● Key tasks identified in Service Plans feed into individual work plans/appraisals</li> <li>● The Corporate Strategy deals with the Council's approach to environment and sustainability</li> </ul>

issues. Detailed proposals arising from the Corporate Strategy are Individually assessed as they are developed and are included within decision making reports to Members.

- The financial implications of delivering against the Council's Aim and Priorities are included within the Council's Medium Term Financial Strategy, Revenue Budgets and Capital Programme, Capital Strategy, Investment Strategy and Treasury Management Strategy. These key financial documents are updated annually in advance of the forthcoming financial year.
- The Council recognises that the Covid-19 crisis has had a significant financial impact and will have a long term effect on the level of resources available to the Council. As part of its annual update to the Medium Term Financial Strategy (MTFS) the Council will continue to assess its medium term financial position and update its assumptions about the resources available to, and the investment needs of, the Council in light of the consequences of the Covid-19 crisis.
- The Council is facing financial pressure from a combination of additional cost, lost income and the delay to the delivery of savings agreed as part of the Council's MTFS. The Council has received some funding from Government and continues to lobby Government for further funding in recognition of lost income both directly to the Council and to its leisure services provider.
- In response to the Covid-19 emergency, the Government announced financial support packages for small businesses, and those in the retail, hospitality and leisure sectors. The support took the form of two grant funding schemes; the Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grant Fund (RHLG) and a Discretionary Grant Scheme and additional relief on Business Rates. Local authorities were responsible for administering these schemes, and the Government has committed to providing the funding for these payments
- The Covid-19 crisis will also have a financial impact on the Council's capital programme. At this stage, it is too early to say what this impact is and officers are currently working through a revision to the Capital Programme as part of the update to the Medium Term Financial Strategy. The Covid-19 crisis has significantly altered the economic circumstances, as a result officers will need to reassess the level of capital resources expected to be available for the new capital strategy and to take time to consider the right use of our capital resources to support the Council plans for the economic renewal of the district.

#### **D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

- Determining interventions
- Planning interventions
- Optimising achievement of intended outcomes

- The Council has, with three other Councils, created a company, Publica Group (Support) Ltd (Publica), to deliver more efficient and improved services. Where possible, processes have/are being aligned to ensure consistency across the partner Councils. However, the Councils have retained decision making powers over service policies, outcomes and standards. Publica is the Council's most significant contractor. In recognition of this, the Council will monitor the contractor's performance by:
  - Considering Publica's Annual Report at Council;
  - Considering Publica's draft Business Plan annually at the Overview and Scrutiny Committee and Cabinet in February/March each year;
  - Requiring representatives from Publica to attend relevant Scrutiny Committee(s) to support discussion on quarterly performance reports;
  - Receiving monthly "Keeping You Connected" updates by email from Publica to all Members;
  - Meeting informally with Cabinet Members together and invited Members from the opposition party/scrutiny representatives on a regular basis (at least every six months) to discuss: progress against the Business Plan; identify any key risks and challenges outside of the company or Council control; budget monitoring and service delivery matters;
  - Develop informal mechanisms to share best practice, learning and Councillor

development.

- In addition to the creation of Publica, the Council continues to secure savings through improved use of its assets and investments.
- The Council has processes in place to identify and respond to external changes, for example: changes to legislation and regulation, emerging risks and opportunities. Corporate processes such as risk management, performance management processes, budget monitoring and other management processes are designed to capture and incorporate these external factors and to enable the Council to respond appropriately.
- Corporate and Service risk registers are discussed and reported quarterly.
- Key Performance Indicators are identified and included in the Service Delivery Plans for each service, these are reported quarterly.
- Budgets are prepared annually in accordance with objectives, strategies and the Medium Term Financial Strategy, following consultation with customers, stakeholders and officers.
- The Medium Term Financial Strategy (MTFS) is a live document and can be reviewed, updated and reported as necessary, to respond to the changing environment. A refresh is due to be considered by Cabinet in September 2020 which will reflect the impact of Covid19 on the Council.
- The Council will continue to analyse the impact of Covid-19 and understand how the pandemic has impacted its strategic priorities. There will be a need to understand and manage a variety of impacts, including financial, service delivery, and health and wellbeing. Recovery Planning has now commenced, this planning will review and anticipate the challenges we may face during 2020 and beyond in order for the Council to plan, review and respond to the changing needs of residents and businesses. The Recovery Plan is informing the Corporate Plan which will be considered by Council in September 2020. The Council will continue to work with residents to help them protect themselves and others as well as recover from the health and economic crisis.

#### **E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

- Developing the entity's capacity
- Developing the capability of the entity's leadership and other individuals

- One of the reasons behind the creation of Publica was to increase capacity across the four partner councils by sharing common processes and procedures and eliminating (as far as possible) single points of failure. By working in partnership, the Councils are able to share the cost of commissioning bespoke, specialist advice.
- The move to the provision of services via wholly owned companies is providing the opportunity to engage with a number of Non-Executive Directors that bring experience from a range of different economic sectors.
- There is a Scheme of Delegation at Member level covering the Council, Cabinet, Individual Cabinet Members and Other Committees. Similarly, there is a Scheme of Delegation for officer decisions delegated to them. These are reviewed and revised as structures at Council and Officer level change.
- Financial rules are in place and are reviewed and revised as required.
- An induction programme is available to new employees and members alike. Training is also provided for both Members and Officers on an on-going basis as appropriate and necessary. Members on certain Committees (e.g. Planning and Licensing) are required to undertake training before attending the Committee meetings.
- Officers undertake regular 121 meetings with their line manager. As part of these 121

meetings, Offices discuss work plans/tasks and any training requirements associated with the successful delivery of the work plan. Officers are encouraged to complete Continuing Professional Development as relevant to their professional qualifications and service areas hold budgets to ensure that training can be undertaken to maintain skills and knowledge.

- The Head of Paid Service (from July 2020 Chief Executive), the Section 151 Officer, the Monitoring Officer and The Leader of the Council have clear roles and responsibilities and these are contained within the Constitution along with the Member/Officer Protocol.

#### **F. Managing risks and performance through robust internal control and strong public financial management**

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

- Responsible officers are required to maintain Service / Operational Risk Registers and Senior Officers review the Strategic Risk Register on a quarterly basis. The Strategic Risk Register is reported to the Audit Committee and Cabinet on a regular basis.
- Risks are identified when undertaking Internal Audit reviews and reported when necessary.
- Risks relating to the Covid-19 pandemic and the planned recovery of the Council following the major disruption to its services were identified. A register of Covid-19 risks was managed by Publica on behalf of its client Councils with a review of this register carried out on a weekly basis.
- Performance Management measures the quality of service for users to ensure services are delivered in accordance with the Council's objectives and represent best use of resources.
- Performance is measured on a regular basis and reported to the Overview and Scrutiny Committee and Cabinet.
- Minutes of meetings are published and highlight the challenge made by Members to Officers/Cabinet Members.
- The Internal Audit service is provided by SWAP Internal Audit Services and is run in partnership with other local authorities. The internal audit team provide the internal audit service to both the Council and Publica Group (Support) Ltd which strengthens the Council's oversight of Publica as its most significant contractor.
- A risk-based Audit Plan is drafted annually following consultation with Officers, Members and the S151 Officer. The Audit Plan is approved at the Audit Committee prior to the financial year. The Audit Plan for 2020/21 will be impacted by the Council's response to Covid 19 and will reflect work undertaken to support the Council in responding to Covid. The Audit Committee will receive update reports from SWAP during 2020/21.
- Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to the Audit Committee, on a quarterly basis.
- Recommendations made in audit reports are followed up 6 months after the completion of the audit and findings reported to the Audit Committee.
- The Audit Committee's Terms of Reference are contained within the Constitution, Members have experience of a scrutiny role and training is provided when appropriate.
- A Counter Fraud Unit is hosted by this Council and supports all the Gloucestershire Local Authorities, West Oxfordshire District Council and other third parties. Where investigations identify possible improvements to the internal control framework the Counter Fraud Unit will liaise with the Internal Audit team to ensure the improvements are followed up and

implemented by Management.

- An ICT Audit and Compliance Manager has been appointed as the Council's Data Protection Officer and therefore has responsibility for Data Protection policies and ensuring that officers are informed and appropriately trained.
- The Council is part of the Gloucestershire Information Sharing Partnership. This enables data to be shared when necessary.
- Audit reviews ensure data is held securely whether electronically or hard-copy.
- The MTFS is reviewed and updated on a regular basis to ensure the Section 151 Officer, Head of Paid Service (from July 2020 Chief Executive) and Members are aware of the financial standing of the Council.

### **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

- **Implementing good practice in transparency**
- **Implementing good practices in reporting**
- **Assurance and effective accountability**

- Data in respect of transparency is published on the Council's website.
- The Council's Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of the Annual Governance Statement which identifies how the Council has met its governance reporting obligations
- External Audit recommendations are reported to Audit Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported
- Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed-up and reported to the Audit Committee, further follow-up is planned if recommendations haven't been actioned in full.

## **4. REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers, the annual opinion from the Head of Internal Audit, the officer Governance Group and comments made by the external auditors, other review agencies and inspectorates.

### **The Council's process for maintaining and reviewing the effectiveness of the governance framework has included the following:**

- Senior Managers within Publica and the Council complete an Annual Assurance Statement at the end of the financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement.
- The Council's Leadership Team (including the Section 151 Officer and the Monitoring Officer) review the Corporate Risk Register and the Service Risk Registers being maintained by management on a quarterly basis.
- The SWAP Assistant Director (Head of Internal Audit) provides the Audit Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the Council, which includes its governance arrangements.
- Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined by the Monitoring Officer and an Independent Person(s).
- Induction processes are carried out for newly elected Members.
- The Section 151 Officer ensures training and awareness sessions are carried out for the Audit Committee periodically.
- The External Auditors (Grant Thornton) present progress reports to the Audit Committee.
- The External Auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports are overseen by the Audit Committee.
- Quarterly performance reports, including the budget position, are presented to the Overview and Scrutiny Committee and Cabinet, demonstrating performance management against agreed

performance indicators and budgets.

- The Audit Committee reviews the Annual Governance Statement.
- The Audit Committee reviews the Annual Statement of Accounts, the Capital Strategy, Investment Strategy, Treasury Management Strategy and reports from both Internal Audit (SWAP) and External Audit (Grant Thornton), including quarterly progress reports.
- Council approves the annual budget and approves the Capital Strategy, Investment Strategy and Treasury Management Strategy, following recommendations from the Audit Committee.
- Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including recommendations for improvement are detailed in an action plan agreed with the management.
- The Annual Internal Audit Opinion for 2019/2020, in respect of the areas reviewed during the year, was Reasonable Assurance.
- The Council's Financial Rules and Contract Rules are kept under review and revised periodically.
- Other explicit review/assurance mechanisms, such as the Annual Report from the Local Government Ombudsman and reports from SWAP or Grant Thornton are also reviewed.

## 5. REVIEW OF GOVERNANCE ACTION PLAN FOR 2019/2020

When preparing its 2018/19 statement the Council identified a number of areas which required focus and attention. These have been actively monitored throughout the year and progress is detailed in the table below:

	<b>Key Area of Focus</b>	<b>Planned Actions</b>	<b>Outcome</b>
1	Member induction following elections	The Council will be holding elections in May 2019 and will need to ensure that Members, particularly new Members, receive appropriate support and training to enable them to fulfil their role effectively.	Complete
2	Update Corporate Strategy	Following elections in May 2019, the Council will need to produce a new Corporate Strategy, setting out its aims and objectives for the next four years.	Corporate Strategy approved September 2019, supporting Corporate Plan to be considered September 2020.
3	Publica Ltd	The Council needs to embed the governance arrangements relating to Publica. This includes implementing new Service Delivery Plans which will enable improved performance reporting using a new set of Key Performance Indicators and new arrangements for engagement between Publica and Council Members.	The new Service Delivery Plans and Key Performance Indicators are dependent upon the new Corporate Plan to be considered by Council in September 2020.
4	General Data Protection Regulation (GDPR)	The Data Protection Regulatory framework changes in May 2018. The Council has an approved action plan which it needs to ensure is implemented in a timely manner to ensure it is compliant with the new requirements.	Progress against the Action Plan is regularly reported to the Audit Committee.
5	Ubico Ltd	A review to be carried out of the current governance arrangements with Ubico Ltd. and how this can be strengthened.	The Council's Audit Committee considered a report on Ubico governance arrangements during 2019/20. The new Ubico Finance Director is working closely with the Council's Chief Finance Officer. A new Managing Director appointment for Ubico is in progress and further work on governance arrangements will be taken forward with the new Managing Director.
6	S106 Agreements and Funds	To implement internal audit recommendations relating to service area consultation as part of negotiation of S106 Agreements, lack of monitoring of S106s, timelines of income and payments to third	The Council has implemented new procedures as a result of the adoption of a Community Infrastructure Levy (CIL) Policy. Improvements to the S.106 procedures were due to be



	parties, reporting of S106s.	addressed as part of the implementation of the CIL processes. Internal Audit work is planned to follow up on previous recommendations during 2020/21.
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## 6. GOVERNANCE ACTION PLAN FOR 2020/21

In preparing this statement and reviewing the effectiveness of the governance arrangements a number of areas have been identified where the Council needs to focus attention and improve arrangements over the next financial year. These areas of work are planned to strengthen the control framework and are set out in the table below.

No.	Key Area of Focus	Planned Actions
1	Corporate Plan	<ul style="list-style-type: none"> <li>Develop Corporate Plan, to underpin Corporate Strategy</li> <li>Development of new performance management framework, including Service Delivery Plans and Key Performance Indicators linked to new Corporate Plan</li> </ul>
2.	Ubico Ltd	<ul style="list-style-type: none"> <li>A review to be carried out of the current governance arrangements with Ubico Ltd. and how this can be strengthened.</li> </ul>
3	Impact of Covid-19	<ul style="list-style-type: none"> <li>Learn from Covid-19 response and take forward best practice into future governance arrangements</li> <li>Support the economic and community recovery of the Cotswold District, ensuring that the environment and addressing the climate emergency are intrinsically linked with all recovery work.</li> <li>Keep the Covid-19 related financial impact on the Council under review and produce revised MTFS mid-year</li> </ul>
4.	Capital Investment Strategy	<ul style="list-style-type: none"> <li>Development and implementation of a new Investment Strategy for community and economic recovery and regeneration, to support corporate priorities including addressing the climate change emergency and provision of social housing</li> </ul>
5.	Audit recommendations	<ul style="list-style-type: none"> <li>Ensure outstanding audit recommendations (including where timescales were affected by Covid-19) are addressed and revised timescales agreed</li> </ul>
6.	Procurement	<ul style="list-style-type: none"> <li>The Internal Audit Procurement review focussed on the processes undertaken on behalf of Publica for the partner Councils. A number of weaknesses were identified and, although some progress has been made, further improvements are required.</li> </ul>
7.	Business Continuity	<ul style="list-style-type: none"> <li>Review all business continuity plans in the light of the Covid-19 experience, working with the Local Resilience Forum and the Civil Protection Team to review our BCP template and Corporate Recovery Guide</li> </ul>

The Annual Internal Audit Opinion, as drafted by the SWAP Assistant Director (Head of Internal Audit), lists 28 pieces of audit work being conducted during 2019/20, which includes consultancy and advisory services. 15 assurance reviews were completed during the year.

All recommendations made are followed up by the Audit Team. The team have not raised any additional concerns over the delay / non-implementation of recommendations.

## 7. APPROVAL OF LEADER AND HEAD OF PAID SERVICE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

**Signed on behalf of Cotswold District Council:**

**Joe Harris**  
**Leader of the Council**

**Head of Paid Service**

**Date:**  
(END)

**Date:**



**COTSWOLD**  
DISTRICT COUNCIL

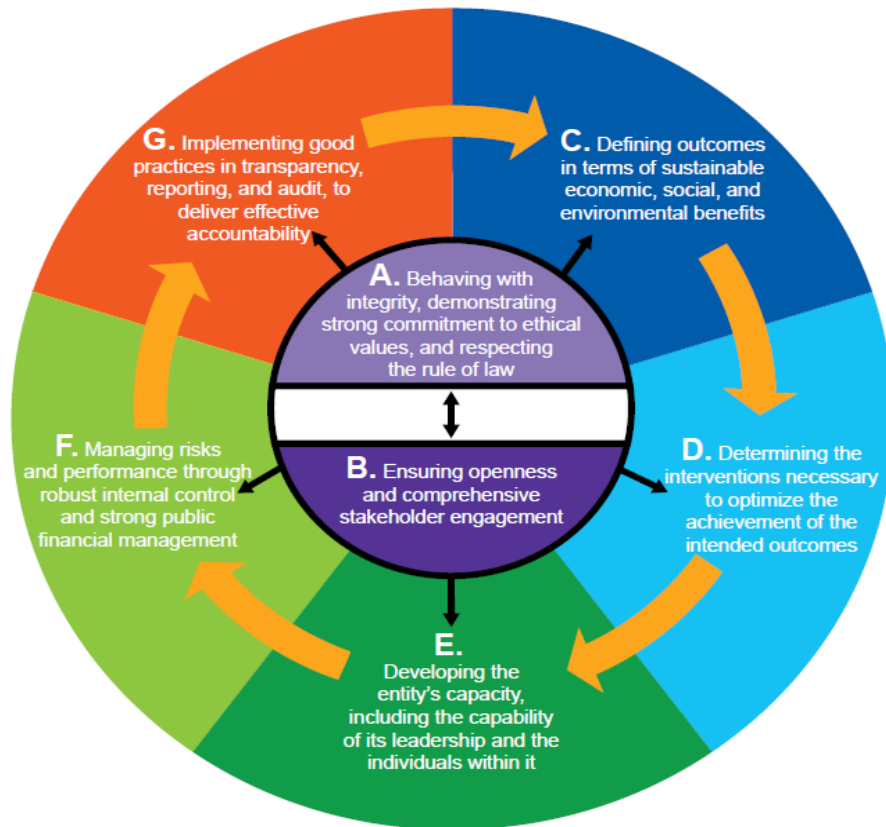
## **Cotswold District Council**

# **Local Code of Corporate Governance 2018 / 2019**

# 1. Delivering Good Governance

- 1.1** The Delivering Good Governance in Local Government; Framework, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:
- Resources are directed in accordance with agreed policy and according to priorities
  - There is sound and inclusive decision making
  - There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities
- 1.2** Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
- 1.3** Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.
- 1.4** The Delivering Good Governance in Local Government Framework, sets out seven core principles of governance as detailed in the diagram below. Cotswold District Council is committed to these principles of good governance and confirms this through the adoption, monitoring and development of the document – The Council's Local Code of Corporate Governance.
- 1.5** Our Local Code is underpinned by the Delivering Good Governance in Local Government; Framework and is comprised of policies, procedures, behaviours and values by which the Council is controlled and governed. These key governance areas and how the Council provides assurance that is complying with these are set out in more detail within its Governance Assurance Framework.
- 1.6** The Council recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures. The Council expects members and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.

**Achieving the Intended Outcomes  
While Acting in the Public Interest at all Times**



This diagram illustrates how the various principles for good governance in the public sector relate to each other. Principle A and B permeate the implementation of Principles C to G.

Further information regarding each of the above principles and the behaviours and actions that demonstrate good governance in practice are detailed at Appendix A.

## 2. Status

- 2.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts. This is known as an Annual Governance Statement.
- 2.2 The Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be prepared in accordance with proper practices in relation to accounts. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government; Framework (2016) and this section of the Code.

### **3. Monitoring and Review**

- 3.1** The Council will monitor its governance arrangements for their effectiveness in practice and will report them on a continuing basis to ensure that they are up to date. The Council's Governance Assurance Framework sets out in more detail how the Council will seek assurance on its adherence to the adopted principles of governance.
- 3.2** On an annual basis, the Head of Paid Service and Leader of the Council will publish an Annual Governance Statement which will:
- Assess how the Council has complied with this Code of Corporate Governance
  - Provide an opinion on the effectiveness of the Council's arrangements
  - Provide details of how continual improvement in the systems of governance will be achieved.
- 3.3** The Audit Committee consider the Annual Governance Statement before it is published as part of the Council's financial statements.

### **4. Certification**

- 4.1** We hereby certify our commitment to this Code of Corporate Governance and will ensure that the Council continues to review, evaluate and develop the Council's Governance arrangements to ensure continuous improvement of the Council's systems.

**Leader of the Council**

**Head of Paid Service**

Date:

Date:

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p><b>A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law</b></p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and respect the rule of the law.</p>	<p><b>Behaving with integrity</b></p>	<ul style="list-style-type: none"> <li>• Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</li> <li>• Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</li> <li>• Leading by example and using the above standard operating principles or values as a framework for decision making and other actions</li> <li>• Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>
<p><b>Demonstrating strong commitment to ethical values</b></p>	<ul style="list-style-type: none"> <li>• Seeking to establish, monitor and maintain the organisation's ethical standards and performance</li> <li>• Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation</li> <li>• Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</li> <li>• Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation</li> </ul>	
<p><b>Respecting the rule of the law</b></p>	<ul style="list-style-type: none"> <li>• Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>• Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> <li>• Striving to optimize the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>• Dealing with breaches of legal and regulatory provisions effectively</li> <li>• Ensuring corruption and misuse of power are dealt with effectively</li> </ul>	

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p><b>B. Ensuring openness and comprehensive stakeholder engagement</b></p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens, and service users, as well as institutional stakeholders.</p> <p>NB: Institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.</p>	<p><b>Openness</b></p>	<p>Where possible:</p> <ul style="list-style-type: none"> <li>• Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness</li> <li>• Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</li> <li>• Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</li> <li>• Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action</li> </ul>
	<p><b>Engaging comprehensively with institutional stakeholders</b></p>	<p>Where possible:</p> <ul style="list-style-type: none"> <li>• Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcome for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</li> <li>• Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively                             <ul style="list-style-type: none"> <li>* Ensuring that partnerships are based on trust</li> <li>* A shared commitment to change</li> <li>* A culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit</li> </ul> </li> </ul>
	<p><b>Engaging with individual citizens and service users effectively</b></p>	<ul style="list-style-type: none"> <li>• Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individuals, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes</li> <li>• Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement</li> <li>• Encouraging, collecting and evaluating the views and experiences of communities, individuals, service users and organisations of different backgrounds including reference to future needs</li> <li>• Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account</li> <li>• Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</li> <li>• Taking account of the impact of decisions on future generations of tax payers and service users</li> </ul>



Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p><b>C. Defining outcomes in terms of sustainable, economic, social and environmental benefits</b></p> <p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p><b>Defining outcomes</b></p> <hr/> <p><b>Sustainable, economic, social and environmental benefits</b></p>	<ul style="list-style-type: none"> <li>• Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning or other decisions</li> <li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</li> <li>• Delivering defined outcomes on a sustainable basis within the resources that will be available</li> <li>• Identifying and managing risks to the achievement of outcomes</li> <li>• Managing service users' expectations effectively with regard to determining priorities and make the best use of resources available</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</li> <li>• Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</li> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</li> <li>• Ensuring fair access to services</li> </ul>

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p><b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p> <p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p><b>Determining interventions</b></p>	<ul style="list-style-type: none"> <li>• Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided</li> <li>• Considering feedback from individuals and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</li> </ul>
	<p><b>Planning Interventions</b></p>	<ul style="list-style-type: none"> <li>• Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</li> <li>• Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</li> <li>• Considering and monitoring risks facing each partner when working collaboratively, including shared risks</li> <li>• Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</li> <li>• Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</li> <li>• Ensuring capacity exists to generate the information required to review service quality regularly</li> <li>• Preparing budgets in accordance with objectives, strategies and the medium term financial strategy</li> <li>• Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</li> </ul>
	<p><b>Optimising achievement of intended outcomes</b></p>	<ul style="list-style-type: none"> <li>• Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</li> <li>• Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and long term</li> <li>• Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</li> </ul>

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p><b>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</b></p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<p><b>Developing the entity's capacity</b></p>	<ul style="list-style-type: none"> <li>• Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</li> <li>• Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently</li> <li>• Recognising the benefits of partnerships and collaborative working where added value can be achieved</li> </ul>
<p><b>Developing the capability of the entity's leadership and other individuals</b></p>	<ul style="list-style-type: none"> <li>• Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</li> <li>• Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</li> <li>• Ensuring the leader and senior management have clearly defined and distinctive leadership roles within a structure whereby the senior management team lead in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority</li> <li>• Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:               <ul style="list-style-type: none"> <li>ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>* Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>* Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> <li>* Ensuring that there are structures in place to encourage public participation</li> <li>* Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</li> <li>* Holding staff to account through performance reviews which take account of training and development needs</li> <li>* Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</li> </ul> </li> </ul>	

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p><b>F. Managing risks and performance through robust internal control and strong public financial management</b></p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p> <p>A strong system of financial management is essential for the achievement of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p><b>Managing risk</b></p>	<ul style="list-style-type: none"> <li>Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</li> <li>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</li> <li>Ensuring that responsibilities for managing individual risks are clearly allocated</li> </ul>
	<p><b>Managing performance</b></p>	<ul style="list-style-type: none"> <li>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</li> <li>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</li> <li>Ensuring an effective scrutiny or/and oversight function (independent of the executive) is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</li> <li>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</li> <li>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</li> </ul>
	<p><b>Robust internal control</b></p>	<ul style="list-style-type: none"> <li>Aligning the risk management strategy and policies on internal control with achieving objectives</li> <li>Evaluating and monitoring risk management and internal control on a regular basis</li> <li>Ensuring effective counter fraud and anti-corruption arrangements are in place</li> <li>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor                             <ul style="list-style-type: none"> <li>* Ensuring an audit committee which is independent of the executive and accountable to the council: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>* That its recommendations are listened to and acted upon</li> </ul> </li> </ul>
	<p><b>Managing data</b></p>	<ul style="list-style-type: none"> <li>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</li> <li>Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</li> <li>Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</li> </ul>
	<p><b>Strong public financial management</b></p>	<ul style="list-style-type: none"> <li>Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance</li> <li>Ensuring well-developed financial management is integrated at all levels of planning</li> </ul>

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
		and control, including management of financial risks and control
<p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p><b>Implementing good practice in transparency</b></p>	<ul style="list-style-type: none"> <li>• Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring they are easy to access and interrogate</li> <li>• Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</li> </ul>
	<p><b>Implementing good practices in reporting</b></p>	<ul style="list-style-type: none"> <li>• Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way</li> <li>• Ensuring members and senior management own the results reports</li> <li>• Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</li> <li>• Ensuring this Framework is applied to jointly managed or shared service organisations</li> <li>• Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</li> </ul>
	<p><b>Assurance and effective accountability</b></p>	<ul style="list-style-type: none"> <li>• Ensuring that all recommendations for corrective actions made by external audit are acted upon</li> <li>• Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon</li> <li>• Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</li> <li>• Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</li> <li>• Ensuring when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met</li> </ul>

Overview of Corporate Governance Assurance Framework

# Annual Governance Statement

**Council**

Leader and Head Of Paid Service sign AGS on behalf of the Council

Audit Committee

Cabinet

Overview and Scrutiny Committee

Planning and Licensing Committee

Risk Management

External Audit

Internal Audit  
Counter Fraud Unit

Management Annual Assurance Statements

Internal Management Arrangements

Other external assurance  
e.g. RIPA Inspection Ombudsman

Performance reports , risk management and external assurance

Performance reports , risk management and external assurance



Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT COMMITTEE - 30 JULY 2020</b>
Report Number	<b>AGENDA ITEM (13)</b>
Subject	<b>DRAFT STATEMENT OF ACCOUNTS 2019/20</b>
Wards affected	N/A
Accountable member	Cllr. Mike Every - Deputy Leader of the Council and Cabinet Member for Finance Email: <a href="mailto:mike.every@cotswold.gov.uk">mike.every@cotswold.gov.uk</a>
Accountable officer	Jenny Poole - Chief Finance Officer Tel: 01285 623313 Email: <a href="mailto:jenny.poole@cotswold.gov.uk">jenny.poole@cotswold.gov.uk</a>
Summary/Purpose	This report complements the Council's Statement of Accounts for the period 1 <sup>st</sup> April 2019 to 31 March 2020 and presents to the Committee the draft Statement of Accounts for 2019/20 to consider.
Annexes	Annex A - Statement of Accounts (unaudited)
Recommendation/s	<i>That the Committee notes the:</i> (a) <i>Accounting Policies that have been applied in producing the Statement of Accounts (pages 56 to 67 of Annex A).</i> (b) <i>The draft unaudited Statement of Accounts 2019/20 (as attached at Annex A)</i> (c) <i>The key balances and messages from the Statement of Accounts 2019/20.</i>
Corporate priorities	Ensure that all services delivered by the council are delivered to the highest standard.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	None

## **1. BACKGROUND**

- 1.1.** The Council's Chief Finance Officer is responsible for ensuring that the statement of accounts are prepared and published in line with statutory timescales. Due to the coronavirus pandemic, the government has extended the timescales for the production and audit of accounts. This change anticipated the impact of potential staff absences, closed offices and all staff involved in production of the accounts working from home. The publication date for draft accounts has moved from 31 May to 31 August and the deadline to publish audited accounts has moved from the 31 July to 30 November 2020 for all local authority bodies.
- 1.2.** The statement of accounts appended to this report is draft at this stage; there are a small number of notes that require finalising. When the final notes are complete a draft copy will be presented to the Council's auditors for review.
- 1.3.** An audited version of the accounts will be presented to the Committee at its October meeting for final sign off. The accounts will be available for public inspection prior to final sign off.
- 1.4.** The audit of the Statement of Accounts is underway, but it is not complete.
- 1.5.** The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the Code'). The Council is statutorily obliged under the Accounts and Audit Regulations 2015 to prepare its Statement of Accounts in accordance with the Code.

## **2. MAIN POINTS**

- 2.1.** Composition of the Statement of accounts  
The four core statements within the Accounts are:
  - 2.1.1.** Comprehensive Income & Expenditure Statement:
  - 2.1.2.** The statement shows the accounting cost of services in accordance with generally accepted accounting practices, rather than services funded purely from taxation. The 'below the line' funding & accounting entries that bring the statement back to the movement on the General Fund (reversing items such as depreciation and impairment and accounting for pension contributions) form part of the Movement in Reserves Statement below.
  - 2.1.3.** Movement in Reserves Statement:
  - 2.1.4.** The statement details the movement in the year between reserves, from the surplus/deficit on provision of services in the Comprehensive Income & Expenditure Statement, to the position on the Balance Sheet at 31 March, splitting the reserves into the usable reserves (which are available to spend) and unusable reserves which represent reserve held for accounting purposes (and are not available for use).
  - 2.1.5.** Balance Sheet:
  - 2.1.6.** The balance sheet depicts the assets and liabilities of the Authority, with the overall position representing the 'net worth' of the Council.



**2.1.7. Cash Flow Statement**

**2.1.8.** The statement shows the year on year change in cash and cash equivalents (i.e. on demand deposits) available to the Council, rather than simply showing the movement in the bank balance.

**2.1.9.** The 'notes to the accounts' provide additional breakdown and disclosure of balances to support the primary statements.

**2.2. Accounting Policies**

**2.2.1** The Council's Financial Rules state that the Chief Finance Officer is responsible for setting the Council's accounting policies. The Statement of Accounts is prepared based upon these policies.

**2.2.2.** Whilst it is the Chief Finance Officer's responsibility to set the policies, it is seen as best practice for this Committee to also agree the policies. The policies have a significant influence upon the Accounts which the Committee has responsibility for approving, following completion of the external audit process.

**2.2.3.** The accounting policies are set out on pages 55 to 67 of the attached Statement of Accounts. The only significant change to the policies is an update to note 'x' on 'Government Grants and Contributions' which has been updated to take account of the Council's treatment of the Community Infrastructure Levy.

**2.3. Revenue Outturn And Performance**

**2.3.1.** The Council's approved net revenue budget [cost of services] for 2019/20 was £11,157,040. The Council planned to use a contribution from the General Fund balance of £164,313. At the end of the year, the Council was £270,577 overspent. Overall income was lower than budgeted throughout the year and the Covid-19 pandemic had a further negative effect on levels of income collected in the final month of the year. Planning application fees were £422,289 under target. This overspend was offset by underspends on both the Publica and Ubico contracts.

**2.3.2.** The revenue outturn position is being formally reported to Cabinet in September 2020.

**2.4. Reconciling the Comprehensive Income and Expenditure Statement to the Revenue Outturn Position Reported to Cabinet**

**2.4.1.** The Comprehensive Income & Expenditure Statement (page 11 of the Accounts) shows the accounting cost in the year of providing services. A net deficit on provision of services of £3,106k is reported. The figures differ from the revenue outturn report (a deficit of £434,890) as the statement is prepared based upon international accounting standards while the management accounts are prepared

**2.4.2.** Note B1 "Expenditure and Funding Analysis" on page 14 of the Accounts reconciles this difference between statutory financial reporting and management reporting. The accounting transactions, which are not reported to Members as they do not impact upon council tax payer financing of the Council, are set out in the column headed "Adjs. between accounting and funding basis" and amount to (£2,440,839). Once adjustments for transfers to and from earmarked reserves (£230,258) are taken into account, the net contribution from the Council's General

Fund Balance is £434,890 (£164,313 planned contribution + £270,577 in-year deficit).

## **2.5. Balance Sheet Movements**

- 2.5.1.** The Balance Sheet represents the value or 'net worth' of the Council at 31st March. At 31<sup>st</sup> March 2020 the Council's net worth was £59.8m compared to £53.3m the previous year. The key movements in the balance sheet between 31<sup>st</sup> March 2019 and 31<sup>st</sup> March 2020, and reasons for the largest changes, are summarised below:
- 2.5.2.** The value of Property, Plant and Equipment has increased by £1.3 million. This is due primarily to capital additions in respect of a capital redesign and enhancement programme at the Corinium Museum. Total additions for the year of £1.1m is categorised as 'Assets Under Construction' as the work is not yet complete.
- 2.5.3.** The value of Investment Properties has increased by £1.7m. The movement is primarily due to the purchase of 27/27a Dyer Street, Cirencester for £2.2m.
- 2.5.4.** Non-Current debtors have increased by £2.1m. Each year the Council purchases waste and recycling vehicles for use on the Council contract. The movement represents the lease arrangement with Ubico Ltd in respect of these vehicles.
- 2.5.5.** Short term investments have reduced by £2.2m from the start of the year with long term investments also reducing by £4m. Cash held in 'call accounts' has also reduced by £1m. The change in investments represents the Council use of available balances to deliver against its aim and priorities.
- 2.5.6.** The Council's provisions have decreased from £2.1m to £1.1m. The provision held relates solely to outstanding Business Rates appeals against the 2010 and 2017 valuation list. As appeals against the 2010 list are gradually resolved, the provision can be reduced. Appeals against the 2017 list are subject to a 'check, challenge and appeal' process through the Valuation Office. The appeal provision has been reviewed to reflect the fact that the volume of applications to the new process continues to be low and therefore a lower level of provision for successful appeals can be justified.
- 2.5.7.** Short term debtors have increased by £1.2 million. Fluctuations in such balances are expected, due to the size of transactions with central government departments and the Council's partners.
- 2.5.8.** The value of the pension fund net liability, which is shown under "Other Long Term Liabilities", has reduced by £7.49 million. Although the Council's share of pension fund assets fell by £6.15m, the overall net liability has fallen due to a significant reduction in the pension fund liabilities of £13.64m. The future value of pension liabilities is based on the discount rate, which is based on the yield on investment grade corporate bonds. As the spread on corporate bonds increases it has led to an increased discount rate, which reduces the future value of pension liabilities.
- 2.5.9.** The Councils 'earmarked reserves' represent resources that have been set-aside by the Council for specific projects or money to provide specific schemes in the future. Overall contributions to earmarked reserves amounted to £2.09 million whilst expenditure amounted to £2.59 million, the value of earmarked reserves therefore reduced by a net £0.497 million.

**2.5.10.** The 'general fund balance' has reduced by £434,890 from 1st April to 31st March. The movement represents the budgeted transfer from the General Fund of £164,313 and the over-spend in the year of £270,577. The general fund balance represents the unallocated revenue reserves of the Council. At 31st March 2020 the balance stood at £4,475,258.

**2.5.11.** The 'Net Assets' or 'Net Worth' of the Council has increased by £6.5m during the year to £59.784m. Although the Council faces significant challenges in 2020/21, the Council is generally in a healthy position at the end of the 2019/20 financial year with an appropriate level of reserves. The Council remains financially secure and sustainable for the foreseeable future.

## **2.6.** Approval and publication of the Statement of Accounts

**2.6.1.** The Audit Committee is responsible for formally approving the audited Statement of Accounts on behalf of the Council.

**2.6.2.** At this point in time, the Accounts have not been audited. The statutory deadline for completing the 2019/20 audit is 30 November 2020.

**2.6.3.** On completion of the audit, the Committee will be asked to approve the signing of the Statement of Accounts and Letter of Representation. At this point the Accounts can be formally approved by the Committee and the external auditor (Grant Thornton).

**2.6.4.** Once approved a copy of the Audited Statement of Accounts will be published on the Council's website along with the notice of Completion of Audit.

(END)



**COTSWOLD**  
DISTRICT COUNCIL

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**STATEMENT OF ACCOUNTS  
2019/2020 (DRAFT & UNAUDITED)**

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# CONTENTS

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Section	Page
<b>A</b>	<b>Narrative Report</b>
	<b>Statement of Responsibilities for the Statement of Accounts</b>
	<b>Comprehensive Income and Expenditure Statement</b>
	<b>Movement in Reserves Statement</b>
	<b>Balance Sheet</b>
<b>B</b>	<b>Notes to the Comprehensive Income and Expenditure Statement</b>
<b>C</b>	<b>Notes to the Movement in Reserves Statement</b>
<b>D</b>	<b>Notes to the Balance Sheet</b>
<b>E</b>	<b>Additional Disclosures</b> .....
	Technical Notes
	Understanding the Accounts
<b>F</b>	<b>Cash Flow Statement</b> .....
	Notes to the Cash Flow Statement
<b>G</b>	<b>Collection Fund</b> .....
	Notes to the Collection Fund
<b>H</b>	<b>Governance Statements</b> .....
	Annual Governance Statement
	Independent Auditor's Report and Opinion
<b>I</b>	<b>Glossary of Terms and Abbreviations</b> .....
<b>J</b>	<b>Index of Notes to the Statement of Accounts</b> .....



## Cotswold District Council

Cotswold District Council sits at the heart of the Cotswolds Area of Outstanding Natural Beauty - one of the most beautiful parts of the country, as proven by its popularity as a visitor destination. The District is an attractive area to live, with many second or holiday homes. The area has high property prices and affordability of housing has been an issue for some years.

The population is approximately 89,000, which given its size of 450 square miles and its largely rural character means that there is a low density of population which in turn affects the costs of providing services. The District also has an ageing population and has the highest proportion of people aged 65 and over in the County. People living in Cotswold District are more likely to experience a good quality of life than elsewhere in Britain. Many parts of the District are in the least deprived 20% in England, with no parts in the most deprived 20%.

