

# Public Document Pack



**COTSWOLD**  
DISTRICT COUNCIL

Monday, 15 November 2021

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## **AUDIT COMMITTEE**

A meeting of the Audit Committee will be held in the Council Chamber, Trinity Road, Cirencester on **Tuesday, 23 November 2021 at 4.00 pm.**

Rob Weaver  
Chief Executive

To: Members of the Audit Committee  
(Councillors Stephen Andrews, Tony Berry, Patrick Coleman, Mark Harris, Nick Maunder, Nigel Robbins and Ray Theodoulou)

Recording of Proceedings – The law allows the public proceedings of Council, Cabinet, and Committee Meetings to 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.

## AGENDA

1. **Apologies**
2. **Substitute Members**  
To note details of any substitution arrangements in place for the meeting.
3. **Declarations of Interest**  
To receive any declarations of interest from Members and Officers, relating to items to be considered at the meeting.
4. **Minutes (Pages 5 - 12)**  
To confirm the minutes of the meeting of the Committee held on 21<sup>st</sup> October 2021.
5. **Public Questions**  
To deal with questions from the public within the open forum question and answer session of fifteen minutes in total. Questions or supplementary questions from each member of the public should be no longer than two minutes each and relate issues under the Committee's remit.
6. **Member Questions**  
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. Responses to any supplementary questions will be dealt with in writing following the meeting.
7. **Statement of Accounts 2020/21 (Pages 13 - 186)**  
Purpose  
This report presents the Council's audited Statement of Accounts for the period 1st April 2020 to 31 March 2021 to enable the Committee to consider and approve the Council's accounts.  
  
Recommendation(s)
  - a) That the Grant Thornton Audit Findings for Cotswold District Council be noted.
  - b) The Statement of Accounts 2020/21 be approved.
  - c) To note the officer responses to Audit Committee Comments.
  - d) To note the update to the Annual Governance Statement.
  - e) That the Chief Finance Officer and the Chairman of the Audit Committee be authorised to write a letter of representation on behalf of the Committee and Council to Grant Thornton to enable the opinion to be issued.
8. **Corporate Risk Register Update and Updated Risk and Opportunity Management Strategy (Pages 187 - 212)**  
Purpose  
To update the Committee on the changes to the Council's corporate risk register at the end of 2021/22 Q2 and put before members a revised Risk and Opportunity Management Strategy for approval.

Recommendation(s)

- a) To note the updates to the Council's corporate risk register; and
- b) Approve the Risk and Opportunity Management Strategy at Annex C.

9. **Annual Governance Statement - Action Plan** (Pages 213 - 222)

Purpose

This report presents an update on the Governance Action Plan for 2021/22.

Recommendation(s)

To note progress against items in the Governance Action Plan for 2021/22.

10. **Use of the Internet and Social Media for Investigations and Enforcement Policy** (Pages 223 - 232)

Purpose

To present the Audit Committee with a new Use of the Internet and Social Media in Investigations and Enforcement Policy for comment.

Recommendation(s)

That the Committee considers the Use of the Internet and Social Media in Investigations and Enforcement Policy and provides comments to the Cabinet for consideration.

11. **Annual Ombudsman Letter 2020/21**

Purpose

This report informs Audit Committee about the annual Local Government & Social Care Ombudsman's (LGO's) letter for 2021.

Recommendation(s)

That the Committee note the Ombudsman's letter.

12. **Work Plan 2021/22** (Pages 233 - 234)

(END)

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Audit Committee  
21/October2021



COTSWOLD  
DISTRICT COUNCIL

**Minutes of a meeting held remotely of Audit Committee held on Thursday, 21 October 2021.**

Councillors present:

|                 |                |
|-----------------|----------------|
| Patrick Coleman | Nigel Robbins  |
| Stephen Andrews | Nick Maunder   |
| Tony Berry      | Ray Theodoulou |

Officers present:

|  |   |
|--|---|
| Amy Bridgewater-Carnell, Senior Democratic Services Officer                    | Peter Barber, External Auditor, Grant Thornton                              |
| Angela Claridge, Interim Monitoring Officer                                    | Michelle Burge, Chief Accountant - Publica                                  |
| Jenny Poole, Deputy Chief Executive and Chief Finance Officer                  | Lucy Cater, Assistant Director – SWAP Internal Audit Services               |
| Caleb Harris, Democratic Services Officer                                      | Phil Martin, Group Manager Business Support – Publica                       |
| Andrew Sherbourne, Accounting Technician – Business Support Services - Publica | Tony Oladejo – ICT Audit and Compliance Manager, Business Support – Publica |
| Emma Cathcart, Counter Fraud Unit Manager                                      |   |

Observers: Councillor Mike Evely, Deputy Leader of the Council and Cabinet Member for Finance

## **90 Apologies**

There were apologies received from Senior Democratic Services Officer Ben Sadler and Councillor Mark Harris.

## **91 Substitute Members**

There were no substitute Members.

## **92 Declarations of Interest**

There were no declarations from the Members and Officers present.

## **93 Minutes**

The Democratic Services Officer repeated apologies made to the Chair, to the Committee for the lateness of the previous minutes. It was explained to the Committee that staffing issues had caused the delay, but this would be rectified for future minutes.

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The Chair noted a mistake within the minutes which should read as 'informed' rather than 'infermed'. Democratic Services noted the correction for the minutes.

RESOLVED that the Committee approve the minutes for the meeting held on 22<sup>nd</sup> July 2021.

**Voting Record: 6 for, 0 against, 0 abstention, absent 1**

#### **94 Public Questions**

No public questions were submitted for this session of the Audit Committee.

#### **95 Member Questions**

Committee queried the use of pink pages in the document pack and how this was suitable for private session. The Monitoring Officer confirmed that the conditions for use of private session had been met.

After consultation with the Deputy Chief Executive, it was agreed by the Chair to move Item 9 to the last item of the meeting.

#### **96 External Audit Contract**

Chair introduced the item by outlining the current position and the current situation of limited suppliers for these services.

Deputy Chief Executive then introduced the report on the options for the procurement of external audit services with effect from the 2023/24 financial year. The Council could either opt into the arrangements through PSAA Ltd or independently procure its own external audit contract.

Deputy Chief Executive outlined to the Committee the actions to be taken if the existing arrangements were to be changed. Specifically the difficulties caused in relation to partner councils using different external auditors.

The recommendation presented to the committee to enter into arrangements with PSAA Ltd was reaffirmed as the best option for the Council.

Committee noted the change of pricing which could have an impact on the Council. The Deputy Chief Executive re-emphasised the challenge of trying to procure a new provider, and how this may not result in a more favourable contract cost being achieved.

Committee noted the satisfactory results of the current service in the previous year, and that this would be the safest option to continue with at this time.

RESOLVED that the Committee accept the recommendation as presented.

**Voting Record: 6 for, 0 against, 0 abstention, 1 absent**

**97 Treasury Mid-Term Report 2021-22**

Deputy Chief Executive introduced the report to the committee. The 2021/22 budget for treasury management income had been adjusted in line with the continuing very low interest rates for liquid cash investments. However the Deputy Chief Executive noted that by the end of the year, income was estimated to be exceeded the budget by £29,000.

Furthermore, it was also explained to the Committee that that the current pooled funds on Table 4 were achieving an average return of 3.44%. This was noted to be well in excess of the low return for the cash investments.

Committee noted that the investments had been significantly impacted by the value of Government grants received by the Council and which had been invested in short term deposits. It was noted with the Council invests all of its surplus cash regardless of the source of revenue such as money from central Government that is being held, and the income from areas like business rates and fees and charges.

Committee also noted that investment income may be higher due to the additional cash held as a result of the Government grants.

Deputy Chief Executive accepted the concerns raised by the Committee regarding the report. However, an assurance was provided to Members that this short-term holding of cash would not affect the longer term forecasts due to the exceptionally low rates of interest being earned on cash deposits.

Committee also queried the officers regarding the allocation of grant money from Central Government, as it appeared to have not been dispersed in full.

It was highlighted to the Committee that all of the grant schemes had now closed, and that all of the money had been paid out to businesses. A reconciliation process was underway and the balance of money owed between the Council and Government would be paid over by the end of the year.

Committee also noted Table 5 and the comparison between Cotswold District Council investments and those of other councils managed by Arlingclose, and how the differences between each client might have occurred.

Group Manager explained that the investment outcomes would differ due to investments being made at different times. It was also noted that investment outcomes from other councils are based on their own financial circumstances.

Committee noted the Recovery and Investment Strategy, and sought clarification as to which investments are being made to help with the Council's revenue budget funding shortfall

Deputy Chief Executive noted that, contrary to the strategy of some other councils, investments are not just solely for yield purposes such as rental income but are strategically aligned to the Council's priorities as set out in the Corporate Plan.

RESOLVED that the Committee accept the recommendation for the Council's Treasury Management performance to be sent to Council for approval.

**Voting Record: 6 for, 0 against, 0 abstention, absent 1**

## **98 Counter Fraud Unit Report**

Counter Fraud Unit Manager introduced the update regarding the work completed by the Counter Fraud Unit. This included an update on the administration of Business Grants which has been a significant area of focus. The work includes pre-payment / verification work streams, fraud and error referrals and post-payment assurance activities.

Counter Fraud Unit Manager also outlined that the Council had received the National Fraud Initiative (NFI) matches relating to anomalies with business grant applications, council tax discounts/exemptions and housing waiting list applicants. The team were working through the matches and an update would be provided at the next meeting.

The team were undertaking a review of NHS Track and Trace payments made. It was further noted a correction needing to be made to Paragraph 2.3 to 86 payments rather than 109 for which an apology was given to the Committee for the mistake.

Counter Fraud Unit Manager also summarised the enforcement activity undertaken by the team.

Committee asked about Paragraph 2.4 and the issues affecting Licencing which were subject to review. The Counter Fraud Unit Manager outlined that the review ensured that the information relating to the liable party, rateable value and the amount invoiced for the License fee was correct. This ensured that the appropriate license fee was being applied and the correct individual was billed.

The Committee noted the work done on NHS Track and Trace payments in 2.3 and asked for clarity relating to the selection of cases to be examined.

In response, the Counter Fraud Unit Manager stated that 100% of claims paid up to approximately May 2021 had been reviewed but only a sample of payments made after May would be selected for spot checking due to competing resource demands on the shared service. However, further checks would be conducted if needed.

Committee sought further information on the Work Programme and the item relating to transit and cash businesses.



Counter Fraud Unit Manager explained that this work related to Serious and Organised Crime, significantly Modern Slavery. Whilst the main responsibility for this area of work lies with the Police, the work of the Council can assist in identifying and disrupting such activity. For example inspections of premises which are likely to fall within this category – car wash facilities and nail bars.

Committee noted the work in fighting crime that's had been undertaken, and wished to know the extent of cooperation with the Police and Crime Commissioner's work.

Counter Fraud Unit Manager outlined that the Counter Fraud Unit worked well operationally with Gloucestershire Constabulary in tackling these activities but improvement could be sought in more strategic areas.

The Committee commended the successful work that had been done by the Counter Fraud Unit, and reiterated a desire to ensure there was sufficient resourcing and that the Council continue to support the team

RESOLVED that the recommendation be approved and notes its appreciation for the work undertaken.

**Voting Record: 6 for, 0 against, 0 abstention, absent 1**

## **99 External Audit Update Report**

External Auditor introduced the progress report on the work done against the 2021 audit

External Auditor pointed the committee towards the financial statements as the largest part of its work. The signing off target for the accounts had been set for the end of September, but this was highlighted as a challenging target

It was also noted the testing of these accounts started in July, but remote-working and the increasing demand of regulators had slowed this progress. However, it was noted that this work should be completed by the middle of November.

External Auditor expressed his thanks to the work of staff at Cotswold District Council for their cooperation with this work

Further to this, the External Auditor noted the revised Value for Money (VFM) criteria as revised by the National Audit Office for the year 2020/21.

Chair noted the work of auditors with Leader of the Council and himself and was grateful the openness of discussions that had been held

Committee asked about the value for money element and the usefulness of the information in the public sphere

External Auditor noted the importance of its work of highlighting recommendations for action, and how this can have quite a significant impact on the Council's reputation in the public view.

Committee questioned how the responsibility of accounts works with Publica staff.

External Auditor reminded Members that whilst Publica complete the process, the overall responsibility for service delivery, including VFM, rests with the Cabinet and appointed officers.

RESOLVED that the Committee had noted the Grant Thornton Audit Progress and Sector Update report as presented.

## **100 Aged Debtor Analysis**

Chief Accountant introduced the report as requested from the Audit Committee meeting on 22 July 2021. The report included detail of the level of debt over the last 5 years.

Chief Accountant noted an increase of debt outstanding over 30 days had taken place during the Covid-19 pandemic due to disruptions caused to businesses.

Chief Accountant further noted the reduction of debt to £863,000 recently through the increase of debt repayment plans, especially in the commercial sector for invoice debtors.

Committee noted in Paragraph 2.3 the highest level of debt of over £1 million on 31<sup>st</sup> March 2019, with a sharp reduction on 31<sup>st</sup> March 2020, and sought an explanation for the improvement.

Chief Accountant noted the high position likely being a small number of larger debtors rather than a general trend overall.

Committee asked about the policy regarding debt write-off.

Officers confirmed write-offs over £5,000 were required to be approved by Cabinet and confirmed this was the policy within the Council's Constitution. However, it was highlighted that write-offs would only be done after all avenues for collection had been exhausted

Following direction from the Chair, the Monitoring Officer suggested circulating the debt write off policy with the minutes, by email or in the next report to the Committee. This was agreed with the Chief Accountant.

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Resolved that the Committee thank the officers for the report, and ask for further information as soon as practicable in regard to the points raised in the discussion including the debt write-off policy.