## Our Aims and Priorities

The Council held its local elections in May 2019. This resulted in a change of political control from Conservative to Liberal Democrat. The new administration has set out its aims, priorities and underlying principles that will set the direction for the Corporate Strategy for the Council for the next four years.

The proposed aim for the new Corporate Strategy is:

Rebuild the Council so it can be proactive and responsive to the needs of our residents and businesses in a fast changing environment, building for the future whilst respecting our heritage.

Key areas of focus will be:

- Respond to the challenges presented by the Climate Change Emergency
- Deliver good quality social rented homes
- Present a Local Plan which is Green to the Core
- Ensure that all services delivered by the Council are delivered to the highest standard
- Help residents, businesses and communities access the support they need to achieve their ambitions

The financial impact of these new priorities was reflected in the update to the Medium Term Financial Strategy during 2019/20.

Each quarter, the Council monitors its progress towards achieving its aim and priorities, service delivery and financial performance. While the new Corporate Strategy is in development, the focus of

reporting during 2019/20 has been on service delivery and financial performance.

The Covid-19 pandemic impacted at the very end of the year and therefore the full impact of this has not been felt in the 2019/20 statement of accounts. The Council is expecting significant challenges in the year ahead as it deals with the on-going crisis.

## Publica Group (Support) Limited

Publica Group (Support) Limited ['Publica'] is wholly owned by Cotswold District Council along with West Oxfordshire and Forest of Dean District Councils and Cheltenham Borough Council. It is a not-for-profit company limited by guarantee with no share capital and operates with Mutual Trading Status to deliver services on behalf of the Member councils under contract.

Publica is a Teckal company fulfilling the conditions set out in Regulation 12(4) of the Public Contracts Regulations 2015. The Company is subject to management supervision by the Members. As such, the Company is a body governed by public law as defined in the Public Contracts Regulations 2015.

While Publica works closely with the Council, the company has its own board of Directors, its own Management team, and operates independently from the Council.

## Medium Term Financial Strategy (MTFS)

The Council operates a rolling 10 year MTFS, the latest being approved by Council on 26 February 2020. This latest update reflected announcements in the local government settlement for 2020/21 and the potential loss of government funding from Business Rates Retention, New Homes Bonus and Rural Services Delivery Grant. For 2020/21 income from these funding sources is almost £7 million. By 2023/24, this income could reduce by around £4 million.

The MTFS and budget proposals were updated to include the financial implications of the Council's new priorities. In particular annual funding of £70,000 was made available for an officer to develop and lead for the delivery of an action plan to address the Council's Climate Change Emergency Declaration.

The latest update also reflected the implications of making pension fund deficit contributions to the Local Government Pension Fund early in 2020/21 rather than at monthly intervals over the course of the next three years.



# NARRATIVE REPORT

A summary of the MTFS for the next four years is shown below:

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Net Cost of Service	12,260	11,246	10,693	10,192
Central Government Funding	(6,921)	(4,879)	(3,723)	(2,926)
Council Tax	(5,601)	(5,879)	(6,164)	(6,455)
Collection Fund (Surplus) / Deficit	49	(100)	(100)	(100)
<b>Budgeted (Surplus) / Deficit</b>	<b>(213)</b>	<b>388</b>	<b>706</b>	<b>711</b>

## Retained Business Rates & Pool Pilot

The Council has been part of the Gloucestershire 50% Business Rate Pool Pilot for 2019/20. The MTFS assumes that any windfall gain associated with the Business Rates Pool in 2020/21 will be allocated to the Council Priorities Fund.

A significant level of risk remains due to the volume of outstanding appeals against the 2010 valuation list and a new 2017 list came into effect in April 2017 together with a new Check, Challenge and Appeal process, replacing the former appeals process.

The MTFS has been updated to include the latest Business Rates estimates and assumes that the Council will be compensated (through Section 31 grant) for the impact on Business Rates which relate to any nationally announced discounts or reliefs to businesses.

## Council Tax

The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax, including proposed limits.

MHCLG proposed a maximum Council Tax increase of 3% or £5 for 2020/21. The MTFS assumes increases of £5 per annum on a Band D property to 2020/30.

## Financial Assumptions

The financial planning assumptions used in the MTFS reflect current economic circumstances including:

- provision for the impact of pay inflation on the Publica contract sum of 2.5% for 2020/21 and each year thereafter;
- provision for service contract inflation;
- investment interest returns are expected to generate a 1% return with pooled funds expected to generate a higher 3% return;
- inflationary increase of 1.8% to central government funding
- £435,000 in additional net revenue from car parking through both extra income and cost savings.
- growth in Council Tax base of 1.2% per annum;

## Savings Targets

MTFS savings targets are split between those which are deliverable, planned savings and additional savings which may be required depending on the impact of changes to central government funding. Planned savings amount to £394,000 over the next three years.

Reflecting anticipated changes in central government funding and other budget pressures, an additional £6.145m savings over the next six years have been included. High level targets are in place for addressing the gap including a commercialisation strategy which will include a wide range of initiatives to deliver additional income to the Council or provide savings.

A clearer picture of the level of savings required will emerge once the government publishes its final decisions from: Spending Review 2020, Fairer Funding Review, 75% Business Rates Retention and New Homes Bonus Scheme. The Council has some General Fund Working Balance to smooth the budget gap in the short term and to provide the Council with time to develop plans to generate alternative income or deliver savings in future years should this become necessary.

The full update to the Medium Term Financial Strategy can be found on the Council's website.

The MTFS will be revised in light of the Covid-19 pandemic to ensure the Council remains financially viable for the duration of the current MTFS.

# NARRATIVE REPORT

## Financial Performance

The Council's 2019/20 budget strategy assumed a balanced budget with a budgeted use of General Fund of £164,313.

The outturn position resulted in a contribution from the General Fund of £434,890 an increase of £270,677 on the budgeted use.

The significant items that have affected the services outturn are as follows:

### Income

Overall income was lower than budgeted throughout the year and the Covid-19 pandemic had a further negative effect on levels of income collected in the final month of the year. Planning application fees were £422,289 under target.

Recycling income from the sale of other material was also £149,271 lower than expected due to lower commodity prices paid for cardboard and paper.

### Expenditure

The majority of the Council's staffing resource is supplied under contract from Publica. The Publica net contract sum for 2019/20 was £8,617,276, excluding contribution to the Service Modernisation programme. Publica invoice the Council according to its agreed contract sum for the first 11-months of the year, with reconciliation to the actual cost of the contract at the end of the year.

At the year end, Publica had generated a surplus of contributions from its Members of £362,000 arising from delivery of budgeted and additional one-off savings. After adjustments in respect of balances due to or from its Members, the Council is due to receive a refund of excess contribution from Publica of £90,671.

The Council's Environmental Services (grounds maintenance, domestic waste collection, recycling collections, etc.) are provided by Ubico Ltd. The Ubico Ltd. contract costs for 2019/20 were underspent by £134,190.

## Operational Performance and Efficiency

The Council's Overview and Scrutiny Committee monitor the Council's progress towards achieving its aims and priorities.

During the year, there were some notable performances including:

- The satisfaction rate for Council services delivered both face to face and by telephone are high at 98% (face to face), 99% (telephone – advisors), and 95% (telephone - services). In comparison to other councils, this Council frequently ranks in the top ten best performers
- Percentage of (official) land charge searches received and dispatched within 10 working days (Actual: 99.34%; Target: 90%).
- Cumulative time taken to process Housing Benefit/Council Tax Support change events (days) (Actual: 3.49 days; Target: 5 days)
- Residual household waste per household (kg) (Actual: 375 kg; Target: 384 kg).

Three indicators fell short of their annual targets; one in each of the following services: Customer Services; Waste Service and Leisure and Communities:

- Percentage of complaints responded to within 10 working days (Actual: 77.78%; Target: 90%).
- Percentage of properties with a garden waste licence against the total number of occupied properties in the District (Actual: 51.3%; Target: 54%).
- Business Engagement: Percentage increase (against the baseline) in membership of Cotswolds Tourism (Actual: -1.75%; Target: 5%).

For more details on the year's performance please refer to the Council website.

# NARRATIVE REPORT

## Capital Programme (Asset Management)

In 2019/20 £7.66m was spent against a capital budget of £16.61m. Significant expenditure included £2.18m for the purchase of an investment property, £3.25m acquisition of 16 recycling and 5 food waste vehicles as part of the waste services review and £0.96m in respect of redesign and refurbishment programme at the Corinium Museum.

Not all schemes planned for the year were undertaken including:

- Cirencester Car Parking – budget of £1.88m; a Council decision to construct a carbon neutral car park has required some additional work. It is now anticipated a report will be presented to Cabinet in July seeking agreement to submit a planning application and expenditure will occur in 2020/21.
- Cirencester Leisure Centre – Gym and Studio Expansion – budget of £1.20m; the council was in discussions with their contractor (SLM) to develop the scheme but discussions have been delayed due to the Covid-19 pandemic.
- Electric vehicles charging points – budget of £0.45m; contract was awarded in February 2019 but work has stalled due to the Covid-19 pandemic. It is expected the project will continue in 2020/21.

Budgets for ongoing projects have been carried forward into 2020/21, with other budgets being reallocated or removed from the capital programme.

	OUTTURN 2019/20	MTFS 2020/30
EXPENDITUE	£000	£000
Private Sector Housing	750	7,000
ICT Infrastructure	215	2,080
Waste/Env. Vehicles & Equip.	3,300	7,012
Community Projects	41	500
Car Parking	190	13,075
Corinium Museum	960	0
Property	2,183	0
Electric Vehicle Charging Points	0	1,500
Rural Broadband	0	500
Leisure Services & Equipment	0	2,130
Finance and HR system	0	15
Commercialisation Strategy	0	65,000
<b>Total Expenditure</b>	<b>7,662</b>	<b>98,812</b>
<b>FUNDING</b>		
Borrowing	0	60,990
Revenue Contributions	250	2,500
Grants and contributions	1,467	24,000
Capital Receipts & Reserves	5,945	11,322
<b>Total Expenditure</b>	<b>7,662</b>	<b>98,812</b>

## Pensions Liability

The pension liability as at 31 March 2020 was £40.05m (£47.54m as at 31 March 2019). Whilst a significant sum, this is the net value of what the Council owes across all future years offset against assets invested in the Local Government Pension Scheme.

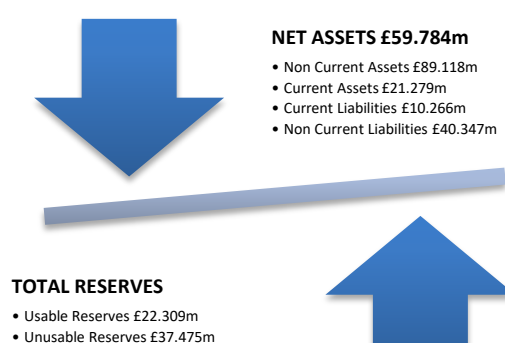
The Council's share of pension fund assets fell by £6.15m however the overall net liability has fallen by £7.49m due to a significant reduction in the pension fund liabilities of £13.64m.

The future value of pension liabilities is based on the discount rate, which is based on the yield on investment grade corporate bonds. As the spread on corporate bonds has increased, it has led to an increased discount rate, which reduces the future value. The fund is revalued and contribution rates set every three years. The most recent valuation was 31 March 2019.

Publica and the Council will continue to make contributions to cover liabilities accruing for current members of the scheme (primary contributions) and secondary contributions (annual lump-sum) will be paid directly by the Council to fund the deficit.

## Financial Position

The Council continues to maintain a strong Balance Sheet, increasing its Net Assets by £6.47m on last year's position.



Significant movements were:

- £1.31m upward valuation of Property, Plant & Equipment
- £1.74m increase in Investment Property
- £2.18m decrease in non-current investments
- £2.13m increase in non-current debtors
- £4.01m decrease in current investments
- £7.49m decrease in pension liability

## Risk Management.

The Corporate Risk Register was updated during 2019/20 and reviewed by the Shared Risk Management Group. The Shared Risk Management Group comprises both Council and Publica Senior Managers. Any risk scoring 15 or above is considered a 'primary' risk.

At the end of 2019/20, there were 3 primary risks on the register:

- If the Local Government settlement over the medium term is unfavourable then the Council's savings targets may need to increase. The MTFs approved by Council in February 2020 included an estimate of the likely impact of the changes to local government funding from 2020/21 onwards which provides the Council with the context in which to take decisions.
- If unavoidable budget pressures exceed provision within the MTFs, the Council will need to find additional income or savings, use its reserves, or there may be pressure on services or tax levels and agreed budget targets will not be met. Further uncertainty has subsequently arisen following the impact of the Covid-19 pandemic and plans are to be reviewed to consider the impact.
- If Ubico Ltd. is unable to deliver the Council's waste services to the required standard then it could damage the Council's reputation and result in additional costs for the Council. The waste fleet has deteriorated before expected, resulting in high levels of breakdown, and as a consequence is impacting on residents and increasing service costs.

A register of strategic and operational risks related to Covid-19 was developed in April 2020 to specifically consider the impact on the Council and a report was presented to Cabinet on 1st June 2020 setting out the scale of the financial challenge on both additional expenditure and loss of income.

The Council is reporting the financial impact of Covid-19 to the MHCLG on a monthly basis; and to date, has received a total of £941,887 of additional funding. Without further government funding, the Council forecasts net additional costs and lost income in 2020/21 of around £2.5 million which exceeds the forecast level of the General Fund Balance.

In addition, the longer term impact of the projected economic downturn on overall public expenditure and local government finances needs to be considered.

## Facing the Challenges Ahead

The UK's departure from the EU had been the focus of central government activity throughout 2019/20. The 29 March 2019 Brexit deadline was extended to 12 April, then to 31 October and finally to 31 January 2020. The UK's tenuous progress negotiating its exit from the EU together with its future trading arrangements has driven volatility. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation fell to 1.7% year/year in February, below the Bank of England's target of 2%. Labour market data remained positive. The ILO unemployment rate was 3.99% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay was 3.1% in January 2020, providing some evidence that a shortage of labour had been supporting wages.

GDP growth in the last quarter of 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the times were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below trend at 1.1%.

Then coronavirus swiftly changed everything. Covid-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% and then to a record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

The key challenge currently facing the Council is the impact of Covid-19 and is working to support local businesses and residents across the district including:

- Supporting business – rate relief and grants for businesses and have helped 233 businesses to date.
- Supporting residents – the Council is supporting vulnerable residents and is working with partners to maintain essential services whilst redeploying staff to new areas of work to help deal with the crisis.

# NARRATIVE REPORT

- Volunteering opportunities – Gloucestershire councils and partners have created a community help hub to connect local people who need help, with other who can provide the support

Virtual Council meetings have been held to maintain open and transparent decision making whilst observing social distancing. Covid-19 pages on the Council website are regularly updated and provide further information.

The Government's lockdown announced on 23 March has meant that many local businesses across the district have had to close impacting on the local economy. The way in which the Council operates has also changed dramatically, with a large majority of staff now working from home

Additional costs resulting from the pandemic will be felt during 2020/21. The Council is expecting losses across revenue streams such as licensing and planning fees, car parking fees and reduced investment income and investment property rental income. Expenditure pressures will also be felt across services.

Although difficult to quantify the impact of Covid-19 it is expected that the financial pressures will be significant – even after the Government's emergency Covid-19 funding for local authorities is taken into account. The Council is however in the fortunate position of having general fund reserve balances to draw upon.

As lockdown restrictions are eased the Council faces new challenges and opportunities. The key priorities identified in the Council Plan may need to be amended or supplemented in light of the pandemic; this will be considered during the preparation of a Covid-19 Recovery Plan

Recovery will take time and will be complex. This reflects the multifaceted nature of the impacts created by the crisis. The Council will be looking to revisit the assumptions included in the last iteration of the Medium Term Financial Strategy in recognition of the impact of the pandemic.

As part of the Recovery Plan, the Council's budget for 2020/21 will be revised in September 2020. This will enable financial performance to be monitored against the original and revised budgets. In addition, a refresh of the Medium Term Financial Strategy is also required which reflects the revised use of revenue reserves in 2020/21, the Government announcements of a delay to the implementation of the Fairer Funding Review and the 75% Business Rates Retention Scheme and ties in with the Covid-19 Recovery Plan.

In order to maintain the current level of General fund reserve over the longer term, it is likely that the Council will need to find further budgetary savings over the life of the MTFs. These savings can be generated through increasing efficiency gains (although a great deal of work have already taken place in this respect), increasing income from fees and charges, increasing Council Tax income or reviewing service provision, particularly the provision of discretionary services.

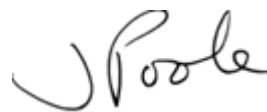
Operationally, the Council will be working with its service delivery company, Publica, to implement a service modernisation programme which aims to deliver savings of £318,000 to the Council's revenue budget over the next three years. In addition to significant savings, the programme also aims to improve services to customers by utilising new technology and designing services putting the customer needs first.

The Council is preparing a Commercialisation Strategy with the aim of generating new income streams. This will help the Council to address the predicted cuts to government funding and loss of income and increased costs arising from the Covid-19 pandemic. The Commercialisation Strategy will require capital investment and the Capital Programme has been updated to include provision for investment of £65 million. It is anticipated that this investment will be partially funded from borrowing and partially funded through grants from third parties. The Commercialisation Strategy will link in with other Council priorities of climate change, social housing provision and economic development.

The business case for car park investment is in development and will need to reflect the potential impact of Covid-19 on demand for car parking. It is anticipated that the business case will be considered by Council later this year.

## Further information

For further information on the accounts please contact: Jenny Poole, Chief Finance Officer, Cotswold District Council, Trinity Road, Cirencester, Gloucestershire, GL7 1PX; or via email at [Jenny.Poole@Cotswold.gov.uk](mailto:Jenny.Poole@Cotswold.gov.uk).



Jenny Poole CPFA  
Chief Finance Officer

## Explanation of the Accounting Statements

## NARRATIVE REPORT

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The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2020. It comprises core and supplementary statements, together with supporting notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which in turn is underpinned by International Financial Reporting Standards. A glossary of key terms and abbreviations can be found at the end of this publication.

The **Core Statements** are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area / directorate. The bottom half of the statement deals with corporate transactions and funding.

The **Movement in Reserves Statement** is a summary of the changes that have taken place in the bottom-half of the Balance Sheet over the financial year.

Reserves are divided into "usable", which can be invested in service improvements or capital investment, and "unusable" which must be set aside for specific purposes.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves as at the year-end, 31 March 2020.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment or financing activities (such as borrowing or other long term liabilities).

The **Supplementary Statements** are:

The **Collection Fund** summarises the transactions relating to council tax and business rates collection, and the redistribution of that money.

Business Rates is distributed to Central Government, Gloucestershire County Council and Cotswold District Council. Council Tax is distributed between Gloucestershire County Council, the Police & Crime Commissioner for Gloucestershire, Cotswold District Council and the Town & Parish Councils within the Cotswold district.

The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.



# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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## The Authority's 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 Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## The Chief Finance Officer's responsibility

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Chief Finance Officer has also:

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

## CERTIFICATE

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the authority at the accounting date and of its income and expenditure for the year ended 31<sup>st</sup> March 2020.

\_\_\_\_\_ Date: \_\_\_\_\_

Jenny Poole  
Chief Finance Officer

In accordance with regulation 10(3) Accounts and Audit Regulations 2016, the statement of accounts is approved by the Chair of the Audit Committee, on behalf of Cotswold District Council.

\_\_\_\_\_ Date: \_\_\_\_\_

Cllr. Patrick Coleman  
Chairman of the Audit Committee





## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/2019				2019/2020		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£	Note	£	£	£
			<u>Joint Committee / Shared Services</u>			
1,041,933	(558,475)	483,458	Environmental and Regulatory Services	1,184,257	(535,276)	648,981
2,500,232	(1,244,830)	1,255,402	GO Shared Services	2,632,529	(1,214,411)	1,418,118
2,063,442	(116,345)	1,947,097	ICT, Change and Customer Services	2,200,573	(149,819)	2,050,754
1,468,366	(773,055)	695,311	Land, Legal and Property Services	1,644,316	(758,757)	885,559
516,622	0	516,622	Partnership MD and 2020 Programme Costs	192,387	0	192,387
18,012,237	(17,557,973)	454,264	Revenues and Housing Support Services	15,883,649	(15,463,064)	420,585
			<u>Strategic Directors</u>			
1,136,097	(125,309)	1,010,788	Democratic Services	1,846,821	(475,010)	1,371,811
8,213,132	(4,673,727)	3,539,405	Environmental Services	8,866,722	(4,457,131)	4,409,591
2,127,937	(919,514)	1,208,423	Leisure and Communities Services	2,014,817	(952,276)	1,062,541
3,405,433	(1,589,071)	1,816,362	Planning and Strategic Housing Services	2,812,956	(1,070,484)	1,742,472
1,533,503	(476,405)	1,057,098	Other Retained Services	1,250,338	(468,544)	781,794
<b>42,018,934</b>	<b>(28,034,704)</b>	<b>13,984,230</b>	<b>Cost of Services</b>	<b>40,529,365</b>	<b>(25,544,772)</b>	<b>14,984,593</b>
2,960,269	(1,072,967)	1,887,302	Other Operating Expenditure	3,173,229	(624,329)	2,548,900
1,650,092	(1,117,379)	532,713	Financing and Investment Income and Expenditure	3,546,552	(1,421,520)	2,125,032
0	(16,041,932)	(16,041,932)	Taxation and Non-Specific Grant Income	0	(16,552,538)	(16,552,538)
<b>46,629,295</b>	<b>(46,266,982)</b>	<b>362,313</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>47,249,146</b>	<b>(44,143,159)</b>	<b>3,105,987</b>
		(10,459,988)	(Surplus) / deficit on revaluation of non current assets			(1,216,687)
		0	(Gains)/ losses on financial instruments designated at Fair Value through Other Comprehensive Income			20,000
		7,212,000	Remeasurement of the net defined benefit liability			(8,380,000)
		<b>(3,247,988)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(9,576,687)</b>
		<b>(2,885,675)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(6,470,700)</b>

## MOVEMENT IN RESERVES STATEMENT

	Note	Usable Reserves				Total Usable Reserves £	Unusable Reserves £	TOTAL RESERVES £
		General Fund - Unallocated £	General Fund - Earmarked £	Capital Receipts Reserve £	Capital Grants Unapplied £			
<b>Balance at 31 March 2018</b>		<b>(4,831,975)</b>	<b>(7,546,916)</b>	<b>(12,303,096)</b>	<b>(59,749)</b>	<b>(24,741,736)</b>	<b>(25,686,112)</b>	<b>(50,427,848)</b>
Transfer of Available for Sale Financial Instruments Reserve balance on transition to IFRS9		(69,001)	0	0	0	(69,001)	69,001	0
Movements in reserves 2018/19		811,658	(811,658)	0	0	0	0	0
Total Comprehensive Income and Expenditure		362,313	0	0	0	362,313	(3,247,988)	<b>(2,885,675)</b>
Adjustments between accounting basis & funding basis under regulations	C1	(1,183,143)	50,000	(2,308,661)	0	(3,441,804)	3,441,804	0
<b>(Increase) / Decrease in Reserves 2018/19</b>		<b>(78,173)</b>	<b>(761,658)</b>	<b>(2,308,661)</b>	<b>0</b>	<b>(3,148,492)</b>	<b>262,817</b>	<b>(2,885,675)</b>
<b>Balance at 31 March 2019</b>		<b>(4,910,148)</b>	<b>(8,308,574)</b>	<b>(14,611,757)</b>	<b>(59,749)</b>	<b>(27,890,228)</b>	<b>(25,423,295)</b>	<b>(53,313,523)</b>
Movements in reserves 2019/20		(230,258)	230,258	0	0	0	0	0
Total Comprehensive Income and Expenditure		3,105,987	0	0	0	3,105,987	(9,576,687)	<b>(6,470,700)</b>
Adjustments between accounting basis & funding basis under regulations	C1	(2,440,839)	266,738	4,663,061	(13,930)	2,475,030	(2,475,030)	0
<b>(Increase) / Decrease in Reserves 2019/20</b>		<b>434,890</b>	<b>496,996</b>	<b>4,663,061</b>	<b>(13,930)</b>	<b>5,581,017</b>	<b>(12,051,717)</b>	<b>(6,470,700)</b>
<b>Balance at 31 March 2020</b>		<b>(4,475,258)</b>	<b>(7,811,578)</b>	<b>(9,948,696)</b>	<b>(73,679)</b>	<b>(22,309,211)</b>	<b>(37,475,012)</b>	<b>(59,784,223)</b>

## BALANCE SHEET

31st March 2019 £		Note	31st March 2020 £
67,054,322	Property, Plant & Equipment	D1	68,359,429
17,000	Heritage Assets		17,000
4,829,000	Investment Property	D2	6,571,000
141,487	Intangible Assets	D3	75,932
12,300,527	Non-Current Investments	E3	10,123,768
1,842,500	Non-Current Debtors	D4	3,971,377
<b>86,184,836</b>	<b>Non-Current Assets</b>		<b>89,118,506</b>
13,189,806	Investments	E3	9,175,814
15,867	Inventories		15,198
5,170,264	Debtors	D5	6,399,067
7,011,910	Cash and Cash Equivalents	E3	5,688,585
<b>25,387,847</b>	<b>Current Assets</b>		<b>21,278,664</b>
0	Cash and Cash Equivalents	E3	(231,393)
(6,412,216)	Creditors	D6	(6,803,710)
(1,885,901)	Creditors - s.106 balances	D6	(2,178,811)
(2,063,795)	Provisions	D7	(1,052,314)
<b>(10,361,912)</b>	<b>Current Liabilities</b>		<b>(10,266,228)</b>
(47,541,000)	Other Non-Current Liabilities	E2	(40,047,000)
(86,365)	Finance Lease Liabilities	E5	(62,936)
(269,883)	Capital Grants Receipts in Advance	B9	(236,783)
<b>(47,897,248)</b>	<b>Non-Current Liabilities</b>		<b>(40,346,719)</b>
<b>53,313,523</b>	<b>Net Assets</b>		<b>59,784,223</b>
(27,890,228)	Usable reserves	C2	(22,309,211)
(25,423,295)	Unusable Reserves	C3	(37,475,012)
<b>(53,313,523)</b>	<b>Total Reserves</b>		<b>(59,784,223)</b>

These financial statements were certified by the Chief Finance Officer on xx July 2020.

Jenny Poole  
Chief Finance Officer

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### B1. Expenditure and Funding Analysis

	2019 / 2020					
	Net Expenditure in CI&ES £	Adjs. between accounting and funding basis £	Transfers to / (from ) GF Earmarked Reserves £	Net Exp. Chargeable to the General Fund £	Management Reporting Adjs. £	Outturn Reported to Management £
<u>Joint Committee</u>						
Environmental and Regulatory Services	648,981	(193,572)	0	455,409	32,261	487,670
GO Shared Services	1,418,118	(353,720)	0	1,064,398	17,612	1,082,010
ICT, Change and Customer Services	2,050,754	(285,921)	0	1,764,833	26,806	1,791,639
Land, Legal and Property Services	885,559	(210,702)	0	674,857	98,543	773,400
Partnership MD and 2020 Programme Costs	192,387	(15,705)	0	176,682	1,493	178,175
Revenues and Housing Support Services	420,585	(165,673)	0	254,912	24,768	279,680
<u>Strategic Directors</u>						
Democratic Services	1,371,811	(140,101)	0	1,231,710	30,518	1,262,228
Environmental Services	4,409,591	(514,794)	0	3,894,797	440,852	4,335,649
Leisure and Communities Services	1,062,541	(311,710)	0	750,831	185,722	936,553
Planning and Strategic Housing Services	1,742,472	(419,627)	0	1,322,845	44,547	1,367,392
Other Retained Services	781,794	1,796,777	(230,258)	2,348,313	(1,638,584)	709,729
<b>Cost of Services</b>	<b>14,984,593</b>	<b>(814,748)</b>	<b>(230,258)</b>	<b>13,939,587</b>	<b>(735,462)</b>	<b>13,204,125</b>
Other Income and Expenditure	(11,878,606)	(1,626,091)	0	(13,504,697)	735,462	(12,769,235)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>3,105,987</b>	<b>(2,440,839)</b>	<b>(230,258)</b>	<b>434,890</b>	<b>0</b>	<b>434,890</b>
Opening General Fund Balance (Unallocated) at 1 April				(4,910,148)		
(Surplus) / Deficit for the year				434,890		
<b>Closing General Fund Balance (Unallocated) at 31 March</b>				<b>(4,475,258)</b>		

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2018 / 2019					
	Net Expenditure in CI&ES £	Adjs. between accounting and funding basis £	Transfers to / (from ) GF Earmarked Reserves £	Net Exp. Chargeable to the General Fund £	Management Reporting Adjs. £	Outturn Reported to Management £
<u>Joint Committee</u>						
Environmental and Regulatory Services	483,458	(163,663)	0	319,795	26,125	345,920
GO Shared Services	1,255,402	(284,989)	0	970,413	17,690	988,103
ICT, Change and Customer Services	1,947,097	(246,381)	0	1,700,716	27,147	1,727,863
Land, Legal and Property Services	695,311	(159,804)	0	535,507	99,930	635,437
Partnership MD and 2020 Programme Costs	516,622	(14,846)	0	501,776	1,520	503,296
Revenues and Housing Support Services	454,264	(175,064)	0	279,200	83,398	362,598
<u>Strategic Directors</u>						
Democratic Services	1,010,788	(100,617)	0	910,171	15,850	926,021
Environmental Services	3,539,405	(500,170)	0	3,039,235	316,559	3,355,794
Leisure and Communities Services	1,208,423	(643,669)	0	564,754	892,955	1,457,709
Planning and Strategic Housing Services	1,816,362	(379,815)	0	1,436,547	46,282	1,482,829
Other Retained Services	1,057,098	1,200,469	811,658	3,069,225	(1,555,262)	1,513,963
<b>Cost of Services</b>	<b>13,984,230</b>	<b>(1,468,549)</b>	<b>811,658</b>	<b>13,327,339</b>	<b>(27,806)</b>	<b>13,299,533</b>
Other Income and Expenditure	(13,621,917)	285,406	0	(13,336,511)	27,806	(13,308,705)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>362,313</b>	<b>(1,183,143)</b>	<b>811,658</b>	<b>(9,172)</b>	<b>0</b>	<b>(9,172)</b>
Opening General Fund Balance (Unallocated) at 1 April (Surplus) / Deficit for the year				(4,900,976) (9,172)		
<b>Closing General Fund Balance (Unallocated) at 31 March</b>				<b>(4,910,148)</b>		

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### Adjustments in the Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded compared with the resources consumed or earned by the Council in accordance with generally accepted accounting practices as shown in the Comprehensive Income and Expenditure Account. It also shows how these amounts are allocated for decision making purposes across the Council's Directorates and Services. The adjustments between these amounts are detailed below:

	2019 / 2020						
	Adjustments between funding and accounting basis (see MiRS Note C1)				Adjustments between amounts chargeable to the General Fund and Management Reporting		
	Capital Adjs £	Pension Adjs £	Other Adjs £	Total adjs between funding and accounting £	Depreciation £	Other Segment Adjs. £	Total Management Reporting Adjustments £
<u>Joint Committee</u>							
Environmental and Regulatory Services	(32,261)	(161,311)	0	(193,572)	32,261	0	32,261
GO Shared Services	(17,612)	(336,108)	0	(353,720)	17,612	0	17,612
ICT, Change and Customer Services	(26,806)	(259,115)	0	(285,921)	26,806	0	26,806
Land, Legal and Property Services	(98,543)	(112,159)	0	(210,702)	98,543	0	98,543
Partnership MD and 2020 Programme Costs	(1,493)	(14,212)	0	(15,705)	1,493	0	1,493
Revenues and Housing Support Services	(24,768)	(140,905)	0	(165,673)	24,768	0	24,768
<u>Strategic Directors</u>							
Democratic Services	(30,518)	(109,583)	0	(140,101)	30,518	0	30,518
Environmental Services	(454,590)	(60,204)	0	(514,794)	440,852	0	440,852
Leisure and Communities Services	(227,217)	(84,493)	0	(311,710)	892,813	(707,091)	185,722
Planning and Strategic Housing Services	(44,547)	(375,080)	0	(419,627)	44,547	0	44,547
Other Retained Services	(111,393)	1,908,170	0	1,796,777	(1,638,584)	0	(1,638,584)
<b>Cost of Services</b>	<b>(1,069,748)</b>	<b>255,000</b>	<b>0</b>	<b>(814,748)</b>	<b>(28,371)</b>	<b>(707,091)</b>	<b>(735,462)</b>
Other Income and Expenditure	409,742	(1,141,000)	(894,833)	(1,626,091)	28,371	707,091	735,462
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(660,006)</b>	<b>(886,000)</b>	<b>(894,833)</b>	<b>(2,440,839)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2018 / 2019						
	Adjustments between funding and accounting basis (see MiRS Note C1)				Adjustments between amounts chargeable to the General Fund and Management Reporting		
	Capital Adjs £	Pension Adjs £	Other Adjs £	Total adjs between funding and accounting £	Depreciation £	Other Segment Adjs. £	Total Management Reporting Adjustments £
<u>Joint Committee</u>							
Environmental and Regulatory Services	(26,125)	(137,538)	0	(163,663)	26,125	0	26,125
GO Shared Services	(17,690)	(267,299)	0	(284,989)	17,690	0	17,690
ICT, Change and Customer Services	(27,147)	(219,234)	0	(246,381)	27,147	0	27,147
Land, Legal and Property Services	(99,930)	(59,874)	0	(159,804)	99,930	0	99,930
Partnership MD and 2020 Programme Costs	(1,520)	(13,326)	0	(14,846)	1,520	0	1,520
Revenues and Housing Support Services	(30,283)	(144,781)	0	(175,064)	30,283	53,115	83,398
<u>Strategic Directors</u>							
Democratic Services	(15,850)	(84,767)	0	(100,617)	15,850	0	15,850
Environmental Services	(450,346)	(49,824)	0	(500,170)	316,559	0	316,559
Leisure and Communities Services	(579,968)	(63,701)	0	(643,669)	892,955	0	892,955
Planning and Strategic Housing Services	(46,282)	(333,533)	0	(379,815)	46,282	0	46,282
Other Retained Services	(92,408)	1,292,877	0	1,200,469	(1,504,438)	(50,824)	(1,555,262)
<b>Cost of Services</b>	<b>(1,387,549)</b>	<b>(81,000)</b>	<b>0</b>	<b>(1,468,549)</b>	<b>(30,097)</b>	<b>2,291</b>	<b>(27,806)</b>
Other Income and Expenditure	1,082,773	(1,059,000)	261,633	285,406	30,097	(2,291)	27,806
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(304,776)</b>	<b>(1,140,000)</b>	<b>261,633</b>	<b>(1,183,143)</b>	<b>0</b>	<b>0</b>	<b>0</b>



# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Capital Adjustments

This column adjusts for depreciation and impairment, revaluations gains and losses in service lines and for transfers of income / net value of assets written off on disposals in Other Operating Income and Expenditure. Taxation and Non Specific Grant Income is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Pension Adjustments

This column removes the impact of IAS19 Employee Benefits. For services, this is the removal of current or past service costs and replaces them with the actual employer pension contributions payable. In Financing and Investment Income and Expenditure, the net interest on the net defined benefit liability is removed.

## Other Adjustments

This adjustment represents the difference between the amounts chargeable under statutory regulations for Council Tax and Non Domestic Rates and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## B2. Expenditure and Income Analysed by Nature

	2018/19	2019/20
	£	£
<b>Expenditure</b>		
Employee benefits expenses	2,867,877	3,010,202
Publica Contract Charge	9,131,531	9,263,086
Housing Benefit & other transfer payments	15,970,175	13,971,454
Other service expenses	11,659,956	12,530,875
Depreciation, amortisation and impairment	1,507,348	1,641,427
Interest payments and similar expense	1,060,882	1,144,361
Precepts and Levies	2,960,269	3,173,229
Other expenditure	1,471,257	2,514,512
<b>Total Expenditure</b>	<b>46,629,295</b>	<b>47,249,146</b>
<b>Income</b>		
Fees, charges & other service income	(8,881,903)	(8,263,622)
Housing Benefit Subsidy	(15,568,936)	(13,738,038)
Other Government Grants	(7,050,108)	(8,154,368)
Income from Council Tax	(8,122,091)	(8,486,763)
Income from Non Domestic Rates	(2,325,204)	(1,554,999)
Non Government Grants & Contributions	(2,128,395)	(1,902,685)
Investment interest and similar income	(1,117,379)	(1,418,355)
Other income	(1,072,966)	(624,329)
<b>Total Income</b>	<b>(46,266,982)</b>	<b>(44,143,159)</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>362,313</b>	<b>3,105,987</b>

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### B3. Other Operating Income & Expenditure

	2018/19 £	2019/20 £
(Gains) / losses on disposal of non current assets	0	(32,709)
Unattached capital receipts	(1,072,967)	(591,620)
Town and Parish Council support grant	31,143	0
Town and Parish Council precepts	2,929,126	3,173,229
	<b>1,887,302</b>	<b>2,548,900</b>

### B4. Financing and Investment Income and Expenditure

	2018/19 £	2019/20 £
Interest payable and similar charges	1,882	3,361
Interest receivable and similar income	(515,149)	(667,274)
Changes in fair value of financial assets	198,594	1,144,396
Loss on de-recognition of financial assets	0	5,721
Movement in impairment allowance for doubtful debts	2,292	(3,165)
Movement in the fair value of investment property	214,400	441,020
Net investment property (income) / expenditure	(428,306)	59,973
Net interest on the net defined benefit pension liability	1,059,000	1,141,000
	<b>532,713</b>	<b>2,125,032</b>

### B5. Taxation and Non Specific Grant Income

	2018/19 £	2019/20 £
National Non Domestic Rates		
- Redistribution	(2,926,675)	(1,874,300)
- Safety Net Levy	249,323	593,143
- (Surplus) / Deficit	352,148	(273,842)
	<b>(2,325,204)</b>	<b>(1,554,999)</b>
Council Tax income	(8,122,091)	(8,486,763)
Non-ringfenced government grants	(5,594,637)	(6,510,776)
	<b>(16,041,932)</b>	<b>(16,552,538)</b>

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### B6. Members' Allowances

	2018/19 £	2019/20 £
Basic and Special Responsibility Allowances	207,437	283,675
Expenses	13,052	15,080
	<b>220,489</b>	<b>298,755</b>

### B7. External Audit Costs

The Council's appointed auditor is Grant Thornton LLP; the Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections.

	2018/19 £	2019/20 £
External audit services carried out by the appointed auditor	34,557	34,557
	<b>34,557</b>	<b>34,557</b>

Most disclosures within the Statement of Accounts give additional details about the amounts receivable and payable included in the core statements. The amounts for External Audit Costs are disclosed in accordance with annually agreed audit fee schedules.

In addition to the statutory audit fees shown above, the Council subscribes to Grant Thornton's 'CFO Insights' platform – an online tool containing financial, socio-economic and outcomes data from local authorities across the Country. The cost of this subscription was £7,500.