**Voting Record: 6 for, 0 against, 1 absent**

## **I01** Work Plan 2021/22

Counter Fraud Manager apologised that the Use of Internet and Social Media in Investigations and Enforcement Policy report was not presented at this meeting. It was indicated this this will report will come to the November meeting. The Chair accepted this.

Committee asked about listed buildings and the resources for providing heat pumps. It was queried as to whether it might be examined by the Committee

Chair noted that this was outside of Audit remit yet the Chair of the Overview and Scrutiny Committee indicated it received reports on climate policy so it would be happy to examine this.

## **I02** Internal Audit Progress Report

Assistant Director (SWAP) provided a brief summary of the quarterly update report and Appendix B which provided an update on the Audit plan. It was indicated that any specific comments on certain audit report findings would need to be considered in private session.

It was further noted that the ICT reports were kept private owing to the risk of threats to the Council's ICT systems

Committee noted that some of the dates in the report had already passed, and wished to know whether some of these dates needed to be updated.

Assistant Director (SWAP) noted that some of the audits were done annually, and that the recommendations needed to be changed to reflect this.

Committee noted recommendations that had been marked as closed in Appendix D, and asked whether these would be removed.

Assistant Director (SWAP) noted that in January these would be removed when the report is received.

Committee asked about page 52, and asked about the 19/20 outstanding recommendation

Audit Committee  
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Group Manager for Business Support confirmed that the outstanding recommendation had been completed regarding access levels.

RESOLVED: The Committee considered the report at Annex A and wishes to enter into confidential session to discuss the exempt reports

**Voting Record: 6 for, 0 against, 1 absent**

The Meeting commenced at 4.00 pm and closed at 6.30 pm

Chair

(END)

|                             |  |
|-----------------------------|--|
|                             | <b>COTSWOLD DISTRICT COUNCIL</b>   |
| Name and date of Committee  | <b>AUDIT COMMITTEE – 23 NOVEMBER 2021</b>  |
| Report Number               | <b>AGENDA ITEM 7</b>   |
| Subject                     | <b>STATEMENT OF ACCOUNTS 2020/21</b>   |
| Wards affected              | N/A  |
| Accountable member          | Cllr Mike Evey, Deputy Leader and Cabinet Member for Finance<br>Email: <a href="mailto:mike.evey@cotswold.gov.uk">mike.evey@cotswold.gov.uk</a>  |
| Accountable officer         | Jenny Poole, Chief Finance Officer<br>Email: <a href="mailto:jenny.poole@cotswold.gov.uk">jenny.poole@cotswold.gov.uk</a>  |
| Summary/Purpose             | This report presents the Council's audited Statement of Accounts for the period 1 <sup>st</sup> April 2020 to 31 March 2021 to enable the Committee to consider and approve the Council's accounts.  |
| Annexes                     | Annex A - Grant Thornton report – “The Audit Findings for Cotswold District Council”<br>Annex B - Statement of Accounts 2020/21<br>Annex C - Audit Committee Comments and Responses – Draft Statement of Accounts<br>Annex D - Comparison of 2019/20 to 2020/21 Annual Governance Statement  |
| Recommendation(s)           | <ul style="list-style-type: none"> <li>a) That the Grant Thornton Audit Findings for Cotswold District Council be noted.</li> <li>b) The Statement of Accounts 2020/21 be approved.</li> <li>c) To note the officer responses to Audit Committee Comments.</li> <li>d) To note the update to the Annual Governance Statement.</li> <li>e) That the Chief Finance Officer and the Chairman of the Audit Committee be authorised to write a letter of representation on behalf of the Committee and Council to Grant Thornton to enable the opinion to be issued.</li> </ul> |
| Corporate priorities        | <p>Priority - Ensure that all services delivered by the council are delivered to the highest standard</p> <p>Principle - Value for money - we will use the council's resources wisely, but will invest in the fabric and future of the district</p>  |
| Key Decision                | NO   |
| Exempt                      | NO   |
| Consultees/<br>Consultation | None   |



## 1. BACKGROUND

- 1.1. The Council's Chief Finance Officer is responsible for ensuring that the statement of accounts is prepared and published in line with statutory timelines and accounting practices.
- 1.2. The accounts are subject to scrutiny and approval by the Council's Audit Committee.
- 1.1. Under section 10 of the Accounts and Audit Regulations 2015, the Council is required to publish draft accounts by the 31 May and publish its annual Statement of Accounts by 31 July each year; due to Covid-19 the deadline to publish the Council's unaudited accounts has now moved from 31<sup>st</sup> May 2021 to 31<sup>st</sup> July 2021, with the deadline for publishing audited statement for 2020/21 to 30 September 2021.
- 1.2. The Council submitted its draft financial statements to the External Auditors, Grant Thornton, on the 14 July 2021 which was slightly later than planned but ahead of the statutory deadline of the 31 July 2021. In order to facilitate the audit process, officers made working papers available to the auditors prior to the handover of the statement of accounts.
- 1.3. The Audit Committee reviewed the draft Statement of Accounts at its meeting on the 22<sup>nd</sup> July 2021.
- 1.4. The public inspection period began on the 2<sup>nd</sup> August and ran to the 10<sup>th</sup> September 2021. There were no objections received during this inspection period.
- 1.5. Due to resourcing difficulties on the part of the external auditors, Grant Thornton, the audit of the accounts for the year ended 31 March 2021 did not meet the 30 September publication date and a revised target deadline of the November 23 Audit Committee meeting was agreed.
- 1.6. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code'). The Council is statutorily obliged under the Accounts and Audit (Amendment) Regulations 2021 to prepare its Statement of Accounts in accordance with the Code.

## 2. MAIN POINTS

- 2.1. The audit is now substantially complete.
- 2.2. Attached to this report at Annex A is the Audit Findings Report for Cotswold District Council. The report details all of the work that Grant Thornton has undertaken as part of their formal audit of the accounts. It outlines the key findings and matters arising from the statutory audit process.
- 2.3. The Statement of Accounts attached to this report represents the audited accounts following the completion of the audit and incorporates a number of minor disclosure changes are required following review by Grant Thornton. These changes include changes to notes where expanded explanation has been necessary and other minor presentation adjustments (such as correction of spelling mistakes and rounding) to improve the quality of disclosures within the accounts as detailed in the 'audit adjustments' section of the Grant Thornton report, Annex A (Appendix C). None of these changes affect the 'net worth' or financial position of the Council.
- 2.4. A summary of the points and queries raised by Audit Committee members in respect of the draft Statement of Accounts and Officer's responses can be seen in Annex C.
- 2.5. Grant Thornton has not yet completed work on the Value for Money (VFM) conclusion in respect of the Council's arrangements for the year ended 31 March 2021. This work is still



ongoing and at the time of preparing this report, the auditors have not identified any significant weaknesses in arrangements that require them to make a recommendation, however they will continue to undertake work on the Council's arrangements and update the Audit Committee.

### **3. THE ANNUAL GOVERNANCE STATEMENT**

**3.1.** Following the July Audit Committee a small number of updates were made to the Annual Governance Statement to reflect comments raised by Audit Committee members, changes are highlighted in yellow in the Annual Governance Statement which forms part of the final version of the Statement of Accounts at Annex B (page 86-99).

**3.2.** Annex D includes a 'tracked changes' version of the 2020/21 Annual Governance Statement compared to the 2019/20 Statement. Changes are highlighted in purple with changes made following the July Audit Committee highlighted in yellow.

### **4. THE LETTER OF REPRESENTATION**

**4.1.** To complete the audit process the Council is required to submit a letter of representation to Grant Thornton to complement the financial statements and to outline the areas considered in stating that the financial statements give a 'true and fair view' in accordance with International Financial Reporting Standards and 'the Code' and applicable law.

**4.2.** A draft copy of the letter is included within Annex F of the Grant Thornton Audit Findings Report for Cotswold District Council (Annex A).

**4.3.** The Chairman of the Audit Committee and the Chief Finance Officer are asked to sign the Letter of Representation under recommendation (e) to this report. Grant Thornton is not able to issue their opinion on the accounts until the letter of representation has been received.

### **5. FINANCIAL IMPLICATIONS**

There are no direct financial implications of this report.

### **6. LEGAL IMPLICATIONS**

The Council is required to approve its Statement of Accounts in order to comply with the Accounts and Audit (Amendment) Regulations 2021.

### **7. RISK ASSESSMENT**

If the Audit Committee do not approve the audited Statement of Accounts the Council will not comply with the Accounts and Audit (Amendment) Regulations 2021.

### **8. BACKGROUND PAPERS**

None.

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# The Audit Findings for Cotswold District Council

**Year ended 31 March 2021**

Cotswold District Council  
6 November 2021  
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## Your key Grant Thornton team members are:

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

Name : Peter Barber  
For Grant Thornton UK LLP  
Date : 16 November 2021

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 Council 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. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cotswold District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

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## Financial Statements

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Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We commenced our post-statements remote audit in July and as at 16 November 2021 our audit is substantially complete. Our findings are summarised on pages 5 to 17.

Our work to date has not identified any material errors or adjustments to the financial statements. No adjustments have been identified that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement.

We have recommended a small number of adjustments to improve the presentation of the financial statements as detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

There are no matters arising to date which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements.

Subject to completing our remaining audit procedures set out on page 5, receiving responses to our outstanding queries and having regard to any further national guidance, we anticipate issuing an unqualified audit opinion following the meeting of the Audit Committee on 23 November 2021.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

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# 1. Headlines

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## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by the end of January. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of financial sustainability. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

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## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Auditor's report in January 2022.

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## Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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## Acknowledgements

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

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# 2. Financial Statements

## Overview of the scope of our audit

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

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

## Audit approach

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

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

We have not had to alter our audit plan, as communicated to you on 21 April 2021.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 23 Nov 2021, as detailed in (Appendix E). These outstanding items include:

- completion of work on financial instruments,
- completion of work on the collection fund,
- receipt of management representation letter (– see appendix F) and
- review of the final set of financial statements.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The audit of the Council has again been completed remotely, with good use made of video calling and screen sharing.

Signed :



## 2. Financial Statements



### Our approach to materiality

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

We have revised the performance materiality due to the actual gross expenditure changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

We detail in the table opposite our determination of materiality for Cotswold District Council

|   | Planning (£) | Final (£) | Qualitative factors considered  |
|---|--------------|-----------|---|
| Materiality for the financial statements    | 780,000      | 880,000   | Materiality equates to approximately 1.9% of your gross expenditure for the year ended 31 March 2021. This is consistent with the benchmark used in the prior period. This assessment reflects that the Council operates in a stable, publicly funded environment and no significant control deficiencies have been identified. |
| Performance materiality                     | 590,000      | 660,000   | We have determined this using 75% of materiality, this reflects that there is no history of deficiencies or large number of misstatements. In addition, there has been no change in systems or key personnel in year.   |
| Trivial matters                             | 40,000       | 44,000    | This is based on 5% materiality, which we consider to be an appropriate threshold.  |
| Materiality for senior officer remuneration | 5,000        | 5,000     | This reflects the public sensitivity in the pay of senior officers in the public sector.  |



## 2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our testing of estimates, judgements and journals has not identified any evidence of management override of controls.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

#### The revenue cycle includes fraudulent transactions (rebutted)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Cotswold District Council mean that all forms of fraud are seen as unacceptable.

### Commentary

We have reconsidered this as part of our audit work on the financial statements and have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for Cotswold District Council.

Our audit work has not identified any issues in respect of improper revenue recognition.

#### The expenditure cycle includes fraudulent transactions (rebutted)

Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:

"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.

We have rebutted this presumed risk for Cotswold District Council because:

- expenditure is well controlled and the Council has a strong control environment; and
- the Council has clear and transparent reporting of its financial plans and financial position to the Council.

We therefore do not consider this to be a significant risk for Cotswold District Council.

We have reconsidered this as part of our audit work on the financial statements and have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for Cotswold District Council.

Our audit work has not identified any issues in respect of improper expenditure recognition.



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of land and buildings

The Council revalues its land and buildings on a rolling three-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£68 million in 2019/20) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluated the assumptions made by the valuer for those assets revalued at 31 March 2021. For the assets not formally revalued in year we have assessed how management has satisfied themselves that these assets are not materially different to the current value at the year end.

Our audit work has not identified any material issues in respect of the valuation of land and buildings.

#### Valuation of investment properties

The Council revalues its investment properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£7 million in 2019/20) and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluated the assumptions made by the valuer for those assets revalued at 31 March 2021.

Our audit work has not identified any issues in respect of the valuation of investment properties.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£40m in 2019/20) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertook 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
- obtained assurances from the auditor of Gloucestershire 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.

We have received the assurances from the auditor of Gloucestershire 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. No material issues were raised.

Our audit work has not identified any issues in respect of valuation of the pension fund liability.