The Council has also paid £6,750 to KPMG in respect of grant claim certification.

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B8. Officer Remuneration

### Senior Officer Remuneration

The Council's senior employees are those with statutory responsibility:

<b>2019/2020</b>			
<b>Post</b>	<b>Salary, allowances &amp; other benefits £</b>	<b>Pension Contributions £</b>	<b>Total Remuneration £</b>
Chief Finance Officer <sup>1</sup>	79,130	12,846	91,976
Monitoring Officer <sup>2</sup>	84,490	12,865	97,355
Head of Paid Service	78,810	12,846	91,656
	<b>242,430</b>	<b>38,557</b>	<b>280,987</b>
<b>2018/2019</b>			
<b>Post</b>	<b>Salary, allowances &amp; other benefits £</b>	<b>Pension Contributions £</b>	<b>Total Remuneration £</b>
Chief Finance Officer <sup>1</sup>	77,265	12,749	90,014
Monitoring Officer <sup>2</sup>	82,259	11,877	94,136
Head of Paid Service	83,127	13,722	96,849
	<b>242,651</b>	<b>38,348</b>	<b>280,999</b>

<sup>1</sup> As required under s.151 of the Local Government Act 1972, the Council employs a Chief Financial Officer. These duties are undertaken by the Head of Finance who during 2019/20 was shared with West Oxfordshire District Council. The figures shown above represent the full salary, allowances and pension costs incurred by Cotswold District Council as the employing authority for the year.

<sup>2</sup> The statutory responsibility of Monitoring Officer is fulfilled by the Group Manager Legal Services; this post is shared with Forest of Dean and West Oxfordshire District Councils. The figures shown above represent the full salary, allowances and pension costs incurred by Cotswold District Council as the employing authority for the year.

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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### Other Officer Remuneration

The number of employees whose remuneration (excluding employers' contributions in respect of National Insurance Contributions and Superannuation Contributions) exceeded £50,000 during the year is listed in the table below. This table includes all officers (including Senior Officers) employed by the Council.

	2018/19	2019/20
	No. of Officers	No. of Officers
£50,000 to £54,999	1	1
£55,000 to £59,999	0	1
£70,000 to £74,999	1	0
£75,000 to £79,999	1	2
£80,000 to £84,999	1	1

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### B9. Grant Income

The following significant grants and contributions were credited to the Comprehensive Income and Expenditure Statement during the year.

	2018/19 £	2019/20 £
<u>Revenue grants credited to Cost of Services</u>		
Housing Benefit Subsidy	15,568,936	13,738,038
Housing Benefit Administration Subsidy	248,072	216,106
	<b>15,817,008</b>	<b>13,954,144</b>
<u>Grants credited to Taxation and Non Specific Grant Income</u>		
New Homes Bonus	3,205,113	3,254,793
Section 31 NNDR Compensation	2,381,421	2,610,572
Rural Services Delivery Grant	0	602,434
DCLG New Burdens	11,790	8,103
Other revenue grants	0	20,944
Other capital grants	0	13,930
	<b>5,598,324</b>	<b>6,510,776</b>
<u>Capital grants credited to Cost of Services in the Comprehensive Income and Expenditure Statement</u>		
Better Care Fund (Disabled Facilities Grants)	785,201	749,593
S.106 Receipts	483,572	381,178
Other capital grants	362,763	56,339
	<b>1,631,536</b>	<b>1,187,110</b>

The Authority has received a number of grants and contributions and donations that have yet to be recognised as income, as they have conditions attached to them that will require the grant to be returned, should the conditions not be fulfilled. The balances at 31<sup>st</sup> March are as follows:

	2018/19 £	2019/20 £
Environment Agency Grant [for specific Land drainage works]	(48,425)	(48,425)
Flood Defence Grants	(43,780)	(33,780)
SHI Loans	(47,680)	(47,680)
Better Care Fund (Disabled Facilities Grants)	(126,939)	(103,839)
Other Grants Receipts in Advance	(3,059)	(3,059)
	<b>(269,883)</b>	<b>(236,783)</b>

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B10. Termination Benefits

### Redundancy and Compensation

The Council has not made any severance payments in respect of redundancy or compensation for loss of office during the year or in the previous financial year.

### Pension Strain

In 2018/19, £22,932 was charged to services in the Comprehensive Income and Expenditure Statement in respect of pension strain costs. Any additional contributions (strain contributions and augmentation contributions) that are due to be paid in the year by the Council, under any agreement with the pension fund, are recognised immediately as an expense. There were no costs of this nature incurred in this financial year.

The total amounts charged and accrued for in the Comprehensive Income & Expenditure Statement were as follows:

	2018/19		2019/20	
	No. of packages	£	No. of packages	£
Severance Payments		0		0
Pension Strain Costs		22,932		0
	<b>1</b>	<b>22,932</b>	<b>0</b>	<b>0</b>

### Exit Packages

The total costs shown above reflects the value of the exit packages which have been agreed, accrued and provided for and charged to the Council's Comprehensive Income and Expenditure Statement for the current year.

The total number and value of the exit packages, grouped into bands of £20,000 up to £100,000 and bands of £50,000 thereafter, are as follows:

	2018/19		2019/20	
	No. of packages	£	No. of packages	£
£0 - £20,000	0	0	0	0
£20,001 - £40,000	1	22,932	0	0
	<b>1</b>	<b>22,932</b>	<b>0</b>	<b>0</b>

# NOTES TO THE MOVEMENT IN RESERVES STATEMENT

## C1. Adjustments Between Accounting Basis and Funding Basis Under Regulations

	2019/2020			
	General Fund - Unallocated	General Fund - Earmarked	Capital Receipts Reserve	Capital Grants Unapplied
	£	£	£	£
<b>Capital Adjustments</b>				
<u>Reversal of entries included in the CI&amp;ES relating to Capital Expenditure</u>				
Charges for depreciation, amortisation and impairment	(1,641,427)			
Revaluation losses on Property, Plant and Equipment	(108,550)			
Movements in the fair value of Investment Properties	(441,020)			
Capital Grants and Contributions applied	1,480,613			
Revenue Expenditure funded from Capital Under Statute	(814,826)			
Non current assets written off on disposal or sale	(2,891,355)			
<u>Adjustments between Capital &amp; Revenue Resources</u>				
Transfer of cash sale proceeds from disposal of non current assets	2,891,355			
Capital expenditure charged against General Fund Balance	273,585	266,738		
Unattached Capital Receipts	591,620		(591,620)	
<u>Adjustments to Capital Resources</u>				
Use of capital receipts reserve to finance new capital expenditure			5,678,622	
Transfer from Deferred Capital Receipts on receipt of cash				(13,930)
Write down of long term debtor on receipt of loan principal			(423,941)	
Increase of long term debtor on advance of new loan principal			0	
<b>Financial Instrument Adjustments</b>				
Reversal of changes in fair value on Pooled Investment Funds	(1,144,396)			
Reversal of gains / losses to Pooled Investment Fund Adjustment Account on derecognition	994			
<b>Pension Adjustments</b>				
Pension costs transferred to / (from) the Pensions Reserve	(886,000)			
<b>Other Adjustments</b>				
Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account	248,568			
	<b>(2,440,839)</b>	<b>266,738</b>	<b>4,663,061</b>	<b>(13,930)</b>



## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

	2018/2019			
	General Fund - Unallocated	General Fund - Earmarked	Capital Receipts Reserve	Capital Grants Unapplied
	£	£	£	£
<b>Capital Adjustments</b>				
<u>Reversal of entries included in the CI&amp;ES relating to Capital Expenditure</u>				
Charges for depreciation, amortisation and impairment	(1,507,348)			
Revaluation losses on Property, Plant and Equipment	(223,287)			
Movements in the fair value of Investment Properties	(214,400)			
Capital Grants and Contributions applied	1,147,962			
Revenue Expenditure funded from Capital Under Statute	(834,976)			
Non current assets written off on disposal or sale	(9,134)			
<u>Adjustments between Capital &amp; Revenue Resources</u>				
Transfer of cash sale proceeds from disposal of non current assets	9,134			
Capital expenditure charged against General Fund Balance	254,306	50,000		
Unattached Capital Receipts	1,072,967		(1,072,967)	
<u>Adjustments to Capital Resources</u>				
Use of capital receipts reserve to finance new capital expenditure			(921,525)	
Transfer from Deferred Capital Receipts on receipt of cash			(390,919)	
Write down of long term debtor on receipt of loan principal			(1,250)	
Increase of long term debtor on advance of new loan principal			78,000	
<b>Financial Instrument Adjustments</b>				
Reversal of changes in fair value on Pooled Investment Funds	(198,594)			
<b>Pension Adjustments</b>				
Pension costs transferred to / (from) the Pensions Reserve	(1,140,000)			
<b>Other Adjustments</b>				
Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account	460,227			
	<b>(1,183,143)</b>	<b>50,000</b>	<b>(2,308,661)</b>	<b>0</b>

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### C2. Usable Reserves

#### Earmarked Reserves

The Council's General Fund comprises an unallocated element, used to meet day-to-day spending and 'Earmarked Reserves' – amounts set aside to provide financing for future specific expenditure or projects.

Movements in 'Earmarked Reserves' during the year are shown below:

	Balance 1 April 2019 £	Transfers Out £	Transfers in £	Balance 31 in March 2020 £
Council Priorities Fund	(3,918,462)	1,619,195	(1,745,577)	<b>(4,044,844)</b>
Community-Led Housing	(882,272)	25,173	0	<b>(857,099)</b>
Business Rates Smoothing reserve	(655,465)	129,504	(62,138)	<b>(588,099)</b>
Other earmarked reserves	(2,852,375)	817,367	(286,528)	<b>(2,321,536)</b>
	<b>(8,308,574)</b>	<b>2,591,239</b>	<b>(2,094,243)</b>	<b>(7,811,578)</b>

### C3. Unusable Reserves

#### Summary of Unusable Reserves

	2018/19 £	2019/20 £
Revaluation Reserve	(42,921,262)	(43,442,551)
Capital Adjustment Account	(29,214,063)	(31,697,911)
Pension Reserve	47,541,000	40,047,000
Deferred Capital Receipts Reserve	(1,928,726)	(4,396,140)
Collection Fund Adjustment Account	901,162	652,594
Pooled Investment Fund Adjustment Account	198,594	1,341,996
Financial Instruments Revaluation Reserve	0	20,000
	<b>(25,423,295)</b>	<b>(37,475,012)</b>

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

	2018/19 £	2019/20 £
Opening Balance - 1 April	(32,970,191)	(42,921,262)
Upward revaluation of assets	(11,213,384)	(4,007,539)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	753,396	2,790,852
Other amounts written off to Capital Adjustment Account	0	50,419
<i>Surplus / deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services</i>	<i>(10,459,988)</i>	<i>(1,166,268)</i>
Difference between fair value and historic cost depreciation	508,917	644,979
<i>Amount written off to the Capital Adjustment Account</i>	<i>508,917</i>	<i>644,979</i>
<b>Closing Balance - 31 March</b>	<b>(42,921,262)</b>	<b>(43,442,551)</b>

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007 [the date at which the Revaluation Reserve was created to hold such gains].

	2018/19 £	2019/20 £
Opening Balance - 1 April	(30,963,548)	(29,214,063)
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Charges for depreciation of non current assets	1,507,348	1,641,427
Revaluation losses on Property, Plant and Equipment	223,287	108,550
Revenue expenditure funded from capital under statute	834,976	814,826
Amounts of non-current assets written off on disposal or sale	9,134	2,891,355
	<u>2,574,745</u>	<u>5,456,158</u>
<u>Adjusting amounts written out of the Revaluation Reserve</u>		
Historical cost depreciation adjustment	(508,917)	(644,979)
Other amounts written off	0	(50,419)
	<u>(508,917)</u>	<u>(695,398)</u>
<b>Net written out amount of the cost of non current assets consumed in</b>	<b>2,065,828</b>	<b>4,760,760</b>
<u>Capital financing applied in year</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	921,525	(5,678,622)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,147,962)	(1,466,683)
Use of General Fund Earmarked Reserves applied to capital financing	(50,000)	(266,738)
Capital expenditure charged against the General Fund Balance	(254,306)	(273,585)
	<u>(530,743)</u>	<u>(7,685,628)</u>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	214,400	441,020
<b>Closing Balance - 31 March</b>	<b><u>(29,214,063)</u></b>	<b><u>(31,697,911)</u></b>

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or pays any pensions for which it is directly responsible. The negative balance on the Pensions Reserve represents a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2018/19	2019/20
	£	£
Opening Balance - 1 April	39,189,000	47,541,000
Return on plan assets	(1,633,000)	8,035,000
Remeasurement of the net defined benefit liability	8,845,000	(16,415,000)
Reversal of items debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement	4,071,000	3,877,000
Employers' pension contributions	(2,931,000)	(2,991,000)
<b>Closing Balance - 31 March</b>	<b>47,541,000</b>	<b>40,047,000</b>

### Deferred Capital Receipts Reserve

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

	2018/19	2019/20
	£	£
Mortgages on sales of Council Houses	(31,500)	(31,500)
Loans Issued - CHYP	(80,008)	(80,008)
Principal amounts on finance leases	(1,454,791)	(3,941,774)
Other deferred receipts	(362,427)	(342,858)
	<b>(1,928,726)</b>	<b>(4,396,140)</b>

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### Collection Fund Adjustment Account

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

	Balance 1 April 2019 £	Transfers Out £	Transfers in £	Balance 31 March 2020 £
Amounts by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements:				
Council Tax	(84,444)	157,541	0	<b>73,097</b>
NNDR	991,444	0	(403,346)	<b>588,098</b>
NNDR - Renewal Energy Scheme	(5,838)	5,838	(8,601)	<b>(8,601)</b>
	<b>901,162</b>	<b>163,379</b>	<b>(411,947)</b>	<b>652,594</b>

### Pooled Investment Fund Adjustment Account

The pooled investment fund adjustment account was created on 1<sup>st</sup> April 2018 on transition to IFRS9. It is used solely for the purpose of recognising fair value gains and losses on the Council's pooled investment funds under statutory provisions.

	2018/19 £	2019/20 £
Opening Balance - 1 April	0	198,594
Changes in fair value of Pooled Investment Funds	198,594	1,144,396
Accumulated gains / (losses) written out on derecognition	0	(994)
<b>Closing Balance - 31 March</b>	<b>198,594</b>	<b>1,341,996</b>

### Financial Instruments Revaluation Reserve

The financial instruments revaluation reserve contains the gains and losses arising from changes in the fair value of its investments that are measured at fair value through other comprehensive income.

	2018/19 £	2019/20 £
Opening Balance - 1 April	0	0
Changes in fair value of financial assets elected to FV through Other Comprehensive Income	0	20,000
<b>Closing Balance - 31 March</b>	<b>0</b>	<b>20,000</b>



## NOTES TO THE BALANCE SHEET

### D1. Property, Plant and Equipment

Movements in 2019/20	Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Con- struction £	TOTAL P,P&E £
<b>Asset Cost or Valuation</b>						
Asset values at 1 April 2019	59,520,577	1,915,937	200	6,566,707	460,859	<b>68,464,280</b>
Additions	0	3,515,309	0	0	1,148,890	4,664,199
Revaluation increases / (decreases)	2,213,451	0	0	(2,249,604)	0	(36,153)
Derecognition - disposals	0	(3,120,186)	0	0	0	(3,120,186)
Transfers and reclassifications	500,000	0	1	(500,001)	0	0
Other Movements	0	0	0	0	0	0
<b>Asset values at 31 March 2020</b>	<b>62,234,028</b>	<b>2,311,060</b>	<b>201</b>	<b>3,817,102</b>	<b>1,609,749</b>	<b>69,972,140</b>
<b>Depreciation</b>						
Accumulated depreciation at 1 April 2019	(263,986)	(1,145,972)	0	0	0	<b>(1,409,958)</b>
Depreciation charge for the year	(1,215,391)	(333,408)	0	(27,074)	0	(1,575,873)
Depreciation written out on revaluation	1,129,716	0	0	14,574	0	1,144,290
Derecognition - disposals	0	228,830	0	0	0	228,830
Transfers and reclassifications	(12,500)	0	0	12,500	0	0
Other movements	0	0	0	0	0	0
<b>Accumulated depreciation at 31 March 2020</b>	<b>(362,161)</b>	<b>(1,250,550)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,612,711)</b>
<b>Net Book Value of Assets</b>						
1st April 2019	59,256,591	769,965	200	6,566,707	460,859	67,054,322
31st March 2020	<b>61,871,867</b>	<b>1,060,510</b>	<b>201</b>	<b>3,817,102</b>	<b>1,609,749</b>	<b>68,359,429</b>



## NOTES TO THE BALANCE SHEET

Movements in 2018/19	Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Construction £	TOTAL P,P&E £
<b>Asset Cost or Valuation</b>						
Asset values at 1 April 2018	50,623,908	1,879,985	11,380	6,295,051	48,096	<b>58,858,420</b>
Additions	0	353,671	0	0	412,763	766,434
Revaluation increases / (decreases)	8,896,669	0	0	260,476	0	9,157,145
Derecognition - disposals	0	(317,719)	0	0	0	(317,719)
Transfers and reclassifications	0	0	(11,180)	11,180	0	0
Other movements	0	0	0	0	0	0
<b>Asset values at 31 March 2019</b>	<b>59,520,577</b>	<b>1,915,937</b>	<b>200</b>	<b>6,566,707</b>	<b>460,859</b>	<b>68,464,280</b>
<b>Depreciation</b>						
Accumulated depreciation at 1 April 2018	(230,209)	(1,129,263)	0	0	0	<b>(1,359,472)</b>
Depreciation charge for the year	(1,084,533)	(325,294)	0	(28,800)	0	(1,438,627)
Depreciation written out on revaluation	1,050,756	0	0	28,800	0	1,079,556
Derecognition - disposals	0	308,585	0	0	0	308,585
Other movements	0	0	0	0	0	0
<b>Accumulated depreciation at 31 March 2019</b>	<b>(263,986)</b>	<b>(1,145,972)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,409,958)</b>
<b>Net Book Value of Assets</b>						
1st April 2018	50,393,699	750,722	11,380	6,295,051	48,096	57,498,948
31st March 2019	<b>59,256,591</b>	<b>769,965</b>	<b>200</b>	<b>6,566,707</b>	<b>460,859</b>	<b>67,054,322</b>

## NOTES TO THE BALANCE SHEET

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### Asset valuation, amortisation and depreciation

Service areas are charged depreciation to represent the real cost of holding and using non-current assets. The value of an asset (less any residual value) will be written-down on a straight-line basis over the useful economic life of the asset. The following useful lives have been used in the calculation of depreciation and amortisation:

- Operational buildings: 40 years; less any residual land value  
\*except Car Parks depreciable value - depreciated over 20-years.
- Non-operation buildings (surplus assets): 40 years; less any residual land value.
- Freehold land is not depreciated.
- Surplus assets will have lives based upon the type of asset – e.g. Buildings 30 to 60 years, land indefinite lifespans. Useful economic lives will be agreed with the valuer.
- Vehicles, plant, furniture and equipment: 4 years
- Intangible ICT licences/software: 4 years

\* The 40-year life applied to operational buildings excludes the car park asset class. Land values for car parks are not depreciated. The remaining value of equipment and parking surface is depreciated over a 20-year period, rather than the 40-year period for other operational assets. This better represents the expected life of a car park.

The gross costs of an asset is treated as the asset purchase price (or cost of construction) until the asset is formally revalued.

### Capital Commitments (Assets Under Construction)

The Council has committed to a capital redesign and refurbishment programme at the Corinium Museum with contractual commitments of £1,650,032. As at 31 March 2020, a total of £1,609,749 has been spent, including variations and extension of time fees arising from delays in construction due to unforeseen circumstances. The total cost to date is shown in the Balance Sheet as Assets Under Construction. The programme is 51.4% funded from the Heritage Lottery Fund.

### Effects of changes in estimates

The Council has not made any changes in its accounting estimates in either the life or depreciation methods of assets during the year.

### Revaluations

The 2019/20 the revaluations and impairment review was undertaken by Mr. D. Thurlow BSc (Hons) MRICS, of Publica Group (Support) Limited and the Council's Operational Buildings by valuers at Carter Jonas Property Consultants. Valuations were undertaken in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors and the Code of Practice on Local Authority Accounting in the United Kingdom.

Assets are valued as part of a rolling programme of revaluations. All assets are valued at least every 3-years with annual valuations for all assets classified as investment properties or those assets that are deemed to have materially changed in value.

As part of their work the valuers were given full access to the Council's assets, property records and previous valuation data.

In estimating asset values it has been assumed that:

- The capacity of utility services [electricity, gas, water, mains drainage] are adequate for the future use of the properties
- All assets have planning consent for their existing uses
- Tenancies are not subject to any unusual or onerous restrictions
- No contamination exists in relation to property assets [land and buildings] sufficient enough to affect value.

## NOTES TO THE BALANCE SHEET

The Council's surplus assets have been reviewed and measured at fair value based upon 'highest and best use'. The surplus assets that the Council owns represent primarily land or building assets. Within the fair-value hierarchy, the Council's Surplus Assets are deemed as 'level 2' category. The Surplus Asset valuations were undertaken by Mr. D. Thurlow (Hons) MRICS, of Publica Group (Support) Limited.

The Code requires that assets are formally revalued at least every 5-years. The Council does this on a rolling programme to ensure all assets are remain materially correct, with assets often revalued more frequently where there is evidence that values have changed. The table below summarises the valuations undertaken, by year:

	Other Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Construction £	TOTAL £
Carried at [depreciated] Historical Cost	0	1,060,510	201	0	1,609,749	<b>2,670,460</b>
Valued at Current Value as at 31st March:						
2015/16	0	0	0	500	0	<b>500</b>
2016/17	22,442	0	0	0	0	<b>22,442</b>
2017/18	438,749	0	0	129,150	0	<b>567,899</b>
2018/19	25,506,581	0	0	1,042,501	0	<b>26,549,082</b>
2019/20	35,904,095	0	0	2,644,951	0	<b>38,549,046</b>
	<b>61,871,867</b>	<b>1,060,510</b>	<b>201</b>	<b>3,817,102</b>	<b>1,609,749</b>	<b>68,359,429</b>

### D2. Investment Properties

The following amounts have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2018/19 £	2019/20 £
Rental income	(602,230)	(751,082)
Direct operating expenses	173,924	<b>811,055</b>
Net (gains) / losses from fair value adjustments	214,400	441,020
	<b>(213,906)</b>	<b>500,993</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The 2019/20 valuations were undertaken by Carter Jonas Chartered Surveyors, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, as outlined in Note D1 above.

## NOTES TO THE BALANCE SHEET

Under the CIPFA Code the Council's investment properties are classified as 'level 2' within the fair-value hierarchy. The assets have been suitably valued, based upon current market conditions, sale prices for similar assets, or contractual income for the properties. These observable inputs have been used to classify the assets accordingly. There have been no movements between categories within the hierarchy during the year.

The following table summarises the movement in the fair value of investment properties over the year:

	2018/19 £	2019/20 £
Opening Balance - 1 April	5,043,400	4,829,000
Additions	0	2,183,020
Net gains / (losses) from fair value adjustments	(214,400)	(441,020)
<b>Closing Balance - 31 March</b>	<b>4,829,000</b>	<b>6,571,000</b>

### D3. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased software only, as the Authority has no internally generated software.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to all software assets used by the Authority are 4 years.

#### Movements in Intangible Assets

	2018/19 £	2019/20 £
<b><u>Asset Cost or Valuation</u></b>		
Asset values at 1 April	383,930	329,431
Additions	39,440	0
Derecognition	(93,939)	(33,800)
<b>Asset values at 31 March</b>	<b>329,431</b>	<b>295,631</b>
<b><u>Amortisation</u></b>		
Accumulated Amortisation at 1 April	(213,162)	(187,944)
Amortisation charge for the year	(68,721)	(65,555)
Derecognition	93,939	33,800
<b>Accumulated Amortisation at 31 March</b>	<b>(187,944)</b>	<b>(219,699)</b>
<b>Net carrying amount at 31 March</b>	<b>141,487</b>	<b>75,932</b>

Intangible assets represent the Authority's purchase of software and software licences. The Income and Expenditure Account is charged with the purchase cost of this software on a straight-line basis, over the life of the asset (4 years).

When software is fully amortised and deemed to be no longer providing benefit to the Authority the software cost and accumulated amortisation balances are derecognised and removed from the balance sheet.

## NOTES TO THE BALANCE SHEET

### D4. Non-Current Debtors

	31 March 2019 £	31 March 2020 £
Starter Home Initiative	70,470	45,235
Council Mortgages & Housing Act Advances	31,500	31,500
Charities	80,008	80,008
Housing Improvement Loans	54,085	54,085
Housing Strategy Loans	11,692	11,692
Employee Car Loans	50,211	40,367
Loan to 'Friends of the Cotswolds'	362,427	342,857
Finance Leases - principal outstanding	1,182,107	3,365,633
	<b>1,842,500</b>	<b>3,971,377</b>

### D5. Debtors

	2018/19 £	2019/20 £
Government Departments	1,669,771	1,451,084
Other Local Authorities	296,727	1,714,725
Collection Fund debtors (CDC Share)	795,658	737,590
Housing Benefit recovery	784,456	785,421
Sundry Debtors	1,194,249	891,828
Finance Leases - principal outstanding	272,684	576,141
Other Debtors	833,498	736,160
Bromford Housing Association RTB receipts	375,736	546,870
Prepayments	444,876	396,131
	<b>6,667,655</b>	<b>7,835,950</b>
Less impairment allowance for doubtful debts:		
Council Tax / NNDR payers (CDC share)	(258,912)	(200,604)
Housing Benefit recovery	(784,456)	(785,421)
Sundry Debtors	(454,023)	(450,858)
	<b>5,170,264</b>	<b>6,399,067</b>

## NOTES TO THE BALANCE SHEET

### D6. Creditors

	2018/19 £	2019/20 £
Government Departments	(1,116,748)	(1,538,790)
Other Local Authorities	(3,101,940)	(936,350)
Collection Fund creditors (CDC Share)	(522,051)	(367,835)
Sundry Creditors	(281,913)	(40,994)
Finance Leases - principal outstanding	(23,741)	(23,585)
Other Creditors	(1,015,005)	(1,051,710)
Receipts in advance:		
- Council Tax / NNDR payers	(176,945)	(69,905)
- Sundry Creditors	(173,873)	(2,774,541)
	<u>(6,412,216)</u>	<u>(6,803,710)</u>
S106 Balances	(1,885,901)	(2,178,811)
	<b><u>(8,298,117)</u></b>	<b><u>(8,982,521)</u></b>

### D7. Provisions

	Opening Provision 1 April £	New provisions in-year £	Use of provisions £	Provisions returned to revenue £	Closing Provision 31 March £
Business Rates (NDR) Appeals	(2,063,795)	0	222,441	789,040	<b>(1,052,314)</b>
	<b><u>(2,063,795)</u></b>	<b>0</b>	<b>222,441</b>	<b>789,040</b>	<b><u>(1,052,314)</u></b>

#### Business Rates (NNDR) appeals

This provision is held in relation to outstanding appeals against property valuations lodged with the Valuation Office. A significant level of risk remains due to the volume of outstanding appeals against the 2010 valuation list and the 2017 list came into effect in April 2017 together with a Check, Challenge and Appeal process, replacing the former appeals process.

## NOTES TO THE BALANCE SHEET

### D8. Capital Expenditure and Financing

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

The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to finance spend (or borrow during the year ) to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

	2018/19 £	2019/20 £
<b>Opening Capital Financing Requirement</b>	<b>0</b>	<b>32,107</b>
<b>Capital investment in the year</b>		
Property, Plant & Equipment	766,434	0
Intangible Assets	39,440	0
Revenue Expenditure Funded from Capital under Statute	834,976	0
	<u>1,640,850</u>	<u>0</u>
<b>Sources of finance</b>		
Capital Receipts	156,475	0
Better Care Funding/Disabled Facilities Grants	785,201	0
Other grants & external funding	362,761	0
Earmarked Reserves	50,000	0
Direct Revenue Contributions	254,306	0
	<u>1,608,743</u>	<u>0</u>
<b>Net increase / (decrease) in Capital Financing Requirement</b>	<b>32,107</b>	<b>0</b>
<b>Closing Capital Financing Requirement</b>	<b>32,107</b>	<b>32,107</b>

The increase in Capital Financing Requirement in 2018/19 represents assets acquired under a finance-lease arrangement. The assets will be financed as part of a leasing charge over the coming 5-year period.

### E1. Defined Benefit Pension Scheme

#### Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Cotswold District Council is a member of the Gloucestershire County Council Pension Fund, for which Gloucestershire County Council is the administering authority. The scheme is a defined benefit statutory scheme that is administered in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). It is contracted out of the State Second Pension.

#### Publica Group (Support) Limited

On 1<sup>st</sup> November 2017 the Council transferred the majority of its staff under TUPE legislation to Publica Group (Support) Limited, a wholly owned local authority company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council. The pension fund disclosure notes on the following pages include the staff transferred to Publica. All staff are pooled (counted as one scheme by the pension fund) as the Council continues to underwrite the pension liabilities on the whole scheme.

#### Adjustments resulting from the 'McCloud' Court of Appeal case

In December 2018 the Court of Appeal upheld a ruling that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.

In June 2019 the Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case was remitted back to the Employment Tribunal to determine a remedy to members who suffered discrimination. In an announcement made on 15 July 2019, the Government confirmed that, as transitional protection was offered to members of all the main public service pension schemes, the government intends to address the difference in treatment across all schemes. Consideration is now being given to the best way to implement this decision as part of the Court process.

The legal ruling around age discrimination (McCloud – Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits. Estimates within these accounts take account of the actuary's best estimate of pension liabilities at the balance sheet date.

The figures for 31 March 2020 include the effect of the McCloud judgement.



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Council makes to council tax is based upon the actual cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement (MiRS).

Contributions payable include amounts payable by Publica Group (Support) Limited as the underlying pension liability for these staff remains with the Council.

The following transactions have been charged to the Comprehensive Income & Expenditure account and General Fund Balance during the year:

	2018/19 £	2019/20 £
<b>Comprehensive Income &amp; Expenditure Statement</b>		
<i>Cost of Services:</i>		
Current Service Cost	2,623,000	2,736,000
Past Service Cost	389,000	0
<i>Financing and Investment Income &amp; Expenditure:</i>		
Net Interest Expense	1,059,000	1,141,000
<b>Net Charge to Surplus or Deficit on Provision of Services</b>	<b>4,071,000</b>	<b>3,877,000</b>
<i>Other post employment benefit charged to Comprehensive Income &amp; Expenditure Statement</i>		
Remeasurment of the net defined benefit liability comprising:		
Return on Plan Assets	(1,633,000)	8,035,000
Actuarial (gains) / losses arising on changes in financial assumptions	8,765,000	(9,554,000)
Actuarial (gains) / losses arising on changes in demographic assumptions	0	(4,018,000)
Experience (gains) / losses	80,000	(2,843,000)
	7,212,000	(8,380,000)
<b>Total post employment benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>11,283,000</b>	<b>(4,503,000)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	<b>(4,071,000)</b>	<b>(3,877,000)</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employers' contributions payable to the scheme	<b>2,931,000</b>	<b>2,991,000</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Pension Assets and Liabilities recognised in the Balance Sheet

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

	2018/19 £	2019/20 £
Present value of the defined benefit obligation - funded	(118,978,000)	(105,707,000)
Present value of unfunded obligations	(2,920,000)	(2,549,000)
Fair Value of Plan Assets	74,357,000	68,209,000
<b>Net liability arising from defined benefit obligation</b>	<b>(47,541,000)</b>	<b>(40,047,000)</b>

### Reconciliation of Movements in the Fair Value of Scheme (Plan) Assets

	2018/19 £	2019/20 £
Opening Fair Value of Scheme Assets	70,426,000	74,357,000
Interest Income	1,905,000	1,789,000
Remeasurement Gains / (Losses)	1,633,000	(8,035,000)
Employers' Contributions	2,796,000	2,853,000
Employee Contributions	440,000	418,000
Contributions in respect of unfunded benefits	135,000	138,000
Benefits Paid	(2,843,000)	(3,173,000)
Unfunded Benefits Paid	(135,000)	(138,000)
<b>Closing Balance 31 March</b>	<b>74,357,000</b>	<b>68,209,000</b>

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2018/19 £	2019/20 £
Opening Balance 1 April	(109,615,000)	(121,898,000)
Current Service Cost	(2,623,000)	(2,736,000)
Interest Cost	(2,964,000)	(2,930,000)
Contributions from Scheme Participants	(440,000)	(418,000)
Past Service Cost	(389,000)	0
Remeasurement Gains / (Losses)	(8,845,000)	16,415,000
Benefits Paid	2,843,000	3,173,000
Unfunded Benefits Paid	135,000	138,000
<b>Closing Balance 31 March</b>	<b>(121,898,000)</b>	<b>(108,256,000)</b>
	Funded	(118,978,000)
	Unfunded	(2,920,000)
		<b>(105,707,000)</b>
		<b>(2,549,000)</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Composition Of Scheme Assets

	2018/2019				2019/2020			
	Quoted £000	Unquoted £000	Total £000	%	Quoted £000	Unquoted £000	Total £000	%
<b>Debt Securities</b>								
Corporate Bonds (investment grade)	7,596.3	0.0	7,596.3	10%	7,578.3	0.0	7,578.3	11%
Corporate Bonds (non investment grade)	316.5	0.0	316.5	0%	163.0	0.0	163.0	0%
UK Government	2,340.8	0.0	2,340.8	3%	1,250.7	0.0	1,250.7	2%
Other	0.0	0.0	0.0	0%	188.5	0.0	188.5	0%
<b>Private Equity</b>								
All	0.0	164.1	164.1	0%	0.0	225.0	225.0	0%
<b>Real Estate</b>								
UK Property	4,715.3	1,582.4	6,297.7	8%	3,783.5	1,209.6	4,993.1	7%
Overseas Property	0.0	459.5	459.5	1%	0.0	351.5	351.5	1%
<b>Investment Funds and Unit Trusts</b>								
Equities	4,484.4	41,777.2	46,261.6	62%	0.0	43,321.1	43,321.1	64%
Bonds	5,943.1	0.0	5,943.1	8%	5,388.7	0.0	5,388.7	8%
Infrastructure	0.0	0.0	0.0	0%	0.0	137.1	137.1	0%
Other	0.0	3,619.0	3,619.0	5%	0.0	3,802.9	3,802.9	6%
<b>Derivatives</b>								
Foreign Exchange	-17.6	0.0	-17.6	0%	14.6	0.0	14.6	0%
Other	7.5	0.0	7.5	0%	7.0	0.0	7.0	0%
<b>Cash and Cash Equivalents</b>								
All	1,368.5	0.0	1,368.5	2%	787.5	0.0	787.5	1%
	<b>26,754.8</b>	<b>47,602.2</b>	<b>74,357.0</b>	<b>100%</b>	<b>19,161.8</b>	<b>49,047.2</b>	<b>68,209.0</b>	<b>100%</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Basis for estimating assets and liabilities

An estimate of the pensions that will be payable in future years is dependent on a number of assumptions about mortality rates, salary levels, etc. The scheme's actuary [Hymans Robertson LLP] has used the following principal assumptions:

<b>Mortality Assumptions (average future life expectancy - years)</b>	<b>Males</b>	<b>Females</b>
Current Pensioners	21.7	23.9
Future Pensioners (those aged 45 at March 2016)	22.4	25.3
<b>Financial Assumptions</b>	<b>2018/19</b>	<b>2019/20</b>
Rate of increase in pensions	2.5%	1.9%
Rate of increase in salaries	2.8%	2.2%
Discount Rate	2.4%	2.3%

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. for women and men.

Included in the assumptions is an allowance for future retirements to elect to take 35% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 68% of the maximum tax-free cash for post-April 2008 service.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. In accounting for the Pension Fund, the actuary applies a number of assumptions in measuring the scheme liabilities. Sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	<b>Approx. increase in liability</b>	
	<b>%</b>	<b>£</b>
0.5% decrease in Real Discount Rate	9%	9,520,000
0.5% increase in salary increase rate	1%	931,000
0.5% increase in pension increase rate	8%	8,510,000

The estimated employer's contributions for the year to 31<sup>st</sup> March 2021 will be approximately £6,128,000.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E2. Financial Instruments

#### Categories of Financial Instruments

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

2018/2019			2019/2020	
Non-Current	Current		Non-Current	Current
£	£		£	£
		<b>Financial Assets at Amortised Cost</b>		
2,000,000	11,042,894	Investments	0	8,030,717
1	0	Ubico Shareholding	1	0
0	2,010,253	Cash and cash equivalents	0	97,439
660,406	2,246,187	Debtors	605,757	3,438,725
1,182,094	272,684	Finance Leases	3,365,620	576,141
<b>3,842,501</b>	<b>15,572,018</b>		<b>3,971,378</b>	<b>12,143,022</b>
		<b>Fair Value through Profit or Loss</b>		
10,300,526	2,146,912	Investments	9,143,767	1,145,097
0	5,001,657	Cash and cash equivalents	0	5,591,145
<b>10,300,526</b>	<b>7,148,569</b>		<b>9,143,767</b>	<b>6,736,242</b>
		<b>Fair Value through Other Comprehensive Income</b>		
0	0	Designated Equity Instruments	980,000	0
<b>14,143,027</b>	<b>22,720,587</b>	<b>Total Financial Assets</b>	<b>14,095,145</b>	<b>18,879,264</b>
		<b>Financial Liabilities at Amortised Cost</b>		
0	0	Cash and cash equivalents	0	(231,393)
0	(1,979,638)	Creditors	0	(1,818,298)
(86,365)	(23,741)	Finance Leases	(62,936)	(23,585)
<b>(86,365)</b>	<b>(2,003,379)</b>	<b>Total Financial Liabilities</b>	<b>(62,936)</b>	<b>(2,073,276)</b>

The following table reconciles the totals shown on the Balance Sheet and the values above:

	Non Current	Current	
	Debtors	Debtors	Creditors
	£	£	£
Total on Balance Sheet	3,971,377	6,399,067	(6,803,710)
Finance Leases (shown separately)	(3,365,620)	(576,141)	23,585
<u>Items not classified as Financial Instruments:</u>			
Statutory & Government Debtors / Creditors	0	(1,988,070)	2,117,381
Payments / Receipts in Advance	0	(396,131)	2,844,446
<b>Total Debtors / Creditors (as above)</b>	<b>605,757</b>	<b>3,438,725</b>	<b>(1,818,298)</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

2018/2019				2019/2020			
Financial Assets			Financial Liabilities	Financial Assets			Financial Liabilities
Amortised Cost	Fair Value through P&L	Fair Value through OCI	Amortised Cost	Amortised Cost	Fair Value through P&L	Fair Value through OCI	Amortised Cost
£	£	£	£	£	£	£	£
				<b><u>Financing &amp; Investment Income and Expenditure</u></b>			
(133,969)	(324,526)	0		(171,336)	(498,407)	0	
2,292				15,357			
	198,594				1,144,396		
0	0	0		0	5,721	0	
			658				3,361
			0				0
				<b><u>Other Comprehensive Income</u></b>			
		0				20,000	
(131,677)	(125,932)	0	658	(155,979)	651,710	20,000	3,361
				<b>Net (Gains) / Losses for the Year</b>			

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Fair Values of Financial Assets and Financial Liabilities

Fair Value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

The Code sets out the fair value valuation hierarchy that local authorities are required to follow to increase consistency and comparability in fair value measurements and disclosures: Level 1 assets are valued based upon ‘quoted prices in active markets for identical assets’ where such assets exist. Level 2 is based upon inputs other than quoted prices within level 1 that are observable. Level 3 represents all other unobservable inputs which can be used to estimate the fair value of the assets.

The following table describes the Council’s financial assets measured at fair value:

	Input level	As at 31/03/2020 £
<u>Fair Value through Profit or Loss</u>		
Money Market Funds	Level 1	5,591,145
Pooled Investment Funds	Level 1	10,288,864
		<b>15,880,009</b>

Fair values for those financial assets deemed to be categorised as Level 1 have been derived from unadjusted quoted prices in active markets.

Except for the financial assets carried at fair value (as shown above), all other financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. The carrying value and fair values are shown below for comparison purposes. Fair values are not required for current debtors and creditors (trade payables and receivables) since the carrying amount is deemed a reasonable approximation of fair value.

	2018/19		2019/20	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
<b>Financial Assets at Amortised Cost</b>				
Investments	13,042,894	13,078,138	8,030,717	0
Ubico Shareholding	1	1	1	1
Cash and cash equivalents	2,010,253	2,010,253	97,439	97,439
Non-Current Debtors	660,406	660,406	605,757	605,757
Non-Current Finance Leases	1,182,094	1,182,094	3,365,620	3,365,620
	<b>16,895,648</b>	<b>16,930,892</b>	<b>12,099,534</b>	<b>4,068,817</b>
<b>Financial Liabilities at Amortised Cost</b>				
Borrowing	0	0	(231,393)	(231,393)
Non-Current Finance Leases	(86,365)	(86,365)	(62,936)	(62,936)
	<b>(86,365)</b>	<b>(86,365)</b>	<b>(294,329)</b>	<b>(294,329)</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Equity Instruments Elected to Fair Value through Other Comprehensive Income

The Council has elected to account for the following investment in an equity instrument at fair value through other comprehensive income because it is a long-term strategic investment held by the Council primarily to receive regular dividend income rather than for capital growth or to sell.

Presenting changes in its fair value in the surplus or deficit on provision of services is therefore less likely to present a true and fair view of the Council's financial performance than presenting it in other comprehensive income.

	Fair Value		Dividends	
	31 March 2019 £	31 March 2020 £	31 March 2019 £	31 March 2020 £
Fundamentum Social Housing REIT plc	0	980,000	0	0
	<b>0</b>	<b>980,000</b>	<b>0</b>	<b>0</b>

### **E3. Nature and Extent of Risks Arising from Financial Instruments**

The Council's activities expose it to a variety of financial risks. The Council does not require debt financing and currently does not have any external borrowing. As such, the key risks are in relation to its financial assets. These are as follows:

- Credit risk – the possibility that other parties may fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

#### Overall procedures for managing risk

The Council's overall risk management procedures focus upon the unpredictability of financial markets and implementing procedures to minimise these risks. Procedures for risk management are set-out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and investment guidance issued through the Act. These procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA code of Practice for Treasury Management Services
- By approving annually in advance prudential indicators for the following three years limiting:
  - \* Limits on the Council's overall debt [external borrowing]
  - \* The Council's maturity structure of its borrowing
  - \* The Council's upper limit for exposure to fixed and variable rate investments
  - \* The maximum exposure to investments maturing beyond a year
- By annually approving a Treasury Management Investment Strategy for the forthcoming year, setting out criteria for investments and specifying the minimum requirements for all counterparties

Prudential indicators and the treasury management annual investment strategy are reported to, and approved by, full Council prior to the start of the financial year. Actual performance is reported at half and full-year intervals to full Council.



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Credit Risk

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

This risk is minimised through the Treasury Management Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit rating criteria. The strategy also imposes upper limits on the amounts that can be invested with each financial institution. Full details of the minimum credit ratings can be found in the appendix to the Treasury Management annual investment strategy, which can be viewed via the Council's web-site.

The ratings of the financial institutions holding Council investments (and investments classified as cash equivalents) at the Balance Sheet date is as follows:

	<b>Investment Balance</b>
<u>Fixed duration deals</u>	
Banks	
A+ Rated	£0
AA- Rated	£0
Local Authorities	£0
<u>Call accounts and other 'cash equivalent' investments</u>	
Money Market Funds	£0
Call Accounts	£0
<u>Pooled funds</u>	
Non-rating agency rated pooled fund <i>separately approved by the Council's Treasury Management advisors</i>	£0

At the Balance Sheet date, the Council's investments and investments classified as cash equivalents for financial reporting purposes were distributed as follows:

	<b>Investment values - maturing within:</b>			
	<b>0-3 mths</b>	<b>3-6 mths</b>	<b>6-12 mths</b>	<b>1 year +</b>
<u>Internally managed funds</u>				
UK Banks	£0	£0	£0	£0
Foreign Banks	£0	£0	£0	£0
UK Local Authorities	£0	£0	£0	£0
Money Market Funds	£0	£0	£0	£0
Call Accounts	£0	£0	£0	£0
UK Equities	£0	£0	£0	£0
<u>Externally managed funds</u>				
Pooled Funds	£0	£0	£0	£0

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### Liquidity Risk

The Council manages its cash flow to ensure cash is available when it is needed. In the event of an unexpected cash requirement, the Council has the ability to borrow from the money markets to cover any short-term requirement.

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its financial commitments under financial instruments.

### Market risk – interest rate risk

The Council is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing periods. For example, a rise in variable and fixed interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure account will rise
- Investments at fixed rates – the fair value of the assets will fall

The Council has a number of strategies for managing interest rate risk. Prior to the start of each year, a maximum limit is set upon the fixed and variable interest rate exposures. The in-house treasury management team will monitor market and forecast interest rates within the year and adjust exposures accordingly. For instance, during periods of falling interest rates, and where economic conditions make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

Changes in interest payable and interest receivable on investments will be posted to the Comprehensive Income and Expenditure account and affects the balance on the General Fund.

If interest rates had been 0.25% higher during the year (and all other factors remain unchanged), and this rate increase had applied to all variable-rate investment income, the effect upon the Comprehensive Income & Expenditure Account would have been an increase in interest receivable from investments of £91,000.

### Price Risk

The Council hold some financial instruments of which the capital value may fluctuate as a result of market conditions. However, these instruments are all purchased on a hold to maturity or long term basis and therefore any temporary fluctuations in the market value of such products would have no impact on the Council's finances.

### Foreign Exchange Risk

The Council's policy is to deal in £ sterling wherever possible and reduce the need to deal in foreign exchange.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E4. Leases

#### The Council as Lessee [obtaining assets under a leasing arrangement]

##### Operating Leases

The Authority has entered into a number of operating leases. The minimum lease payments payable on these operating leases in future years are as follows:

	31 March 2019 £	31 March 2020 £
Not later than one year	18,240	43,148
Later than one year & not later than five years	13,185	101,466
Later than five years	0	121,250
	<b>31,425</b>	<b>265,864</b>

Operating lease payments charged to Cost of Services during the year totalled £17,263 (2018/19 £17,342).

##### Finance Leases

During the year, the Council acquired new print room equipment under a finance lease. The assets are carried as Property, Plant and Equipment in the Balance Sheet at the following amount:

	31 March 2019 £	31 March 2020 £
Vehicles, plant, furniture & equipment	110,106	86,521
	<b>110,106</b>	<b>86,521</b>

The authority is committed to making minimum payments under this leases comprising settlement of the long-term liability for the interest in the equipment acquired and finance costs that will be payable by the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2019 £	31 March 2020 £
Finance lease liabilities:		
Current	23,741	23,585
Non Current	86,365	62,936
Finance costs payable in future years	15,690	12,329
<b>Mimumum Lease Payments</b>	<b>125,796</b>	<b>98,850</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

The minimum lease payments will be paid over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£	£	£	£
Not later than one year	27,124	26,945	23,741	23,585
Later than one year & not later than five years	98,672	71,905	86,365	62,936
Later than five years	0	0	0	0
	<b>125,796</b>	<b>98,850</b>	<b>110,106</b>	<b>86,521</b>

### Authority as Lessor [leasing assets out]

#### Finance Leases

The Authority has three properties which it accounts for as finance leases and a number of Waste Collection and Recycling vehicles. The three properties are commercial properties [shops/offices] located in the centre of Cirencester and have been leased out for periods of 99, 125 and 125 years respectively. Although the properties will return to the Council at the end of the lease, the balance of “risks and rewards” of ownership, the length of the lease, and the sum of rentals receivable require the properties to be accounted for as Finance Leases.

In addition to the property assets the Council leases a number of Waste Collection and recycling vehicles to Ubico Ltd.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the asset and finance income that will be earned by the Authority for the period while the debt remains outstanding.

	31 March 2019	31 March 2020
	£	£
Present value of principal payments outstanding on non current assets	1,454,778	3,941,761
Unearned finance income	2,770,854	2,966,381
	<b>4,225,632</b>	<b>6,908,142</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments (excl. int)	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£	£	£	£
Not later than one year	324,941	679,727	272,684	576,141
Later than one year & not later than five years	870,235	2,445,764	707,110	2,126,391
Later than five years	3,030,456	3,782,651	474,984	1,239,229
	<b>4,225,632</b>	<b>6,908,142</b>	<b>1,454,778</b>	<b>3,941,761</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 the Council received £135,485 in contingent rents (2018/19 £138,444).

The Council has not set-aside an allowance for uncollectable debts in relation to its finance leases. Any outstanding debts would be accounted for within the Sundry Debtors impairment allowance.

### Operating Leases

The Authority leases out property under operating leases to generate revenue on its investment properties and surplus assets that are suitable for rental.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	<b>31 March 2019 £</b>	<b>31 March 2020 £</b>
Not later than one year	1,032,370	1,136,936
Later than one year & not later than five years	3,286,333	2,820,446
Later than five years	3,428,679	3,226,922
	<b>7,747,382</b>	<b>7,184,304</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the balance sheet date.

### E5. Accounting Policies

#### i) General Principles

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the 31st March year-end. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, those regulations which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* supported by International Financial Reporting Standards (IFRS).

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

These accounts have been prepared on the assumption that the Council is a going concern.

#### ii) Accruals of Income and Expenditure

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

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

#### iii) Cash and cash equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable, without penalty, on notice of not more than 24 hours. This includes bank call-accounts, Money Market Funds (MMF) and any other 'overnight-type' investments.

#### iv) Charges to revenue for non-current assets

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

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

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance - Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **v) Council Tax and Non-Domestic rates – England**

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

#### Accounting for Council Tax and NDR

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

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

### **vi) Employee benefits**

#### Benefits payable during employment (updated)

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

Prior to 2017/18 an accrual was made for the cost of holiday entitlement (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end. The cost of leave carried-forward into the next financial year would be entered into the accounts as a creditor as the leave will be a cost (either in monetary terms of lost productive time) in the new year. In 2017/18 the Council TUPE-transferred the majority of its staff to Publica Group (Support) Limited. Due to the vastly reduced number of staff at the Council a balance is no longer maintained for the cost of untaken annual leave as the figures involved are not material to the accounts.

#### Termination benefits

Termination benefits are amounts payable as a result of decisions by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or the employee in the year, not the amount calculated according to the relevant accounting standards.

### vii) Post-employment benefits

Employees of the Authority are permitted to join of the Local Government Pension Scheme, administered by Gloucestershire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

#### The Local Government Pension Scheme

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

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the gross redemption yield on the Iboxx Sterling Corporate Index, AA over 15 years, at the IAS19 valuation date. This is a high quality corporate bond of equivalent term and currency to the liability.
- The assets of the Gloucestershire County Council pension fund attributable to the Authority are included in the balance sheet at their fair value.
  - \* quoted securities – current bid price
  - \* unquoted securities – professional estimate
  - \* unitised securities – current bid price
  - \* property – market value

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

#### Discretionary Benefits

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

### viii) Fair value measurement

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

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

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

### ix) Financial instruments

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

Any borrowing that the Authority may undertake would be presented in the Balance Sheet at the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

**Financial assets** are classified based on a principles based classification and measurement approach that reflects the business model for holding the assets (i.e. why are we holding the asset) and the characteristics of the cashflows. There are three main classifications:

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

#### Financial Assets at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

#### *Expected Credit Loss Model*

The Council recognises material expected credit losses on its financial assets held at amortised cost, either on a 12-month or lifetime basis except for those where the counterparty is central government or another local authority, where relevant statutory provisions prevent default. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors).

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Where credit risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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### Financial Assets at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value is measured in accordance with the Council's Fair Value Measurements policy (see viii above). Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has chosen to apply statutory provisions for mitigating the impact of fair value movements on Pooled Investment Funds as directed in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018 [SI 2018/1207]. This allows (where relevant criteria are met) for fair value gains and losses on Pooled Investment Funds to be reversed to an account established solely for the purpose of recognising fair value gains and losses – the Pooled Investment Funds Adjustment Account.

This statutory provision ceases on 31 March 2023.

### **x) Government grants and contributions (updated)**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is only then credited to Comprehensive Income and Expenditure Statement.

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

Most Section 106 grant contributions which the Council holds have conditions which require the contribution to be returned if the contribution remains unspent after 5 years. Although it is highly probable that the conditions will be met, it is not guaranteed. Section 106 contributions are therefore held on the balance sheet as creditors. Similarly, where grants have been received for specific projects these are treated as grants with conditions [creditors] until the project has begun or the item of equipment to which the grant relates has been purchased.

### **Community Infrastructure Levy**

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However a proportion of the charges for this authority may be used to fund revenue expenditure. A share of the charges which are due to be payable to the Town and Parish Councils will remain in creditors (receipts in advance) until due.

### **xi) Heritage assets**

Heritage assets are those assets that are held and maintained principally for their contribution to knowledge and culture.

The Council owns the Corinium Museum in Cirencester. The museum contains a large number of artefacts, with a particular specialism in the Roman heritage of Cirencester and the surrounding area. Many of the items in the Museum collection meet the classification of Heritage Assets adopted by the Code [FRS102].

Where assets have been purchased or recently obtained, information on their cost or value will be available. The Code allows that where this information is not available, or cannot be obtained at a value which is commensurate with the benefits to users of the financial statements, that the assets need not be recognised in the Balance Sheet. The majority of the Council's museum collection has not been included on the Council's Balance Sheet.

When purchased or where a value is available, heritage assets are recognised on the balance sheet at historic cost. Assets within the museum collection are deemed to have indeterminate lives; hence the authority does not consider it appropriate to charge depreciation on those heritage assets on the Council's balance sheet. Due to the nature of the type of assets held, the Council's heritage assets are not subject to revaluation and will only be impaired if there is clear reason to suspect the assets have become impaired.

### **xii) Intangible assets**

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

The depreciable amount of an intangible asset is amortised over its useful life (usually 4 years) to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The Council carries no internally generated intangible assets on its balance sheet.

### **xiii) Inventories and long-term contracts**

Inventories [stocks] are included in the Balance Sheet at cost.

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

### **xiv) Investment property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or if it is classified as held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are subject to a review at year end to determine whether market conditions require properties to be revalued. Any gains or losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account or (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### xv) Leases

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

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

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

#### The Authority as lessee

##### Finance leases

Property, plant and equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value, measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority may be added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

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

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

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

##### Operating leases

Lease payments made under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased asset.

### **The Authority as lessor**

#### Finance leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

Lease rentals receivable are apportioned between:

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

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

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

#### Operating leases

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

### **xvi) Property, Plant and Equipment**

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

#### Recognition

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

The Council's capitalisation de minimus is £10,000, except for where the sum of a group of assets is significant, such as waste collection bins and boxes or ICT equipment.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The 'cost' of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition was for no monetary value. Where the purchase of an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- Surplus assets – 'highest and best use'
- all other classes of asset – 'current value', determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Items of equipment, which have short useful lives or low values (or both) are held on the balance sheet at depreciated historical cost, as an approximation of 'current value'.

Assets included in the balance sheet at current value are revalued to ensure that their carrying amount is not materially different from their value at year-end. All land and buildings are revalued at least every 5-years as part of a rolling programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where items or property plant and equipment are revalued, and the valuers identifies an asset which has component parts that have significantly different useful lives, where one or more parts represent a significant proportion of the overall asset, then the asset may be componentised. With componentisation, one or more constituent parts may be identified, and the component parts separately valued for the accounts and depreciated over different useful lives to the main asset. Useful economic lives (and therefore depreciation calculations) will be based upon the asset lives recommended by the Council's valuers.

Upon revaluation, where decreases in value are identified, they are accounted for by:

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

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

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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### Impairment

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. Assets are written-down over the useful life of the asset. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are under construction (and not yet available for use).

Depreciation is calculated on the following bases:

- Operational buildings and surplus property – depreciated on a straight-line basis, over a 40 year period (unless an asset life is deemed to be materially different to this by the Council's Valuer).
- Car Park depreciable components (surface) – 20 years
- Land is not depreciated
- Vehicles, plant, furniture and equipment – depreciated on a straight-line basis, over a 4-year period
- Investment property is not depreciated

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

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

### Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any accumulated revaluation gains held for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for disposal in excess of £10,000 are categorised as capital receipts.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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### **xvii) Provisions, contingent liabilities and contingent assets**

#### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

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

#### Contingent Liabilities

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

Any material contingent liabilities are disclosed in the notes to the accounts.

#### Contingent Assets

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

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

### **xviii) Reserves**

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

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

### **xix) Revenue Expenditure Funded from Capital Under Statute**

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



### xx) Value Added Tax

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

### E6. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note E5 above, the Council has had to make judgements at times about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council had a one-seventh share in Ubico Ltd.. Ubico operates separate operating practices and management structure, the application of majority-voting on the Ubico Ltd. board indicates that the Council does not have joint-control or significant influence over the company. The Council's interest has therefore been classified as an investment in Ubico Ltd. and group accounts have not been prepared.
- The Council jointly owns (with West Oxfordshire District Council, the Forest of Dean District Council and Cheltenham Borough Council) Publica Group (Support) Limited, a wholly owned company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council and services to other members Councils under contract. Publica can be considered to be merely an employment vehicle (in accounting terms only a 'holding account'), employing and paying staff and then recharging these costs to the Councils, via a contract sum. It does not trade and does not make a 'profit' as substantially all surpluses are redistributed back to the councils. While the Council has an interest in the Company, the Council's share of surplus for the year and net assets at the balance sheet date have not been consolidated into the Council's single entity accounts. It is the view of management that the figures involved are not material and the production of group accounts will not enhance disclosure or provide any additional benefit to the reader of the accounts, and on that basis Group Accounts have not been prepared.
- No allowance has been made in the Councils' accounts for the transfer out of any Local Government Pension Scheme (LGPS) pension liability to Publica Group (Support) Limited. The service contract and tripartite agreement between the Council, Gloucestershire Pension Fund and Publica Group (Support) Limited mean that the pension liability and risk relating to the pension fund remains with the Council, following the TUPE transfer of the majority of the Council's staff to Publica on 1st November 2017. Therefore the Council is reporting the pension liability for both staff transferred to Publica, and the Councils retained staff, in the accounts. Although Publica, as the employer of many of the current staff may be initially responsible for paying any exit contributions (for example), for any of its staff that are members of the LGPS, such cost will be reimbursed by the relevant Council. The accounts have been prepared on the basis that the full pension fund liability for the LGPS sits in the Council's accounts. There are no separate disclosures for Publica as they are not responsible for any LGPS obligations liability.
- Under International Financial Reporting Standards (IFRS) assessments have been made as to the correct accounting treatment for a number of lease agreements which the Council has entered into. Categorising leases as either operating or finance leases does result in different accounting treatment. In each case, a lease is classified based upon criteria contained within the Code and an assessment of the nature of the leasing arrangement in place.

The Council has such an agreement whereby it provides environmental services vehicles to Ubico Ltd.. Ubico Ltd. pay a market-rate for the use of the vehicles and are responsible for insuring and maintaining the vehicles and determining their deployment (including use across other Ubico Ltd. contracts where necessary). Ubico Ltd. pay for the vehicles over a period of 7-years for new vehicles, which is deemed to be the useful economic life of the assets. The transaction has been accounted for on the basis that the agreement is a finance lease, because: i) the sum of the lease payments equal the cost of purchasing the asset; ii) the length of the term represents 'substantially all' of the useful life of the asset; and iii) the rights and responsibilities of ownership (maintenance, insurance, deployment) in relation to the vehicle assets sit primarily with Ubico Ltd. A formal lease has been agreed on this basis.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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- A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates are generally repayable back to the latest valuation date which reduces the business rates yield in the year in which the refund is made. This set of accounts includes a provision for appeal losses. The value has been assessed using information of outstanding appeals supplied by the valuation office, as at 31st March, and using experience of previous appeals rates or estimates applied at national government level.
- There is a high degree of uncertainty about the future levels of funding and income for local government, particularly following the Covid-19 pandemic. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has therefore prepared its accounts on the basis that it is a going concern. As authorities cannot be created or dissolved without statutory prescription, the assumption has been made that the Council's services will continue to operate for the foreseeable future. It would not be appropriate for the financial statements to be prepared on anything other than a going concern basis.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

### E7. Assumptions and Other Major Sources of Estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Significant assumptions affecting the statement of accounts include the following. Where other assumptions have been made these will be disclosed in the appropriate note to the accounts.

Item	Uncertainties	Effect if actual result differs from assumption
Property, Plant & Equipment – Operational Property	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The outbreak of the Novel Coronavirus (Covid-19) declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020 has impacted global financial markets and as at the valuation date less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuations are therefore reported on the basis of material valuation uncertainty as per the RCIS Red Book. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore values of car parks, leisure facilities and surplus assets have been based on the situation prior to Covid-19, on the assumption that values will be restored when the property market becomes more fluid. Valuations of the Council Offices have been adjusted by the external valuer to reflect the existing Coronavirus considerations.</p> <p>The Council’s external valuers provided valuations as at 31 March 2020 for the Council’s investment property portfolio and approximately 17% of its operational portfolio. The Council’s internal valuer provided valuations at 31 March 2020 for 40% of its operational portfolio. Operational assets are depreciated over the best estimate of an assets useful economic life. These asset lives are based upon assumed repairs and maintenance being carried out to maintain an asset. Asset lives are based upon information provided by the Council’s valuer.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council’s operational properties were to reduce by 10%, this would be unlikely to result in a significant charge to the Comprehensive Income and Expenditure Statement due to the level of revaluation reserve balance held of approximately £43.4m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>If the useful economic life of an asset is reduced, depreciation increases and the carrying value of an asset will fall. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. The net book value of non-current assets subject to potential revaluation is over £68m.</p>

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

Item	Uncertainties	Effect if actual result differs from assumption
Fair Value measurement of Investment Property	<p>The Council's external valuers use valuation techniques to determine the fair value of investment property. This includes developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumption on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.</p> <p>As mentioned above the outbreak of the Novel Coronavirus (Covid-19) has impacted global financial markets and as at the valuation date less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty as per the RCIS Red Book. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy.</p> <p>Values have been based on assumptions of rental income expected in 2020/21 adjusted to assume rent free periods for a period of between six to twelve months associated with Coronavirus considerations and potential void period.</p>	Estimates for fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.
Pension Liability	<p>The estimation of the pension liability is based upon a number of factors and judgements applied by the scheme's actuary including discount rate used, rate of salary increases, changes in retirement ages, mortality rates and expected return on Pension Fund investments. Estimates are made upon judgements and conditions as seen by the actuary at a point in time.</p> <p>The Council has engaged Hymans Robertson as its consulting actuary to provide expert advice about the assumptions to be applied.</p>	<p>The effect of changing assumptions will result in changes in the valuation of the pension funds' assets and liabilities.</p> <p>For further details of the impact of variations in key assumptions, see note E1.</p>

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

Item	Uncertainties	Effect if actual result differs from assumption
Impairment Allowance for Doubtful Debt	<p>Debtors on the balance sheet assume an element of bad debt (when debtors cannot/will not settle their debt to the Council).</p> <p>As at 31 March 2020, the Council had an outstanding balance of short term (trade) debtors (excluding housing benefit overpayments) of £112k. Against this debtors balance there is an impairment allowance of £38k. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not.</p>	<p>Income receivable included in the accounts will differ from that actually received. The CI&amp;ES could be overstated. The effect is offset by establishing a suitable provision based upon the best information available on the likelihood of invoices not being settled.</p> <p>If collection rates deteriorate then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debt.</p>
Provision for Impairment (HB Overpayments)	<p>Where it has been found that Housing Benefit has been overpaid the Council is able to recover the overpayment from ongoing benefit.</p> <p>A 100% provision against such overpayments has been established due to the difficulty surrounding recovering such debts from individuals who are already short of money.</p> <p>Changes in the delivery of Housing Benefit with a possible transfer of the service to Central Government (with changes to Universal Credit), there is a risk that the Council will be left with all outstanding debt at the point of transfer.</p>	<p>If the Council has overprovided then the income to the revenue account will have been understated. A share of the provision will then need to be written-back to the Income &amp; Expenditure account.</p>
Business Rate Appeals	<p>A significant level of risk remains due to the volume of outstanding business rates appeals, which are processed by the Valuation Office. These accounts contain a provision for appeals losses.</p> <p>The value of the provision has been assessed using information on outstanding appeals rates and estimates applied at national government level.</p>	<p>Where appeals are successful, refunds of business rates are generally repayable back to the latest valuation date which reduces the business rates yield in the year in which the refund is made.</p>

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

Item	Uncertainties	Effect if actual result differs from assumption
Brexit	<p>There is still uncertainty about the implications of Britain leaving the European Union. At the current time while the UK has agreed the terms of its EU departure, both sides still need to decide what their future relationship will look like. The transition period began on the 1 February and is due to end on 31 December 2020.</p> <p>There are three possible scenarios: an agreement is reached by the 31 December, no agreement is reached and the UK leaves with 'no deal', or an extension to the transition period of unknown length.</p> <p>It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.</p>	<p>Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the value of the pension liability will also vary.</p>
Going Concern	<p>The Council set its budgets and Medium Term Financial Strategy (MTFP) based upon its best estimate of plans and funding. Sources of income, grant funding and savings plans are all liable to change the further into the future one moves.</p> <p>Due to the Covid-19 pandemic, the Council is expecting losses across revenue streams such as car park income, licensing and planning fees and reduced investment income and investment property rental income. Expenditure pressures will also be felt across services. Although difficult to quantify, it is expected that the financial pressures will be significant – even after the Government's emergency funding for local authorities is taken into account. The Council is however in the fortunate position of having general fund reserve balances to draw upon.</p> <p>The Council will be looking to revisit the assumptions included in the last iteration of the Medium Term Financial Strategy in recognition of the impact of the pandemic.</p>	<p>If estimates on income, funding or savings plans differ (and all move adversely), the Council will be able to draw upon revenue reserves to smooth fluctuations in funding until alternative savings plans are developed.</p> <p>It is therefore assumed that the Council will remain a going concern for the foreseeable future with no material uncertainty.</p>

### E8. Accounting Standards Not Yet Adopted

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. There is also the requirement for an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

Changes to the 2020/21 code are limited to:

- IFRS16 Lease  
IFRS16 will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there are exemptions for low-value and short-term leases). In light of Covid-19 pressures the CIPFA/LASAAC have agreed to defer implementation of IFRS16 for a further year in line with government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021. Work has not yet been completed to reliably estimate the expected impact of this standard.
- Amendments to IAS 28 Investments in Associates and Joint Ventures:  
This clarifies that IFRS 9 applies to long term interests in an associate or joint ventures that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Amendment to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement  
IAS 19 will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1 April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

The Council does not anticipate that the above amendments will have a material impact on the information provided in the financial statements

### E9. Related Parties

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

#### Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant element of the Council's funding in the form of grants and prescribes the terms of many transactions that the Authority has with other parties (e.g. council tax bills and housing benefits). Details of any significant grants received in the year are listed under Note B9, *Grant Income*.

#### Members of the Council

Members of the council have direct control over the council's financial and operating policies. The total of Members' allowances paid in the year is disclosed in Note B6 to these accounts, *Members' Allowances*.

Upon their election to serve the authority all Members of the Council are required to complete a declaration of Members' interests form. The form requires any conflicting or relevant outside interests to be declared. If at any point a Council decision is required which impacts upon an individual or an organisation which they have an interest in, the Member is required to leave the Council chamber for the duration of the debate and abstain from the decision making process [voting].

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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Individual Member declarations are available to view via the Council website.

- Two Cabinet Members have declared an interest as a Town or Parish Councillor where precepts and grants (£4,884) were awarded during 2019/20.
- One Cabinet Member was nominated by the Council to sit on the board of Cotswold Conservation Board, who received a grant of £21,286 from the Council during 2019/20.

In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the award of grant and loan.

In addition to being District Council Members, as at 31 March 2020 four of the Council's Members are also Members of Gloucestershire County Council (six as at 31 March 2019).

### Officers

By virtue of the Officer Code of Conduct, employees of the Council are required to declare any relationship with individuals, organisations or companies that might prejudice, or could be viewed as influencing, their professional judgement. On an annual basis, senior officers in positions of influence within the Council are required to complete a related party declaration to highlight any potential conflicts of interest.

Declarations are sought even where no conflicts of interest have been reported. There were no declarations that required further disclosure in this statement of accounts.

### West Oxfordshire District Council

Up until November 2017 the Council shared a number of senior staff with West Oxfordshire District Council. On the 1 November the majority of the Council's staff TUPE-transferred to Publica Group (Support) Limited. Following the transfer the Council only shares the Legal function, counter fraud unit and up until June 2020 a shared Chief Finance Officer.

During 2019/20 Cotswold District Council shared its Chief Finance Officer with West Oxfordshire District Council under a joint working relationship. The CFO is an employee of, and paid by, Cotswold District Council. While the Officer is shared and has influence in both Cotswold District Council and West Oxfordshire District Council, she is required to act separately for each Council. Decisions on overall policy and the strategic direction are set by Cabinet and Council in each Council, with the CFO enacting the Members' will.

### Publica Group (Support) Limited

Publica Group (Support) Limited (the Company), is a not-for-profit company limited by guarantee with no share capital.

Cotswold District Council, along with West Oxfordshire, and Forest of Dean District Councils and Cheltenham Borough Council have jointly set up Publica Group (Support) Limited, a wholly owned company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council and services to other members Councils under contract.

Publica Group (Support) Limited is a Teckal company fulfilling the conditions set out in Regulation 12(4) of the Public Contracts Regulations 2015. The Company is subject to management supervision by the Members. As such, the Company is a body governed by public law as defined in the Public Contracts Regulations 2015.

While Publica Group (Support) Limited works closely with the Council, the company has its own board of Directors, its own Management team, and operates independently from the Council.

At 31 March 2020 the Council owed Publica £267,979 (31 March 2019, £7,002) and was owed £369,686 (31 March 2019, £314,211).



## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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### Ubico Ltd

Ubico Ltd. was established in 2011/12 by Cheltenham Borough Council and Cotswold District Council to deliver a range of integrated environmental services including household and commercial refuse collection, recycling, street cleansing and grounds maintenance. It commenced operations on 1 April 2012. The Council holds an equal 1/7<sup>th</sup> shareholding in the Company.

The company provides services to the shareholder councils on a not-for-profit basis and therefore qualifies for the teckal exemption (named after the EU case that established the principle). As a teckal company, Ubico Ltd must ensure that the percentage of work undertaken outside of the shareholder contracts is less than 20% of its total activity.

While the Council has a 1/7<sup>th</sup> shareholding in Ubico Ltd, and a place on the Board of Ubico Ltd, the Council is not deemed to have significant influence over the company. The separate operating practices, management structure and majority-voting on the Ubico Ltd. board do not constitute any means of joint-control over the company. The Council's interest is therefore classed as an investment in Ubico Ltd.

At 31 March 2020, Ubico Ltd owed the Council £366,474 (2018/19, £484,115) and the Council owed Ubico Ltd (creditors and receipts in advance) £27,313 (2018/19, £201,516).

### Other Public Bodies

As a council tax billing authority the Council collects precepts on behalf of Gloucestershire County Council, Gloucestershire Police and Crime Commissioner and the Town and Parish Council's within the district. Precepts for the County Council and Police Authority are shown within the Collection Fund – Town and Parish precepts are shown in the *Comprehensive Income & Expenditure Statement*.

The Council is also a member of the Gloucestershire Business Rates Pool. Payments to and from the Pool are administered by Stroud District Council as pool lead.

The Council provides retirement benefits to its employees. The Local Government Pension Scheme is administered by Gloucestershire County Council (see Note E1).

## **E10. Events After The Balance Sheet Date**

The Chief Finance Officer authorised the Statement of Accounts on **xx July 2020**. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

It has been agreed that despite the continuing impact of the Coronavirus pandemic, there are no non-adjusting events after the Balance Sheet date.

## CASH FLOW STATEMENT

	Note	2018/19 £	2019/20 £
Net surplus or (deficit) on provision of services		(362,313)	(3,105,987)
Adjustments to net surplus or (deficit) on the provision of services to exclude non-cash movements	F1	6,640,535	3,152,892
Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities	F2	(798,045)	(4,203,996)
<b>Net cash flows from Operating Activities</b>		<b>5,480,177</b>	<b>(4,157,091)</b>
Investing Activities	F3	792,019	2,625,802
Financing Activities	F4	(2,033,039)	(23,429)
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>4,239,157</b>	<b>(1,554,718)</b>
Cash and cash equivalents at 1 April		2,772,753	7,011,910
<b>Cash and cash equivalents at 31 March</b>		<b>7,011,910</b>	<b>5,457,192</b>
Comprising:			
Cash and bank current accounts		300,277	(229,811)
Money Market Funds		5,001,657	5,591,145
Short Term Deposits (Call Accounts)		1,709,976	95,858
		<b>7,011,910</b>	<b>5,457,192</b>

## NOTES TO THE CASH FLOW STATEMENT

### F1. Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements

	2018/19 £	2019/20 £
Depreciation, amortisation and impairment	1,730,635	1,749,977
Increase / (decrease) in creditors	1,299,664	(122,007)
(Increase) / decrease in debtors	1,847,817	(2,829,262)
Increase / (decrease) in provision for bad debts	(39,699)	(2,199)
(Increase) / decrease in inventories	5,815	669
Pensions' liability	1,140,000	886,000
Carrying amount of non current assets sold	9,134	2,891,355
Increase / (decrease) in provisions	1,020,701	(1,011,481)
Movements in the fair value of investment properties	214,400	441,020
Movements in the fair value of financial instruments	198,594	1,144,396
Other non cash items charged to Surplus/Deficit on Provision of Services	(786,526)	4,424
	<b>6,640,535</b>	<b>3,152,892</b>

### F2. Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing or financing activities

	2018/19 £	2019/20 £
Capital grants applied to the financing of capital expenditure	(413,175)	(721,021)
Proceeds from the sale of non current assets	(9,134)	(2,891,355)
Unattached capital receipts	(375,736)	(591,620)
	<b>(798,045)</b>	<b>(4,203,996)</b>

### F3. Investing Activities

	2018/19 £	2019/20 £
Purchase of property, plant & equipment and other capital investment	(687,170)	(3,671,418)
Purchase of short term and long term investments	(35,000,000)	(25,000,000)
Proceeds from the sale of non current assets	1,465,135	1,015,561
Proceeds from disposal of short term and long term investments	35,000,000	30,007,919
Other (receipts) / payments from investing activities	14,054	273,740
	<b>792,019</b>	<b>2,625,802</b>

## NOTES TO THE CASH FLOW STATEMENT

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### F4. Financing Activities

	2018/19 £	2019/20 £
Repayment of short term borrowing	(2,000,000)	0
Finance Lease repayments	(32,338)	(23,429)
Other payments from financing activities	(701)	0
	<b>(2,033,039)</b>	<b>(23,429)</b>



## COLLECTION FUND

This "Agent's" statement shows the transactions of the Council as a billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non Domestic Rates (Business Rates).

2018/2019				Note	2019/2020		
Business Rates £	Council Tax £	Total £			Business Rates £	Council Tax £	Total £
0	(67,752,318)	(67,752,318)	Council Tax receivable	G1	0	(72,080,794)	(72,080,794)
(33,192,201)	0	(33,192,201)	Business Rates Receivable	G2	(32,356,918)	0	(32,356,918)
(826,436)	0	(826,436)	Transitional Protection Payments		(538,979)	0	(538,979)
(2,103,922)	0	(2,103,922)	Contribution to previous year's deficit		(578,659)	0	(578,659)
<b>(36,122,559)</b>	<b>(67,752,318)</b>	<b>(103,874,877)</b>	<b>Total Income</b>		<b>(33,474,556)</b>	<b>(72,080,794)</b>	<b>(105,555,350)</b>
			<u>Apportionment of previous year's surplus</u>				
0	170,585	170,585	Cotswold District Council		0	96,878	96,878
0	1,026,594	1,026,594	Gloucestershire County Council		0	599,609	599,609
0	186,722	186,722	Gloucestershire Police & Crime Commissioner		0	110,213	110,213
0	1,383,901	1,383,901			0	806,700	806,700
			<u>Precepts, Demands and Shares</u>				
0	0	0	Central Government		16,376,662	0	16,376,662
16,414,202	8,022,767	24,436,969	Cotswold District Council		13,101,328	8,547,426	21,648,754
16,414,202	49,655,391	66,069,593	Gloucestershire County Council		3,275,332	53,925,374	57,200,706
0	9,127,047	9,127,047	Gloucestershire Police & Crime Commissioner		0	10,441,190	10,441,190
32,828,404	66,805,205	99,633,609			32,753,322	72,913,990	105,667,312
			<u>Charges on the Collection Fund</u>				
161,425	28,001	189,426	Write-offs of uncollectable amounts		144,033	86,821	230,854
1,470,146	95,235	1,565,381	Increase / (decrease) in Bad Debt / Appeals Provisions	G3	(940,703)	(400,000)	(1,340,703)
179,327	0	179,327	Cost of Collection		180,554	0	180,554
83,627	0	83,627	Disregarded Amounts	G4	74,118	0	74,118
0	0	0	Interest on refunds		0	0	0
1,894,525	123,236	2,017,761			(541,998)	(313,179)	(855,177)
<b>34,722,929</b>	<b>68,312,342</b>	<b>103,035,271</b>	<b>Total Expenditure</b>		<b>32,211,324</b>	<b>73,407,511</b>	<b>105,618,835</b>
<b>(1,399,630)</b>	<b>560,024</b>	<b>(839,606)</b>	<b>(Surplus) / Deficit for the Year</b>		<b>(1,263,232)</b>	<b>1,326,717</b>	<b>63,485</b>
3,702,170	(1,263,188)	2,438,982	(Surplus) / Deficit brought forward		2,302,540	(703,164)	1,599,376
<b>2,302,540</b>	<b>(703,164)</b>	<b>1,599,376</b>	<b>(Surplus) / Deficit carried forward</b>	G5	<b>1,039,308</b>	<b>623,553</b>	<b>1,662,861</b>

## NOTES TO THE COLLECTION FUND

### G1. Council Tax System

Under the council tax system, Cotswold District Council must collect each year enough money from local residents to cover the cost of the services we provide, which are not funded by other sources such as government grants and fees and charges.