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

| Significant judgement or estimate     | Summary of management's approach  | Audit Comments  | Assessment   |
|---------------------------------------|---|---|--------------|
| Land and Building valuations – £54.3m | <p>Other land and buildings comprises £54m of assets which are required to be valued at either current market value or depreciated replacement cost (DRC) at year end reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The Council used its in house valuer to complete the valuation of properties as at 31 03 21 on a three yearly cyclical basis. 93% of total assets were revalued during 2020/21.</p> <p>For the remaining assets not formally revalued an exercise is undertaken to ensure that the carrying value is not materially different to the current value. Management applied indices to the values of those assets that have not been formally revalued in year to determine whether there has been a material change in the total value of these assets. Management's assessment of assets not revalued has identified no material change to the values.</p> <p>The total year end valuation of land and buildings was £54.3m, a net decrease of £7.6m from 2019/20 (£61.9m).</p> | <p>We have assessed the in house valuer to be competent, capable and objective.</p> <p>We have carried out completeness and accuracy testing of the underlying information provided to the valuer to determine the estimate and have no issues to report.</p> <p>We confirmed the valuation method remains consistent with the prior year and assessed the reasonableness of the estimates made by management in determining the movement of assets that have not been revalued in the current year.</p> <p>The accounts include some disclosure on the level of estimation uncertainty relating to PPE, however the current disclosures lack the level of detail envisaged by the Code and the expectation of the FRC thematic review. The disclosures should provide a greater level of detail on the nature of the assumptions used in making the estimates, and the sensitivity of that assumption with the associated impact on the carrying value within the accounts. Disclosures should provide readers with sufficient detail that they can share in management's understanding of the uncertainties underlying those estimates.</p> | Light purple |

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### Assessment

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

# 2. Financial Statements – key judgements and estimates

## Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

Investment Property valuations – £6.2m

Investment properties comprises £6.2m of assets, which are required to be valued at fair value.

The Council has used the internal valuer to complete the valuation of properties as at 31 march 2021. In line with the CIPFA Code, all investment properties were revalued during 2020/21.

The total year end valuation of investment properties was £6.2m, a net decrease of £0.4m from 2019/20 (£6.6m).

We have assessed the in house valuer to be competent, capable and objective.

We have carried out completeness and accuracy testing of the underlying information provided to the valuer to determine the estimate and have no issues to report.

We confirmed the valuation method remains consistent with the prior year.

We concur with the Council's categorisation of these assets as investment properties.

Light purple

## Assessment

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

# 2. Financial Statements - key judgements and estimates

## Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

#### Net pension liability – £46.3m

The Council's total net pension liability at 31 March 2021 is £46.3m (PY £40.0m) comprising the Gloucestershire Local Government and unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in March 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £6.3m increase in the liability during 2020/21.

We have carried out the following work in relation to this estimate;

- Assessed management's expert to ensure suitably qualified and independent;
- We have performed additional tests in relation to the actuary on contribution figures, benefits paid and investment returns to gain assurance over the 2020/21 roll forward calculation carried out by the actuary and have no issues to note.
- We have used PwC as auditors expert to assess actuary and assumptions made by actuary, the assumptions used by the actuary are in the range anticipated by our auditors expert.

| Assumption              | Actuary Value | PwC range     | Assessment |
|-------------------------|---------------|---------------|------------|
| Discount rate           | 2%            | 1.95%-2.05%   | ●          |
| Pension increase rate   | 2.85%         | 2.80% - 2.85% | ●          |
| Salary growth           | 3.15%         | 2.85%-3.85%   | ●          |
| Duration of liabilities | 19 years      | 15-30 years   | ●          |

- We have reviewed the reasonableness Council's share of LPS pension assets and have no issues to raise.
- The accounts include the required disclosures on the level of estimation uncertainty relating to the pension fund net liability.

Light purple

### Assessment

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

## 2. Financial Statements - matters discussed with management

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

| Significant matter  | Commentary   | Auditor view and management response  |
|---|--|---|
| <p>Management have chosen to include a line on the face of the CIES called 'Revenues – Covid Grants'.</p> | <p>The audit team challenged officers as to the appropriateness of inclusion of this line as a separate item on the face of the CIES, as this was out of line with many others in the sector, with other similar local authorities using the narrative report to explain the impact of Covid 19, rather than changing the presentation of a primary statement.</p> <p>Management viewed the income and expenditure as exceptional and have been reporting on this separately to officers and members, and as such they consider this to be a reportable segment.</p> | <p>As reportable segments are to be based on the authority's internal management reporting, the reporting of Covid Grants separately on the face of the CIES is not unreasonable.</p> <p>We have however asked management to add some additional disclosures to the accounts to demonstrate their judgements in this area, and provide greater clarity on the change to the face of the CIES. This has been actioned in the updated version of the financial statements.</p> <p><b>Management response</b></p> <p>Income and expenditure in respect of the pandemic is deemed to be exceptional and for this reason has been disclosed separately on the face of the CIES in line with internal management reporting and to aid the reader of the accounts. Additional disclosures to provide further clarity on the change to the presentation of the face of the CIES has been included within the narrative report in the updated version of the financial statements.</p> |

## 2. Financial Statements - other communication requirements

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

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| Issue   | Commentary  |
|---|---|
| Matters in relation to fraud                              | We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.   |
| Matters in relation to related parties                    | We are not aware of any related parties or related party transactions which have not been disclosed.  |
| Matters in relation to laws and regulations               | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.  |
| Written representations                                   | A letter of representation has been requested from the Council, which is appended.  |
| Confirmation requests from third parties                  | We requested from management permission to send confirmation requests to all institutions where the Council holds cash or investment balances and those who lend the Council money. This permission was granted and the requests were sent. Of these requests all were returned with positive confirmation. |
| Accounting practices                                      | We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We have reported our findings in this area as part of appendix C.   |
| Audit evidence and explanations/ significant difficulties | All information and explanations requested from management was provided.  |

## 2. Financial Statements - other communication requirements



### Our responsibility

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

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| Issue         | Commentary   |
|---------------|--|
| Going concern | <p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul> |



## 2. Financial Statements - other responsibilities under the Code

| Issue  | Commentary  |
|--|---|
| Other information  | <p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E.</p>  |
| <b>Page 33</b><br><b>Matters on which we report by exception</b> | <p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p> |
| <b>Specified procedures for Whole of Government Accounts</b>     | <p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>• Note that work is not required as the Council does not exceed the threshold;</li> </ul>   |
| <b>Certification of the closure of the audit</b>                 | <p>We intend to delay the certification of the closure of the 2020/21 audit of Cotswold District Council in the audit report, as detailed in Appendix E, due to incomplete VFM work and the need to complete the assurance report in respect of WGA. The assurance report is required to be submitted to confirm that the Council sits below the threshold, and this cannot be produced until the instructions for WGA are made available.</p>  |



# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

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

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 31 January 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below. Our work on this risk is underway and an update is set out below.

| Risk of significant weakness  | Work performed to date  |
|---|---|
| <p data-bbox="98 730 129 852" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 35</p> <p data-bbox="129 708 394 735">Financial Sustainability</p> <p data-bbox="129 756 1077 954">The Council is forecasting an underspend of £0.520m for 2020/21. Whilst the Council has a healthy level of reserves and a strong history of delivering financial targets and savings, the financial challenge and uncertainty continue to increase. In setting the 2021/22 budget and Medium Financial Strategy for the next 4 years, the Council has identified the need to make further in savings/additional income from 2021/22 to 2024/25. Due to the inherent uncertainty we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability.</p> | <p data-bbox="1099 708 1352 735">Work performed to date</p> <ul data-bbox="1099 762 2130 954" style="list-style-type: none"> <li data-bbox="1099 762 2130 815">• We have held a number of meetings with key officers of the Council, including the Chief Executive and s151 officer.</li> <li data-bbox="1099 847 2130 874">• We have reviewed budget reports presented to members of both the Cabinet and the Council.</li> <li data-bbox="1099 906 2130 954">• We have reviewed the going concern assessment provided by management in relation to the 2021/22 financial statements.</li> </ul> <p data-bbox="1099 986 2130 1038">Further work is scheduled on understanding in detail how savings plans have been identified, and assessed for robustness.</p> |

# 4. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence.

In this context, we disclose to you that 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 now take up her new role. The role involves completion of accounting transactions and the preparation of the financial statements for Cotswold 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 with effect from 2020/21 has been 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.

## Audit and non-audit services

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

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

Details of fees charged are detailed in Appendix D

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# Appendices

# A. Action plan – Audit of Financial Statements

We have identified two of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk   | Recommendations  |
|------------|--|--|
| Low        | Disclosures relating to both critical judgements and estimation uncertainty lack the level of detail envisaged by IAS 540 and as described in the most recent FRC thematic review.   | <p>Given the additional focus on accounting estimates, management should consider working more closely with experts to ensure more detailed disclosures can be provided in relation to both estimation uncertainty and critical judgements.</p> <p><b>Management response</b></p> <p>Disclosures relating to critical judgements and estimation uncertainty were expanded in 2020/21 but will be reviewed again as part of the 2021/22 closedown process to provide more detailed disclosures where appropriate.</p> |
| Medium     | Our audit testing identified a number of assets recorded in the asset register at nil net book value. While this has no bottom line impact on the accounts, it does suggest that officers need to review the UEL and determine whether they remain appropriate for the assets that are still recorded in the asset register. | <p>Officers to review the assets held in the asset register at nil net book value.</p> <p><b>Management response</b></p> <p>Agreed. We will review the useful economic lives of equipment assets, particularly those close to being fully depreciated to assess whether the asset life and gross value remain appropriate. Given the amounts involved are not material this does not represent a significant risk to the accounts.</p>   |

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Follow up of prior year recommendations

We identified the following issues in the audit of Cotswold District Council's 2019/20 financial statements, which resulted in 2 recommendations being reported in our 2019/20 Audit findings report. We are pleased to report that management have implemented all of our recommendations.

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| Assessment | Issue and risk previously communicated   | Update on actions taken to address the issue  |
|------------|--|---|
| ✓          | It is clear that the Council has responded positively to the challenge presented by Covid-19 and are adequately monitoring and assessing the current and future impacts on the Council's finances, albeit it with an increased level of uncertainty. The financial years 20/21 and 21/22 will see perhaps the peak of the challenge with reduced levels of income, impact on savings, and uncertainty of funding. It is therefore business critical that officers and members take immediate action to identify further mitigations by way of reducing costs or increasing income. It is also crucial the medium-term financial plan is refreshed at the earliest opportunity. | We are yet to fully complete our work on VFM for the current financial year, however, there is evidence that both officers and members understand the scale of the challenge and are actively working on managing the position and refreshing the medium-term financial plan.         |
| ✓          | Our work identified a number of issues in relation to the valuation reports provided to the Council by the Internal Valuer.  | As previously outlined in the report, we have challenged management on the valuations, and the information contained in the valuation report. There was clear evidence that the valuation report had been read and understood, and this was consistent with the financial statements. |

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Audit Adjustments

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

## Impact of adjusted misstatements

We have not identified any adjusted misstatements during the course of the audit.

## Misclassification and disclosure changes

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

| Disclosure omission   | Auditor recommendations   | Adjusted? |
|---|---|-----------|
| <p>Note E6 – Critical judgements</p> <p>Management have included the appeals provision balance of £1.1m as a critical judgement. We have discussed with officers whether given the value involved there would be any likelihood that this value was misstated by a material amount due to the judgement made. The audit team do not agree with the view of management that this is a critical judgement.</p> <p>Similarly, management have included the going concern assessment as a critical judgement. Given the use of the ongoing service provision to determine going concern, again the audit team do not concur with the view of management that this is a critical judgement as defined by the Code.</p> | <p>The audit team do not consider these to be critical judgements as per the Code, and these disclosure could be removed.</p> <p><b>Management response</b></p> <p>Agreed, the appeals balance provision and going concern assessment are no longer disclosed as ‘critical judgements’ in the updated version of the financial statements.</p>  | ✓         |
| <p>Note E7 – Assumptions and other major sources of estimation</p> <p>In terms of the estimates listed, the audit team are of the view that the judgements around the debtors provision, housing benefits overpayments and business rate appeals are unlikely to have a material impact and therefore these judgements could be removed.</p>  | <p>The audit team do not consider these to be material assumptions or sources of estimation uncertainty as per the Code, and these disclosures could be removed.</p> <p><b>Management response</b></p> <p>Agreed, estimates in this section in respect of the debtors provision, housing benefits overpayments and business rate appeals are unlikely to have a material impact and have therefore been removed from Note E7 in the updated version of the financial statement.</p> | ✓         |



# C. Audit Adjustments

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

## Misclassification and disclosure changes (continued)

| Disclosure omission   | Auditor recommendations  | Adjusted? |
|---|--|-----------|
| The accounting policy in relation to accruals is missing the de minimus level applied by the Council.   | Officers are to include the level used by the Council.   | ✓         |
| The Council have included a policy in relation to MRP, however no provision has been made in the current year and therefore the policy could be removed.  | The MRP policy is not required in the current year and could be removed.<br><b>Management response</b><br>Management have opted to keep the policy in as it will be applicable for them in 2021/22.  | X         |
| The Council have included the full copy of their Local Code of Corporate Governance within the AGS. This significantly increases the length of the financial statements and is not required.  | The full Code could be removed, and reference made to it, and where to find it.  | ✓         |
| Accounting Policies – Standards not yet adopted   | The disclosure in relation to leases needs to be updated.  | ✓         |
| Depreciation<br>Our testing identified £228k of assets on the balance sheet that have been fully depreciated, but these have not been removed from the asset register. There is no impact on the balance sheet, however these assets are incorrectly recorded in the asset register and in the gross value. | We have included a recommendation for management to review these assets.<br><b>Management response</b><br>We will review the useful economic lives of equipment assets, particularly those close to being fully depreciated to assess whether the asset life and gross value remain appropriate. Given the amounts involved are not material this does not represent a significant risk to the accounts. | N/A       |

# C. Audit Adjustments



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## Impact of unadjusted misstatements

We have not identified any unadjusted misstatements.

## Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2019/20 financial statements.

# D. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

| <b>Audit fees</b>                | <b>Proposed fee</b> | <b>Final fee</b> |
|----------------------------------|---------------------|------------------|
| Council Audit                    | £57,307             | tbc              |
| Total audit fees (excluding VAT) | £57,307             | tbc              |

The fees reconcile to the financial statements.