Council Tax was introduced on 1 April 1993, and is a property based tax. The District Valuer valued all domestic property in the area and placed them into one of nine bands. In order to set the Council Tax, the Council estimates the number of dwellings in each of the nine valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2019/20.

Valuation Bands	Estimated number of taxable dwellings*	Ratio	Equivalent number of Band D dwellings
A- Band A - entitled to disabled relief reduction	0.00	5/9	0.00
A up to £40,000	0.00	6/9	0.00
B £40,001 - £52,000	0.00	7/9	0.00
C £52,001 - £68,000	0.00	8/9	0.00
D £68,001 - £88,000	0.00	1	0.00
E £88,001 - £120,000	0.00	11/9	0.00
F £120,001 - £160,000	0.00	13/9	0.00
G £160,001 - £320,000	0.00	15/9	0.00
H over £320,001	0.00	18/9	0.00
Contributions in lieu (South Cerney Barracks)	-	-	0.00
			0.00
Adjustments for collection rates and anticipated changes during the year			0.00
			<b>0.00</b>

The total number of "equivalent Band D dwellings" is divided into the total cost of services to arrive at an "average Band D Tax" per dwelling. Dwellings in bands below "Band D" will pay proportionately less than this average and dwellings in bands above "Band D" will pay proportionately more than this average.

The above calculations resulted in an "average Band D Tax" of £1,673.12 per dwelling for 2019/20 (2018/19 - £1,585.10). This figure includes precept figures payable to Gloucestershire County Council, the Police and Crime Commissioner for Gloucestershire and Cotswold District Council but excludes the amount payable to Town & Parish Councils.

## NOTES TO THE COLLECTION FUND

### G2. National Non Domestic Rates

Under the Business Rates Retention Scheme the Council acts as both principal and agent, in that it is able to retain 40% of the net standard business rates collected within the local area as income within its own budget, net of tariff payable to central government, as well as 100% of net rates from properties relating to renewable energy schemes (Disregarded Amounts). The Council distributes the remaining net balance of standard business rate income to Central Government, who are allocated 50%, with the final 10% to Gloucestershire County Council.

	2018/19 £	2019/20 £
Total Non Domestic Rateable Value at 31 March	£89,343,188	£89,279,193
National Non-domestic Rate Multiplier - Higher	49.3p	50.4p
National Non-domestic Rate Multiplier - Lower [Small Business]	48.0p	49.1p

The Business Rates receivable amount on the face of the Collection Fund Account is lower than the total of Non-domestic Rateable Value multiplied by the Non-domestic Rate Multiplier due to the award of various reliefs including Small Business Rate Relief and other mandatory and discretionary rate reliefs.

### G3. Tax Payers' Arrears & Provisions for Uncollectable Amounts

Provision has been made for uncollectable tax payers' debts. At 31 March the provisions on the Collection Fund were as follows:

	2018/19 £	2019/20 £	% of arrears
Council Tax	(541,943)	(141,942)	7.5%
National Non Domestic Rates	(387,657)	(459,911)	35.6%
	<b>(929,600)</b>	<b>(601,853)</b>	

### G4. Business Rates – Disregarded Amounts

From April 2013 the Council was allowed to retain 100% of the growth from the business rates associated with renewable energy sites. All such growth is transferred to the Council's General Fund.



## NOTES TO THE COLLECTION FUND

### G5. Collection Fund Balance Sheet Apportionment

The apportionment of the balances on the Collection Fund as at 31 March 2020 is as follows:

	<b>Cotswold District Council</b> £	<b>Gloucs. County Council</b> £	<b>Central Govt.</b> £	<b>Gloucs. P&amp;CC</b> £
<b>Council Tax</b>				
Debtors	221,379	1,396,674	n/a	270,428
Bad Debt Provision	(16,639)	(104,977)	n/a	(20,326)
Prepayments and Overpayments	(191,027)	(1,205,179)	n/a	(233,350)
(Surplus) / Deficit at 31 March	73,097	461,164	n/a	89,292
<b>Business Rates</b>				
Debtors	516,211	129,053	645,264	n/a
Bad Debt Provision - Tax Payers	(183,964)	(45,991)	(229,956)	n/a
Bad Debt Provision - Appeals	(1,052,314)	(263,079)	(1,315,391)	n/a
Prepayments and Overpayments	(176,808)	(44,202)	(221,010)	n/a
(Surplus) / Deficit at 31 March	(588,099)	(793,482)	342,301	n/a

Comparative balances as at 31 March 2019 were as follows:

	<b>Cotswold District Council</b> £	<b>Gloucs. County Council</b> £	<b>Central Govt.</b> £	<b>Gloucs. P&amp;CC</b> £
<b>Council Tax</b>				
Debtors	200,242	1,255,961	n/a	230,856
Bad Debt Provision	(65,083)	(402,819)	n/a	(74,041)
Prepayments and Overpayments	(179,893)	(1,113,410)	n/a	(204,654)
(Surplus) / Deficit at 31 March	(84,444)	(522,652)	n/a	(96,068)
<b>Business Rates</b>				
Debtors	595,416	595,416	0	n/a
Bad Debt Provision - Tax Payers	(193,829)	(193,829)	0	n/a
Bad Debt Provision - Appeals	(2,063,795)	(2,063,795)	0	n/a
Prepayments and Overpayments	(342,158)	(342,158)	0	n/a
(Surplus) / Deficit at 31 March	991,444	511,973	799,123	n/a

# ANNUAL GOVERNANCE STATEMENT

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## 1. SCOPE OF RESPONSIBILITY

Cotswold District Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards;
- Public money is safeguarded and properly accounted for
- Public money is used economically, efficiently and effectively; and
- There is a sound system of governance, incorporating the system of internal control

The Council has a Best Value duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

The Council has developed and approved a Code of Corporate Governance, which is consistent with the core principles and sub-principles as set out in the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)" ('the Framework'). This statement explains how the Council has complied with the code and also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 (England) which requires the Council to conduct a review at least once a year on the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.

In addition to this, CIPFA issued its "Statement on the Role of the Chief Finance Officer in Local Government (2015)". The Annual Governance Statement (AGS) reflects compliance of this statement for reporting purposes. The Council's Chief Finance Officer is the Statutory Section 151 Officer (Section 151 Officer).

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to:

- Identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- Evaluate the likelihood of those risks occurring;
- Assess the impact should those risks occur; and
- Manage the risks efficiently, effectively and economically

The governance framework has been in place at Cotswold District Council for the year ended 31<sup>st</sup> March 2019 and up to the date of approval of the Annual Statement of Accounts.

## 3. THE GOVERNANCE ENVIRONMENT

The key elements of the Council's governance arrangements are outlined in the Local Code of Corporate Governance. The governance framework includes arrangements for:

- Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users;
- Reviewing the Council's vision and its implications for the Council's governance arrangements;
- Measuring the quality of services for users, ensuring that they are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources;
- Defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- Reviewing and updating Financial Rules, Contract Rules, Constitution, Scheme of Delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;
- Ensuring the Council's financial management arrangements conform with the governance requirements of the *CIPFA* Statement on the Role of the Chief Financial Officer in Local Government (2015);
- Undertaking the core functions of an Audit Committee, as identified in *CIPFA's Audit Committees: Practical Guidance for Local Authorities*;
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- Whistleblowing and for receiving and investigating complaints from the public;
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the Council's overall governance arrangements.

# ANNUAL GOVERNANCE STATEMENT

The main areas of the Council's governance framework, and the key evidence of delivery, are set out below, under the headings of the core principles and sub-principles from the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)

## **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- Behaving with Integrity
- Demonstrating strong commitment to ethical values
- Respecting the rule of the law

- The roles and responsibilities of Members generally and all office holders are set out in the Council's Constitution, along with the way in which the various elements of the Council interact and complement each other. The Constitution is supported and underpinned by separate Codes of Conduct for Members and Officers, and a joint Member / Officer Protocol, which sets out guidelines as to behaviour and practical issues.
- Declarations are made at meetings by Members, and Officers, where appropriate and are recorded in the minutes of the meeting. The Members Code of Conduct requires Members to make declarations of interest when necessary, these are also recorded.
- Registers of Interest are completed annually by Members and Officers and a Register of Gifts and Hospitality is maintained. Members are reminded quarterly to update the Register of Interests.
- The Monitoring Officer and Section 151 Officer report directly to the Head of Paid Service and are members of the Corporate Leadership Team.
- Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures and all legislation. Where non-compliance is identified, this is reported to Management and to Members via the Council's Audit Committee.
- Whistleblowing policies have been ratified by Cabinet. A Gloucestershire wide Counter-Fraud unit is hosted by this Council to help prevent and detect fraud and corrupt practices, including misuse of power. This service reports to Audit Committee twice a year.

## **B. Ensuring openness and comprehensive stakeholder engagement**

- Openness
- Engaging comprehensively with institutional stakeholders
- Engaging with individual citizens and service users effectively

- Annual accounts are published in a timely manner to help communicate the Council's financial position and performance.
- An Annual Report is published each year, which summarises financial and other performance over the previous financial year and sets out the Corporate Plan for the current year.
- All Committee, Cabinet and Council reports clearly outline their purpose, so the community can understand what the Council is trying to be achieve. Reports also address financial legal, equalities, risk and sustainability implications to aid understanding of the potential impact of their recommendations.
- The roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions are defined in the Council's Constitution
- A Scheme of Delegation for officers is included within the Constitution
- Communication channels with staff include one-to-one meetings, a weekly update email, an intranet site.
- A Customer Feedback form is available publicly for handling comments, complaints and compliments.
- The Council maintains clear channels of communication with all sections of the Community and other Stakeholders
- The ability for Members of the Public to ask questions at Cabinet meetings, Overview and Scrutiny Committee meetings and meetings of the Full Council.
- A report is produced annually regarding the performance of the council and the achievement of its aims and objectives. The report is published on the Council's website.
- The Council publishes Transparency data on its website which includes, supplier payments, Senior Management Structure Charts, Annual Pay Policy Statement. Where data is not available in the published data sets, instructions are available on how to make a Freedom of Information Request and the procedure that will be followed to answer the request.

## **C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

- Defining outcomes
- Sustainable economic, social and environmental benefits

- The Council's vision is contained within the Corporate Strategy 2016-19, which also states the Aim and Priorities of the organisation. Corporate and Service Plans are drafted and updated annually to support the delivery of the Council's Aim and Priorities.
- Key tasks identified in Service Plans feed into individual work plans/appraisals.
- The Corporate Strategy deals with the Council's approach to environment and sustainability issues. Detailed proposals arising from the Corporate Strategy are Individually assessed as they are developed and are included within decision making reports to Members.
- The financial implications of delivering against the Council's Aim and Priorities are included within the Council's Medium Term Financial Strategy, Revenue Budgets and Capital Programme, Capital Strategy, Investment Strategy and Treasury Management Strategy. These key financial documents are updated annually in advance of the forthcoming financial year.

## D. Determining the interventions necessary to optimise the achievement of the intended outcomes

- Determining interventions
- Planning interventions
- Optimising achievement of intended outcomes

- The Council has, with three other Councils, created a company, Publica Group (Support) Ltd (Publica), to deliver more efficient and improved services. Where possible, processes have/are being aligned to ensure consistency across the partner Councils. However, the Councils have retained decision making powers over service policies, outcomes and standards. Publica is the Council's most significant contractor. In recognition of this, the Council will monitor the contractor's performance by:
  - Considering Publica's Annual Report at Council;
  - Considering Publica's draft Business Plan annually at the Overview and Scrutiny Committee and Cabinet in February/March each year;
  - Requiring, as appropriate, representatives from Publica to attend relevant Scrutiny Committee(s) to support discussion on quarterly performance reports;
  - Receiving monthly "Keeping You Connected" updates by email from Publica to all Members;
  - Meeting informally with Cabinet Members together with invited Members from other parties/scrutiny representatives on a regular basis (at least every six months) to discuss: progress against the Business Plan; identify any key risks and challenges outside of the company or Council control; budget monitoring and service delivery matters;
  - Develop informal mechanisms to share best practice, learning and Councillor development.
- In addition to the creation of Publica, the Council continues to secure savings through its procurement processes.
- The Council has processes in place to identify and respond to external changes, for example: changes to legislation and regulation, emerging risks and opportunities. Corporate processes such as risk management, development and delivery of Corporate and Service Plans, performance management processes, budget monitoring and other management processes are designed to capture and incorporate these external factors and to enable the Council to respond appropriately.
- Corporate and Service risk registers are discussed and reported quarterly.
- Key Performance Indicators are identified and included in the Service Delivery Plans for each service, these are reported quarterly.
- Budgets are prepared annually in accordance with objectives, strategies and the Medium Term Financial Strategy, following consultation with customers, stakeholders and officers.
- The Medium Term Financial Strategy (MTFS) is a live document and can be reviewed, updated and reported as necessary, to respond to the changing environment.

### **E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

- Developing the entity's capacity
- Developing the capability of the entity's leadership and other individuals

- One of the reasons behind the creation of Publica is to increase capacity across the four partner councils by sharing common processes and procedures and eliminating (as far as possible) single points of failure. By working in partnership, the Councils are able to share the cost of commissioning bespoke, specialist advice.
- The move to provision of services via wholly owned companies is providing the opportunity to engage with a number of Non-Executive Directors that bring a wealth of experience from a range of different economic sectors.
- There is a Scheme of Delegation at Member level covering the Council, Cabinet, Individual Cabinet Members and Other Committees. Similarly, there is a Scheme of Delegation for officer decisions delegated to them. These are reviewed and revised as structures at Council and Officer level change.
- Financial Rules were published in 2012; minor changes to the Rules to reflect operational practice were made by the Council's Chief Finance Officer in July 2015 and reported to the Cabinet. The Financial Rules are due to be reviewed and updated during 2019/20 to reflect changes resulting from the introduction of the new service delivery company and any other operational updates.
- An induction programme is available to new employees and members alike. Training is also provided for both Members and Officers on an on-going basis as appropriate and necessary. Members on certain Committees (e.g. Planning and Licensing) are required to undertake training before attending the Committee meetings.
- Officers undertake regular 121 meetings with their line manager. As part of these 121 meetings, Offices discuss work plans/tasks and any training requirements associated with the successful delivery of the work plan. Officers are encouraged to complete Continuing Professional Development as relevant to their professional qualifications and service areas hold budgets to ensure that training can be undertaken to maintain skills and knowledge.
- The Head of Paid Service, the Section 151 Officer, the Monitoring Officer and The Leader of the Council have clear roles and responsibilities and these are contained within the Constitution along with the Member/Officer Protocol.

### F. Managing risks and performance through robust internal control and strong public financial management

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

- Responsible officers are required to maintain Service / Operational Risk Registers and Senior Officers review the Strategic Risk Register on a quarterly basis. The Strategic Risk Register is reported to Members and Cabinet on a regular basis.
- Risks are identified when undertaking Internal Audit reviews and reported when necessary.
- Performance Management, measures the quality of service for users to ensure services are delivered in accordance with the Council's objectives and represent best use of resources.
- Performance is measured on a regular basis and reported to Overview and Scrutiny Committee and Cabinet.
- Minutes of meetings are published and highlight the challenge made by Members to Officers/Cabinet Members.
- The Internal Audit service is provided by SWAP Internal Audit Services and is run in partnership with other local authorities. The internal audit team provide the internal audit service to both the Council and Publica Group (Support) Ltd which strengthens the Council's oversight of Publica as its most significant contractor.
- A risk-based Audit Plan is drafted annually following consultation with Officers, Members and the Section 151 Officer. The Audit Plan is approved at Audit Committee prior to the financial year.
- Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit Committee, on a quarterly basis.
- Recommendations made in audit reports are followed up 6 months after the completion the audit and findings reported to Audit Committee.
- The Audit Committee's Terms of Reference are contained within the Constitution. Members of the Committee have experience of scrutinising financial and audit reports. Training is provided as appropriate.
- A County Wide Counter Fraud Unit is hosted by this Council and supports all the Gloucestershire Local Authorities, West Oxfordshire District Council and other third parties. Where investigations identify possible improvements to the internal control framework the Counter Fraud Unit will liaise with the Internal Audit team to ensure the improvements are followed up and implemented by Management.
- An ICT Audit and Compliance Manager has responsibility for Data Protection policies and ensuring officers are informed.
- The Council is part of the Gloucestershire Information Sharing Partnership. This will enable data to be shared when necessary.
- Audit reviews ensure data is held securely whether electronic or hard-copy.
- The MTFS is reviewed and updated on a regular basis to ensure the Section 151 Officer, Directors and Members are aware of the financial standing of the Council.



# ANNUAL GOVERNANCE STATEMENT

## **G. Implementing good practices in transparency, reporting and audit to deliver effective accountability**

- Implementing good practice in transparency
- Implementing good practices in reporting
- Assurance and effective accountability

- The Council publishes an Annual Report which reports on the Council's activities for the previous financial year. Data in respect of transparency is published on the Council's website.
- The Council's Statement of Accounts is produced and published annually in accordance with statutory requirements. Aligned with this is the production of the Annual Governance Statement which identifies how the Council has met its governance reporting obligations
- External Audit recommendations are reported to Audit Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported.
- Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed-up and reported to Audit Committee, further follow-up is planned if recommendations have not been actioned in full.

## **4. REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers, the annual opinion from the Head of Internal Audit, the officer Corporate Governance Group and comments made by the external auditors, other review agencies and inspectorates.

### **The Council's process for maintaining and reviewing the effectiveness of the governance framework has included the following:**

Senior Managers within Public and the Council complete an Annual Assurance Statement at the end of the financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement.

Corporate Team (including the Section 151 Officer and the Monitoring Officer) review the Corporate Risk Register on a quarterly basis and Service Risk Registers being maintained by management.

The SWAP Assistant Director (Head of Internal Audit) provides the Audit Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the Council, which includes its governance arrangements.

Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined by the Monitoring Officer and an Independent Person(s).

Induction processes are carried out for newly elected members.

The Section 151 Officer ensures training and awareness sessions are carried out for the Audit Committee periodically.

The External Auditors (Grant Thornton) present progress reports to the Audit Committee.

The External Auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports are overseen by the Audit Committee.

Quarterly performance reports, including the Corporate Risk Register and budget position, are presented to Cabinet and the Overview and Scrutiny Committee, demonstrating performance management against agreed Service Plans, performance indicators and budgets.

# ANNUAL GOVERNANCE STATEMENT

The Audit Committee review the Annual Governance Statement.

The Audit Committee review the Annual Statement of Accounts, the Treasury Management Strategy, Capital Strategy, Investment Strategy and reports from both Internal Audit (SWAP) and External Audit (Grant Thornton), including quarterly progress reports.

Full Council approves the annual budget, reviews and approves the Treasury Management Strategy, Capital Strategy, and Investment Strategy following recommendations from the Audit Committee.

Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including recommendations for improvement are detailed in an action plan agreed with the management.

The Annual Internal Audit Opinion for 2018/19, in respect of the areas reviewed during the year, was 'Reasonable Assurance'.

The Council's Financial Rules and Contract Rules are kept under review and revised periodically.

Other explicit review/assurance mechanisms, such as the Annual Report from the Local Government Ombudsman and reports from SWAP or Grant Thornton.

## 5. SIGNIFICANT GOVERNANCE ISSUES DURING 2018/2019

In preparing this statement and reviewing the effectiveness of the governance arrangements a number of areas have been identified where the Council needs to focus attention and improve arrangements over the next financial year. These areas of work are planned to strengthen the control framework and are set out in the table below.

No.	Key Area of Focus	Planned Actions
1	Member induction following elections	The Council will be holding elections in May 2019 and will need to ensure that Members, particularly new Members, receive appropriate support and training to enable them to fulfil their role effectively.
2	Update Corporate Strategy	Following elections in May 2019, the Council will need to produce a new Corporate Plan, setting out its aims and objectives for the next four years.
3	Publica Ltd	The Council needs to embed the governance arrangements relating to Publica. This includes implementing new Service Delivery Plans which will enable improved performance reporting using a new set of Key Performance Indicators and new arrangements for engagement between Publica and Council Members.
4	General Data Protection Regulation (GDPR)	The Data Protection Regulatory framework changes in May 2018. The Council has an approved action plan which it needs to ensure is implemented in a timely manner to ensure it is compliant with the new requirements.
5	Ubico Ltd	A review to be carried out of the current governance arrangements with Ubico Ltd. and how this can be strengthened.
6	S106 Agreements and Funds	To implement internal audit recommendations relating to service area consultation as part of negotiation of S106 Agreements, lack of monitoring of S106s, timelines of income and payments to third parties, reporting of S106s.

# ANNUAL GOVERNANCE STATEMENT

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The Annual Internal Audit Opinion, as drafted by the SWAP Assistant Director (Head of Internal Audit), lists 34 pieces of audit work being conducted during 2018/19, which includes consultancy and advisory services. 18 assurance reviews were completed during the year.

Internal Audit follow-up reviews were conducted during 2018/19 on areas where weaknesses were identified in the previous year. Good progress has been made on implementing the recommendations. There were 66 recommendations from 2017/18, as at July 2019 there were 2 "Priority 2" recommendations and 8 "Priority 3" recommendations outstanding or where implementation has been delayed. 1 recommendation remains subject to a follow up review.

## 6. APPROVAL OF LEADER AND HEAD OF PAID SERVICE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

**Signed on behalf of Cotswold District Council:**



**Joe Harris**  
**Leader of the Council**



**Jenny Poole**  
**Acting Head of Paid Service**

Date:

Date:

## INDEPENDENT AUDITOR'S REPORT

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## **Accounting Period**

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

## **Accounting Statements**

The Council's Core Financial Statements and Supplementary Financial Statements.

## **Accruals**

Sums included in the accounts to cover income or expenditure attributable to the accounting period but for which no payment has yet been made or received at the Balance Sheet date.

## **Actuarial Gains and Losses [Defined Benefit Pension Scheme]**

Changes in the net pensions liability that arise because events have not matched assumptions at the last actuarial valuation or because actuarial assumptions have changed.

## **Amortisation**

A term used to refer to the charging of the value of a transaction or asset (usually related to intangible assets or deferred charges) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for non-current assets.

## **Appointed Auditors**

The Local Audit and Accountability Act 2014 includes a statutory requirement that a local authority's annual Statement of Accounts be subject to external review by a duly appointed external auditor. From 2018/19, the responsibility for the appointment of said external auditor has been devolved to Public Sector Audit Appointments (PSSA) for Local Government Authorities that have opted into its national scheme. Grant Thornton UK LLP is the Council's appointed auditors for the period 2018/19 to 2022/23.

## **Billing Authority**

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

## **Business Rates (NNDR/NDR)**

Rates payable on business (non-domestic) premises based on their Rateable Value.

## **Capital Expenditure**

Expenditure for the acquisition, provision or improvement of non-current assets, which will be of long-term value to the Council, providing services beyond the current accounting period.

## **Capital Programme**

The capital schemes the Council intends to carry out over a specified time period.

## **Capital Receipts**

Money received from the disposal of non-current assets or the repayment of grants and loans, which is available for financing future capital expenditure.

## **Collection Fund**

A statutory fund maintained by a billing authority, which is used to record local taxes and Non-Domestic Rates collected by the authority, along with payments to precepting authorities, the national pool of Non-Domestic Rates and the billing authority's General Fund.

## **Community Assets**

Assets which the Authority intends to hold in perpetuity, that have no determinable finite useful life and that may have restrictions on their disposal, e.g. parks, historical buildings. See also Non-Current Assets.

## **Contingent Asset**

A possible asset that arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

## **Contingent Liability**

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient liability.

## **Council Tax**

A local tax on domestic properties set by the billing and precepting authorities. The level is determined by the revenue expenditure requirements for each authority divided by the tax base for the year.

## **Council Tax Base**

The amount calculated by each billing authority from which the entitlement of its share is derived.

## **Creditors**

Amounts owed by the Authority for works completed, goods received or services rendered before the end of the accounting period but for which payments have not been made.

## **Current Service Cost [Defined Benefit Pension Scheme]**

The increase in the present value of a defined benefit scheme's liabilities as a result of employee service earned in the current period.

**Curtailment [Defined Benefit Pension Scheme]**

An event that reduces the expected years of future service of present employees, or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

**Debtors**

Amounts due to the Authority for works completed, goods received or services rendered before the end of the accounting period but for which payments have not been received.

**Depreciation**

The estimated benefit of an asset consumed during the accounting period, owing to age, wear and tear, deterioration or obsolescence.

**Direct Revenue Financing (DRF)**

Resources provided from an authority's revenue budget to finance the cost of capital projects.

**Events After the Balance Sheet Date**

Those (non-adjusting) events, both favourable and unfavourable, of such materiality that their disclosure is required for the fair presentation of the Statement of Accounts, which occur between the Balance Sheet date and the date on which the Accounts are authorised for issue by the responsible financial officer.

**Exceptional Items**

Events or transactions that fall within the ordinary activities of the Authority and need to be disclosed separately due to their size to give fair presentation of the accounts.

**Expected Return on Assets [Defined Benefit Pension Scheme]**

For a defined benefit scheme, this is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan, but a longer term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

**Finance Lease**

A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Under a finance lease, the present value of the lease payments would equate to the fair value of the asset.

**Financial Instruments**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial Liability**

An obligation to transfer economic benefits controlled by the Authority that is represented by:

- a contractual obligation to deliver cash (or another financial asset) to another entity
- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

**General Fund (GF)**

The main revenue fund used to meet day-to-day spending on providing Council services.

**Government Grants**

Grants made by the Government towards either revenue or capital expenditure to support the cost of providing the Authority's services. These grants may be specifically towards the cost of particular schemes ("Specific") or to support the revenue spend of the Authority ("Non-Specific").

**Impairment**

A reduction in the carrying value of a fixed asset below its carrying value due to obsolescence, damage or an adverse change in the statutory environment.

**Infrastructure Assets**

A class of asset whose life is of indefinite length and which are usually not capable of being sold, such as highways and footpaths.

**Intangible Assets**

Non-financial assets which do not have physical substance but are identified and controlled by the Authority through legal rights e.g. IT Software.

**Inventories**

Items of raw materials and stores an authority has procured to use on a continuing basis and which it has not yet used.

**Investment Property**

Land and Buildings non-current assets held only for investment potential.

**Liability**

A liability is where the Authority owes payment to an individual or another organisation. See also Contingent Liability, Current Liabilities and Financial Liability

**Local Council Tax Support Scheme**

Assistance provided by billing authorities to adults on low incomes to help pay their Council Tax bill. The cost is borne by the Council.

**Materiality**

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements to a reader.

**Net Book Value (NBV)**

The amount at which non-current assets are included in the balance sheet.

**Net Interest on the Net Defined Benefit Liability [Defined Benefit Pension Scheme]**

The net interest expense - the change during the period in the net benefit liability that arises from the passage of time.

**Non-Current Assets**

Property, plant and equipment and other assets that bring longer term benefit or service potential to the Authority.

**Non-Current Liabilities**

Amounts which will become due or could be called upon beyond the next accounting period.

**Non-Operational Assets**

Assets held by the Authority but not directly occupied, used or consumed in the direct delivery of services, e.g. assets in the course of construction and surplus land.

**Operating Leases**

A lease other than a Finance Lease (see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding un-discharged obligations in relation to such leases.

**Operational Assets**

Non-current assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has a statutory or discretionary responsibility.

**Past Service Costs [Defined Benefit Pension Scheme]**

The increase in the present value of the defined benefit scheme liabilities, related to employee service in prior periods, arising as a result of, or improvement to, retirement benefits.

**Precept**

A levy made by one statutory body (Precepting Authority) on another to meet the net cost of its services.

**Precepting Authorities**

Those authorities that are not Billing Authorities; i.e. do not collect the Council Tax and National Non-Domestic Rates. Police authorities are „major“ precepting authorities and town and parish councils are 'local' precepting authorities.

**Prior Period Adjustments**

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Provisions**

Amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise, e.g. bad debts.

**Prudential Code**

The CIPFA Prudential Code for Capital Finance in Local Authorities – the guidance applicable from April 2017 for the greater freedom for authorities to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Authority to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and produce a capital strategy to give weight to local circumstances and explain their approach to borrowing and investment.

**Related Parties**

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

**Related Party Transactions**

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions is judged not only in terms of their significance to the Authority, but also in relation to its related party.

**Reserves**

Amounts set aside in the accounts for the purpose of meeting general, future expenditure. Reserves may also be used to smooth the cost of certain activities over a number of years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

**Revenue Expenditure**

Day to day spending on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

**Revenue Expenditure Funded by Capital Under Statute (REFCUS)**

Expenditure of a capital nature but for which there is no tangible asset, e.g. renovation grants.

**Revenue Support Grant**

A general grant paid by the Government to Council's contributing towards the costs of their services.

**Specific Grants**

The term used to describe all government grants, including supplementary and special grants, to local authorities other than Revenue Support Grant and capital grants.

**Total Cost**

The actual cost of services reflecting all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service's chief officer.

**Work In Progress**

The cost of work carried out on an uncompleted project at the Balance Sheet date, which should be accounted for within the accounting period.

**CIPFA (Chartered Institute of Public Finance and Accountancy)**

CIPFA is the professional institute for accountants working in the public sector and the body that publishes the Code of Practice.

**IFRS (International Financial Reporting Standards)**

IFRS is a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board.

**IPSAS (International Public Sector Accounting Standards)**

IPSAS are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

**MHCLG (Ministry of Housing, Communities and Local Government)**



# INDEX OF NOTES TO THE FINANCIAL STATEMENTS

	Note	Page
Accounting Policies		
Accounting Standards Not Yet Adopted		
Adjustments between Accounting Basis and Funding Basis Under Regulation		
Assumptions and Other Major Sources of Estimation		
Capital Expenditure and Financing		
Cash Flow - Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing or financing activities		
Cash Flow - Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements		
Cash Flow – Financing Activities		
Cash Flow – Investing Activities		
Collection Fund – Balance Sheet Apportionment		
Collection Fund - Business Rates – Disregarded Amounts		
Collection Fund – Council Tax System		
Collection Fund – National Non-Domestic Rates		
Collection Fund - Tax Payers' Arrears & Provisions for Uncollectable Amounts		
Creditors		
Critical Judgements in Applying Accounting Policies		
Debtors		
Defined Benefit Pension Scheme		
Events After the Balance Sheet Date		
Expenditure and Funding Analysis		
Expenditure and Income Analysed by Nature		
External Audit Costs		
Financial Instruments		
Financing and Investment Income & Expenditure		
Grant Income		
Intangible Assets		
Investment Property		
Leases		
Members' Allowances		
Nature and Extent of Risks Arising from Financial Instruments		
Non-Current Debtors		
Officer Remuneration		
Other Operating Expenditure		
Property, Plant and Equipment		
Provisions		
Related Parties		
Taxation and Non-Specific Grant Income		
Termination Benefits		
Unusable Reserves		
Usable Reserves		



# COTSWOLD DISTRICT COUNCIL

Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT COMMITTEE - 30 JULY 2020</b>
Report Number	<b>AGENDA ITEM (14)</b>
Subject	<b>EXTERNAL AUDITOR ASSURANCE</b>
Wards affected	ALL
Accountable member	N/A
Accountable officer	Jenny Poole - Chief Finance Officer Tel: 01285 623313 Email: <a href="mailto:jenny.poole@cotswold.gov.uk">jenny.poole@cotswold.gov.uk</a>
Summary/Purpose	For the Audit Committee to discuss its response to the Council's external auditors (Grant Thornton LLP) regarding how the Audit Committee gains assurance on matters such as fraud, breaches of internal control and compliance with laws and regulations.
Annexes	Annex A - "Informing the Audit Risk Assessment 2019/20"
Recommendation/s	a) <i>That the Audit Committee considers the Grant Thornton Audit Plan for 2019/20.</i> b) <i>That the Audit Committee delegates responsibility to the Chief Finance Officer to complete the response to Grant Thornton, incorporating any changes approved at the meeting.</i>
Corporate priorities	Ensure that all services delivered by the council are delivered to the highest standard.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Chief Finance Officer, Monitoring Officer, Interim Chief Executive.

## **1. BACKGROUND**

- 1.1. Each year the Council's external auditor is required to obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council. In addition, auditors need to understand how those charged with governance gain assurance that all relevant laws and regulations have been complied with.
- 1.2. Attached at Annex A is the Council's proposed response to the questions posed to the Council by the external auditor, Grant Thornton LLP.

## **2. MAIN POINTS**

- 2.1. The draft responses have been prepared by the Council's Chief Finance Officer and her team.
- 2.2. The Committee are asked to consider the draft responses. Delegation to the Chief Finance Officer is sought to enable the final responses to be provided to Grant Thornton in a timely manner.

## **3. FINANCIAL IMPLICATIONS**

- 3.1. None directly arising from this report. Details of the proposed audit fee for 2019/20 are contained with the External Auditor Reports item on this Agenda.

## **4. LEGAL IMPLICATIONS**

- 4.1. None.

## **5. RISK ASSESSMENT**

- 5.1. Should any further issues arise during the course of the audit that necessitate further audit, the auditor states that "*additional fees will be incurred, subject to PSAA approval*". The Chief Finance Officer has requested that advanced notice is provided of any work which is likely to incur additional audit fees as this has not taken place in previous years.

## **6. BACKGROUND PAPERS**

- 6.1. None.

(END)



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# Informing the audit risk assessment for Cotswold District Council

Year ended 31 March 2020

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. 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.

# Table of Contents

<b>Section</b>	<b>Page</b>
Purpose	4
General Enquiries of Management	5
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	21
Impact of Laws and Regulations	22
Going Concern	26
Going Concern Considerations	27
Related Parties	34
Accounting Estimates	35
Appendix A Accounting Estimates	36

## Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Authority's external auditors and the Authority's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

### Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

### Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit Committee's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Going Concern,
- Related Parties, and
- Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from the Authority's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## General Enquiries of Management

Question	Management response
<p>What do you regard as the key events or issues that will have a significant impact on the financial statements for 2019/20?</p>	<p>The pandemic has had a considerable impact on the Council, lockdown has meant that many local businesses across the district have had to close – impacting on the local economy. The way in which the Council operates has also changed dramatically with a large majority of staff working at home from the 23 March.</p> <p>The Covid-19 pandemic impacted at the very end of the year and therefore the full impact of this has not been felt in the 2019/20 statement of accounts. The Council are expecting significant challenges in the year ahead as it deals with the on-going crisis. PPE valuations made by both the internal and external valuer at 31 March 2020 are subject to 'material uncertainty'.</p>
<p>Have you considered the appropriateness of the accounting policies adopted by the Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Accounting policies are reviewed and updated on an annual basis as part of closedown process to ensure that any new policies are incorporated and that existing policies are correct. The Government Grants and Contributions policy has been updated in the 2019/20 statement to include the policy in respect of the Community Infrastructure Levy.</p> <p>The financial instruments accounting policies have been updated in relation to designated equity instrument for 'Financial assets measured at fair value through other comprehensive income'.</p> <p>The implementation of IFRS 16 has been delayed by one year the policy has therefore not been updated.</p>



## General Enquiries of Management

Question	Management response
Is there any use of financial instruments, including derivatives?	<p>The Council's financial instruments include: investments, cash equivalents, debtors, short term borrowing, designated equity investment, finance Lease assets and liabilities.</p> <p>Financial instruments are accounted for as per the requirements of IFRS 9.</p> <p>Financial instruments are per approved investment strategy developed with advice from Arlingclose. Strategic investment reviews take place during the year with senior officers and any proposed changes to long-term investments are considered in consultation with Audit Committee.</p>
Are you aware of any significant transactions outside the normal course of business?	None in 2019/20.
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	None in 2019/20.
Are you aware of any guarantee contracts?	The contract with Publica guarantees the company against future LGPS pension liabilities. Costs are passed through from Publica to the Council.

## General Enquiries of Management

Question	Management response
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	None in 2019/20.
Other than in house solicitors, please provide details of those solicitors utilised by the Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years.	A number of external solicitors are engaged on an ad hoc basis when there is no capacity in house. However, none are engaged on contentious matters. The external solicitors are there to support the in house team on non contentious matters, such as property transactions and S106 work. Firms engaged include Trowers and Hamblins, Bevan Britton, VWV and Martin Evans & Co.
Have any of the Authority's service providers reported any items of fraud, non-compliance with laws and regulations, or uncorrected misstatements which would affect the financial statements?	None reported.

## General Enquiries of Management

Question	Management response
<p>Please provide details of other advisors consulted during the year and the issue on which they were consulted.</p>	<p>Tax advice (operational) provided by EY            CIPFA FAN and advisory services on accounting matters            Arlingclose for Treasury Management advice            Various consultants for development of the Local Plan.            Pixel Financial Management/LG Futures – Financial Advisory Service in respect of Government funding including Business Rates.            Hymans Robertson – Pension Actuary</p>

# Fraud

## Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Authority's management.