- Total fees as per note B7 £79,925
- This consists of £34,557 as the scale fee, plus a further £22,750 which is the proposed increase to the scale fee. This variation was set out in the audit plan, and is subject to agreement with PSAA. The total of these two amounts is £57,307 and this agrees with the proposed fee in the audit plan.
- The difference of £22,618 between the audit plan and the total in note B7 is made up of £6,750 payable to another audit firm for the provision of grant certification services, and the additional audit fee of £15,868 in relation to the prior year audit.

# E. Audit opinion

Our audit opinion is included below.

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

Independent auditor's report to the members of Cotswold District Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Cotswold District Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cashflow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

# E. Audit opinion

## Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

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

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

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

## Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities (set out on page 10), 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. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

# E. Audit opinion

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

## Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

- We enquired of senior officers and the Audit Committee concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - Journals processed by senior finance officers, as we would not expect them to be involved in the normal day to day operations of the general ledger
  - Journals with a blank description, as this could indicate that there is not a legitimate reason for posting a journal.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on any journals posted by senior finance officers and those with a blank description;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

# E. Audit opinion

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

## Responsibilities of the Authority

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

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

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

# E. Audit opinion

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Cotswold District Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor’s Annual Report’
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

## Use of our report

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

Signature:

Peter Barber, Key Audit Partner

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

Birmingham

Date: xx November 2021



# F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Sirs

## Cotswold District Council Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Cotswold District Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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

### Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include PPE valuations, the valuation of the pension fund liability and the measurement of financial instruments. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - vi. there are no unrecorded liabilities, actual or contingent
  - vii. none of the assets of the Council has been assigned, pledged or mortgaged
  - viii. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

# F. Management Letter of Representation

- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
- a. the nature of the Council means that, notwithstanding any intention to liquidate the group and Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. The Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

- xiv. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
- a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

# F. Management Letter of Representation

- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Annual Governance Statement

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

## Narrative Report

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

## Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 24 November 2021.

Yours faithfully

Name.....

Position.....

Date.....

Signed on behalf of the Council

# G. Audit letter in respect of delayed VFM work

Note that this letter does not form part of our formal communications under ISA 260 (Communication with Those Charged with Governance) but is included here for ease of reference.

Patrick Coleman,  
Audit Committee Chair  
Cotswold District Council  
Trinity Road  
Gloucestershire  
GL7 1PX

Dear Patrick

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 28 February 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

**Peter Barber**

Director and Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor



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**COTSWOLD**  
**DISTRICT COUNCIL**

ANNEX B

## **STATEMENT OF ACCOUNTS**

### **2020/2021**

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## Narrative Report

### 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 84,000, 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 administration set out its aims, priorities and underlying principles that will set the direction for the Corporate Strategy for the Council for the period 2020-2024.

In September 2019, the Council adopted high level council aims and priorities. The more detailed work was partly delayed by the impact of Covid-19 but presented an opportunity to re-examine the Council's priorities as part of the Covid-19 recovery work. The recovery work has been embedded within the new Corporate Plan 2020-24 that was adopted by the Council in September 2020.

The Council's overall aim set out within the Corporate Plan is to 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 are:

- 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 and communities access the support they need for good health and wellbeing
- Support businesses to grow in a green, sustainable manner, and to provide high value jobs

The financial impact of these priorities was reflected in an update to the Medium Term Financial Strategy during 2020/21.

Each quarter, the Council monitors its progress towards achieving its aim and priorities, service delivery and financial performance. While the new Corporate Strategy was in development, the focus of reporting was on service delivery and financial performance. A new performance management framework has been developed during 2020/21; a much broader framework than previous frameworks with a key shift in focus from performance monitoring to performance management.

Despite the impact of Covid-19 on resources, progress has been made to deliver actions in the Corporate Plan including:

- The draft Affordable Housing Delivery Strategy was approved in February; it sets out the delivery strategy for the Council to accelerate provision of social rented and affordable homes for local people.
- The first phase of the cashless parking project has been completed within the removal of the option to pay with cash at Rissington Road, Bourton on the Water' Mangersbury Road, Stow on the Wold and Beeches car park, Cirencester.
- The Council received £1.2m of government funding from the Public Sector Decarbonisation Scheme, which will be used to implement carbon reduction measures at three Council sites; work to procure a provider to install the measures commenced in 2021/22.
- Following the adoption of the Electric Vehicle Charging Point delivery plan in January 2021, the Council completed the procurement of an electric vehicle charge point provider. The contract will enable the Council to roll out EBVCPs in a number of locations in the District, including public car parks and Council offices.
- A range of projects to tackle inequality including working with partner to support young people and improve their mental health, promoting healthy lifestyles and raising awareness of domestic abuse.

### Covid-19 pandemic

The Covid-19 pandemic has continued to have a significant impact on our communities, businesses and customers as the nation moves between response and recovery, and response again. This has included:

- Many services supporting residents, communities and businesses impacted by Covid-19 as part of their every day job including supporting businesses

## NARRATIVE REPORT

to access grants, carrying out 'track and trace', and ensuring residents get the help they need from the Council or by signposting to relevant organisations. This has included referrals from residents in need via the Gloucestershire Help Hub and National Shielding Support Service (NSSS).

- The Council's business rates collection figure has been severely impacted by Covid-19, as is the case with other councils throughout the country. During 2020/21, the Council has distributed a number of support grants to eligible businesses. During 2020/21 the Council distributed a total of £57,659,390. A summary of business grants administered is included below

| Grant   | Value<br>£ | No of<br>Businesses |
|---|------------|---------------------|
| Small Business Grant and Retail Hospitality and Leisure   | 35,720,000 | 2,884               |
| Local Authority Discretionary   | 1,686,203  | 391                 |
| Local Restrictions Support Grant (Closed Mandatory) – Paid to businesses in retail, leisure, hospitality, accommodation and events  | 9,889,509  | 6,162               |
| Additional Restrictions Grant (Discretionary) Available for businesses that do not have a business rate assessment but have been severely impacted by the pandemic (includes charity properties and market traders) | 1,937,897  | 1,208               |
| Christmas Support Payment for wet led pubs  | 47,000     | 47                  |
| Closed Business Lockdown payment – one off payment.   | 6,982,258  | 1,503               |
| Local Restriction Grant – Open  | 1,396,523  | 2,679               |

- Distributed £59,500 in financial support to 119 individuals having to self-isolate under the Test and Trace support payment.
- The Council's leisure centres have been severely affected by three national lockdowns when the facilities were required to close down. The Council agreed a contract variation with the service provider and agreed a package of financial support to cover the period to July 2021. Some government grant funding has been made available to cover Council losses from waiving management fees, as well as costs incurred by leisure operators during the lockdown and to support re-opening.
- Parking income has been severely affected by the reduction in car park usage during multiple lockdowns.
- The delivery of affordable housing was affected by the first lockdown, but has recovered well with 114 affordable homes delivered during 2020/21. The delay in both completing schemes and commencing new schemes will result in fewer completions in 2021/22.

### 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. From July 2020, the Publica Executive Director of Commissioning acted as Interim Chief Executive until the appointment of a new permanent Chief Executive in January 2021.

### Medium Term Financial Strategy (MTFS)

The Council operates a rolling 5 year MTFS, the latest being approved by Council on 24 February 2021. This update reflected announcements in the local government settlement for 2021/22 including:

- Funding baseline to increase with inflation;
- Councils impacted by "negative Revenue Support Grant" (including this Council) would continue to be protected from this funding cut;
- New Homes Bonus to continue for 2021/22 only;

# NARRATIVE REPORT

- Rural Services Delivery Grant to continue for 2021/22;
- Continuation of Sales, Fees and Charges Compensation Scheme extended to first quarter of 2021/22;
- New Lower Tier Services Grant to ensure no Authority saw an overall reduction in core spending power which includes income from Retained Business Rates, Council Tax, Lower Tier Support Grant, New Homes Bonus and Rural Services Delivery Grant;
- The Government delayed changes to local government funding from the Fairer Funding Review and Business Rates Retention Scheme to April 2022.

The MTFs also reflects forecast income from the revised Business Rates Retention Scheme and Business Rates Pool, compensation for losses through the S31 grant and additional income generation or savings required to compensate for loss of government funding and the use of borrowing over the span of the MTFs to fund the Council’s Recovery Investment Strategy.

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

|                                   | 2021/22    | 2022/23    | 2023/24    | 2024/25    |
|-----------------------------------|------------|------------|------------|------------|
|                                   | £000s      | £000s      | £000s      | £000s      |
| Net Cost of Service               | 12,557     | 10,636     | 10,126     | 10,098     |
| Central Government Funding        | (6,696)    | (3,564)    | (2,959)    | (3,078)    |
| Council Tax                       | (5,814)    | (6,095)    | (6,383)    | (6,676)    |
| Collection Fund (Surplus)/Deficit | (54)       | (53)       | (53)       | (100)      |
| <b>Budgeted (Surplus)/Deficit</b> | <b>(7)</b> | <b>924</b> | <b>731</b> | <b>244</b> |

### Investment in Council Priorities

Over the life of the MTFs, the Council is planning to invest in the Council Priorities as follows:

- £750,000 towards addressing climate change. This funding will kick-start our action plan to make the Cotswold District “green to the core”. Actions include encouraging residents to switch to electric vehicles by delivering electric charging points across the district; reviewing use of offices and buildings as large number of staff continue working from home; identifying opportunities to use our assets to support our climate strategy and minimising costs so we can use more of our funding in support of climate action.

- £740,000 over the next three years towards reviewing our local plan. The outcome is to ensure new developments in the District suit the needs of our communities and protect our landscapes and heritage.
- £100,000 over two years to plan and develop better, greener transport options in the District, including cycle and walking routes and innovative bus options.
- £350,000 over three years to fund our Recovery Investment Strategy which aims to make the money we have go further and maximise our support for the District in its recovery from Covid-19.

### Retained Business Rates

The Council has been part of the Gloucestershire 50% Business Rate Pool Pilot for 2020/21. 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 including those in relation to Covid-19. This year’s accounts include a transfer of £7.4m from the general fund to an earmarked business rate smoothing reserve to fund the Collection Fund deficit payable in 2021/22.

### 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 2% or £5 for 2021/22. The MTFs assumes increases of £5 per annum on a Band D property to 2024/25.

### 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 1% for 2021/22 and 2.5% each year thereafter;

# NARRATIVE REPORT

- provision for service contract inflation;
- investment interest returns are expected to generate a 1.34% return with pooled funds expected to generate a higher 3% return;
- inflationary increase to central government funding
- growth in Council Tax base of 1.2% per annum;

## Savings Targets

The MTFS includes savings targets from additional income generation or savings of £5m over the next four years to compensate for lost government funding. A Recovery Investment Strategy has been approved by Council, which sets out the options for delivering additional income or generating further savings.

## Capital Investment and Borrowing

The Council has included £54 million of capital investment to reflect the desire to invest to deliver against the Council Priorities and Corporate Plan, approved in September 2020, and to generate additional income to replace anticipated reductions to Government funding. The Council will need to borrow to fund its capital programme. The revenue implications of the proposed borrowing, provision for repayment of debt and interest payments, is included in the Medium Term Financial Strategy

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

## **Financial Performance**

As part of the Recovery Plan, the Council's budget for 2020/21 was revised in September 2020. This has enabled financial performance to be monitored against the original and revised budgets. In addition, a refresh of the Medium Term Financial Strategy was undertaken and presented to Cabinet in September 2020, which reflects the impact of Covid-19 on the Council and included the revised use of revenue reserves in 2020/2.

The financial impact of the pandemic has resulted in additional expenditure incurred by the Council in its response, falls in income from sales, fees and charges and savings being delayed or no longer deliverable.

The impact of the pandemic has been mitigated by the support provided to local authorities by Central government including Covid-19 grant funding and the income compensation scheme. This has provided the Council with £2.6m of income during the year.

For 2020/21, the Council was planning to increase its General reserve by £0.21 million. Due to the impact of Covid-19 on the Council's finances, Council approved a revised budget in September 2020. The Council expected to use £0.22 million of the General Fund and

the net impact of Covid-19 was expected to cost the Council £0.44 million.

The outturn position resulted in a contribution to the General Fund of £21k (after budgeted transfer of £3.6m to the Gloucestershire Local Government Pension Fund) a decrease of £244k on the budgeted use (£222k transfer from the General Fund).

The transfer to the general fund balance is shown in the Movement in Reserves Statement on page 12. The Expenditure and Funding Analysis on page 15 links the change in general fund balance, together with the increase in earmarked reserves, with the surplus shown in the Comprehensive Income and Expenditure Statement, showing the adjustments made to ensure the statement complies with generally accepted accounting practice.

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

## Income

The impact of Covid-19 upon planning fee income and pre-application advice for the year was expected to reduce income to £720,000 and this was reflected in the revised budget for 2020/21. Income within Planning recovered more than the revised budget had estimated, £1,073,000 of planning fees income was received during the year, resulting in an over achievement of income of £353,000.

The Council suspended charges in its car parks in March 2020 in response to Covid-19. The increases to car parking charges approved as part of the budget process in February 2020 were deferred until September 2020. The revised budget assumed that income from car parking for the year would be around **£1,680,000** lower than the original budget. Income from car park fees, permits and excess charges was £51,000 lower than the revised budget reflecting falls in demand as a result of the third national lockdown in Q4.

Ubico worked with the Council's commissioning team and the Cabinet Member for Environmental Services to deliver the Council's priority services during the Covid-19 pandemic. As a result, the Council's green waste collection service was suspended during the period from late March to mid-May. The Council therefore decided to maintain the fee for the service at £30 for the year rather than increase to £35 as per the Council decision in February 2020. This resulted in the income budget being reduced by £79,000 as part of the revised budget process. At the end of the financial year £59,000 more income has been received in respect of green waste annual subscriptions in comparison to the revised budget as a result of higher take up than anticipated.

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The investment portfolio has a mixture of investments. Long term pooled funds, which deliver market returns and carry a higher level of risk as well as cash and money market funds, which ensure an element of the portfolio is liquid. Interest received in respect of investments includes a £114,000 variance to budget due to the ongoing impact of the pandemic on global financial markets.

### Expenditure

The majority of the Council's staffing resource is supplied under contract from Publica. The Publica net contract sum for 2020/21 was £8,757,790, 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 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 £74,226.

The Council's Environmental Services (grounds maintenance, domestic waste collection, recycling collections, etc.) are provided by Ubico Ltd. The Ubico Ltd. contract costs for 2020/21 were underspent by £386,525 (excluding unavoidable additional cost incurred as a result of Covid-19). This is due to savings in fuel costs as prices deflated and savings in vehicle repairs because of utilising new vehicles or very old vehicles, which are soon to be replaced and therefore receive minimal repairs.

Expenditure related directly to the impact of Covid-19, and funded from the Government Covid-19 grant, has exceeded the revised budget by £459,992. The largest impact is from Ubico. As Ubico is a wholly local Authority owned company, the Council pays for the actual cost of service delivery. Due to a combination of additional waste being presented by households for collection during the Lockdown periods and Ubico needing to protect its own employees in response to Covid-19 health and safety requirements, Ubico incurred unavoidable additional costs. These costs including agency staff, hire vehicles and personal protective equipment have amounted to £554,431. Grants and contributions reduced net expenditure to a overspend of £300,000 at the end of the year.

Leisure and museum services operated by an external contractor, SLM, closed from late March to early August, and have been subject to social distancing and additional health and safety requirements, which reduce capacity. SLM have been unable to generate sufficient income to break even. The centres re-opened on 1 August 2020, but

were required to close down again in line with the government announcement of a second lockdown between 5 November and 2 December 2020. Facilities were re-opened in the lead up to Christmas but as Gloucestershire moved into Tier 4 on 31 December 2020, all leisure facilities were closed from this date to April 2021. The Council has worked with SLM to manage the financial impact of Covid-19. The revised profiled budget set in September 2020 included estimated expenditure of £800,180 for the year. £515,658 was paid to SLM under open book accounting arrangements, resulting in an underspend against the revised budget of £284,522.

### Covid-19 Support Grants

The Council received a range of grants from Central Government in 2020/21 in response to the Covid-19 pandemic; these included funding to support the Council's cost of services or to offset income losses. They also funded grant packages to be paid out to support local businesses.

Where the Council is administering grants on behalf of Central Government to local businesses we are acting as an agent and therefore these transactions are not included in our financial statements. At the year-end £6.046 million remained unspent for such schemes, which sits as a Creditor on our Balance Sheet (note D6). Once all rounds of Local Restrictions payments are closed, there will be a reconciliation and any funds remaining will be returned to Central Government.

Where the Council is acting as a principal in the administration of grants i.e. the Council has control and sets the eligibility criteria for the grant to be paid out, these transactions are recognised in our financial statements. At the year-end £0.398 million of funding for such schemes is yet to be spent and this is available for use in 2021/22.

|  | <b>Council as Agent</b> | <b>Council as Principal</b> |
|--|-------------------------|-----------------------------|
| <b>Grant Funding at 31 March 2021</b>                      | <b>£</b>                | <b>£</b>                    |
| Small Business Grants Fund/Retail, Hospitality and Leisure | 35,720,000              | 0                           |
| Local Authority Discretionary Fund                         | 0                       | 1,686,203                   |
| Local Restrictions Closed and Addendum                     | 13,552,198              | 0                           |
| Closed Business Lockdown (One off Payment)                 | 9,306,000               | 0                           |

## NARRATIVE REPORT

|   |                   |                  |
|---|-------------------|------------------|
| Christmas Support Payments (Wet Led Pubs) | 83,200            | 0                |
| Local Restrictions Open                   |                   | 1,213,400        |
| Additional Restrictions Grant             |                   | 2,595,489        |
| Test and Trace (Mandatory)                | 64,000            |                  |
| <b>TOTAL</b>                              | <b>58,725,398</b> | <b>5,495,092</b> |
| <b>Distributed at 31 March 2021</b>       | <b>52,679,497</b> | <b>5,096,786</b> |
| <b>Remainder</b>                          | <b>6,045,901</b>  | <b>398,306</b>   |

### Classification of Covid-19 income and expenditure

The Comprehensive Income and Expenditure Statement identifies separately income and expenditure in relation to both Covid Business Grants (Revenues – Covid Business Grants) and costs, service specific grants/contributions directly attributable to the Covid-19 pandemic.

General Government Grants including the Covid-19 LA Support Grant and Sales, Fees and Charges Compensation Grant are disclosed within 'Taxation and Non Specific Grant Income', as disclosed within note B8. Financial Support provided to the Council's External Leisure Provider to mitigate the impact of Covid-19 (as outlined on page 5) is classified within 'Leisure and Communities' expenditure.

### Pensions Liability

The pension liability as at 31 March 2021 was £46.258m (£40.05m as at 31 March 2020). 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 increased by £22.043m however, the overall net liability has increased by £6.211m due to a significant increase in the pension fund liabilities of £28.209m.

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 reduced, it has led to a decreased discount rate, which in turn has a negative effect on pension scheme liabilities. The fund is revalued and contribution rates set every three years. The most recent valuation was 31 March 2019.

Publica and the Council continue to contribute to cover liabilities accruing for current members of the scheme (primary contributions) and secondary contributions (annual lump sum) are paid directly by

the Council to fund the deficit. A lump sum contribution to the pension fund of £3.268m was made in 2020/21 to cover the period to 31 March 2023 resulting in a revenue saving of £184,000 per annum. The lump sum payment provides capacity in the revenue budget to top up the General Fund Balance by £1.634m in each of the next two financial years.

### Capital Programme (Asset Management)

In 2020/21, the Council spent £3.216m against a budget of £11.063m on:

| Capital Programme                               | £'000        |
|---|--------------|
| Disabled Facilities Grants (DFGs)               | 461          |
| IT Equipment and Infrastructure                 | 94           |
| Community Grants Funded Projects                | 67           |
| Ubico Fleet Replacement and In-Cab technology   | 1,828        |
| Waste and Recycling Containers                  | 55           |
| Corinium Museum "Stone Age to Corinium" Project | 260          |
| Electric vehicle charging points                | 31           |
| Cirencester Parking Project                     | 319          |
| Webcasting and Audio Visual Investment          | 80           |
| Other Minor Schemes                             | 20           |
|   | <b>3,215</b> |

Significant expenditure included £1.828m acquisition of recycling and food waste vehicles as part of the waste services review, £0.319m in respect of car parking at Cirencester Rugby Club and £0.260m in respect of redesign and refurbishment programme at the Corinium Museum.

Not all schemes planned for the year were undertaken including:

- Investment in Strategic Property Acquisition – budget of £4.3m; discussions with landowner are ongoing but have been delayed due to current economic situation.
- Acquisition of Strategic Site – Moreton in Marsh budget of £0.980m; this site acquisition will no longer go ahead and £120,000 of this funding has been reallocated to provide a contingency sum for decarbonisation project work on Council owned property. The balance of the budget will become available to fund future capital projects.



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- Electric vehicles charging points – budget of £0.600m, two charging points have been installed at the new Whiteway car park. The project will continue in 2021/22.

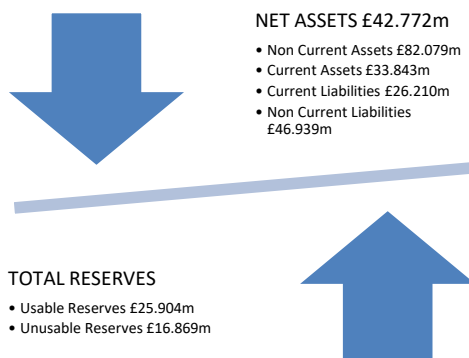
There is committed expenditure in relation to the projects listed of £1.072m and Capital Programme budgets have been carried forward in to 2021/22 to fund ongoing projects.

## Reserves and Balances

At the year-end usable reserves stood at £25.903 million, an increase of £3.594 million during the year. Of the usable reserves at the year-end, non-earmarked General Reserves or ‘Balances’ were £0.895 million.

## Financial Position

Net assets decreased in the year by £17,814,689.



Significant movements were:

- £11.042m downward valuation of Property, Plant & Equipment
- £0.974m increase in non-current debtors
- £8.031m decrease in current investments
- £14.902m increase in debtors
- £5.682m increase in cash and cash equivalent
- £16.381m increase in creditors
- £6.211m increase in pension liability
- £3.581m decrease in general fund balance due to lump sum contribution to pension fund
- £8.7m increase in earmarked reserves

## Operational Performance and Efficiency

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

The majority of staff have worked from home throughout the year and although some services have accessed additional resource to help manage workloads, overall performance has been affected by the significant impact of Covid-19. Some services such as housing, planning, land charges and customer services have experienced higher workloads to meet customer demand and other services such as food safety and planning have had to find new ways of working or have been severely restricted in the way the service can be delivered creating backlogs of work. In addition, many services including revenues and benefits and community well-being have not just been doing their ‘day job’; they have been supporting communities and businesses through the pandemic with the help of ICT and finance working in the background, as well as delivering the Council’s priorities. Despite the challenges of Covid-19 and impact on resources and delivery of services, some notable performance includes:

- The combined recycling for the year was just slightly lower than in 2019/20 despite the green waste service being suspended in the early part of the financial year.
- The housing team has worked hard to manage the number of households in emergency accommodation; the team created exit plans to move households into more secure tenancies including private rented, housing association, and supported accommodation.
- The land charges team processed 1,482 official searches in 2020-21, a 20% increase on the previous year, and nearly 95% were processed within 10 working days.

Nine indicators fell short of their annual targets; two in Customer Services; four in Revenues and Benefits; one in Housing Support; one in Environmental and Regulatory and one in Waste Service:

### Customer Services

- Percentage of calls responded within 20 seconds
- Percentage of abandoned calls

### Revenues and Benefits

- Council Tax collection rate
- NNDR collection rate
- Average days to process HB new claims
- Average days to process HB change events
- Percentage of housing benefit overpayment due to LA error/Admin delay

### Housing Support

- Households in emergency accommodation over 28 days

### Environment and Regulatory

- Percentage of high risk food premises inspected within time

### Waste Services

- Missed bins per 100,000

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

## Risk Management

The Corporate Risk Register was updated during 2020/21 and reviewed by the Senior Management Team, which comprises both Council and Public Senior Managers. Any risk scoring 15 or above is considered a 'primary risk'.

At the end of 2020/21, there were two primary risks on the register:

- Legislative changes – principally around additional Covid-19 responsibilities. If the Government imposes legislative changes that are not expected then it could have an impact on the Council's finances and other resources.

The Council continues to respond to the Government requirements of local authorities to implement initiatives related to Covid-19. The Government has provided some funding for additional costs and lost income and the Council has profiled budgets accordingly based on financial risks associated with the pandemic, a revised budget was approved in September 2020 and the new budget agreed in February 2021.

- Ubico delivery risk and budget impact – high volumes continue to put pressure on delivery and budget. 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.

Waste and recycling volumes have remained approximately 20% higher and so additional vehicles and resources are still required and in place. The need for additional personal protective equipment is also still in place for Ubico to protect its staff from Covid-19. The Council has provided additional funding in 2020/21 and 2021/22 budgets accordingly. Ongoing budget implications will be included within the MTFs Update and budget for 2022/23.

## Facing the Challenges Ahead

The Council has approved an ambitious Corporate Plan for delivery over the next few years and has developed a Medium Term Financial Strategy that sets out the financial envelope for the delivery of that plan.

There are some significant risks to the Council from changes to Government funding and the impact of the Covid-19 pandemic. The Council has been planning for these changes and has approved a Recovery Investment Strategy to respond to potential reductions in Government funding with the aim of investing in the Council's priorities of climate change, social housing

provision and economic development and generating new income streams.

The Strategy will require capital investment and the Capital Programme has been updated to include provision for the investment partially funded through grants from third parties. The strategy will also require the Council to borrow for the first time since 1997. The MTFs reflects the financial implications of the borrowing plans set out in the Capital Strategy. All new capital investment will be subject to governance arrangements set out in the approved Recovery Investment Strategy and the due diligence requirements set out in the Capital Strategy.

This investment is for service provision rather than investment to generate income to the Council. As such, the Council should be able to access borrowing from the Public Works Loans Board. The Council is required to provide for the eventual repayment of debt from revenue. The Council's Recovery Investment Strategy sets out the return on investment which new investments will be required to meet to fund both the revenue cost of the investment and to provide additional income to the Council.

Deficits are forecast in 2022/23 and 2023/24 reflecting the impact of reduced funding from the Government from the MHCLG Fairer Funding Review expected in 2022/23 and the slightly later delivery of some savings through the Council's Recovery Investment Strategy which are expected in 2023/24 and 2024/25. The Council plans to manage these budget deficits through application of the General Fund Balance.

The Medium Term Financial Strategy, Capital Strategy, Investment Strategy and Treasury Management Strategy are all inter-related and provide the Council with a view of the affordability and proportionality of its spending plans.

The major risks looking forward are in respect of the impact of the Covid-19 pandemic in 2021/22, although the budget provides for some impact; and further changes to Government funding post 2022/23. Contingencies of £377,000 (for expenditure pressures) and £500,000 (lost income) has been included in the 2021/22 budget to allow for impact of Covid-19 pandemic.