## Fraud Risk Assessment

Question	Management response
<p>Has the Authority assessed the risk of material misstatement in the financial statements due to fraud?</p>	<p>The Council has a robust financial control framework, supported by financial regulations, standing orders, scheme of delegation and an independent and objective Internal Audit function and Counter Fraud Unit. Responsibility for ensuring that fraud and corruption risks are addressed sits with the Chief Finance Officer. The Internal Audit plan includes a risk based audit of the core financial systems that are used in the compilation of the financial statements. These core systems are audited annually, any risks that are identified that may result in the financial statements being materially mis-stated due to fraud will be reported to the Council's leadership team and the Audit Committee as part of the quarterly reporting cycle.</p> <p>The finance team comprises skilled, qualified accounting officers responsible for regular monitoring of management accounts to report actual income and expenditure against budgeted and forecast performance. This process includes discussions with service leads and review of variances to identify any instances of fraud and error. The annual budget is risk assessed and reported, and then monitored as part of the revenue and capital budget monitoring process. All reports to Cabinet include a section on financial implication and risk assessment to ensure that members are aware of the financial risks of making a decision.</p>
<p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p>	<p>The Counter Fraud and Anti-Corruption Policy, the Whistleblowing Policy, and the Internal Audit Charter are formally agreed by the Council (at a meeting of the appropriate Committee/Executive). These documents set out the role of Internal Audit in the prevention and investigation of fraud.</p> <p>The Audit Committee also approves the risk-based annual audit plan and counter fraud plan which includes allocation of resources to respond to fraud allegations and prepare audits to consider possible areas where fraud may be a risk.</p>



## Fraud Risk Assessment

Question	Management response
<p>How does the Authority's risk management processes link to financial reporting?</p>	<p>The work of the Counter Fraud Team is reported to the Audit Committee on a biannual basis. The overall remit is to prevent, detect and deter the abuse of public funds within the Council by working closely with other public sector organisations. The team can undertake reactive investigation work where a referral is received and where necessary, proactive fraud drives in high risk areas.</p> <p>The Council also employs a number of Enforcement Officers within the various service areas who undertake work to tackle abuse of public funds.</p> <p>The Committee is not aware of any significant risks in this regard but is aware of fraud in the Housing Benefits and Council Tax systems. Some internal investigations have taken place by the Counter Fraud Team and appropriate action has been taken.</p> <p>Where an investigation takes place due to the suspicion of fraud, any areas of risk or poor control that are identified will also be reported to the appropriate manager with remedial recommendations. Internal Audit will include a follow up audit in the Audit Plan to ensure the recommendations have been implemented.</p> <p>The year end risk registers contain information to identify possible contingent assets/liabilities and/or requirements to include provisions. The data in the register is used to identify cost or resource pressures or income streams. The information can be used to inform the financial planning process. The Council's risk register contains any significant risks from the Publica and/or Transformation Programme risk registers. A separate Covid-19 risk register is also in place from April 2020</p>

## Fraud Risk Assessment

Question	Management response
<p>What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Housing and Council Tax Benefit Business Rate and Council Tax evasion.</p>
<p>Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Authority as a whole or within specific departments since 1 April 2019?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Not aware of any material instances of actual, suspected or alleged fraud, error or other irregularities. Benefit fraud is dealt with by the DWP. Abuse of the Council Tax Reduction Scheme is supported by the Revenues and Housing Support Department.</p> <p>The Counter Fraud team investigate allegations of wrongdoing. These matters are managed in line with Council's policies, including disciplinary policy, and will be reported to the police where appropriate. In some instances recommendations have been made in respect of control procedures.</p> <p>The Audit Committee approves the risk based Annual Audit Plan which includes a risk based system audit of core financial systems and resources for auditing non financial systems on a risk basis.</p> <p>The Counter Fraud team has a similar annual plan for its work which includes an allocation of resources to investigate any alleged fraud.</p>

## Fraud Risk Assessment

Question	Management response
	<p>Performance against the Internal Audit Plan and Counter Fraud Plan and any specific issues identified are reported quarterly/half yearly to the Audit Committee.</p> <p>The Council's Overview and Scrutiny Committee also receives the Council's quarterly performance reports, which includes risk registers and financial performance.</p>
<p>Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Authority where fraud is more likely to occur?</p> <p>What processes does the Authority have in place to identify and respond to risks of fraud?</p>	<p>We have not identified any specific fraud risk or locations within the Council where fraud is more likely to occur. Common risks include procurement, grants, Housing and Council Tax Benefit, Cash, Contracts, Business Rates and Council Tax Evasion.</p> <p>The work of the Counter Fraud team focuses on the key fraud risk areas and the Council maintains compliance officers in Revenues and Benefits to deal with that area where risk is perceived to be higher.</p> <p>The team is tackling areas of known abuse with Enforcement Teams where appropriate and corporately with the direction of the Council's leadership team. The Counter Fraud Team provides Audit Committee direct updates biannually to the April and August/September meetings.</p> <p>The Council also feeds data in to the National Fraud Investigation process to identify potential fraud for investigation.</p>



# Fraud Risk Assessment

Question	Management response
<p>How would you assess the overall control environment for the Authority, including:</p> <ul style="list-style-type: none"> <li>- does the process for reviewing the effectiveness the system of internal control exist and work effectively?</li> <li>- do internal controls exist and work effectively, including segregation of duties?</li> </ul>	<p>The Council’s internal audit service is provided by SWAP Internal Audit Services (SWAP). SWAP provide the Council with an audit opinion for 2019/20 using findings from review work carried out across the Council services. At the point of preparing this response, it is expected that the Council will have a “Reasonable” internal audit opinion, confirming that internal control processes are effective. As part of the core audit of systems, appropriate internal controls (or their absence/non-compliance) is considered by internal audit. Appropriate testing by internal audit, enables advice to be produced on the effectiveness of internal controls. The outcome of internal audit reviews are reported to management through audit reports and to the Audit Committee as part of quarterly performance updates.</p> <p>There is a good working relationship between the Counter Fraud Unit and Internal Audit, which ensures that internal control weaknesses identified through CFU reviews are followed up, following management action to address the weaknesses by internal audit reviews.</p> <p>Internal Audit Plans are approved at Council’s leadership team and subsequently Audit Committee. Internal Audit then reports their findings and recommendations to both bodies and Audit Committee has a monitoring and challenge role to ensure the system of internal control is robust.</p> <p>External Audit also report their findings and recommendations to Audit Committee, which is subject to the same process of monitoring and challenge.</p> <p>The outcome of internal and external audit work, together with Assurance Statements prepared by senior managers feed into the preparation of the Annual Governance Statement which is considered by Council’s leadership team and the Audit Committee. Internal Audit provides assurance on the robustness of the arrangements for production of the AGS.</p> <p>In summary, internal controls work effectively, including segregation of duties.</p>

## Fraud Risk Assessment

Question	Management response
<p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>N/A</p>
<p>What other controls are in place to help prevent, deter or detect fraud?</p>	<p>The Counter Fraud team submits data for the National Fraud Initiative (NFI) and assesses all matches for review and, where appropriate, mitigation.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>On occasions such issues have been raised by both internal and external audit as part of the audit work. Appropriate recommendations for changes to internal controls are made on these occasions for management to implement.</p>

## Fraud Risk Assessment

Question	Management response
<p>Are there any areas where there is potential for misreporting?</p>	<p>The financial reporting process is subject to review and challenge by both the Deputy S151 Officer and Chief Finance Officer.</p> <p>There is always the potential but we believe appropriate checks and balances are in place within the shared Finance Team to ensure mis-reporting does not occur.</p>
<p>How does the Authority communicate and encourage ethical behaviours and business processes of its staff and contractors?</p>	<p>The Council communicates and encourages ethical behaviour and business processes of its staff and contractor through its policies and strategies including Anti Fraud and Corruption Policy, Employee Code of Conduct and Whistleblowing policy all of which are available on the intranet site. Updates are communicated through induction and refresher training and other channels such as 'Keeping You Connected', emails or staff training events.</p> <p>The Audit Committee approves the risk-based annual audit plan. The annual plan includes resource allocation to core financial and governance audits as well as service audits which will include a review of various policies and strategies such as: the Counter Fraud and Anti-Corruption Policy, Employee Code of Conduct and Whistle-blowing Strategy. The various strategies will be reviewed for timeliness and completeness as well as how well they are communicated to employees through processes such as induction training, appraisals and refresher training. Any areas of concern are reported to the Audit Committee through the SWAP quarterly monitoring reports.</p> <p>In terms of contractors, significant contracts are let following a robust process which seeks assurance from the potential contractor that the organisation has appropriate policies and processes in place. The Council monitors performance and quality and adherence to standards of service delivery.</p>



## Fraud Risk Assessment

Question	Management response
<p>How do you encourage staff to report their concerns about fraud?</p>	<p>The Counter Fraud Team remit includes staff and member awareness sessions and alerts where necessary to encourage reporting which is further complimented by the Whistle blowing policy. Training and briefings are provided by the Counter Fraud Unit to highlight activity and their role. Publicity with regard to identified fraud and error will also be encouraged to act as a deterrent.</p>
<p>What concerns are staff expected to report about fraud?</p>	<p>Staff are expected to report any concerns they have about fraud or the misuse of public funds.</p>
<p>Have any significant issues been reported?</p>	<p>No significant issues have been reported in 2019/20. Any allegations received are referred to the Counter Fraud Unit for investigation. These matters are managed in line with the Council policies, including disciplinary policy, and will be reported to the Council's leadership team where appropriate. In some instances, recommendations have been made in respect of control processes.</p>
<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p>	<p>Each role in the Council or Publica, as the Council's service provision body, is assessed for the requirement to undertake post holder security checks.</p>
<p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Officers with significant operational financial responsibilities, such as roles in the Treasury Management team, Chief Finance Officer/Deputy Finance Officer, and roles in Revenues and Benefits are subject to regular security checks, at recruitment and then regularly every three years</p>

## Fraud Risk Assessment

Question	Management response
<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Not aware of any related party relationships or transactions that could give rise to instances of fraud.</p> <p>The risks associated with fraud related to related party relationships and transactions are mitigated through the requirement within the Constitution for members to make declarations of all relevant relationships and transactions and update their declarations on a quarterly basis. They are also required to disclose any relevant interests at Committee meetings and where appropriate withdraw and disclose any gifts and/or hospitality received via the Council register. Officers are also required to declare any related party transactions.</p> <p>Prevention methods for bribery and corruptions are detailed within the Counter Fraud and Anti Corruption Policy.</p> <p>With the establishment of Publica, the Council reviewed the appointment of Statutory Officers to ensure that they are employed by the Council (or shared with a partner Council) rather than Publica and to minimise any risk of conflict of interest.</p>

## Fraud Risk Assessment

Question	Management response
<p>What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>On a quarterly basis, the Audit Committee receives monitoring reports from the South West Audit Partnership regarding work carried out by the internal audit team. The report details the work carried out compared to the plan, the level of assurance resulting from the audit, the key issues regarding internal controls or fraud including any breaches. Reporting includes the outcome of internal audit follow-up reviews of the implementation of audit recommendations.</p> <p>In addition, the Counter Fraud Team report regularly to Committee.</p> <p>The Audit Committee approves the risk based Annual Audit Plan which includes a risk based system audit of core financial systems and resources for auditing non financial systems on a risk basis.</p> <p>The Counter Fraud Unit has a similar annual plan for its work which includes an allocation of resources to investigate any alleged fraud. Performance against the Intern Audit Plan and Counter Fraud Plan and any specific issues identified are reported quarterly/half yearly to the Audit Committee.</p> <p>The Committee is consulted on any proposed changes to relevant Council Policy – e.g. Whistleblowing Policy, Counter Fraud and Anti-Corruption Policy, Money Laundering Policy, RIPA Policies etc.</p> <p>Changes to the Council's Corporate Risk Register are also reported to the Audit Committee on a quarterly basis. The Council's Overview and Scrutiny Committee also receives the Council's quarterly performance reports, which includes changes to the Council's risk registers and details of financial performance.</p>



## Fraud Risk Assessment

Question	Management response
<p>What has been the outcome of these arrangements so far this year?</p>	<p>The Audit Committee exercise oversight over management processes for identifying and responding to risks of fraud and breaches of internal control through challenge of internal audit and counter fraud, monitoring the implementation of recommendations and seeking additional assurances from operational management.</p> <p>See reports presented to Audit and Overview and Scrutiny Committee.</p>
<p>Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Reports from whistle blowers are investigated by the Counter Fraud Team. Once the investigation is complete, appropriate recommendations are made for action which may include prosecution, civil penalties, improvements to internal controls, and (where an employee is the subject), consideration of disciplinary action.</p> <p>There have been whistle blowing reports during the year and appropriate action has been taken, although there is nothing particularly significant warranting a report to the Audit Committee. For example, outcomes have resulted in disciplinary action being taken against employees and recommendations for improvements to internal controls which will be followed up by internal audit, however, there were no significant financial implications for the Council.</p>
<p>Have any reports been made under the Bribery Act?</p>	<p>None</p>

# Law and Regulations

## Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that the Authority's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.



## Impact of Laws and Regulations

Question	Management response
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<p>Internal Audit review are designed to ensure services are complying with internal and external policies and procedures and all legislation. Where non compliance is identified, this is reported to Management and Members via the Council's Audit Committee.</p>
<p>What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>There is a dedicated legal services team that provides advice to members and officers in relation to laws and regulations. The Council's Legal Services, Counter Fraud Team, Revenues and Benefits Team and Enforcement Teams for various services receive regulatory updates and changes via their own services sources e.g. CIPFA, MHCLG and DWP statutory regulations, RIPA updates, newsletters and best practice guidance. The implications of such changes are fed to the Council's leadership team for advice and to gain approval and, when necessary, recommend approval from Committee/Cabinet.</p> <p>In addition, the Whistle-blowing Strategy provides staff with the ability to report to management where laws and regulations have not been complied with.</p> <p>Any allegations that relate to criminal offences can be investigated by the Counter Fraud Team with appropriate legal action being taken by the Council where appropriate.</p> <p>The Chief Finance Officer is responsible for preparing the Statement of Accounts in accordance with the relevant legal and regulatory requirements.</p>

## Impact of Laws and Regulations

Question	Management response
<p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Not aware of any significant changes to regulatory environment.</p>
<p>How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Internal Audit review are designed to ensure services are complying with internal and external policies and procedures and all legislation. Where non compliance is identified, this is reported to management and Members via the Council's Audit Committee. Management actions are agreed where non compliance is identified.</p> <p>Senior managers within Publica and the Council complete and Annual Assurance Statement at the end of the financial year. These governance declarations provide appropriate management assurance that key area of the system of internal control are in place and working effectively.</p> <p>In addition, training sessions are used to explain new legislation.</p> <p>Where the changes would have a significant impact on the Council they will appear on the Corporate Risk Register which is reported to the Audit Committee on a quarterly basis. Any accounting requirements are explained to members as part of the approval of the accounts. For any specific cases a special would be report prepared for the Audit Committee.</p> <p>Any allegations that relate to criminal offences can be investigated by the Counter Fraud Team with legal action being taken by the Council where appropriate.</p>

## Impact of Laws and Regulations

Question	Management response
<p>Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2019 with an on-going impact on the 2019/2020 financial statements?</p>	<p>Only matters identified as part of Internal Audit review of service areas which have been reported to management and the Audit Committee.</p> <p>In these cases management have agreed actions to improve compliance.</p>
<p>Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>None identified other than potential NNDR appeals claims.</p>

## Impact of Laws and Regulations

Question	Management response
<p>What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?</p>	<p>The Council's legal team work with management when any potential claims or litigation are identified. Legal provides the Finance Team with details of any litigation or claims for inclusion within the financial statements.</p> <p>The Group Manager of Legal and Property Services provides detail of litigation and claims for inclusion in the financial statements. All issues are brought to the attention of the Chief Finance Officer as they arise.</p> <p>The Council has robust risk management procedures which includes the recording of any risks of litigation or claims either within service areas or corporately.</p> <p>The Council has processes in place to manage significant contracts so they operate on a partnership basis and any issues can be raised and managed with the aim of minimising litigation or claims. Contract performance is monitored by the use of management information including key performance indicators.</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?</p>	<p>None</p>

# Going Concern

## Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

## Going Concern Considerations

Question	Management response
<p>Has the management team carried out an assessment of the going concern basis for preparing the financial statements for the Authority? What was the outcome of that assessment?</p>	<p>The Chief Finance Officer, as the Council's S151 Officer, is satisfied that the budget proposals are based on robust assumptions and reasonable estimates and the proposed use and remaining balance of Council reserves is appropriate. This was reported in the 2019/20 Budget report and Medium Term Financial Strategy (MTFS) which was supported and approved by the Council's leadership team, Cabinet and Full Council.</p> <p>The MTFS was revised following consultation with Scrutiny Committee and Cabinet and incorporated the latest position of government funding, Business Rates and New Homes Bonus. It demonstrated the financial position of the Council over a ten year period. As part of the preparation of the MTFS, various scenarios were prepared to check the Council's financial sustainability.</p> <p>Inflationary factors are applied using past experience and forecasts.</p> <p>Going concern is considered taking into account financial performance against budget, NNDR 3 outcome against estimates, central government announcements, risk registers and the level of reserves compared against budget.</p> <p>Note E7 to the draft statement of accounts confirms that the accounts have been prepared on a going concern basis.</p> <p>The Council is currently revisiting the assumptions included in the last iteration of the MTFS in recognition of the impact of the covid-19 pandemic.</p>

## Going Concern Considerations

Question	Management response
	<p>The Council has £4.5m of general fund reserves to allow future planning should the financial position deteriorate further.</p> <p>There is a high degree of uncertainty about the future levels of funding and income for local government, particularly following the covid-19 pandemic. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has therefore prepared its accounts on the basis that it is a going concern. As authorities cannot be created or dissolved without statutory prescription, the assumption has been made that the Council's services will continue or to operate for the foreseeable future. It would not be appropriate for the accounts to be prepared on anything other than a going concern basis.</p> <p>A report on the financial impact of Covid 19 was presented to Cabinet in June 2020 and Cabinet approved a recommendation to revise the budget for 2020/21 in September 2020.</p>

## Going Concern Considerations

Question	Management response
<p>Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Authority's Business Plan and the financial information provided to the Authority throughout the year?</p>	<p>The MTFS supports the strategic and operational plans of the Council. The financial assumptions are therefore consistent with both Publica and the Council's business plans and the financial information reported to both Cabinet, Council and the Overview and Scrutiny Committee regarding future levels of income and expenditure.</p> <p>The Council is currently revisiting the assumptions included in the last iteration of the MTFS in recognition of the impact of the pandemic. This review is being carried out in conjunction with the development of the Council's Corporate Plan. The Corporate Plan sets out how the Council will deliver against its Corporate Strategies which were approved in September 2019.</p>
<p>Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?</p>	<p>The Council's financial and business plans consider changes in statutory and policy changes and plans are updated to reflect changes in assumptions in both income and spend and the resulting impact upon levels of investment and savings plans required.</p> <p>The Council is currently revisiting the assumptions included in the last iteration of the MTFS in recognition of the impact of the pandemic. The update will also consider potential changes to local government organisation as result of the Government White Paper expected in the Autumn.</p>



## Going Concern Considerations

Question	Management response
<p>Have there been any significant issues raised with the Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control)</p>	<p>There have been no significant issues raised with the Audit Committee during the year which could cast doubts on the assumptions made. The quarterly Internal Audit Progress Reports have not highlighted any issues in respect of financial performance or significant weaknesses in the financial control environment.</p>
<p>Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?</p>	<p>No adverse financial indicators have been identified.</p>
<p>Does the Authority have procedures in place to assess its ability to continue as a going concern?</p>	<p>The Council has a robust planning process which considers its financial resources in the context of its strategic objectives.</p> <p>The Council undertakes regular budget monitoring of the revenue budget and capital programme and on a quarterly basis reports performance to Overview and Scrutiny and Cabinet. Any large deviations from budget or areas of concern can then be addressed and corrective action taken to ensure that the Council continues to provide services that are affordable and within budget.</p>



## Going Concern Considerations

Question	Management response
	<p>The Council also maintains robust client management process with key service providers including Publica, Ubico and SLM. Senior managers from both Publica and Ubico regularly report to officer groups and to Members via Scrutiny Committee and/or Cabinet. The performance of SLM is also reviewed by the Overview and Scrutiny Committee. Both Publica and Ubico Business Plans are considered by the Council to ensure that each entity's strategic objectives are aligned with the Council.</p> <p>The Council is currently revisiting the assumptions included in the last iteration of the MTFs and budget 2020/21 in recognition of the impact of the pandemic.</p>
<p>Does the Authority have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Authority's objectives?</p> <p>If not, what action is being taken to obtain those skills?</p>	<p>Yes. The Council has appropriately skilled and experienced senior staff in post to ensure the delivery of the Council's objectives. The Council's Chief Finance Officer role was previously shared with West Oxfordshire District Council. With effect from July 2020, the post holder is no longer shared.</p> <p>Following the retirement of the previous Head of Paid Service, a recruitment process is in place to appoint a new Chief Executive. An Interim Chief Executive has been appointed to oversee the role until a replacement has been recruited.</p> <p>The Council's Group Manager Legal and Property Services and Monitoring Officer will be retiring at the end of July. Interim arrangements have been put in place until a permanent replacement has been imp</p>

## Going Concern Considerations

Question	Management response
<p>Is management aware of the existence of events or conditions that may cast doubt on the Authority's ability to continue as a going concern?</p>	<p>Due to the Covid-19 pandemic, the Council is expecting losses across revenue streams such as car park income, licensing, planning fees and investment and property rental income. Expenditure pressures will also be felt across all services. Although difficult to quantify, it is expected that financial pressures will be significant – even after the Government's funding for local authorities is taken into account. The Council is however in the fortunate position of having general fund reserve balances to draw upon. A report was presented to Cabinet in June 2020 and a revised budget for 2020/21 will be presented in September 2020. At present the Chief Finance Officer opinion is that the Council has sufficient General Fund and Revenue Reserves to operate as a going concern.</p> <p>The Council is currently revisiting the assumptions included in the last iteration of the MTFS in recognition of the impact of the pandemic.</p>
<p>Are arrangements in place to report the going concern assessment to the Audit Committee?</p> <p>How has the Audit Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?</p>	<p>This report is being considered by the Audit Committee in advance of considering the draft financial statements.</p>



## Related Parties

### Matters in relation to Related Parties

Local Authorities are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the authority (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority's perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Relating Parties

Question	Management response
<p>What controls does the Authority have in place to identify, account for and disclose related party transactions and relationships ?</p>	<p>Declarations are made at meetings by Members and Officer where appropriate and are recorded in the minutes of the meeting. The Members code of conduct requires Members to make declaration of interest when necessary which are also recorded. Registers of interest are updated annually by Members and Officers and a register of gifts and hospitality is also maintained. Members are reminded quarterly to update the register of interests.</p> <p>The above is reviewed as part of the accounts closedown process and are disclosed in the statement of accounts where the interest would be material to either party. The results of this exercise are disclosed in the draft statement of accounts.</p>

# Accounting Estimates

## Matters in relation to Related Accounting estimates

Local Authorities apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Authority identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Authority is using as part of its accounts preparation; these are detailed in Appendix A to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

## Accounting Estimates

Question	Management response
<p>Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?</p>	<p>The non-domestic (NDR) appeals provision for the 2010 list has been estimated based on past experience of successful appeals and other RV reductions, actual success rates and reductions may differ from the estimate. The process was altered from 1 April 2017 for the 2017 list. For the 2017 list, as there have been limited numbers of appeals due to the new Check, Challenge and Appeal process, the use of the standard MHCLG successful appeals per centage has been reviewed as it appears to be overly pessimistic. I am confident that the estimate is soundly based being both prudent yet realistic avoiding over provision.</p>
<p>Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?</p>	<p>Yes</p>
<p>How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?</p>	<p>The assumption which underpin the figures reported in the Statement of Accounts are reviewed in advance of preparation and such estimates and assumptions are disclosed in the notes to the Accounts for transparency.</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations	Valuations are made by a qualified valuer (RICS Member) in line with RICS guidance on the basis of 5 year valuations with interim reviews.	<p>There is a rolling programme of valuations and the finance team issue terms of engagement covering specific issues for the year.</p> <p>Valuations are performed to ensure that the current value of a revalued asset does not differ materially from its carrying amount.</p>	Yes – Internal and External Valuer	<p>Valuations are made in line with RICS guidance. Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.</p> <p>The covid-19 pandemic and impact on the global economy has meant that less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore based on the basis of material uncertainty as per the RICS Red Book.</p>	No





## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Estimated remaining useful lives of PPE	The following assets categories have general asset lives: <ul style="list-style-type: none"> <li>• Buildings – 40 years</li> <li>• Car Parks – 20 years</li> <li>• Vehicles, Plant and Machinery- 4 years</li> </ul>	Consistent asset lives applied to each asset category.	Internal and External RICS member valuer	Life recorded in accordance with the qualified RICS internal or external valuer and can vary dependent on specific examples.	No



## Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Investment property valuations	Valuations are made by a qualified valuer (RICS member) in line with RICS guidance on an annual basis.	<p>Valuations are undertaken on an annual basis by RICS qualified external valuer</p> <p>The finance team issue terms of engagement to the valuer.</p>	Yes – External Valuer	<p>Valuations are made in line with RICS guidance.</p> <p>The covid-19 pandemic and impact on the global economy has meant that less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore based on the basis of material uncertainty as per the RICS Red Book.</p> <p>Values have been based on assumptions of rental income expected in 2020/21 adjusted to assume rent free period for a period of six to twelve months associated with Coronavirus considerations and potential void periods.</p>	No



## Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and amortisation	Depreciation is provided for all fixed assets with a finite useful life on a straight line basis as this reflects consumption of assets and is a reasonable assumption.	Consistent application of depreciation method across all assets.	No	The length of the life is determined at the point of acquisition or revaluation.	No

## Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Review of assets undertaken annually in line with policy. Where indication of impairment exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year end to identify if there is any indication of impairment.	Discussion with internal and external valuers.	N/A	No
Measurement of financial instruments	Financial instruments are valued at fair value based on the advice of their external treasury consultants and Investment Fund Managers.	All financial instruments are reviewed at year end and advice taken from professional advisors	Yes	Instruments are valued on an individual basis with advice from treasury management professionals and investment fund managers.	No



## Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	<p>Provision are made whenever an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.</p> <p>Provisions are charged as an expense to the appropriate service line In the CIES in the year that the Council becomes aware of the obligation, taking into account relevant risks and uncertainties.</p>	<p>Each provision is separately reviewed by financial accountants and a working is put together to support the calculation</p> <p>Charged in year that Council becomes aware of obligation</p>	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No

## Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Expected credit losses	Debts are reviewed monthly where possible, and any debts that are deemed to be irrecoverable are written off.	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts.	N/A	A 100% provision has been made against the housing benefit overpayment debtors to reflect the difficulty surrounding recovering debts from individuals who are already short of money.	No

## Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Procedures for identifying accruals are included in the closedown instructions.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated, the latest information has been used.	No
Non-adjusting events – events after the balance sheet date	The Chief Finance Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is a non adjusting event. For those events a note to the accounts is included identifying the nature of the event.	Group Managers notify the Chief Finance Officer.	This would be considered on individual circumstances	This would be considered on individual circumstances	N/A

## Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension fund (LGPS) actuarial gains/losses	The actuarial gains and losses figures are calculated by the actuarial expert. These figures are based on making % adjustments to the closing values of assets/liabilities.	The Council responds to queries raised by the administering body.	Yes, Hymans Robertson (Actuary) who provide the IAS 19 actuary report.	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field. Any major market fluctuations that may impact on the year end valuations are discussed with the actuary to ensure that forecasts are reasonable.	No









# COTSWOLD DISTRICT COUNCIL

Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT COMMITTEE - 30 JULY 2020</b>
Report Number	<b>AGENDA ITEM (15)</b>
Subject	<b>EXTERNAL AUDITOR REPORT</b>
Wards affected	ALL
Accountable member	N/A
Accountable officer	Jenny Poole - Chief Finance Officer Tel: 01285 623313 Email: <a href="mailto:jenny.poole@cotswold.gov.uk">jenny.poole@cotswold.gov.uk</a>
Summary/Purpose	To receive a report from Grant Thornton, the Council's external auditors regarding the audit plan for 2019/20.
Annexes	Annex A - "Cotswold District Council LG Audit Plan"
Recommendation/s	<i>To consider the Grant Thornton Audit Plan for 2019/20.</i>
Corporate priorities	Ensure that all services delivered by the council are delivered to the highest standard.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Chief Finance Officer, Monitoring Officer, Interim Chief Executive.

## **1. BACKGROUND**

- 1.1. Attached at Annex A is the Council's external auditor, Grant Thornton LLP, plan for the Council's audit 2019/20.

## **2. MAIN POINTS**

- 2.1. The Council 2019/20 audit scale fee approved by PSAA Ltd is £34,557, no change from 2018/19. Grant Thornton is proposing a fee of £45,807. An increase of £11,250 representing a 32.6% increase on the scale fee. Details of the Audit fees are set out at Section 8 of Annex A. The Chief Finance Officer has expressed her disappointment with this level of fee increase and has requested further information from the external auditor on the assumptions contained with the increases for:

- 2.1.1. Raising the bar - compliance with Financial Reporting Council requirements of auditors;

Local Government Pension Scheme valuation;

Property, Plant and Equipment valuations;

Housing Benefit; and

Investment Property valuations.

- 2.2. Representative from Grant Thornton LLP will be in attendance at the meeting to answer any questions from the Committee.

## **3. FINANCIAL IMPLICATIONS**

- 3.1. The proposed audit fee of £45,807 for 2019/20 exceeds the budgetary provision which is based upon the Scale Fee approved by PSAA Ltd. Approval of fees in excess of the Scale Fee will need to feed in to the update of the 2020/21 Budget due to be considered in September 2020.

- 3.2. It is unlikely that the Council will be able to negotiate a termination of the current auditor arrangements, appoint new auditors and complete the audit work on the financial statements for 2019/20 in advance of the statutory deadline of 30<sup>th</sup> September. Therefore negotiations with Grant Thornton LLP will continue.

- 3.3. Officers will engage with PSAA Ltd, to provide support with these negotiations. PSAA Ltd initially procured the external auditor services on behalf of the Council.

## **4. LEGAL IMPLICATIONS**

- 4.1. None directly from this report, however, Officers will engage with PSAA Ltd over the proposed level of fee increases put forward by the external auditor.

## **5. RISK ASSESSMENT**

- 5.1. Should any further issues arise during the course of the audit that necessitate further audit, the auditor states that "*additional fees will be incurred, subject to PSAA approval*". The Chief Finance Officer has requested that advanced notice is provided of any work which is likely to incur additional audit fees as this has not taken place in previous years.

**6. BACKGROUND PAPERS**

**6.1.** None.

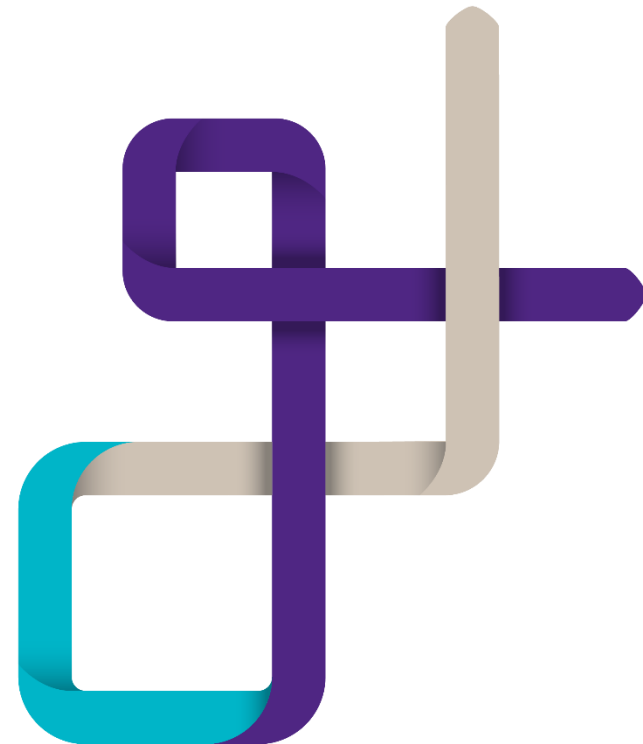
(END)



# External Audit Plan

*Year ending 31 March 2020*

Cotswold District Council  
June 2020



# Contents



## Your key Grant Thornton team members are:

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## Section

	<b>Page</b>
1. Introduction & headlines	3
2. Key matters impacting our audit	4
3. Significant risks identified	5
4. Other matters	9
5. Materiality	10
6. Value for Money arrangements	11
7. Audit logistics & team	12
8. Audit fees	13
9. Independence & non-audit services	15

## Appendix

A. Audit quality – national context

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. 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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# 1. Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Cotswold District Council ('the Authority') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Cotswold District Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control,
- The revenue transactions include fraudulent transactions (this is rebutted, please see page 5)
- Covid-19
- Valuation of land and buildings
- Valuation of Investment Properties
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £790k (PY £813k) for the Authority, which equates to 1.9% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £40k (PY £41k).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Future Financial Sustainability

## Audit logistics

Our interim visit will take place in July and our final visit will take place in October and November. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our proposed fee for the audit is £41,807 (PY: £39,057). Discussion is ongoing with the Chief Finance Officer over the level of fee. Any change will need to be approved by PSAA. Further detail is set out on pages 13 and 14.

## Independence

We have complied with 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.

## 2. Key matters impacting our audit

### Factors

#### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. At the end of quarter 3 forecast performance was a small underspend against the original budget.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

#### Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

#### Covid-19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. The circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020.

The most significant impact to the financial statements is likely to be in relation to the volatility of financial and property markets, which will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates.

The impact of the lockdown on income generation compounded by additional costs of responding to the outbreak will place further strain on the Council's financial health. Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen.

### Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Chief Financial Officer and is subject to PSAA agreement.

- We will work with management to understand the implications the response to the Covid-19 pandemic has on the organisations' ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach.
- Evaluate management's assumptions that underpin the revised financial forecast and the impact on management's going concern assessment.
- Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.
- Consider the impact on income and expenditure as part of our VFM work.



### 3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>The revenue cycle includes fraudulent transactions (rebutted)</b></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>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Cotswold District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Therefore we do not consider this to be a significant risk for Cotswold District Council.</p>
<p><b>Management over-ride of controls</b></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>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates of significant unusual transactions.</li> </ul>

## Significant risks identified – continued

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

## Significant risks identified – continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of land and buildings</b></p>	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• discuss with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they had been input correctly into the Authority's asset register</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>
<p><b>Valuation of investment property</b></p>	<p>The Authority revalues its investment properties on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statement date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£4.8m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of an external valuer to estimate the current value as at 31 March 2020.</p> <p>We therefore identified valuation of investment properties, particularly revaluations as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• engage our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation.</li> <li>• communicate with the valuer to confirm the basis on which the valuations were carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to ensure they have been input correctly into the Council's asset register</li> </ul>

## Significant risks identified – continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of the pension fund net liability</b></p>	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£47,541k in the Authority's balance sheet at 31.3.19) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of the Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

## 4. Other matters

### Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
  - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

### Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

### Going concern

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 Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

## 5. Materiality

### The concept of 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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

### Materiality for planning purposes

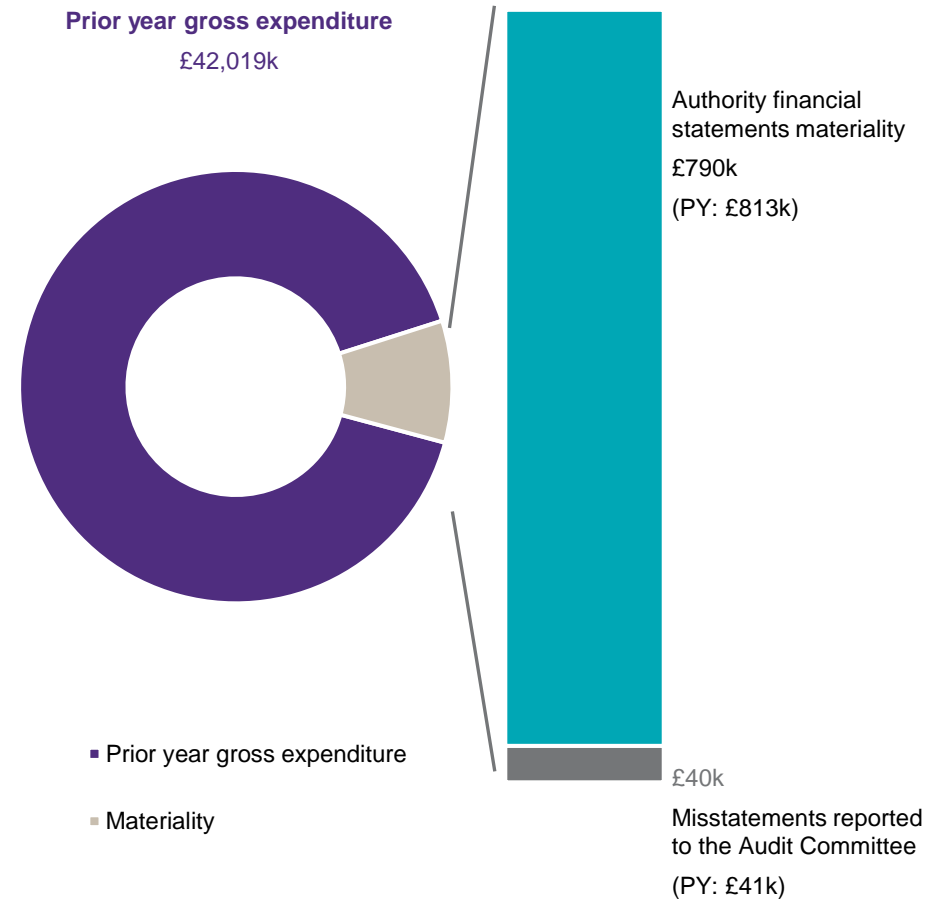
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £790k (PY £813k), which equates to 1.9% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £4k for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

### Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £40k (PY £41k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



## 6. Value for Money arrangements

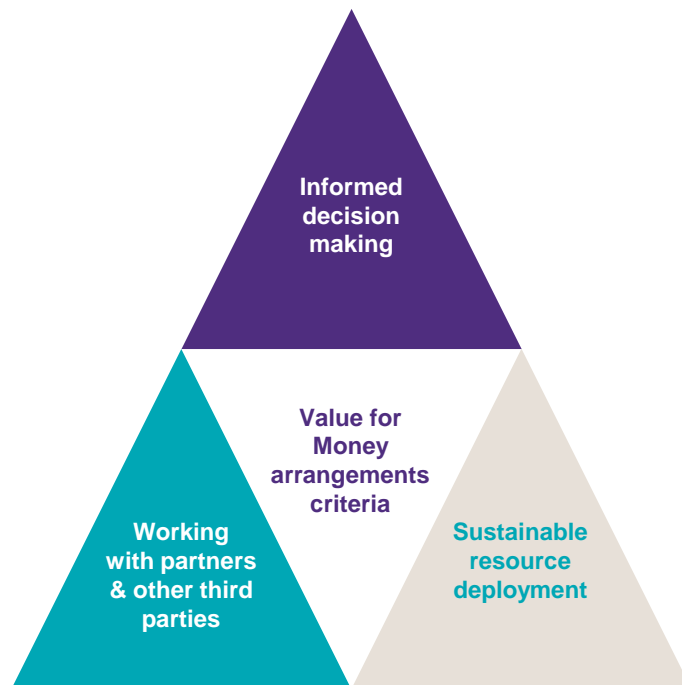
### Background to our VFM approach

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

The guidance identifies one single criterion for auditors to evaluate:

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

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



### Significant VFM risks

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



### Future Financial Sustainability

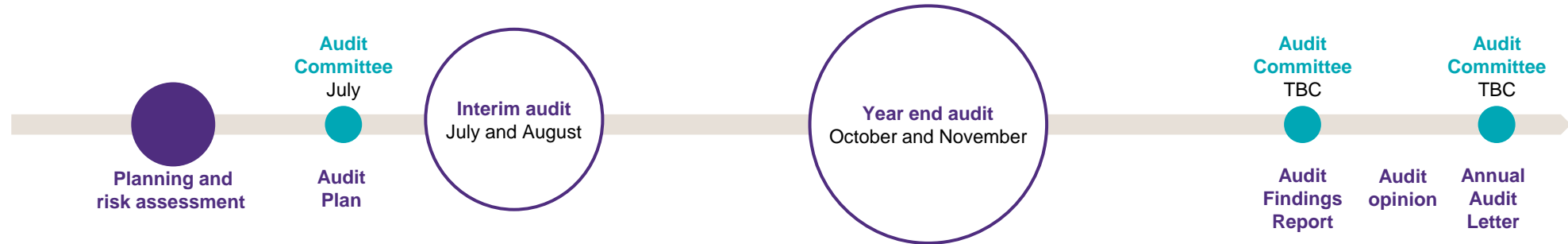
Like many other similar local authorities, the financial outlook remains challenging. The latest MTFS shows a combined savings plan of £3.6m to balance the budget from 2020/21 to 2022/23.