## 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.



Jenny Poole CPFA  
Chief Finance Officer

# NARRATIVE REPORT

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## Explanation of the Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2021. 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 2020/21, 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 or reduce local taxation, and "unusable" which must be set aside for specific purposes. This includes those that hold unrealised gains and losses (for example the revaluation reserve), where amounts become available to provide services if the assets are sold, and those that hold timing differences which are shown in the Movement in Reserves Statement Line 'Adjustments between accounting basis and funding basis under the regulations'.

The statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax) for the year. The net increase or decrease line shows the statutory general fund balance movements in the year following those adjustments.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves as at the year-end, 31 March 2021.

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

## Statement of Responsibilities

### 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 2021.

\_\_\_\_\_ 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

## Comprehensive Income and Expenditure Statement

| 2019/20                |                     |                      |  | 2020/21 |                        |                     |                      |
|------------------------|---------------------|----------------------|--|---------|------------------------|---------------------|----------------------|
| Gross Expenditure<br>£ | Gross Income<br>£   | Net Expenditure<br>£ |  | Note    | Gross Expenditure<br>£ | Gross Income<br>£   | Net Expenditure<br>£ |
|                        |                     |                      | <u>Joint Committee/ Shared Services</u>  |         |                        |                     |                      |
| 1,184,257              | (535,276)           | 648,981              | Environmental and Regulatory Services  |         | 1,095,422              | (474,611)           | 620,811              |
| 2,632,529              | (1,214,411)         | 1,418,118            | Business Support Services  |         | 2,240,015              | (1,135,547)         | 1,104,468            |
| 2,200,573              | (149,819)           | 2,050,754            | ICT, Change and Customer Services  |         | 2,016,349              | (87,879)            | 1,928,470            |
| 1,644,316              | (758,757)           | 885,559              | Land, Legal and Property Services  |         | 1,609,021              | (842,309)           | 766,712              |
| 192,387                | 0                   | 192,387              | Chief Executive and Modernisation Costs  |         | 210,264                | 0                   | 210,264              |
| 15,976,534             | (15,463,064)        | 513,470              | Revenues and Housing Support Services  |         | 15,736,064             | (14,975,290)        | 760,774              |
| 0                      | 0                   | 0                    | Revenues - Covid Grants  |         | 5,119,036              | (5,494,822)         | (375,786)            |
|                        |                     |                      | <u>Strategic Directors</u>   |         |                        |                     |                      |
| 1,846,821              | (475,010)           | 1,371,811            | Democratic Services  |         | 1,157,901              | (106,765)           | 1,051,136            |
| 9,475,332              | (4,457,131)         | 5,018,201            | Environmental Services   |         | 9,125,334              | (3,370,220)         | 5,755,114            |
| 2,014,817              | (952,276)           | 1,062,541            | Leisure and Communities Services   |         | 2,282,953              | (542,763)           | 1,740,190            |
| 2,812,956              | (1,070,484)         | 1,742,472            | Planning and Strategic Housing Services  |         | 3,799,655              | (2,211,851)         | 1,587,804            |
| 1,250,338              | (468,544)           | 781,794              | Retained and Corporate Council Services  |         | 1,369,620              | (442,998)           | 926,622              |
| 0                      | 0                   | 0                    | Retained and Corporate Council Services - Covid  |         | 810,255                | (534,250)           | 276,005              |
| <b>41,230,860</b>      | <b>(25,544,772)</b> | <b>15,686,088</b>    | <b>Cost of Services</b>  |         | <b>46,571,889</b>      | <b>(30,219,305)</b> | <b>16,352,584</b>    |
| 3,173,229              | (624,329)           | 2,548,900            | Other Operating Expenditure  | B3      | 3,374,599              | (30,042)            | 3,344,557            |
| 2,937,942              | (1,421,520)         | 1,516,422            | Financing and Investment Income and Expenditure  | B4      | 1,394,401              | (2,139,443)         | (745,042)            |
| 0                      | (16,552,538)        | (16,552,538)         | Taxation and Non-Specific Grant Income   | B5      | 0                      | (19,350,432)        | (19,350,432)         |
| <b>47,342,031</b>      | <b>(44,143,159)</b> | <b>3,198,872</b>     | <b>(Surplus) / Deficit on Provision of Services</b>  | B1/B2   | <b>51,340,889</b>      | <b>(51,739,222)</b> | <b>(398,333)</b>     |
|                        |                     | (3,259,185)          | (Surplus) / deficit on revaluation of non current assets   |         |                        |                     | 8,391,474            |
|                        |                     | 20,000               | (Gains)/ losses on financial instruments designated at Fair Value through Other Comprehensive Income |         |                        |                     | (50,000)             |
|                        |                     | 0                    | Reclassification of Asset  |         |                        |                     | 188,550              |
|                        |                     | (8,380,000)          | Remeasurement of the net defined benefit liability   |         |                        |                     | 9,683,000            |
|                        |                     | <b>(11,619,185)</b>  | <b>Other Comprehensive Income and Expenditure</b>  |         |                        |                     | <b>18,213,024</b>    |
|                        |                     | <b>(8,420,313)</b>   | <b>Total Comprehensive Income and Expenditure</b>  |         |                        |                     | <b>17,814,691</b>    |

## MOVEMENT IN RESERVES STATEMENT

### Movement in Reserves Statement

|  | Note | Usable Reserves                 |                               |                               |                               | Total Usable Reserves<br>£ | Unusable Reserves<br>£ | TOTAL RESERVES<br>£ |
|--|------|---------------------------------|-------------------------------|-------------------------------|-------------------------------|----------------------------|------------------------|---------------------|
|  |      | General Fund - Unallocated<br>£ | General Fund - Earmarked<br>£ | Capital Receipts Reserve<br>£ | Capital Grants Unapplied<br>£ |                            |                        |                     |
| <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>(24,276,608)</b>    | <b>(52,166,836)</b> |
| Movements in reserves 2019/20  |      | (230,258)                       | 230,258                       | 0                             | 0                             | 0                          | 0                      | 0                   |
| Total Comprehensive Income and Expenditure                             |      | 3,198,872                       | 0                             | 0                             | 0                             | 3,198,872                  | (11,619,185)           | <b>(8,420,313)</b>  |
| Adjustments between accounting basis & funding basis under regulations | C1   | (2,533,724)                     | 266,738                       | 4,663,061                     | (13,930)                      | 2,382,145                  | (2,382,145)            | 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>(14,001,330)</b>    | <b>(8,420,313)</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>(38,277,940)</b>    | <b>(60,587,149)</b> |
| Movements in reserves 2020/21  |      | 8,740,224                       | (8,740,224)                   | 0                             | 0                             | 0                          | 0                      | 0                   |
| Total Comprehensive Income and Expenditure                             |      | (398,333)                       | 0                             | 0                             | 0                             | (398,333)                  | 18,213,024             | <b>17,814,691</b>   |
| Adjustments between accounting basis & funding basis under regulations | C1   | (4,761,246)                     | 0                             | 1,752,368                     | (187,082)                     | (3,195,961)                | 3,195,961              | 0                   |
| <b>(Increase) / Decrease in Reserves 2020/21</b>                       |      | <b>3,580,645</b>                | <b>(8,740,224)</b>            | <b>1,752,368</b>              | <b>(187,082)</b>              | <b>(3,594,294)</b>         | <b>21,408,985</b>      | <b>17,814,691</b>   |
| <b>Balance at 31 March 2021</b>  |      | <b>(894,613)</b>                | <b>(16,551,802)</b>           | <b>(8,196,328)</b>            | <b>(260,761)</b>              | <b>(25,903,505)</b>        | <b>(16,868,955)</b>    | <b>(42,772,458)</b> |

## BALANCE SHEET

### Balance Sheet

| 31 March 2020<br>£  |                                    | Note | 31 March 2021<br>£  |
|---------------------|------------------------------------|------|---------------------|
| 69,255,240          | Property, Plant & Equipment        | D1   | 59,780,480          |
| 17,000              | Heritage Assets                    |      | 17,000              |
| 6,571,000           | Investment Property                | D2   | 6,217,500           |
| 75,932              | Intangible Assets                  | D3   | 56,379              |
| 10,123,768          | Non-Current Investments            | E2   | 11,062,288          |
| 3,971,377           | Non-Current Debtors                | D4   | 4,944,976           |
| <b>90,014,317</b>   | <b>Non-Current Assets</b>          |      | <b>82,078,623</b>   |
| 9,175,814           | Investments                        | E2   | 1,144,649           |
| 15,198              | Inventories                        |      | 26,488              |
| 6,399,067           | Debtors                            | D5   | 21,301,423          |
| 5,688,585           | Cash and Cash Equivalents          | E2   | 11,370,358          |
| <b>21,278,664</b>   | <b>Current Assets</b>              |      | <b>33,842,918</b>   |
| (231,393)           | Cash and Cash Equivalents          | E2   | (133,990)           |
| (6,803,710)         | Creditors                          | D6   | (23,184,280)        |
| (2,178,811)         | Creditors - s.106 balances         | D6   | (1,773,391)         |
| (1,052,314)         | Provisions                         | D7   | (1,118,220)         |
| <b>(10,266,228)</b> | <b>Current Liabilities</b>         |      | <b>(26,209,881)</b> |
| (40,047,000)        | Other Non-Current Liabilities      | E1   | (46,258,000)        |
| (62,936)            | Finance Lease Liabilities          | E4   | (62,936)            |
| (329,668)           | Capital Grants Receipts in Advance | B8   | (618,264)           |
| <b>(40,439,604)</b> | <b>Non-Current Liabilities</b>     |      | <b>(46,939,200)</b> |
| <b>60,587,149</b>   | <b>Net Assets</b>                  |      | <b>42,772,460</b>   |
| (22,309,211)        | Usable reserves                    | C2   | (25,903,505)        |
| (38,277,940)        | Unusable Reserves                  | C3   | (16,868,955)        |
| <b>(60,587,151)</b> | <b>Total Reserves</b>              |      | <b>(42,772,460)</b> |

These financial statements were certified by the Chief Finance Officer on xx November 2021.

Jenny Poole  
Chief Finance Officer

# CASH FLOW STATEMENT

## Cash Flow Statement

|  | Note | 2019/20<br>£       | 2020/21<br>£       |
|--|------|--------------------|--------------------|
| Net surplus or (deficit) on provision of services  |      | (3,198,872)        | 398,333            |
| Adjustments to net surplus or (deficit) on the provision of services to exclude non-cash movements                                     | F1   | 3,245,777          | (269,536)          |
| Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities | F2   | (4,203,996)        | (1,401,000)        |
| <b>Net cash flows from Operating Activities</b>  |      | <b>(4,157,091)</b> | <b>(1,272,203)</b> |
| Investing Activities   | F3   | 2,625,802          | 7,027,794          |
| Financing Activities   | F4   | (23,429)           | 23,585             |
| <b>Net increase or (decrease) in cash and cash equivalents</b>   |      | <b>(1,554,718)</b> | <b>5,779,176</b>   |
| Cash and cash equivalents at 1 April   |      | 7,011,910          | 5,457,192          |
| <b>Cash and cash equivalents at 31 March</b>   |      | <b>5,457,192</b>   | <b>11,236,368</b>  |
| Comprising:  |      |                    |                    |
| Cash and bank current accounts   |      | (229,811)          | (131,980)          |
| Money Market Funds   |      | 5,591,145          | 1,590,000          |
| Short Term Deposits (Call Accounts)  |      | 95,858             | 9,778,348          |
|  |      | <b>5,457,192</b>   | <b>11,236,368</b>  |



# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B1. Expenditure and Funding Analysis

|   | 2020/21                       |   |   |  |                                 |                                     |
|---|-------------------------------|---|---|--|---------------------------------|-------------------------------------|
|   | Net Expenditure in CI&ES<br>£ | Adjs. between accounting and funding basis<br>£ | Transfers to / (from ) GF Earmarked Reserves<br>£ | Net Exp. Chargeable to the General Fund<br>£ | Management Reporting Adjs.<br>£ | Outturn Reported to Management<br>£ |
| <b>Joint Committee</b>  |                               |   |   |  |                                 |                                     |
| Environmental and Regulatory Services                           | 620,811                       | (113,534)                                       | 0   | 507,277                                      | 32,084                          | 539,361                             |
| Business Support Services                                       | 1,104,468                     | (161,211)                                       | 0   | 943,257                                      | 17,515                          | 960,772                             |
| ICT, Change and Customer Services                               | 1,928,470                     | (152,611)                                       | 0   | 1,775,859                                    | 28,751                          | 1,804,610                           |
| Land, Legal and Property Services                               | 766,712                       | (190,592)                                       | 0   | 576,120                                      | 118,659                         | 694,779                             |
| Chief Executive and Modernisation Costs                         | 210,264                       | (8,832)   | 0   | 201,432                                      | 1,485                           | 202,917                             |
| Revenues and Housing Support Services                           | 760,774                       | (97,451)  | 0   | 663,323                                      | (9,117)                         | 654,206                             |
| Revenues - Covid Grants   | (375,786)                     | 0   | 0   | (375,786)                                    | 0                               | (375,786)                           |
| <b>Strategic Directors</b>                                      |                               |   |   |  |                                 |                                     |
| Democratic Services   | 1,051,136                     | (72,274)  | 0   | 978,862                                      | 30,480                          | 1,009,342                           |
| Environmental Services  | 5,755,114                     | (870,568)                                       | 0   | 4,884,546                                    | 509,607                         | 5,394,153                           |
| Leisure and Communities Services                                | 1,740,190                     | (710,309)                                       | 0   | 1,029,881                                    | 600,673                         | 1,630,554                           |
| Planning and Strategic Housing Services                         | 1,587,804                     | (249,004)                                       | 0   | 1,338,800                                    | 50,459                          | 1,389,259                           |
| Retained and Corporate Council Services                         | 926,622                       | 5,164,675                                       | 0   | 6,091,297                                    | (1,070,497)                     | 5,020,800                           |
| Retained and Corporate Council Services - Covid                 | 276,005                       | 0   | 0   | 276,005                                      | 0                               | 276,005                             |
| <b>Cost of Services</b>   | <b>16,352,584</b>             | <b>2,538,290</b>                                | <b>0</b>  | <b>18,890,874</b>                            | <b>310,099</b>                  | <b>19,200,973</b>                   |
| Other Income and Expenditure                                    | (16,750,917)                  | (7,299,537)                                     | 8,740,224   | (15,310,230)                                 | (310,099)                       | (15,620,329)                        |
| <b>(Surplus) / Deficit on Provision of Services</b>             | <b>(398,333)</b>              | <b>(4,761,247)</b>                              | <b>8,740,224</b>                                  | <b>3,580,644</b>                             | <b>0</b>                        | <b>3,580,644</b>                    |
| Budgeted Transfer from General Fund - Contribution to Glos LGPS |                               |   |   |  |                                 | (3,601,000)                         |
| <b>Surplus reported to Management</b>                           |                               |   |   |  |                                 | <b>(20,356)</b>                     |
| Opening General Fund Balance (Unallocated) at 1 April           |                               |   |   | (4,475,258)                                  |                                 |                                     |
| (Surplus) / Deficit for the year                                |                               |   |   | 3,580,644                                    |                                 |                                     |
| <b>Closing General Fund Balance (Unallocated) at 31 March</b>   |                               |   |   | <b>(894,614)</b>                             |                                 |                                     |