The impact of the Covid-19 lockdown on income generation compounded by additional costs of responding to the outbreak will place further strain on the Council's financial health.

We will

- Review the MTFS, including the assumptions that underpin the plan, and any use of reserves,
- Understand how savings are identified and monitored,
- Consider 2019/20 performance against savings plans,
- Consider the use of reserves in 2020/21 to reach the balanced budget, and
- Review the response to Covid-19 in terms of the MTFS

## 7. Audit logistics & team



**Peter Barber, Key Audit Partner**

Peter's role will be to lead our relationship with you. He will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council



**Helen Lillington, Audit Manager**

Helen's role will be to be a key contact with the senior management and the Audit Committee.



**Siobhan Barnard, Audit Incharge**

Siobhan's role will be to be the day to day contact for the Council finance staff. She will take responsibility for ensuring there is effective communication and understanding of the finance team of audit requirements.

### Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

### Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.



## 8. Audit fees

### Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, are set out below, with further analysis overleaf. Discussions are ongoing with the Chief Finance Officer over the level of fee, with any change needing to be approved by PSAA.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
<b>Council Audit</b>	£52,879	£34,557	£34,557
<b>Additional Audit Fee</b>		£4,500	£7,250
<b>Total audit fees (excluding VAT)</b>	<b>£52,879</b>	<b>£39,057</b>	<b>£41,807</b>

### Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

### Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

# Audit fee variations – Further analysis

## Planned audit fees 2019/20

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Please note due to the independence issues arising from a formal employee recently taking up a position with job Publica (see page 15) we will be resourcing the majority of this work from outside of the South West. As previously discussed with the Chief Finance Officer there is a cost to us of this, however, given the impact of Covid-19 and the need to work remotely we recognise that this may not have a major impact this year. As a result we have not included any additional costs in this respect in the proposed revised additional fees below but will keep under review during the audit and revisit at completion.

Audit area	£	Rationale for fee variation
<b>Scale fee</b>	34,557	
<b>Raising the bar</b>	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
<b>Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19</b>	1,750	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
<b>PPE Valuation – work of experts</b>	1,750	We have therefore increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations
<b>Housing Benefit</b>	1,250	There are key areas of the claim where we are required to gain assurance as part of the opinion audit. This would normally be gained as part of the work on the Housing Benefit Certification job. As we are not the appointed auditor for that claim, additional work will be needed to gain the necessary assurance to give an opinion on the financial statements.
<b>Revised scale fee (to be approved by PSAA)</b>	41,807	
<b>Investment Property Valuation – cost of auditor's expert</b>	4,000	This is a direct recharge of the costs we will incur in obtaining expert valuation advise in respect of your investment properties.
<b>Total revised fee (including investment property expert)</b>	45,807	

## 9. Independence & non-audit services

### Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

During the early part of the 2019/20 financial year, the previous audit manager, applied for a job with Publica. Following the application process, she was successful and has recently started her new role. The role involves completion of accounting transactions and the preparation of the financial statements for West Oxfordshire District Council. As a result this has required us to put certain safeguards in place to ensure that we can continue with the audit appointment and comply with the ethical standards as a firm.

The safeguard has been agreed by our ethics function and is such that the audit will be conducted with a new engagement lead from the South West Office, but then with the remainder of the audit team being sourced from our Midlands Public Sector Team.

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 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

### Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. We have not identified any other services.

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# Appendices

**A. Audit Quality – national context**

# Appendix A: Audit Quality – national context

## What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

## Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

## What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

## What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT COMMITTEE - 30 JULY 2020</b>
Report Number	<b>AGENDA ITEM (16)</b>
Subject	<b>THE ROLE OF AUDIT COMMITTEE IN RELATION TO CONDUCT/STANDARDS</b>
Wards affected	ALL
Accountable member	Cllr. Patrick Coleman - Chair of Audit Committee Email: <a href="mailto:patrick.coleman@cotswold.gov.uk">patrick.coleman@cotswold.gov.uk</a>
Accountable officer	Bhavna Patel - Monitoring Officer Tel: 01285 623219 Email: <a href="mailto:bhavna.patel@cotswold.gov.uk">bhavna.patel@cotswold.gov.uk</a>
Summary/Purpose	To consider the role of the Audit Committee in relation to conduct/standards.
Annexes	Annex A - Briefing Paper dated July 2012 Annex B - Complaints about councillors Annex C - Arrangements for dealing with member misconduct Annex D - Flowchart - procedures for investigating complaints about councillors
Recommendation/s	<i>It is recommended that the Committee:</i> <i>a) notes the report;</i> <i>b) considers its role in relation to conduct/standards and;</i> <i>c) makes recommendations to the Constitution Working Group on any changes following debate.</i>
Corporate priorities	Ensure that all services delivered by the council are delivered to the highest standard
Key Decision	No
Exempt	No
Consultees/ Consultation	Cllr. P Coleman - Chair of Audit Committee, Dr C Gore - Interim Chief Executive, Mrs J Poole - S151 Officer.

## **1. BACKGROUND**

- 1.1.** Following the change in the standards regime brought about by the Localism Act 2011 ("the Act"), Council resolved that any complaints about the conduct of members should be dealt with in accordance with the arrangements stipulated in the Act.
- 1.2.** The Monitoring Officer submitted a Briefing Paper for members and a regime for dealing with code of conduct complaints was agreed by Council.
- 1.3.** Both the Briefing Note and the Arrangements for dealing with the complaints are annexed to this report as Annex A and Annex C respectively.
- 1.4.** Annex B explains how complaints about members can be made.

## **2. MAIN POINTS**

- 2.1.** The Act states that when a complaint that a member has breached the Members' Code of Conduct is submitted, the Monitoring Officer (MO) must consult the Council's Independent Persons (IP) to ascertain if there is a case to answer.
- 2.2.** If the MO and the IP determine there is no case to answer, the MO usually writes to the subject member and the complainant informing them that there is no case to answer by issuing a Decision Notice. Unlike the old regime for dealing with Code complaints, there is no right of appeal against this decision.
- 2.3.** If the MO and IP determine there is a case to answer and the complaint warrants an investigation, then the MO writes to the subject member complained about and the complainant that the complaint warrants an investigation (usually a Decision Notice is issued). The matter is passed to an Investigation Officer who will investigate the matter and compile a report of their finding with recommendations. If the Investigating Officer concludes and recommends there is no breach, the MO writes to the subject member and complainant and informs them of the decision. There is no right of appeal. It should be noted that the bar for an investigation is set high as the ability to sanction is very diluted by the Act.
- 2.4.** If the Investigating Officer finds there is a case to answer then the matter will be brought before the Audit Committee to hear the complaint, reach a decision and impose any sanctions. The Act has taken away a majority of the sanctions available. The available sanctions are: censure; report the findings of the Audit Committee (as the Hearing Committee) to full Council and publish the finding on the Council's Website; exclude the subject member from the Council premises (other than Council meeting rooms when necessary for the attendance of Council/Committee meetings); withdrawal of Council facilities (for example – computer); instruct the MO to provide training; recommend to Cabinet/Council that the subject member be removed from any outside body; inform the Group Leader that Committee recommended the subject member be removed from Cabinet/Portfolio responsibilities; and inform Group Leader (or if an independent member – full Council) that the Committee recommend the removal of the member from a committee.
- 2.5.** The Act does not give the MO or indeed, the Committee, powers to enforce their outcome and if the subject member or Group Leader chooses to ignore the recommendation there is little that can be done.



- 2.6. The role of the Audit Committee only comes into play when there is a hearing. The current arrangements for handling complaints are laid down in the Act and this is the regime that MO follows.
- 2.7. The MO would normally report to the Audit Committee the number of complaints that have been received in the year. Over the last few years with the Cotswold District, there have been very few complaints. None have until recently been about district councillors. At the next Audit Committee meeting the Committee will be informed of complaints that are currently active.
- 2.8. The Council only has one Independent Person and he has not been contactable for some time despite numerous attempts. The MO has been consulting the IP for the Forest of Dean DC in relation to recent complaints which he has agreed to do. The MO will seek to advertise and recruit for an IP following the lifting of social distancing restrictions imposed during the Covid-19 pandemic. However at the last attempt at recruitment the Council only had one applicant who was appointed.
- 2.8.1. The Audit Committee has a limited role to play in the standards regime as the arrangements are laid down statute. Nevertheless, the Committee is requested to consider its role and make recommendations to the Constitution Working Group for consideration.

### **3. FINANCIAL IMPLICATIONS**

- 3.1. None.

### **4. LEGAL IMPLICATIONS**

- 4.1. The Council is required to put in place arrangements for dealing with complaints about members under the Localism act 2011.

### **5. RISK ASSESSMENT**

- 5.1. None.

### **6. ALTERNATIVE OPTIONS**

- 6.1. Not applicable.

### **7. CLIMATE CHANGE IMPLICATIONS**

- 7.1. Not applicable.

### **8. BACKGROUND PAPERS**

- 8.1. None.

(END)



**THE LOCALISM ACT 2011 AND THE NEW STANDARDS REGIME  
INCORPORATING A CODE OF CONDUCT FOR MEMBERS**

**MONITORING OFFICER BRIEFING NOTE**

**Introduction**

As Members will know, on 10<sup>th</sup> July 2012 the Council debated my report in relation to the new standards arrangements under the Localism Act 2011, and the following decisions were taken:-

- (a) That the Code of Conduct set out at Appendix 'B' to the circulated report be adopted as the Council's Code of Conduct, effective from 1<sup>st</sup> July 2012 (it being noted that such Code is based on the text of the Council's current Code of Conduct with the deletion of the section on Members' Interests and its replacement by the provisions of The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012), until such time as a Gloucestershire-wide Code is agreed between the various authorities;**
- (b) that the Audit Committee takes on responsibility for code of conduct/standards matters, including any necessary role insofar as the determination of complaints regarding the conduct of Members is concerned;**
- (c) that complaints be dealt with in accordance with the complaints procedure flow-chart attached at Appendix 'C' to the circulated report;**
- (d) that, pending the appointment of new independent persons, the independent members of the former Standards Committee be invited to perform the role of 'independent persons' for the purpose of being consulted by the Monitoring Officer on any complaints received regarding the conduct of Council Members;**
- (e) that the Monitoring Officer be given delegated authority, in consultation with the Chairman of the Audit Committee and one of the independent persons, to determine applications for dispensations in respect of District Councillors;**
- (f) that the action of the Chief Executive pursuant to Council Procedure Rule 38 to agree an interim Code for the period 1<sup>st</sup> - 10<sup>th</sup> July 2012, in consultation with the Leader of the Council, be noted;**
- (g) that the Head of Democratic Services be authorised to make the consequential changes to the Constitution.**

For ease of reference, copies of the Code and complaints procedure flow-chart are attached to this Briefing Note.

The purpose of this Briefing Note is to confirm the detail of the new regime, so that Members can understand what is expected of them in the future.

## **Background Information and Context**

The Localism Act 2011 proposed significant changes to the regime covering the standards of behaviour and conduct of elected and co-opted members. The national body *Standards for England* was abolished with effect from 1<sup>st</sup> April 2012, signalling the end of the then existing standards regime for local authority members. Final Regulations confirming the detail of the new class of interest to be registered and disclosed were laid before Parliament on 8<sup>th</sup> June and the new provisions as contained in the Localism Act 2011 came into force on 1<sup>st</sup> July 2012.

## **A Code of Conduct for Members**

The Act contains an overarching general duty on local authorities to promote and maintain high standards of conduct by its elected and co-opted members, with a specific mandatory requirement to adopt a code of conduct which, when viewed as a whole, is consistent with the seven Nolan principles of public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and which will deal with the conduct of members expected of them *when acting as members*. This means that only members' conduct whilst performing their functions as councillors can be regulated by the Code, a departure from the previous arrangements under the Local Government Act 2000 (as amended). Once adopted, a Code may be replaced or revised as necessary, a provision that has afforded the Council the opportunity to adopt its previous Code under the old law as an interim measure for the purpose of the new law, except insofar as it is inconsistent with the new law. This interim measure includes not only the Code of Conduct for members, but also both the register of their interests and the arrangements under which allegations of breach of the code may be investigated.

## **'Disclosable Pecuniary Interests' ('DPIs')**

Broadly speaking, this new definition creating a new class of interest corresponds to the detail of existing personal interests, save with regard to the membership of other public bodies. The boxed text below and overleaf contains the precise wording of the various classes of interest included within the statutory definition. Members will be required to declare DPIs of which they are aware at a meeting, where any matter to be considered relates to such an interest, *and* that interest has not already been entered on the register I am required to maintain (on which see below for further detail). Whether this relates only to members of the relevant committee, or also includes, for example, other members sitting in the public gallery to observe proceedings, is not clear. Where such an interest is disclosed or has already been registered, the member may not participate further in any discussion on the matter, or vote. It is the Council's approach that a member disclosing such an interest must leave the room while the matter is debated or voted on.

### **THE NEW CLASS OF 'PECUNIARY INTEREST'**

#### **Employment, office, trade, profession or vocation**

Any employment, office, trade, profession or vocation carried on for profit or gain.

**Sponsorship**

Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expense of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

**Contracts**

Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority (a) under which goods or services are to be provided or works are to be executed and (b) which has not been fully discharged.

**Land**

Any beneficial interest in land which is within the area of the relevant authority.

**Licences**

Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.

**Corporate Tenancies**

Any tenancy where (to M's knowledge) (a) the landlord is the relevant authority and (b) the tenant is a body in which the relevant person has a beneficial interest.

**Securities**

Any beneficial interest in securities of a body where (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority and (b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Note: M = Member

The new rules contain specific provisions relating to the publication of 'sensitive interests' where there is a risk that disclosure may lead to the member concerned being subject to violence and intimidation; and general dispensations may be granted in certain circumstances. I would urge any member who is concerned about the question of sensitivity to discuss the issue with me or the Deputy Monitoring Officer or another member of the legal team.

**Registration and Disclosure of DPIs**

A Council's Code must include provision for the registration and disclosure of pecuniary and non-pecuniary interests, with responsibility for establishing and maintaining this resting with the Monitoring Officer.

Each authority may determine what is to be entered in the register (over and above the statutory DPIs) - in 'rolling forward' its existing arrangements as an interim measure, the requirements insofar as the registration/declaration of interests remains as before subject to the required amendments relating to DPIs. Such requirements will be revisited when a new Code is presented to Members in due course.

DPIs must be registered within 28 days of a member being elected but interestingly, the Act says nothing about such interests being required to be registered within a period of time relative either to the adoption of a code or the interest coming into existence, such that on the face of it, members will only need to notify register interests after the District Council elections in May 2015 (or earlier in the case of any by-election). However, there is separate provision for a new DPI that is not already registered to be disclosed at any meeting where it arises and *then* registered 28 days thereafter.

It is understood that the DCLG have recognised this omission, and are likely to introduce relevant primary legislation at the earliest opportunity. As a result, revised forms will be produced and issued to members for completion.

I would however urge members to get in touch, either with me, the Deputy Monitoring Officer or anyone else in the legal team, if there are any queries on the definition of DPIs.

### **Whose Interests are Covered by the Law?**

It is very important for members (and a member is referred to as 'M' here) to be clear that it is not only *their own* interests that need to be disclosed and registered, but that the new provisions also cover DPIs of:-

- M's spouse or civil partner;
- a person with whom M is living as husband and wife; or
- a person with whom M is living as if they were civil partners.

In these three cases, the member concerned must be aware that the other person has the relevant interest.

### **The Criminal Law**

Members should also note that a new criminal offence is introduced under the Localism Act 2011 of failure to register a DPI or to participate in the consideration of any matter in which the member has a DPI without reasonable excuse. Further, it is also a criminal offence to provide false or misleading information in relation to DPIs, or to be reckless as to whether such information is true and not misleading. However, prosecutions may only be instituted by or on behalf of the Director of Public Prosecutions. If found guilty, members can be fined up to level 5 on the standard scale (currently £5,000) and may face disqualification for a period of up to five years.

### **Breaches of the Code**

Under the new law, a council must also have in place arrangements by which allegations of breach of the code of conduct can be investigated, and by which decisions on allegations can be made, which must include a role for an 'independent person' (see below). Further, a failure to comply with the code will not *of itself* invalidate any decision made. Apart from this, councils are free to make their own

arrangements for investigating and determining complaints. However, the position as to the consequences of breach is far from clear. A council *may have regard* to the breach in deciding whether or not to take action and if so, what action to take, which on the face of it appears to grant a discretion on whether to act in the first place and if so, the nature of that action. Interestingly, however, the new law is silent on what form such action may take, or in respect of any appeals procedure. There is no power for a council to suspend its members, although options do exist for some degree of self-regulation - for example, a council can censure; recommend removal from Cabinet, committee and sub-committee membership; require the Monitoring Officer to provide training; or withdraw the use of Council premises and facilities (but not exclusion from meetings). The lack of an appeal mechanism may well provide challenges with regard to the rules of natural justice.

### **The Role of the 'Independent Person'**

Under the old regime, the rules provided for the appointment of independent members to standards committees, and those members played a full role in the life of that committee. It was also a requirement for those independent members to sit on the assessment and review sub-committees whenever allegations of breach of the old code were considered. Now, councils must appoint an 'independent person' or persons whose views must be sought before a decision is taken in relation to an allegation of misconduct. Members who have had allegations made against them may also seek the views of the independent person. Some commentators have expressed the view that the duality of this role might present a risk of potential conflict of interest if there is only one such independent person. That apart, the role of the independent person within the new arrangements is likely to be less onerous than the existing role of an independent member of the previous standards committee. Independent persons are to be appointed by submission of an application after advertisement, although transitional provisions allow the appointment of the four immediate past independent members of the Standards Committee as independent persons to fulfil that role with effect from 1<sup>st</sup> July 2012 for a transitional period of up to 12 months. This arrangement was supported and agreed by the Council at its meeting held on 10<sup>th</sup> July, as this would enable the Council to enter the new arrangements with the benefit of the significant experience and expertise they had built up during their time on the committee. As the new arrangements begin to take effect with the passage of time, including revision and amendment as necessary, those former members will be on hand to offer advice and to discharge the role of independent person required by legislation. In addition, in order to overcome the potential for a conflict of interest as identified above, the view of one independent person will be sought by the Council and taken into account before a decision is taken in relation to any matter that is the subject of an investigation, a second will be on hand to advise the subject member as required, and the third/fourth will be held in reserve.

These independent persons will also be able to give the benefit of their experience, expertise and advice as the Council considers its permanent arrangements in due course.

### **The Future**

There is significant scope for exercising discretion in establishing new arrangements, subject to there being no derogation from the base principles relating to (i) the declaration and registration of DPs, (ii) the non-participation in debate and voting on the part of members where relevant business is being conducted and (iii) the involvement of an independent person.

Many members across the County have consistently expressed the aspiration that, in the absence of a nationally applicable process, there should be as much consistency as possible between the seven primary councils within Gloucestershire. If there is to be clarity and public confidence in the new arrangements, and if members are to be subject to consistency across local government in the standards of conduct expected of them (particularly for members of more than one primary council, i.e. county and a district, city or borough, or more than one primary council and a town/parish council), it is considered that this must be a highly desirable outcome. If consistent arrangements *can* be agreed across the councils (and discussions are on-going), this will represent a good example of effective, pragmatic, sensible and collaborative joint working within the public sector, in a way that will bring certainty and consistency for members and the public alike. It was also against this background that the Council took the decision on 10<sup>th</sup> July to adopt *interim* arrangements enabling compliance with the current law but also permitting a process of discourse and hopefully agreement to be reached between the seven councils leading to a consistent set of arrangements, which might then be agreed by those councils during their respective decision-making processes in, say, the Autumn.

In any event, it is submitted that whatever the outcome of those negotiations between the seven councils, it will be in the best interests of good governance for this Council to adopt arrangements to replace the interim ones no later than the November Council meeting. As part of this decision-making process, options for a new code will be presented to members for approval, along with any changes considered necessary to the arrangements for investigating and determining complaints, as well as recommendations for the appointment of an independent person or persons to discharge the functions required by the new law.

In the event that discussions between the seven primary councils do not produce a consistency of approach, the need for clarity, transparency and certainty in this Council's procedures for regulating the conduct of members is likely to dictate that the Council establishes its own arrangements no later than at the November Council Meeting.

To sum up - in very broad terms, the newly created disclosable pecuniary interest matches the current definition of personal interest. Under the previous arrangements, if that personal interest became a prejudicial one, a member must absent him/herself from the meeting when a prejudicial interest arose; under the new provisions, a member may not participate in any discussion or vote on a matter about which s/he has a disclosable pecuniary interest and should absent him/herself from the meeting.

I do hope that this briefing note will be of help to members in charting a course through the new law. As always, I am here to help with any queries, questions or concerns.

18<sup>th</sup> July 2012

Bhavna Patel  
Monitoring Officer

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## COMPLAINTS ABOUT COUNCILLORS

This section sets out how you can complain about a councillor, and how we will deal with your complaint.

### What is a complaint about a councillor?

A complaint is an **allegation** that a Member or Co-opted Member of the District Council, or a Member or Co-opted Member of any Town/Parish Council within Cotswold District, **has broken or breached the Council's Code of conduct for Members** when acting in their official capacity.

The District Council Code of Conduct for Members can be viewed here:-

[CDC Code of Conduct for Members](#)

(CREATE LINK TO CODE)

### Who can make a complaint?

Complaints can be made by anyone.

### How do I make a complaint?

Complaints, also known as allegations of Member misconduct, must be made in writing to the Council's Monitoring Officer. This can be via letter or e-mail, using the following contact details:-

(i) by letter, write to:

**The Monitoring Officer  
Cotswold District Council  
Trinity Road  
Cirencester  
Gloucestershire  
GL7 1PX**

(ii) by e-mail, please send to:

**[bhavna.patel@cotswold.gov.uk](mailto:bhavna.patel@cotswold.gov.uk)**

The Monitoring Officer can also be contacted about matters causing concern before a formal complaint is made.

Please write or e-mail, or call to discuss on 01285 623219.

### What do I need to do when making a complaint?

You need to let us know which Councillor you are complaining about and say why you think they are in breach of the Code of Conduct.

Please state how you believe that the Code has been breached - specify the relevant element(s) of the Code, and provide as much information as possible to support your complaint, including any documents which you would like us to take into account.



### **How will my complaint be dealt with?**

The Council has in place a procedure to consider and determine whether a Member has breached the Council's Code of Conduct for Members. This process includes the involvement of an independent person (who is neither a Member or Officer of the Council).

In brief, the process is set out in the following flowchart:-

[Flowchart - Procedure for Investigating Complaints against Councillors](#)

(CREATE LINK TO FLOWCHART)

Full details of the process are contained in the following document:-

[Arrangements for Dealing with Allegations of Member Misconduct](#)

(CREATE LINK TO EXPLANATORY DOCUMENT)

### **What if I would like to speak to someone before submitting a complaint?**

This is fine - please contact the Monitoring Officer through any of the contact methods set out above.

(END)



## **ARRANGEMENTS FOR DEALING WITH ALLEGATIONS OF MEMBER MISCONDUCT UNDER THE LOCALISM ACT 2011**

### **Statutory Position**

The Localism Act 2011 places a general duty on local authorities to ensure that high standards of Member and co-opted Member conduct are maintained and demonstrated to the public. As part of this, it requires councils to have a procedure in place to investigate and determine allegations that Members have breached the Council's Code of Conduct for Members, which must involve seeking the opinion of an Independent Person before any decision is taken.

Allegations are commonly referred to as complaints.

Cotswold District Council has responded to these requirements by introducing a new councillor complaints procedure with clearly defined responsibilities for Independent Persons. Its arrangements are set out below:

**Definition of an allegation of misconduct against Councillors:** a complaint made against a Member or Co-opted Member of the Council *alleging that they have broken the Council's Code of Conduct for Members*. Complaints can be made by anyone.

Note: The Members' Code of Conduct is available on the Council's website and also on request in paper form from The Monitoring Officer at the Council Offices, Trinity Road, Cirencester, Gloucestershire, GL7 1PX.

**The Monitoring Officer:** a senior officer with a statutory responsibility for maintaining the Members' Register of Interests, and a non-statutory responsibility to administer the Council's complaints procedure against Councillors.

**The Independent Person:** an Independent Person whose view is sought by the Monitoring Officer to determine if an allegation of misconduct warrants full investigation, and whose view is sought by the Hearings Panel to determine if a Member has broken the Council's Code of Conduct. An Independent Person will also be available to the Member being complained about, and to the complainant.

Note: The Council has appointed two Independent Persons in order to cover the different responsibilities in this process.

**The Investigating Officer:** a person appointed to conduct an impartial investigation into an allegation of Member misconduct on the referral of the Monitoring Officer. This role can be taken on by a senior officer or external person.

**The Hearings Panel:** a sub-group of the Audit and Scrutiny Committee, comprising between 3 and 5 Members, appointed to (i) hear allegations of Member misconduct once the Investigating Officer has concluded that there is evidence of misconduct and the Monitoring Officer has been unable to resolve the matter through local resolution; and (ii) advise the Monitoring Officer as to whether a Member has engaged in misconduct and suggest sanctions where appropriate.

## The Process

### Stage 1: Initial Assessment of Complaint

- The Monitoring Officer (MO) receives a complaint or allegation that a Member of the Council has broken the Council's Code of Conduct.
- The MO will send an acknowledgement of receipt within 5 working days and take a decision as to its substance within 14 working days. If these timescales look likely to be missed, the MO will let the complainant know.
- It is the MO's role to review the substance of the complaint and any supporting material and decide if the complaint warrants a full investigation. This is done against a set of relevant questions in consultation with an Independent Person.

#### Criteria for Determining if Allegations Warrant Full Investigation

- Q1. Has the complainant submitted enough information to satisfy the MO and/or Hearing Panel that the complaint should be referred for investigation?  
**If no, no further action will be taken.**
- Q2. Has the complaint already been the subject of an investigation or other action by the District Council or another regulatory authority?  
**If yes, it is likely that no other action will be taken unless there is a clear interest in doing so.**
- Q3. Is the complaint about something that happened so long ago there would be little benefit in taking action today?  
**If yes, it is unlikely that any further action will be taken.**
- Q4. Is the complaint too trivial to warrant further action?  
**If yes, no further action will be taken.**
- Q5. Does the complaint appear to be malicious, politically motivated or tit for tat?  
**If yes, it is unlikely that any further action will be taken.**
- Q6. Was the complaint made anonymously?  
**If yes, it is unlikely that any further action will be taken.**
- Q7. Would an investigation serve any public benefit?  
**If no, an investigation is unlikely, but other appropriate actions may be considered.**

- After reviewing the complaint, the MO could write to the complainant requesting additional information and at this stage could also contact the Member being complained about for information.
- Once the initial assessment is complete, the MO will write to the complainant to inform them of their decision and give reasons for it.

### **Actions Available to the Monitoring Officer at this stage**

1. The complaint could be rejected with reasons.
2. The complaint could be judged to have merit. In this event, there are three further options available to the MO:-
  - (a) If there appears to be criminal misconduct, the MO will refer the case to the Police.
  - (b) The MO can attempt to resolve the complaint informally by getting the Member to acknowledge that their conduct was unacceptable and apologise, or engage in any other remedial actions on behalf of the authority.
  - (c) The MO can appoint an Investigating Officer to fully investigate the complaint.

**Note:** Although there is no right of appeal, both complainant and the Member who is subject of the complaint can make representations to the MO if they disagree with the decision.

### **Stage 2: Investigation by Investigating Officer**

- If the MO decides that the complaint has merit and local resolution either fails or is not appropriate, the MO will appoint an Investigating Officer (IO) (likely to be another senior officer or an external person) to conduct a thorough and full investigation of the complaint.
- At this stage, the IO will write to the Member being complained about to provide them with a copy of the complaint in writing, and ask them if they would like to offer their explanation of events and provide any supporting material. *Note: unless there is a valid reason not to do so, the Member will be told the identity of the complainant.*
- The Member who has been accused of misconduct can request the view of an Independent Person. *Note: this will be an Independent Person not involved in the decision to investigate the complaint.*
- At this stage, the IO has discretion to decide if they need to speak directly to the complainant for further clarity as to the nature and circumstances of the complaint and any additional information.
- Consideration of written materials and scheduled interviews are the main method of investigation available to the IO.
- After concluding the investigation, the IO will produce a draft report with conclusions that will be circulated in confidence to the complainant and the Member for comment. Both will have the opportunity to identify elements within the report that they disagree with and believe require further consideration.
- After taking any comments into account, the IO will send a final report to the MO stating: agreed facts; facts not agreed and corresponding conflicting evidence; and a conclusion as to if there has been a breach of the Code.

- The MO will consider the report and take a decision as to if the matter requires further consideration or not.

**Actions Available to the Monitoring Officer at this stage**

1. The MO can ask the IO to reconsider their report if not satisfied the investigation was conducted properly.
2. If the report concluded that there was no evidence of misconduct, the MO can write to the complainant and the Member concerned to say that the investigation has concluded that no further action will be taken.
3. If the report concluded that there is evidence of a breach of the Code, the MO can suggest that a local resolution is sought.
4. If the report concluded that there is evidence of a breach of the Code, the MO can refer the matter for local hearing before the Hearings Panel.

**Stage 3: Local Resolution or Referral to the Hearings Panel**

- If the MO believes that the matter can be solved through local resolution, a consultation process will begin with the complainant and the Independent Person to try and determine what fair resolution/restitution would be. This could include the Member accepting that their conduct was unacceptable and apologising, or other actions taken on behalf of the authority.
- If an agreement can be reached with the complainant that the Member is happy to comply with, the MO will report the matter to the Audit and Scrutiny Committee for information but no further action will be taken. If the Member refuses, the matter will be referred to the Hearings Panel.
- If no agreement can be reached with the complainant, the MO may, but does not have to, refer the matter to the Hearings Panel.
- Once the matter is referred to the Hearings Panel, the MO will provide the Panel with the IO's report and a hearing will take place to determine if the Member has breached the Code of Conduct for Members.
- Opportunities for representations by the IO, complainant, Member and their witnesses will be given before any decision is made.
- Another Independent Person not involved in the decision to investigate the allegation, will be consulted for their view before any decision is made.
- If after consulting the Independent Person, the Panel decides that the Member did not breach the Code of Conduct, no further action will be taken and all parties will be informed. *Note: while representations can be made by the complainant, there is no automatic right of review.*
- If the Panel decides the Member did breach the Code, the second Independent Person will be consulted on possible sanctions and the Member will be given the opportunity to make representations on their own behalf.

**Delegated Powers Available to the Hearing Panel for Sanctioning Purposes**

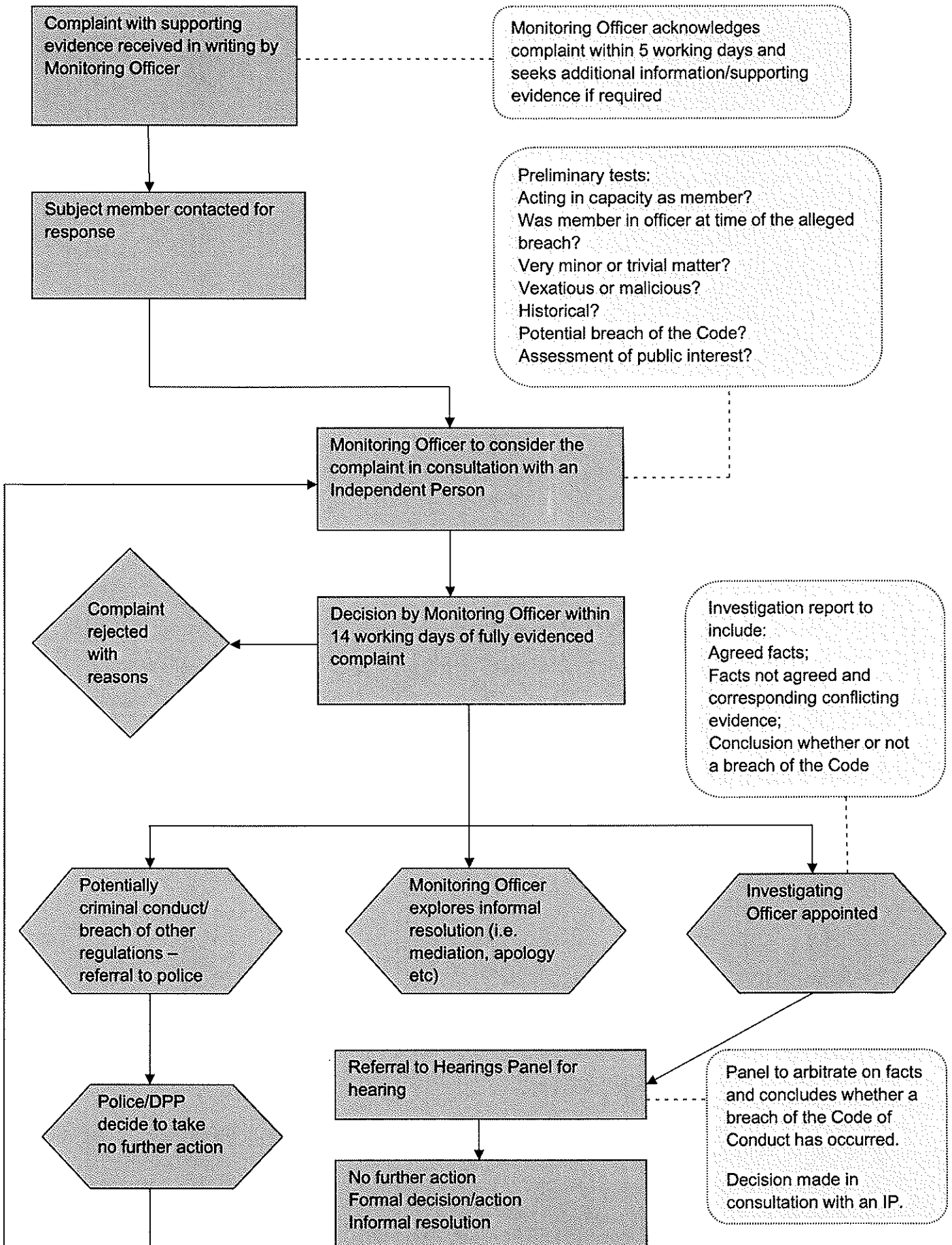
- (a) Censure;
- (b) Report to Council;
- (c) Recommend actions to the Leader of the Council;
- (d) Recommend actions to Group Leader;
- (e) Removal from Outside Bodies;
- (f) Withdrawal of facilities, such as Council e-mail/website/internet access;
- (g) Exclusion from the Council offices or other premises with the exception of meeting rooms as necessary for attending Council, Committees or Sub-Committees and/or nominating a single point of contact; and/or
- (h) Requesting the Member to undertake actions deemed appropriate, e.g. training, issue of an apology.

- Once the Hearing is concluded, the MO will prepare a formal decision notice in consultation with the Chairman of the Hearings Panel and send copies to the complainant and the Member concerned. The decision notice will also be made available for public inspection and reported to the next convenient meeting of the Council.

Note: The CDC Monitoring Officer is also the Monitoring Officer for all Town/Parish Councils within Cotswold District. As such, complaints against any Town/Parish Councillor within Cotswold District will be dealt with in accordance with the above process.

(END)

**Flowchart outlining the Procedure for Investigating and Determining Allegations of Member Misconduct (also known as complaints against Councillors)**





Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT COMMITTEE - 30 JULY 2020</b>
Report Number	<b>AGENDA ITEM (17)</b>
Subject	<b>RESPONSE TO THE LOCAL GOVERNMENT ASSOCIATION (LGA) CONSULTATION ON THE MODEL MEMBER CODE OF CONDUCT</b>
Wards affected	ALL
Accountable member	Cllr. Patrick Coleman - Chair of Audit Committee Email: <a href="mailto:patrick.coleman@cotswold.gov.uk">patrick.coleman@cotswold.gov.uk</a>
Accountable officer	Bhavna Patel - Monitoring Officer Tel: 01285 623219 Email: <a href="mailto:bhavna.patel@cotswold.gov.uk">bhavna.patel@cotswold.gov.uk</a>
Summary/Purpose	To inform the Committee of the consultation by the Local Government Association (LGA) on its draft Model Member Code of Conduct.
Annexes	Annex A - the draft Model Members Code of Conduct Annex B - the Consultation Questionnaire Annex C - the Cotswold District Council's Members Code of Conduct Annex D - the MO's responses
Recommendation/s	<i>That the Committee:</i> <i>a) Notes the report;</i> <i>b) Provides responses and comments to the draft consultation questionnaire at Annex B; and</i> <i>c) Authorises the Monitoring Officer to submit a consultation response to the LGA on the Council's behalf.</i>
Corporate priorities	Ensure all services delivered by the Council are delivered to the highest standards.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Chair of Audit Committee, Interim Chief Executive , Section 151 Officer



## 1. BACKGROUND

- 1.1. Cotswold District Council adopted the members' code of conduct in July 2013 and it forms part of the Constitution.
- 1.2. The Committee on Standards in Public Life (CSPL) undertook a review in 2018 which considered that robust standards arrangements are needed to safeguard local democracy, maintain high standards of conduct, and to protect ethical practice in local government
- 1.3. The terms of reference for the review were to:
- (i) examine the structures, processes and practices in local government in England for:
    - maintaining codes of conduct for local councillors
    - investigating breaches fairly and with due process
    - enforcing codes and imposing sanctions for misconduct
    - declaring interests and managing conflicts of interest
    - whistleblowing
  - (ii) assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government
  - (iii) make any recommendations for how they can be improved
  - (iv) note any evidence of intimidation of councillors, and make recommendations for any measures that could be put in place to prevent and address such intimidation

## 2. MAIN POINTS

- 2.1. The Local Government Association (“the LGA”) has now released a draft Model Member Code of Conduct and is seeking views on it.
- 2.2. The LGA’s Model Code of Conduct
- 2.2.1. On 8 June 2020 the LGA released a [model code of conduct for consideration](#) (Annex A) together with a consultation questionnaire (Annex B). The LGA has stated that “the draft Model Member Code of Conduct aims to be concise, written in plain English and be understandable to members, officers and the public. The draft Model Member Code has been designed to aid members in all tiers of local government model the behaviours and high standards that anyone would expect from a person holding public office. Equally, it articulates behaviour which falls below the standards that would be expected of council members.” The LGA states that the draft is designed to help set a framework for public and councillor interaction, emphasising the importance of civility and that councillors should be protected from bullying, intimidation and abuse.
- 2.2.2. The LGA has drafted a Model Member Code of Conduct incorporating the Committee on Standards in Public Life’s recommendations on Local Government Ethical Standards and representations from its membership. Part of the CSPL’s recommendations was the introduction of sanctions for breaches of the code, alongside an appeals process. This aspect is outside the scope of the LGA consultation, as it requires legislative changes by Government, but the LGA has sought to reflect some of the possible changes by using square brackets where

legal changes would be necessary. These have been shown within this report in bold type to assist members.