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

|   | 2019/20                       |   |   |  |                                 |                                     |
|---|-------------------------------|---|---|--|---------------------------------|-------------------------------------|
|   | Net Expenditure in CI&ES<br>£ | Adjs. between accounting and funding basis<br>£ | Transfers to / (from ) GF Earmarked Reserves<br>£ | Net Exp. Chargeable to the General Fund<br>£ | Management Reporting Adjs.<br>£ | Outturn Reported to Management<br>£ |
| <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                             |
| Chief Executive and Modernisation Costs                       | 192,387                       | (15,705)  | 0   | 176,682                                      | 1,493                           | 178,175                             |
| Revenues and Housing Support Services                         | 513,470                       | (258,558)                                       | 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  | 5,018,201                     | (514,794)                                       | 0   | 4,503,407                                    | 440,852                         | 4,944,259                           |
| 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                           |
| Retained and Corporate Council Services                       | 781,794                       | 1,796,777                                       | (230,258)   | 2,348,313                                    | (1,638,584)                     | 709,729                             |
| <b>Cost of Services</b>                                       | <b>15,686,088</b>             | <b>(907,633)</b>                                | <b>(230,258)</b>                                  | <b>14,548,197</b>                            | <b>(735,462)</b>                | <b>13,812,735</b>                   |
| Other Income and Expenditure                                  | (12,487,216)                  | (1,626,091)                                     | 0   | (14,113,307)                                 | 735,462                         | (13,377,845)                        |
| <b>(Surplus) / Deficit on Provision of Services</b>           | <b>3,198,872</b>              | <b>(2,533,724)</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

### 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:

|   | 2020/21   |                   |                    |  |   |                          |   |
|---|---|-------------------|--------------------|--|---|--------------------------|---|
|   | Adjustments between funding and accounting basis (see MiRS Note C1) |                   |                    | Total adjs between funding and accounting<br>£ | Adjustments between amounts chargeable to the General Fund and Management Reporting |                          | Total Management Reporting Adjustments<br>£ |
|   | Capital Adjs<br>£   | Pension Adjs<br>£ | Other Adjs<br>£    |  | Depreciation & Amortisation<br>£  | Other Segment Adjs.<br>£ |   |
| <u>Joint Committee</u>                              |   |                   |                    |  |   |                          |   |
| Environmental and Regulatory Services               | (32,084)  | (81,450)          | 0                  | (113,534)                                      | 32,084  | 0                        | 32,084                                      |
| Business Support Services                           | (17,515)  | (143,695)         | 0                  | (161,211)                                      | 17,515  | 0                        | 17,515                                      |
| ICT, Change and Customer Services                   | (28,751)  | (123,860)         | 0                  | (152,611)                                      | 28,751  | 0                        | 28,751                                      |
| Land, Legal and Property Services                   | (118,659)   | (71,933)          | 0                  | (190,592)                                      | 118,659   | 0                        | 118,659                                     |
| Chief Executive and Modernisation Costs             | (1,485)   | (7,347)           | 0                  | (8,832)  | 1,485   | 0                        | 1,485                                       |
| Revenues and Housing Support Services               | (24,632)  | (72,819)          | 0                  | (97,451)                                       | 24,632  | (33,749)                 | (9,117)                                     |
| Revenues - Covid Grants                             | 0   | 0                 | 0                  | 0  | 0   | 0                        | 0   |
| <u>Strategic Directors</u>                          |   |                   |                    |  |   |                          |   |
| Democratic Services                                 | (30,480)  | (41,794)          | 0                  | (72,274)                                       | 30,480  | 0                        | 30,480                                      |
| Environmental Services                              | (828,570)   | (41,998)          | 0                  | (870,568)                                      | 509,607   | 0                        | 509,607                                     |
| Leisure and Communities Services                    | (668,147)   | (42,162)          | 0                  | (710,309)                                      | 600,673   | 0                        | 600,673                                     |
| Planning and Strategic Housing Services             | (50,459)  | (198,545)         | 0                  | (249,004)                                      | 50,459  | 0                        | 50,459                                      |
| Retained and Corporate Council Services             | (2,927)   | 5,167,602         | 0                  | 5,164,675                                      | 2,827   | (1,073,324)              | (1,070,497)                                 |
| Retained and Corporate Council Services - Covid     | 0   | 0                 | 0                  | 0  | 0   | 0                        | 0   |
| <b>Cost of Services</b>                             | <b>(1,803,710)</b>  | <b>4,342,000</b>  | <b>0</b>           | <b>2,538,290</b>                               | <b>1,417,172</b>  | <b>(1,107,073)</b>       | <b>310,099</b>                              |
| Other Income and Expenditure                        | 189,036   | (870,000)         | (6,618,573)        | (7,299,537)                                    | (1,417,172)   | 1,107,073                | (310,099)                                   |
| <b>(Surplus) / Deficit on Provision of Services</b> | <b>(1,614,674)</b>  | <b>3,472,000</b>  | <b>(6,618,573)</b> | <b>(4,761,247)</b>                             | <b>0</b>  | <b>0</b>                 | <b>0</b>                                    |

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

|   | 2019/20   |                   |                  |   |   |                             |  |
|---|---|-------------------|------------------|---|---|-----------------------------|--|
|   | Adjustments between funding and accounting basis (see MiRS Note C1) |                   |                  |   | Adjustments between amounts chargeable to the General Fund and Management Reporting |                             |  |
|   | Capital Adjs<br>£   | Pension Adjs<br>£ | Other Adjs<br>£  | Total adjs<br>between<br>funding and<br>accounting<br>£ | Depreciation &<br>Amortisation<br>£   | Other Segment<br>Adjs.<br>£ | Total<br>Management<br>Reporting<br>Adjustments<br>£ |
| <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   |
| Chief Executive and Modernisation Costs             | (1,493)   | (14,212)          | 0                | (15,705)  | 1,493   | 0                           | 1,493  |
| Revenues and Housing Support Services               | (117,653)   | (140,905)         | 0                | (258,558)   | 24,768  |                             | 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   |
| Retained and Corporate Council Services             | (111,393)   | 1,908,170         | 0                | 1,796,777   | (1,638,584)   | 0                           | (1,638,584)  |
| <b>Cost of Services</b>                             | <b>(1,162,633)</b>  | <b>255,000</b>    | <b>0</b>         | <b>(907,633)</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>(752,891)</b>  | <b>(886,000)</b>  | <b>(894,833)</b> | <b>(2,533,724)</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

|   | 2019/20<br>£        | 2020/21<br>£        |
|---|---------------------|---------------------|
| <b>Expenditure</b>                                  |                     |                     |
| Employee benefits expenses                          | 3,010,202           | 2,138,961           |
| Publica Contract Charge                             | 9,263,086           | 9,459,160           |
| Housing Benefit & other transfer payments           | 13,971,454          | 13,560,399          |
| Covid Business Grants Paid                          | 0                   | 5,096,786           |
| Other service expenses                              | 12,623,760          | 14,206,516          |
| Depreciation, amortisation and impairment           | 1,641,427           | 1,433,532           |
| Interest payments and similar expense               | 1,144,361           | 870,000             |
| Precepts and Levies                                 | 3,173,229           | 3,374,599           |
| Other expenditure                                   | 2,514,512           | 1,200,934           |
| <b>Total Expenditure</b>                            | <b>47,342,031</b>   | <b>51,340,887</b>   |
| <b>Income</b>                                       |                     |                     |
| Fees, charges & other service income                | (8,263,622)         | (6,976,527)         |
| Housing Benefit Subsidy                             | (13,738,038)        | (13,127,159)        |
| Covid Business Grants                               | 0                   | (5,494,822)         |
| Other Government Grants                             | (8,154,368)         | (17,833,971)        |
| Income from Council Tax                             | (8,486,763)         | (8,900,806)         |
| Income from Non Domestic Rates                      | (1,554,999)         | 6,324,848           |
| Non Government Grants & Contributions               | (1,902,685)         | (3,564,391)         |
| Investment interest and similar income              | (1,418,355)         | (1,244,840)         |
| Other income  | (624,329)           | (921,553)           |
| <b>Total Income</b>                                 | <b>(44,143,159)</b> | <b>(51,739,221)</b> |
| <b>(Surplus) / Deficit on Provision of Services</b> | <b>3,198,872</b>    | <b>(398,333)</b>    |

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B3. Other Operating Income & Expenditure

|  | 2019/20<br>£     | 2020/21<br>£     |
|--|------------------|------------------|
| (Gains) / losses on disposal of non current assets | (32,709)         | (30,042)         |
| Unattached capital receipts                        | (591,620)        | 0                |
| Town and Parish Council precepts                   | 3,173,229        | 3,374,599        |
|  | <b>2,548,900</b> | <b>3,344,557</b> |

## B4. Financing and Investment Income and Expenditure

|   | 2019/20<br>£     | 2020/21<br>£     |
|---|------------------|------------------|
| Interest payable and similar charges                      | 3,361            | 0                |
| Interest receivable and similar income                    | (667,274)        | (527,464)        |
| Changes in fair value of financial assets                 | 1,144,396        | (891,511)        |
| Loss on de-recognition of financial assets                | 5,721            | 0                |
| Movement in impairment allowance for doubtful debts       | (3,165)          | 51,259           |
| Movement in the fair value of investment property         | 441,020          | 353,500          |
| Net investment property (income) / expenditure            | (548,637)        | (600,826)        |
| Net interest on the net defined benefit pension liability | 1,141,000        | 870,000          |
|   | <b>1,516,422</b> | <b>(745,042)</b> |

## B5. Taxation and Non Specific Grant Income

|                                  | 2019/20<br>£        | 2020/21<br>£        |
|----------------------------------|---------------------|---------------------|
| National Non Domestic Rates      |                     |                     |
| - Redistribution                 | (1,874,300)         | (2,035,436)         |
| - Safety Net Levy                | 593,143             | 860,825             |
| - (Surplus) / Deficit            | (273,842)           | 7,499,459           |
|                                  | (1,554,999)         | 6,324,848           |
| Council Tax income               | (8,486,763)         | (8,900,806)         |
| Non-ringfenced government grants | (6,510,776)         | (16,774,473)        |
|                                  | <b>(16,552,538)</b> | <b>(19,350,431)</b> |

## B6. Members' Allowances

|            | 2019/20<br>£   | 2020/21<br>£   |
|------------|----------------|----------------|
| Allowances | 283,675        | 298,441        |
| Expenses   | 15,080         | 172            |
|            | <b>298,755</b> | <b>298,613</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.

|   | 2019/20<br>£  | 2020/21<br>£  |
|---|---------------|---------------|
| <b>Fees payable to external auditor with regard to external audit services carried out by the appointed auditor for the year:</b> |               |               |
| Scale Fee   | 34,557        | 34,557        |
| Increases to Scale Fee  | 0             | 22,750        |
| Fees payable to external auditor for the certification of grants claims and returns for the year                                  | 6,750         | 6,750         |
| Additional fees payable relating to 2019/20 Audit   | 0             | 15,868        |
|   | <b>41,307</b> | <b>79,925</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.

Additional fees in respect of both the 2019/20 and 2020/21 audit have been recognised as expenditure in 2020/21 and are disclosed above. The increased fees reflect additional work required to comply with FRC requirements in respect of property, plant and equipment and pensions, increased audit requirements as a result of revised auditing standards and additional work on Value for Money (VFM) under new NAO code.