**2.2.3.** A model code would create consistency across England and reflect the common expectations of the public regardless of geography or tier of authority.

1. The draft Model Code is attached at Annex A. The Committee will note that it:-

- a) Applies to members when they are acting [**or claiming or giving the impression that they are acting**] in [**public or in**] their capacity as a member or representative of the Council, although members are expected to uphold high standards of conduct and show leadership at all times;
- b) Applies to all forms of member communication and interaction including written, verbal, non-verbal, electronic and via social media [**where the member could be deemed to be representing the Council or if there are potential implications for the Council's reputation**]. The Localism Act 2011 may need to be amended to allow for this. The LGA consultation specifically raises the question whether there should be a separate social media code or whether provision for guidance on the use of social media should be included in the main body of the code;
- c) The Model conduct and expectations are for guidance only, whereas the specific minimum obligations that are expected set out instances where action will be taken;
- d) It introduces the requirement to treat all persons with "civility" which is defined as meaning "politeness and courtesy in behaviour, speech and in the written word";
- e) Gives a definition of bullying - "Bullying may be characterised as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. The bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and not always be obvious or noticed by others."
- f) Gives a definition of harassment - "The Equality Act 2010 defines harassment as 'unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual'. The relevant protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, and sexual orientation."
- g) Introduces requirements around gifts and hospitality – "Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt. You should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe are) offered to you because you are a

member. However, you do not need to register gifts and hospitality which are not related to your role as a member, such as Christmas gifts from your friends and family, or gifts which you do not accept. However, you may wish to notify your monitoring officer of any significant gifts you are offered but refuse which you think may have been offered to influence you.” The Council already requires that Councillors declare gifts with a monetary value of £25 and over. The model code proposes a threshold of £25.

h) States that Councils must have an internal resolution procedure to address any behaviour that is in breach of the Member Code of Conduct. It says “In the case of a non-criminal breach of the Code, the following escalating approach can be undertaken. If the breach is confirmed and of a serious nature, action can be automatically escalated.

- 1) an informal discussion with the monitoring officer or appropriate senior officer
- 2) an informal opportunity to speak with the affected party/ies
- 3) a written apology
- 4) mediation
- 5) peer support
- 6) requirement to attend relevant training
- 7) where of a serious nature, a bar on chairing advisory or special committees for up to two months
- 8) where of a serious nature, a bar on attending committees for up to two months.

**2.2.4.** Where serious misconduct affects an employee, a member may be barred from contact with that individual; or if it relates to a specific responsibility of the council, barred from participating in decisions or information relating to that responsibility.”

**2.2.5.** The Monitoring Officer in her response to the CSPL highlighted that the main weakness in the standards regime is the limited range of sanctions that can be applied, which are not strong enough to provide an effective deterrent.

**2.2.6.** Additional sanctions which would strengthen the standards regime should include the powers to suspend members from office and to suspend members’ allowances for a period of time. Currently there are insufficient sanctions to deal with more extreme behaviours such as bullying, dishonesty or conviction other than those provided under section 34 of the Localism Act 2011. The draft Model Member Code of Conduct does not provide any strengthening of the sanctions available and a change to the legislation would be required to allow for suspension from office or suspension of allowances.

- i) Introduces two tables in relation to members’ declaration of interests. It states that where a matter arises at a meeting which directly relates to an interest in Table 1 (disclosable pecuniary interests) a member must not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation. If a matter arises at a meeting which directly relates to an interest in Table 2 (other registrable interests) a member must declare the interest and would only be able to

Speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless granted a dispensation.

j) Describes the action that must be taken where:

- 1) a matter arises at a meeting which directly relates to a member's financial interest or well-being (and is not a disclosable pecuniary interest) or that of a relative or close associate
- 2) a matter arises at a meeting which affects:
  - a) a member's own financial interest or well-being;
  - b) a financial interest or well-being of a friend, relative, close associate; or
  - c) a body covered by Table 1
- 3) a matter arises which affects the financial interest or well-being of a member to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all of the facts would believe that it would affect that member's view of the wider public interest.

### **3. THE LGA CONSULTATION**

- 3.1. The LGA says that it is continuing to take soundings from the sector on the issue of sanctions in anticipation of a Government response to the Committee's recommendations.
- 3.2. The consultation is expected to address key areas that the LGA would like a view on to help finalise the Code. It is aimed at councillors and officers from all tiers of local government. The consultation on the draft member code of conduct runs for 10 weeks from Monday 8 June until Monday 17 August.
- 3.3. The Committee is asked to consider a response to the consultation and comments and to authorise the Monitoring Officer to respond on behalf of the Council.
- 3.4. The Monitoring Officer has responded to the Consultation Questionnaire and her responses are attached on Annex D

### **4. FINANCIAL IMPLICATIONS**

- 4.1. None.

### **5. LEGAL IMPLICATIONS**

- 5.1. None.

### **6. RISK ASSESSMENT**

- 6.1. None.

**7. ALTERNATIVE OPTIONS**

**7.1.** None.

**8. BACKGROUND PAPERS**

**8.1.** None.

(END)

# Local Government Association Model Member Code of Conduct

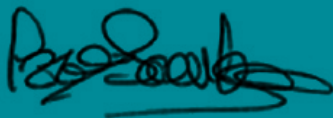
# Introduction

The Local Government Association (LGA) is providing this Model Member Code of Conduct as part of its work on supporting the sector to continue to aspire to high standards of leadership and performance.

The role of councillor in all tiers of local government is a vital part of our country's system of democracy. In voting for a local councillor, the public is imbuing that person and position with their trust. As such, it is important that as councillors we can be held accountable and all adopt the behaviours and responsibilities associated with the role. The conduct of an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to and want to participate with. We want to continue to attract individuals from a range of backgrounds and circumstances who understand the responsibility they take on and are motivated to make a positive difference to their local communities.

All councils are required to have a local Member Code of Conduct. This Model Member Code of Conduct has been developed in consultation with the sector and is offered as a template for councils to adopt in whole and/or with local amendments. The LGA will undertake an annual review of the Code to ensure it continues to be fit-for-purpose, particularly with respect to advances in technology, social media and any relevant changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code, whilst the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

As a councillor we all represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent everyone (in our ward/town/parish), taking decisions fairly, openly, transparently and with civility. Councillors should also be treated with civility by members of the public, other councillors and council employees. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations. This Code, therefore, has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.



**Councillor Izzi Seccombe OBE**  
Leader, LGA Conservative Group



**Councillor Nick Forbes CBE**  
Leader, LGA Labour Group



**Councillor Howard Sykes MBE**  
Leader, LGA Liberal Democrats Group



**Councillor Marianne Overton MBE**  
Leader, LGA independent Group

## Purpose

The purpose of this Code of Conduct is to assist councillors in modelling the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect yourself, the public, fellow councillors, council officers and the reputation of local government. It sets out the conduct expected of all members and a minimum set of obligations relating to conduct. The overarching aim is to create and maintain public confidence in the role of member and local government.

## Application of the Code

The Code of Conduct applies to you when you are acting [or claiming or giving the impression that you are acting]<sup>1</sup> in [public or in]<sup>2</sup> your capacity as a member or representative of your council, although you are expected to uphold high standards of conduct and show leadership at all times. The Code applies to all forms of member communication and interaction, including written, verbal, non-verbal, electronic and via social media, [including where you could be deemed to be representing your council or if there are potential implications for the council's reputation.] Model conduct and expectations is for guidance only, whereas the specific obligations set out instances where action will be taken.

## The seven principles of public life

Everyone in public office at all levels – ministers, civil servants, members, council officers – all who serve the public or deliver public services should uphold the seven principles of public life. This Code has been developed in line with these seven principles of public life, which are set out in appendix A.

## Model member conduct

In accordance with the public trust placed in me, on all occasions I will:

- act with integrity and honesty
- act lawfully
- treat all persons with civility; and
- lead by example and act in a way that secures public confidence in the office of councillor

In undertaking my role, I will:

- impartially exercise my responsibilities in the interests of the local community
- not improperly seek to confer an advantage, or disadvantage, on any person
- avoid conflicts of interest
- exercise reasonable care and diligence; and
- ensure that public resources are used prudently and in the public interest

## Specific obligations of general conduct

This section sets out the minimum requirements of member conduct. Guidance is included to help explain the reasons for the obligations and how they should be followed. These obligations must be observed in all situations where you act [or claim or give the impression that you are acting] as a councillor [or in public], including representing your council on official business and when using social media.



**As a councillor I commit to:**

## Civility

- 1. Treating other councillors and members of the public with civility.**
- 2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.**

Civility means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a civil manner. You should not subject individuals, groups of people or organisations to unreasonable or excessive personal attack.

In your contact with the public you should treat them courteously. Rude and offensive behaviour lowers the public's expectations and confidence in its elected representatives.

In return you have a right to expect courtesy from the public. If members of the public are being abusive, threatening or intimidatory you are entitled to close down any conversation in person or online, refer them to the council, any social media provider or if necessary, the police. This also applies to members, where action could then be taken under the Member Code of Conduct.

## Bullying and harassment

- 3. Not bullying or harassing any person.**

Bullying may be characterised as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. The bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and not always be obvious or noticed by others.

The Equality Act 2010 defines harassment as 'unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual'. The relevant protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, and sexual orientation.

## Impartiality of officers of the council

- 4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.**

Officers work for the council as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. Although you can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

## Confidentiality and access to information

- 5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.**
- 6. Not preventing anyone getting information that they are entitled to by law.**

Local authorities must work openly and transparently, and their proceedings and

printed materials are open to the public except in certain circumstances. You should work on this basis but there will be times when it is required by law that discussions, documents and other information relating to or held by the council are treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

## Disrepute

### **7. Not bringing my role or council into disrepute.**

Behaviour that is considered dishonest and/or deceitful can bring your council into disrepute. As a member you have been entrusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on other councillors and/or your council.

## Your position

### **8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.**

Your position as a member of the council provides you with certain opportunities, responsibilities and privileges. However, you should not take advantage of these opportunities to further private interests.

## Use of council resources and facilities

### **9. Not misusing council resources.**

You may be provided with resources and facilities by the council to assist you in carrying out your duties as a councillor. Examples include office support, stationery and equipment such as phones, and computers and transport. These are given

to you to help you carry out your role as a councillor more effectively and not to benefit you personally.

## Interests

### **10. Registering and declaring my interests.**

You need to register your interests so that the public, council employees and fellow members know which of your interests might give rise to a conflict of interest. The register is a document that can be consulted when (or before) an issue arises, and so allows others to know what interests you have, and whether they might give rise to a possible conflict of interest. The register also protects you. You are responsible for deciding whether or not you should declare an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise.

It is also important that the public know about any interest that might have to be declared by you or other members, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained. Discuss the registering and declaration of interests with your Monitoring Officer/Town or Parish Clerk and more detail is set out in appendix B.

## Gifts and hospitality

### **11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.**

### **12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.**

You should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you

because you are a member. However, you do not need to register gifts and hospitality which are not related to your role as a member, such as Christmas gifts from your friends and family, or gifts which you do not accept. However, you may wish to notify your monitoring officer of any significant gifts you are offered but refuse which you think may have been offered to influence you.

Note – items in square brackets [x] refer to recommendations made by the Committee on Standards in Public Life and may be part of a future Government consultation. This includes possible future sanctions and appeals processes.

## Breaches of the Code of Conduct

Most councillors conduct themselves appropriately and in accordance with these standards. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations.

Section 27 of the Localism Act 2011 requires relevant authorities to promote and maintain high standards of conduct by members and co-opted members of the authority. Each local authority must publish a code of conduct, and it must cover the registration of pecuniary interests, the role of an 'independent person', and sanctions to be imposed on any councillors who breach the Code.

The 2011 Act also requires local authorities to have mechanisms in place to investigate allegations that a member has not complied with the Code of Conduct, and arrangements under which decisions on allegation may be made.

Failure to comply with the requirements to register or declare disclosable pecuniary interests is a criminal offence. Taking part in a meeting or voting, when prevented from doing so by a conflict caused by disclosable pecuniary interests, is also a criminal offence.

Political parties may have its own internal standards and resolution procedures in addition to the Member Code of Conduct that members should be aware of.

# Example

## LGA guidance and recommendations

### Internal resolution procedure

Councils must have in place an internal resolution procedure to address conduct that is in breach of the Member Code of Conduct. The internal resolution process should make it clear how allegations of breaches of the Code of Conduct are to be handled, including the role of an Independent Person, the appeals process and can also include a local standards committee. The internal resolution procedure should be proportionate, allow for members to appeal allegations and decisions, and allow for an escalating scale of intervention. The procedure should be voted on by the council as a whole.

In the case of a non-criminal breach of the Code, the following escalating approach can be undertaken.

If the breach is confirmed and of a serious nature, action can be automatically escalated.

1. an informal discussion with the monitoring officer or appropriate senior officer
2. an informal opportunity to speak with the affected party/ies
3. a written apology
4. mediation
5. peer support
6. requirement to attend relevant training
7. where of a serious nature, a bar on chairing advisory or special committees for up to two months
8. where of a serious nature, a bar on attending committees for up to two months.

Where serious misconduct affects an employee, a member may be barred from contact with that individual; or if it relates to a specific responsibility of the council, barred from participating in decisions or information relating to that responsibility.

## Endnotes

1. CSPL recommend that “Section 27(2) of the Localism Act 2011 should be amended to state that a local authority’s code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority”.
2. CSPL recommend that “councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.”
3. Subject to footnotes 1 and 2 above
4. See CSPL website for further details [www.gov.uk/government/news/the-principles-of-public-life-25-years](http://www.gov.uk/government/news/the-principles-of-public-life-25-years)
5. ACAS’s definition of bullying

# Appendices

## Code Appendix A

The principles are :

### **Selflessness**

Holders of public office should act solely in terms of the public interest.

### **Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

### **Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

### **Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

### **Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

### **Honesty**

Holders of public office should be truthful.

### **Leadership**

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

## Code Appendix B

### **Registering interests**

1. Within 28 days of this Code of Conduct being adopted by the council or your election or appointment to office (where that is later) you must register with the Monitoring Officer the interests which fall within the categories set out in Table 1 (Disclosable Pecuniary Interests) and Table 2 (Other Registerable Interests).
2. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest in Table 1 or 2, or of any change to a registered interest, notify the Monitoring Officer.

### **Declaring interests**

3. Where a matter arises at a meeting which directly relates to an interest in Table 1, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
4. Where a matter arises at a meeting which directly relates to an interest in Table 2, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

5. Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest) or a financial interest or well-being of a relative or close associate, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
6. Where a matter arises at a meeting which affects –
  - a. your own financial interest or well-being;
  - b. a financial interest or well-being of a friend, relative, close associate; or
  - c. a body covered by table 1 below

you must disclose the interest.

7. Where the matter affects the financial interest or well-being to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

**Table 1: Disclosable Pecuniary Interests**

Subject	Description
<b>Employment, office, trade, profession or vocation</b>	Any employment, office, trade, profession or vocation carried on for profit or gain.  [Any unpaid directorship.]
<b>Sponsorship</b>	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses.  This includes any payment or financial benefit from a trade union within the meaning of the <b>Trade Union and Labour Relations (Consolidation) Act 1992</b> .
<b>Contracts</b>	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —  (a) under which goods or services are to be provided or works are to be executed; and
	(b) which has not been fully discharged.
<b>Land and Property</b>	Any beneficial interest in land which is within the area of the council.  ‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.
<b>Licences</b>	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
<b>Corporate tenancies</b>	Any tenancy where (to the councillor’s knowledge)—  (a) the landlord is the council; and  (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
<b>Securities</b>	Any beneficial interest in securities* of a body where—  (a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and  (b) either—  (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or  (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.



\*'director' includes a member of the committee of management of an industrial and provident society.

\*'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

**Table 2: Other Registerable Interests**

Any Body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council;	
Any Body—	(a) exercising functions of a public nature;
	(b) directed to charitable purposes; or
	(c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)
of which you are a member or in a position of general control or management.	





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For a copy in Braille, larger print or audio,  
please contact us on 020 7664 3000.  
We consider requests on an individual basis.

## **LGA Consultation on Draft Model Member Code of Conduct**

Thank you for taking the time to complete this consultation. This Model Member Code of Conduct [[Model Member Code of Conduct.pdf](#)] aims to be concise, written in plain English and be understandable to members, officers and the public. The Model Member Code is designed to aid members in all tiers of local government model the behaviours and high standards that anyone would expect from a person holding public office. Equally, it articulates behaviour which falls below the standards that would be expected of council members. It is designed to help set a framework for public and councillor interaction, emphasising the importance of civility and that councillors should be protected from bullying, intimidation and abuse.

The LGA has reviewed the existing Model Member Code of Conduct and updated it here incorporating the recommendations from the Committee on Standard's in Public Life's recommendations on Local Government Ethical Standards and the representation from its membership. Part of the Committee's recommendations were the introduction of sanctions for breaches of the code, alongside an appeals process. This aspect is out of scope of this consultation, as it requires legislative changes by Government, but the LGA has sought to reflect some of the possible changes by using square brackets where legal changes would be necessary. The LGA is continuing to take soundings from the sector on the issue of sanctions in anticipation of a Government response to the Committee's recommendations.

This consultation addresses key areas that the LGA would like a view on to help finalise the Code. It is aimed at councillors and officers from all tiers of local government. If you would like a wider discussion about the code, please do sign up to one of the forthcoming Webinars the LGA are holding as part of this consultation. Details will be posted on our [LGA events website](#).

### **Instructions and privacy notice**

You can navigate through the questions using the buttons at the bottom of each page. Use the 'previous' button at the bottom of the page if you wish to amend your response to an earlier question.

All responses will be treated confidentially. Information will be aggregated, and no individual or authority will be identified in any publications without your consent. Identifiable information may be used internally within the LGA but will only be held and processed in accordance with our [privacy policy](#). We are undertaking this consultation to aid the legitimate interests of the LGA in supporting and representing authorities.

Please complete your response in one go - if you exit before submitting your response your answers may be lost. If you would like to see an overview of the questions before completing the consultation online, you can access a PDF [here](#).

## About you

Your name \_\_\_\_\_

### Are you...

- A councillor
- An officer
- Answering on behalf of a whole council (Please provide council name below)
- \_\_\_\_\_
- Other (please specify below)
- \_\_\_\_\_

### Please indicate your council type

- Community/Neighbourhood/Parish/Town
- District/Borough
- County
- Metropolitan/Unitary/London Borough
- Other (please specify below)
- \_\_\_\_\_

### Application of the Code

Under the Localism Act 2012, the Code of Conduct applies to councillors only when they are acting in their capacity as a member. The LGA believes that because councillors are elected by the public and widely recognised by the public, it makes sense for them to continue to model these behaviours when they are making public comment, are identifying as a councillor and when it would be reasonable for the public to identify them as acting or speaking as a councillor. The Committee on Standards in Public Life supported this approach in their report into Local Government Ethical Standards. Whilst the LGA is waiting for Government's response to these recommendations the option has been added in square brackets as it would need changes in legislation.

**Q1. To what extent do you support the proposal that councillors demonstrate the behaviours set out in the Code when they are publicly acting as, identifying as, and/or giving the impression that they are acting as a councillor, including when representing their council on official business and when using social media?**

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

**Q1a. If you would like to elaborate on your answer please do so here:**

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**Q2. Is it sufficiently clear which parts of the Model Code are legal requirements, which are obligations, and which are guidance?**

- Yes
- No
- Don't know

**Q3. Do you prefer the use of the personal tense, as used in the Code, or would you prefer the passive tense?**

- Personal tense ("I will")
- Passive tense ("Councillors should")
- No preference

### **Specific obligations**

The Code lists 12 specific obligations – these set out a minimum standard councillors are asked to adhere to.

Each obligation or group of obligations is put into a wider context to explain why that particular obligation is important.

**Q4. To what extent to you support the 12 specific obligations?**

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
1. Treating other councillors and members of the public with civility.					
2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.					
3. Not bullying or harassing any person.					
4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.					
5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.					
6. Not preventing anyone getting information that they are entitled to by law.					
7. Not bringing my role or council into disrepute.					
8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.					

9. Not misusing council resources.					
10. Registering and declaring my interests.					
11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.					
12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.					

**Q5. If you would like to propose additional or alternative obligations, or would like to provide more comment on a specific obligation, please do so here:**

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**Q6. Would you prefer to see the obligations as a long list followed by the guidance, or as it is set out in the current draft, with the guidance after each obligation?**

- As a list
- Each specific obligation followed by its relevant guidance
- No preference



**Q7. To what extent to you think the concept of 'acting with civility' is sufficiently clear?**

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

**Q7a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:**

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**Q8. To what extent do you think the concept of 'bringing the council into disrepute' is sufficiently clear?**

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

**Q8a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:**

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**Q9. To what extent do you support the definition of bullying and harassment used in the code in a local government context?**

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

**Q9a. If there are other definitions you would like to recommend, please provide them here.**

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**Q10. Is there sufficient reference to the use of social media?**

- Yes
- No
- Don't know/prefer not to say

**Q10a. Should social media be covered in a separate code or integrated into the overall code of conduct?**

- Separate code
- Integrated into the code
- Don't know/prefer not to say

**Q10b. If you would like to make any comments or suggestions in relation to how the use of social media is covered in the code please do so here:**

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## Registration and declarations of interests

The law at present requires, as a minimum, registration and declaration of 'Disclosable Pecuniary Interests' - that is matters which directly relate to the councillor and their partner if applicable.

The LGA is proposing that all councillors are required to declare interests where matters also relate to or affect other family members or associates. The LGA has broadened the requirement to declare interests beyond this current statutory minimum in line with a recommendation from the Committee on Standards in Public Life. These specific provisions are set out in **Appendix B** of the Code.

**Q11. To what extent do you support the code going beyond the current requirement to declare interests of the councillor and their partner?**

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

**Q11a. If you would like to elaborate on your answer please do so here:**

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**Q12. Should the requirement to declare interests be in the main body of the code or in the appendix where the draft model code currently references it?**

- In the main body of the code
- In the appendix
- Other (please specify below)
- Don't know/prefer not to say

**Q12a.** If you would like to make any comments or suggestions in relation to how the requirement to declare interests is covered in the code please do so here:

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It is also suggested that more outside interests should be registered than is the current statutory minimum. These are set out in **Table 2 of the Appendix** and are designed to demonstrate to the community transparency about other bodies with which the councillor is engaged.

**Q13. To what extent do you support the inclusion of these additional categories for registration?**

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
Any organisation, association, society or party of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council					
Any organisation, association, society or party that exercises functions of a public nature of which you are a member or in a position of general control or management					
Any organisation, association, society or party directed to charitable purposes					
Any organisation, association, society or party of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)					

**Q13a.** If you would like to propose additional or alternative **categories** for registration, please provide them here:

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**Q14. To what extent to you support the proposed requirement that councillors do not accept significant gifts as set out in Obligation 11?**

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q14a. If you would like to elaborate on your answer please do so here:

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**Q15. The draft code proposes £25 as the threshold for registering gifts and hospitality. Is this an appropriate threshold?**

- Yes
- Yes, but the amount should be reviewed annually with the code's review
- No, it should be lower (please specify amount) \_\_\_\_\_
- No, it should be higher (please specify amount) \_\_\_\_\_
- Don't know/prefer not to say

**Q16. The LGA will be producing accompanying guidance to the code. Which of the following types of guidance would you find most useful? Please rank 1-5, with 1 being the most useful.**

- \_\_\_\_\_ Regularly updated examples of case law
- \_\_\_\_\_ Explanatory guidance on the code
- \_\_\_\_\_ Case studies and examples of good practice
- \_\_\_\_\_ Supplementary guidance that focuses on specific areas, e.g., social media
- \_\_\_\_\_ Improvement support materials, such as training and e-learning packages

**Q16a. If you would like to suggest any other accompanying guidance please do so here:**

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**Q17. If you would like to make any further comments about the code please do so here:**

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Once you press the 'Submit' button below, you will have completed your response.

Many thanks for taking the time to respond to this consultation. You are in control of any personal data that you have provided to us in your response. You can contact us at all times to have your information changed or deleted. You can find our full privacy policy here: [click here to see our privacy policy](#)

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**COTSWOLD  
DISTRICT COUNCIL**

## **COTSWOLD DISTRICT COUNCIL**

### **CODE OF CONDUCT FOR MEMBERS**

(Effective 1<sup>st</sup> July 2012)



## PART 1

### GENERAL PROVISIONS

#### Introduction and Interpretation

1. (1) This Code applies to **you** as a member of this authority, and has been adopted pursuant to the Council's duty to promote and maintain high standards of conduct. It is **your** responsibility to comply with the provisions of this Code.

(2) You must observe the following general principles of public life:-

Selflessness - you should serve only the public interest and should never improperly confer an advantage or disadvantage on any person, including yourself.

Honesty and Integrity - you should not place yourself in situations where your honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour.

Objectivity - you should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.

Accountability - you are accountable to the public for your actions and the manner in which you carry out your responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to your particular office.

Openness - you should be as open as possible about your actions and those of your authority, and should be prepared to give reasons for those actions.

Personal Judgement - you may take account of the views of others, including your political groups, but should reach your own conclusions on the issues before you and act in accordance with those conclusions.

Respect for Others - you should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. You should respect the impartiality and integrity of the authority's statutory officers, and its other employees.

Duty to Uphold the Law - you should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in you.

Stewardship - you should do whatever you are able to do to ensure that your authority uses its resources prudently and in accordance with the law.

Leadership - you should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.

## Scope

2. (1) You must comply with this Code whenever you:-
  - (a) conduct the business of the Council (which, in this Code, includes the business of the office to which you are elected or appointed); or
  - (b) act, claim to act or give the impression you are acting as a representative of the Council;and references to your official capacity are construed accordingly.
- (2) This Code does not have effect in relation to your conduct other than where it is in your official capacity, in accordance with paragraph 2(1) above.
- (3) Where you act as a representative of the Council:-
  - (a) on another relevant authority, you must, when acting for that other authority, comply with that other authority's Code of Conduct; or
  - (b) on any other body, you must, when acting for that other body, comply with your authority's Code of Conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

## General Obligations

3. (1) You must treat others with respect.
- (2) You must not:-
  - (a) do anything which may cause your authority to breach any of the equality enactments;
  - (b) bully any person;
  - (c) intimidate or attempt to intimidate any person who is or is likely to be:
    - (i) a complainant;
    - (ii) a witness; or
    - (iii) involved in the administration of any investigation of proceedings, in relation to an allegation that a Member (including yourself) has failed to comply with his or her authority's Code of Conduct; or
  - (d) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, your authority.

4. You must not:-
  - (1) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:-
    - (a) you have the consent of a person authorised to give it;
    - (b) you are required by law to do so;
    - (c) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or
    - (d) the disclosure is -
      - (i) reasonable and in the public interest; and
      - (ii) made in good faith and in compliance with the reasonable requirements of the authority; or
    - (e) before making any disclosure under the provisions of clause (d) above, you must seek and consider the written advice of the Solicitor to the Council.
  - (2) prevent another person from gaining access to information to which that person is entitled by law.
5. You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or the Council into disrepute.
6. You:-
  - (1) must not use or attempt to use your position as a Member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage; and
  - (2) must, when using or authorising the use by others of the resources of the Council:-
    - (a) act in accordance with your authority's reasonable requirements;
    - (b) ensure that such resources are not used improperly for political purposes (including party political purposes); and
  - (3) must have regard to any applicable Code of Recommended Practice on Local Authority Publicity made under the Local Government Act 1986.

7. (1) When reaching decisions on any matter you must have regard to any relevant advice provided to you by:-
- (a) the Council's Chief Finance Officer; or
  - (b) the Council's Monitoring Officer;
- where that Officer is acting pursuant to his or her statutory duties.
- (2) You must give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by the Council.

## PART 2

### REGISTERING AND DECLARING INTERESTS

#### Disclosable Pecuniary Interests

8. You must, within 28 days of (i) this Code being adopted by the Council or (ii) taking office as a Member or Co-opted Member, whichever is sooner, notify the Council's Monitoring Officer of any disclosable pecuniary interest as defined in regulations made by the Secretary of State, and as set out in **Annex A** to this Code, **where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living as a husband or wife, or as if you were civil partners.**
9. You must, within 28 days of becoming aware of any new disclosable pecuniary interest or change to any previously-registered disclosable pecuniary interest, notify the Council's Monitoring Officer of that new disclosable pecuniary interest or change.
10. Where you have a disclosable pecuniary interest in any business of your authority and you attend a meeting of your authority at which the business is considered, you must disclose to that meeting the existence of that interest at the commencement of that consideration, or when the interest becomes apparent (unless the matter is a 'sensitive interest').
11. Unless a dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to, any matter in which you have a disclosable pecuniary interest. You must withdraw from the room or chamber when the meeting discusses and votes on the matter.
12. Following any disclosure at a meeting of a disclosable pecuniary interest not on the Council's register or the subject of pending notification, you must notify the Monitoring Officer of the interest within 28 days beginning with the date of disclosure.
13. **Failure to comply with the requirements which relate to disclosable pecuniary interests is a criminal offence.**

## Other Interests

14. You must, within 28 days of (i) this Code being adopted by the Council or (ii) taking office as a Member or Co-opted Member, notify the Council's Monitoring Officer of the Other Interests set out in **Annex B** to this Code, **where the interest is yours.**
15. You must, within 28 days of becoming aware of any new interest within any of the specified categories or change to any previously-registered interest, notify the Council's Monitoring Officer of that new interest or change.
16. Where you have such an interest in any business of your authority and you attend a meeting of your authority at which the business is considered, you must disclose to that meeting the existence of that interest at the commencement of that consideration, or when the interest becomes apparent (unless the matter is a 'sensitive interest').
17. Where you have declared an interest in accordance with paragraph 16 above, then you are able to participate in the debate on the matter and vote **unless**:
  - (i) a decision in relation to that matter might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a member of your family or person with whom you have a close association or body described above to a greater extent than the majority of:-
    - (a) other council tax payers, ratepayers or inhabitants of the electoral ward affected by the decision; or
    - (b) other council tax payers, ratepayers or inhabitants of your authority's area in general;
  - or
  - (ii) it relates to the determination of any approval, consent, licence, permission or registration in relation to you or any person or body described above;and a reasonable member of the public knowing the facts would reasonably regard it as so significant that it is likely to prejudice your judgement of the public interest.
18. If the circumstances specified within paragraph 17 above apply then, unless a dispensation has been granted or it is an excepted function, you may not participate in any discussion of, vote on, or discharge any function related to, any matter in which you have an interest. You must disclose to that meeting the existence of that interest at the commencement of that consideration, or when the interest becomes apparent (unless the matter is a 'sensitive interest'), and then withdraw from the room or chamber when the meeting discusses and votes on the matter.

19. The rules set out in Paragraph 18 above do not have the effect of precluding you from attending a meeting only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise. However, after making your submission, you must withdraw immediately from the meeting.
20. Following any disclosure at a meeting of such an interest not on the Council's Register, you must notify the Monitoring Officer of the interest within 28 days beginning with the date of disclosure.
21. **Failure to comply with the requirements which relate to Other Interests is a breach of the Code.**

**Sensitive Information/Interests**

22. Where you consider that the information relating to any of your interests is sensitive information, and the Council's Monitoring Officer agrees, then you need not include that information when registering that interest, or, as the case may be, a change to that interest.
23. You must, within 28 days of becoming aware of any change of circumstances which means that information excluded under paragraph 22 is no longer sensitive information, notify the Council's Monitoring Officer asking that the information be included in the Council's Register of Members' Interests.

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**Definitions**

The following are definitions which apply for the purposes of this Code of Conduct.

1. "The Act" is the Localism Act 2011.
2. "The Authority" or "The Council" is Cotswold District Council.
3. "Meeting" is a meeting of the Authority, or any Committee, Sub-Committee, Joint Committee or Joint Sub-Committee of the Authority.
4. "Member" is an elected Member or a Co-opted Member of the Authority.
5. "Co-opted Member" is a person who is not a Member of the Council but who is either a Member of any Committee or Sub-Committee of the Council, or a Member of, and represents the Council on any Joint Committee or Joint Sub-Committee of the Council, and who is entitled to vote on any question that falls to be decided at any meeting of that Committee or Sub-Committee.
6. "Monitoring Officer" is the Monitoring Officer to Cotswold District Council.
7. "Pending notification" is an interest which has been notified to the Monitoring Officer but which has not been entered in the Authority's Register in consequence of that notification.

8. “Member of your family” means:
- Partner (spouse/civil partner/someone you live with as if a spouse or civil partner);
  - A parent/parent-in-law, son/daughter, step-son/step-daughter, child of partner; or the partners of any of these persons;
  - A brother/sister, grandparent/grandchild, uncle/aunt, nephew/niece; or the partners of any of these persons.
9. “Close associate” means someone with whom you are in close regular contact over a period of time who is more than an acquaintance. It may be a friend, a colleague, a business associate or someone you know through general social contacts. It is someone a reasonable member of the public would think you might be prepared to favour/disadvantage (“close association” shall be construed accordingly).
10. “Well-being” means general sense of contentment and quality of life.
11. An “excepted function” is a function of the Authority in respect of:
- (i) an allowance, payment or indemnity given to Members;
  - (ii) any ceremonial honour given to Members; and
  - (iii) setting Council tax or a precept under the Local Government Finance Act 1992.
12. “Sensitive information” means information whose availability for inspection by the public creates, or is likely to create, a serious risk that you or a person who lives with you or is connected with you may be subjected to violence or intimidation.

(END)

### Disclosable Pecuniary Interests

The interests set out below are “Disclosable Pecuniary Interests” by virtue of The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 (made under the Localism Act 2011) which must be notified to the Monitoring Officer in accordance with this Code of Conduct.

Notification is required of any interest which is an interest of **the Member and/or of any of the following**:

- **the Member’s spouse or civil partner;**
- **a person with whom the Member is living as husband and wife; or**
- **a person with whom the Member is living as if they were civil partners;**

and the Member is aware that that other person has the interest.

<i>Subject</i>	<i>Prescribed description</i>
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M.  This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority -  (a) under which goods or services are to be provided or works are to be executed; and  (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.



Corporate tenancies	Any tenancy where (to M's knowledge) -  (a) the landlord is the relevant authority; and  (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where -  (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and  (b) either -  (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or  (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Note:

In the Regulations:-

- (a) "the Act" means the Localism Act 2011;
- (b) "body in which the relevant person has a beneficial interest" means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;
- (c) "director" includes a member of the committee of management of an industrial and provident society;
- (d) "land" excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;
- (e) "M" means a member of a relevant authority;
- (f) "member" includes a co-opted member;
- (g) "relevant authority" means the authority of which M is a member;
- (h) "relevant period" means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) or section 31(7), as the case may be, of the Act;

- (i) “relevant person” means M or any other person referred to in section 30(3)(b) of the Act;
- (j) “securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

(END)

### Other Interests

The interests set out below are “Other Interests” which must be notified to the Monitoring Officer in accordance with this Code of Conduct.

Notification is required of any interest which is an interest of **the Member only**.

<i>Subject</i>	<i>Prescribed description</i>
Public/Charitable and Other External Bodies	<p>Any body of which you are a member or in which you have a position of general control or management, in the following categories:-</p> <ul style="list-style-type: none"> <li>(i) a body to which you are appointed or nominated by the Council;</li> <li>(ii) a public authority or body exercising functions of a public nature;</li> <li>(iii) a body directed to charitable purposes;</li> <li>(iv) a body whose principal purposes (or one of them) includes the influence of public opinion or policy (including any political party or trade union);</li> <li>(v) a professional association;</li> <li>(vi) a freemasonry group or similar.</li> </ul>
Employer	Any person or body who employs you.
Gifts and Hospitality	Any person, organisation, company or body from whom you have received, by virtue of your office, a gift or hospitality worth an estimated value of £25.

(END)

## ANNEX D

### Responses to the LGA Consultation on Draft Model Member Code of Conduct

#### Q1

*"To a great extent"* since it helps to clarify official capacity

#### Q2

*"No"*, it is not clear

#### Q3

*"No preference"*

#### Q4

Support each of the 12 obligations *"To a great extent"*

#### Q5

Obligation 12 – the Council has a threshold of £25 for the declaration of gifts.

#### Q6

*"As a list"*, for ease of editing / copying if nothing else – and without a list as an appendix you could be mistaken for thinking the 7 principles of public life are the basis of the code

#### Q7

*"To a moderate extent"* - the concept and language of acting with civility seems relevant to the current political environment although perceptions will vary and it will not be easy to assess whether this obligation has been breached (the same applies to the current language of "respect").

#### Q8

*"To a moderate extent"* - as with "civility" there may be contested views about what "disrepute" means e.g. a Member being associated with civil disobedience in the name of a particular cause that the Council would ordinarily support...the Code talks about dishonest and deceitful behaviour which is helpful but is that broad enough – and what about Members acting illegally?

**Q9**

*“To a great extent”*

**Q10**

*“No”*

**Q10a**

*“integrated in the Code”*

**Q11**

*“To a moderate extent”*

**Q12**

*“In the appendix”*

**Q13**

*“To a moderate extent”*

**Q14**

*“To a great extent”*

**Q14a**

*The Council has a threshold of £25 for the declaration of gifts.*

**Q15**

*“it should remain at £25”*

**Q16**

*“1 for all categories”* - All categories of guidance would be useful and helpful

**Q17**

None

**(19) WORK PLAN 2020/21**

<b>COMMITTEE DATE</b>	<b>ITEMS</b>
<b>29 October 2020</b>	Grant Thornton Reports
	Treasury Management Mid-Year Performance Report 2020/21
	Internal Audit Plan Progress Report 2020/21
	Counter Fraud Unit Report
	Corporate Risk Register Updates
	Work Plan 2020/21
<b>28 January 2021</b>	Internal Audit Monitoring Report
	KPMG LLP Reports – Housing Benefit Subsidy Certification
	Capital, Investment and Treasury Management Strategies Report for 2021/22
	Grant Thornton Reports
	Corporate Risk Register Update
	Cyber Security Update
	Ubico – Governance Overview and Business Plan - Update
	Work Plan 2020/21
<b>29 April 2021</b>	Grant Thornton Reports
	Grant Thornton Assurance
	Corporate Risk Register Updates
	Counter Fraud Unit Report and Annual RIPA/IPA Update
	Internal Audit Monitoring Report
	Draft Annual Governance Statement 2020/21
	Proposed 2021/22 Internal Audit Plan and Internal Audit Charter
	Work Plan 2021/22

(END)