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

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B8. Grant Income

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

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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 31st March are as follows:

|   | 2019/20          | 2020/21          |
|---|------------------|------------------|
|   | £                | £                |
| Environment Agency Grant [for specific Land drainage works] | (48,425)         | (48,425)         |
| Flood Defence Grants  | (33,780)         | (33,780)         |
| SHI Loans   | (140,565)        | (140,565)        |
| Better Care Fund (Disabled Facilities Grants)               | (103,839)        | (392,435)        |
| Other Grants Receipts in Advance                            | (3,059)          | (3,059)          |
|   | <b>(329,668)</b> | <b>(618,264)</b> |



## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### B9. Officer Remuneration

#### Senior Officer Remuneration

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

| Post   | 2020/21                                  |                            |                                     |                |                         |
|--|--|----------------------------|-------------------------------------|----------------|-------------------------|
|  | Salary, allowances & other benefits<br>£ | Pension Contributions<br>£ | Compensation for Loss of Employment | Pension Strain | Total Remuneration<br>£ |
| Chief Executive (from 4 January 2021)                              | 24,194                                   | 4,887                      | 0                                   | 0              | 29,081                  |
| Deputy Chief Executive and Chief Finance Officer <sup>1</sup>      | 82,142                                   | 16,593                     | 0                                   | 0              | 98,735                  |
| Monitoring Officer <sup>2</sup> (until 31 July 2020)               | 37,865                                   | 5,888                      | 64,016                              | 93,015         | 200,784                 |
| Interim Head of Legal and Monitoring Officer (from 31 August 2020) | 52,742                                   | 0                          | 0                                   | 0              | 52,742                  |
| Head of Paid Service (until 30 June 2020) <sup>3</sup>             | 25,852                                   | 4,334                      | 62,840                              | 139,763        | 232,789                 |
|  | <b>222,795</b>                           | <b>31,702</b>              | <b>126,856</b>                      | <b>232,778</b> | <b>614,131</b>          |
| Post   | 2019/20                                  |                            |                                     |                |                         |
|  | Salary, allowances & other benefits<br>£ | Pension Contributions<br>£ | Compensation for Loss of Employment | Pension Strain | Total Remuneration<br>£ |
| Chief Finance Officer <sup>1</sup>                                 | 79,130                                   | 12,846                     | 0                                   | 0              | 91,976                  |
| Monitoring Officer <sup>2</sup>                                    | 84,490                                   | 12,865                     | 0                                   | 0              | 97,355                  |
| Head of Paid Service   | 78,810                                   | 12,846                     | 0                                   | 0              | 91,656                  |
|  | <b>242,430</b>                           | <b>38,557</b>              | <b>0</b>                            | <b>0</b>       | <b>280,987</b>          |

The total cost of Publica's Directors is disclosed in the Publica financial statements, which includes disclosures in respect of the highest paid Director.

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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<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 Deputy Chief Executive whose role as S151 Officer was shared with West Oxfordshire District Council during 2019/20 and until the 6<sup>th</sup> June 2020. 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 was fulfilled by the Group Manager Legal Services; this post was 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 including compensation and pension strain costs for loss of employment.

<sup>3</sup> The Head of Paid Service left the employment of the Council on the 30th June 2020. The figures above represent the full salary and allowances incurred by Cotswold District Council for the period 1 April 2020 to 30 June 2020. The compensation payment for loss of office and additional pension strain costs paid as disclosed in note B10 are also disclosed. Between the 1st August 2020 and 3rd January 2021 the Publica Executive Director of Commissioning fulfilled the role of the Interim Head of Paid Service at an additional contract cost payable to Publica Ltd of £8,567.

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## 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.

|                      | 2019/20  | 2020/21        |
|----------------------|--|----------------|
|                      | No. of Officers including Severance or Other Related Payments' |                |
| £50,000 to £54,999   | 1  | 1              |
| £55,000 to £59,999   | 1  | 1              |
| £75,000 to £79,999   | 2  | 0              |
| £80,000 to £84,999   | 1  | 1              |
| £190,000 to £194,999 | 0  | 1 <sup>1</sup> |
| £225,000 to £229,999 | 0  | 1 <sup>1</sup> |
| <b>Total</b>         | <b>5</b>   | <b>5</b>       |

<sup>1</sup> Includes exit package costs including pension strain disclosed below.

## **B10. Termination Benefits**

The Authority terminated the contracts of two employees in 2020/21, incurring liabilities of £359,634 (£0 in 2019/20). Of this total, £126,856 is payable in the form of compensation for loss of office and £232,778 in enhanced pension benefits.

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

|                      | 2019/20         |          | 2020/21         |                |
|----------------------|-----------------|----------|-----------------|----------------|
|                      | No. of packages | £        | No. of packages | £              |
| Severance Payments   | 0               | 0        | 2               | 126,856        |
| Pension Strain Costs |                 | 0        | 2               | 232,778        |
|                      |                 | <b>0</b> |                 | <b>359,634</b> |

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## 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:

| Exit Package Cost band (including special payments) | No. of compulsory redundancies |          | No. of other departures agreed |          | Total number of exit packages by cost band |          | Total cost of exit packages in each band £ |                |
|---|--------------------------------|----------|--------------------------------|----------|--|----------|--|----------------|
|   | 2019/20                        | 2020/21  | 2019/20                        | 2020/21  | 2019/20                                    | 2020/21  | 2019/20                                    | 2020/21        |
| £0 - £20,000  | 0                              | 0        | 0                              | 0        | 0  | 0        | 0  | 0              |
| £20,001 - £40,000                                   | 0                              | 0        | 0                              | 0        | 0  | 0        | 0  | 0              |
| £40,001 - £60,000                                   | 0                              | 0        | 0                              | 0        | 0  | 0        | 0  | 0              |
| £60,001 - £80,000                                   | 0                              | 0        | 0                              | 0        | 0  | 0        | 0  | 0              |
| £80,001 - £100,000                                  | 0                              | 0        | 0                              | 0        | 0  | 0        | 0  | 0              |
| £100,001 - £150,000                                 | 0                              | 0        | 0                              | 0        | 0  | 0        | 0  | 0              |
| £150,001 - £200,000                                 | 0                              | 0        | 0                              | 1        | 0  | 0        | 0  | 157,031        |
| £201,001 - £250,000                                 | 0                              | 0        | 0                              | 1        | 0  | 1        | 0  | 202,603        |
| <b>Total</b>  | <b>0</b>                       | <b>0</b> | <b>0</b>                       | <b>2</b> | <b>0</b>                                   | <b>0</b> | <b>0</b>                                   | <b>359,634</b> |

# NOTES TO THE MOVEMENT IN RESERVES STATEMENT

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

|  | 2020/21                    |                          |                          |                          |
|--|----------------------------|--------------------------|--------------------------|--------------------------|
|  | 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                                    | (1,433,532)                |                          |                          |                          |
| Revaluation losses on Property, Plant and Equipment                                      | 0                          |                          |                          |                          |
| Movements in the fair value of Investment Properties                                     | (353,500)                  |                          |                          |                          |
| Capital Grants and Contributions applied   | 585,910                    |                          |                          |                          |
| Revenue Expenditure funded from Capital Under Statute                                    | (847,434)                  |                          |                          |                          |
| Non current assets written off on disposal or sale                                       | (1,828,507)                |                          |                          |                          |
| <u>Adjustments between Capital &amp; Revenue Resources</u>                               |                            |                          |                          |                          |
| Transfer of cash sale proceeds from disposal of non current assets                       | 1,828,407                  |                          |                          |                          |
| Capital expenditure charged against General Fund Balance                                 | 247,550                    |                          |                          |                          |
| Capital Grants and contributions credited to CIES  | 186,431                    |                          |                          | (187,082)                |
| Unattached Capital Receipts  | 30,142                     |                          | (30,142)                 |                          |
| Capital Grants Repaid  |                            |                          |                          |                          |
| <u>Adjustments to Capital Resources</u>  |                            |                          |                          |                          |
| Use of capital receipts reserve to finance new capital expenditure                       |                            |                          | 2,382,371                |                          |
| Transfer from Deferred Capital Receipts on receipt of cash                               |                            |                          |                          |                          |
| Write down of long term debtor on receipt of loan principal                              |                            |                          | (599,861)                |                          |
| 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                             | 891,511                    |                          |                          |                          |
| Reversal of gains / losses to Pooled Investment Fund Adjustment Account on derecognition | 0                          |                          |                          |                          |
| <b>Pension Adjustments</b>   |                            |                          |                          |                          |
| Pension costs transferred to / (from) the Pensions Reserve                               | 3,472,000                  |                          |                          |                          |
| <b>Other Adjustments</b>   |                            |                          |                          |                          |
| Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account         | (7,540,225)                |                          |                          |                          |
|  | <b>(4,761,246)</b>         | <b>0</b>                 | <b>1,752,368</b>         | <b>(187,082)</b>         |

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

|  | 2019/20                    |                          |                          |                          |
|--|----------------------------|--------------------------|--------------------------|--------------------------|
|  | 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)                |                          |
| Capital Grants Repaid  | (92,885)                   |                          |                          |                          |
| <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>(2,533,724)</b>         | <b>266,738</b>           | <b>4,663,061</b>         | <b>(13,930)</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:

|                                  | 1 April<br>2020<br>£ | Transfers<br>between<br>£ | Transfers<br>Out<br>£ | Transfers<br>in<br>£ | 31 March<br>2021<br>£ |
|----------------------------------|----------------------|---------------------------|-----------------------|----------------------|-----------------------|
| Council Priorities Fund          | (4,044,844)          | (825,117)                 | 330,337               | (407,409)            | <b>(4,947,033)</b>    |
| Community-Led Housing            | (857,099)            | 0                         | 29,535                | 0                    | <b>(827,564)</b>      |
| Business Rates Smoothing reserve | (588,099)            | 400,000                   |                       | (7,438,063)          | <b>(7,626,162)</b>    |
| New Burdens Grant                | 0                    | 0                         | 0                     | (475,300)            | <b>(475,300)</b>      |
| Additional Restrictions Grant    | 0                    | 0                         | 0                     | (396,306)            | <b>(396,306)</b>      |
| Covid related                    | 0                    | 0                         | 0                     | (495,711)            | <b>(495,711)</b>      |
| Other earmarked reserves         | (2,321,536)          | 425,117                   | 485,688               | (372,996)            | <b>(1,783,727)</b>    |
|                                  | <b>(7,811,578)</b>   | <b>0</b>                  | <b>845,560</b>        | <b>(9,585,785)</b>   | <b>(16,551,803)</b>   |

### C3. Unusable Reserves

#### Summary of Unusable Reserves

|   | 31 March 2020<br>£  | 31 March 2021<br>£  |
|---|---------------------|---------------------|
| Revaluation Reserve                       | (44,338,362)        | (35,269,701)        |
| Capital Adjustment Account                | (31,605,026)        | (30,846,273)        |
| Pension Reserve                           | 40,047,000          | 46,258,000          |
| Deferred Capital Receipts Reserve         | (4,396,140)         | (5,624,685)         |
| Collection Fund Adjustment Account        | 652,594             | 8,192,819           |
| Pooled Investment Fund Adjustment Account | 1,341,996           | 450,485             |
| Financial Instruments Revaluation Reserve | 20,000              | (30,000)            |
|   | <b>(38,277,938)</b> | <b>(16,869,355)</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 not yet realised through sales.

. 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.

|  | 2019/20<br>£        | 2020/21<br>£        |
|--|---------------------|---------------------|
| Opening Balance - 1 April  | (41,774,575)        | (44,338,362)        |
| Upward revaluation of assets   | (4,007,539)         | (878,055)           |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services         | 748,354             | 9,269,529           |
| Other amounts written off to Capital Adjustment Account  | 50,419              | 0                   |
| <i>Surplus / deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services</i> | <i>(3,208,766)</i>  | <i>8,391,474</i>    |
| Difference between fair value and historic cost depreciation   | 644,979             | 677,188             |
| <i>Amount written off to the Capital Adjustment Account</i>  | <i>644,979</i>      | <i>677,188</i>      |
| <b>Closing Balance - 31 March</b>  | <b>(44,338,362)</b> | <b>(35,269,701)</b> |



## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### Capital Adjustment Account

The Capital Adjustment Account is a store of capital resources set aside to meet past expenditure

The 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].

|   | 2019/20<br>£        | 2020/21<br>£        |
|---|---------------------|---------------------|
| Opening Balance - 1 April   | (29,214,063)        | (31,605,026)        |
| <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  | 1,641,427           | 1,433,532           |
| Revaluation losses on Property, Plant and Equipment   | 108,550             | 0                   |
| Revenue expenditure funded from capital under statute   | 814,826             | 1,036,233           |
| Amounts of non-current assets written off on disposal or sale   | 2,891,355           | 1,828,507           |
|   | <u>5,456,158</u>    | <u>4,298,272</u>    |
| <u>Adjusting amounts written out of the Revaluation Reserve</u>   |                     |                     |
| Historical cost depreciation adjustment   | (644,979)           | (677,188)           |
| Other amounts written off   | (50,419)            | 0                   |
|   | <u>(695,398)</u>    | <u>(677,188)</u>    |
| <u>Adjustments between Capital &amp; Revenue Resources</u>  |                     |                     |
| Capital Grants Repaid   | 92,885              | 0                   |
|   | <u>92,885</u>       | <u>0</u>            |
| <b>Net written out amount of the cost of non current assets consumed in year</b>  | <b>4,853,645</b>    | <b>3,621,084</b>    |
| <u>Capital financing applied in year</u>  |                     |                     |
| Use of the Capital Receipts Reserve to finance new capital expenditure  | (5,678,622)         | (2,382,371)         |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (1,466,683)         | (585,910)           |
| Use of General Fund Earmarked Reserves applied to capital financing   | (266,738)           | 0                   |
| Capital expenditure charged against the General Fund Balance  | (273,585)           | (247,550)           |
|   | <u>(7,685,628)</u>  | <u>(3,215,831)</u>  |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement            | 441,020             | 353,500             |
| <b>Closing Balance - 31 March</b>   | <b>(31,605,026)</b> | <b>(30,846,273)</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.

|  | 2019/20           | 2020/21           |
|--|-------------------|-------------------|
|  | £                 | £                 |
| Opening Balance - 1 April  | 47,541,000        | 40,047,000        |
| Return on plan assets  | 8,035,000         | (16,952,000)      |
| Remeasurement of the net defined benefit liability   | (16,415,000)      | 26,635,000        |
| Reversal of items debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement | 3,877,000         | 3,005,000         |
| Employers' pension contributions   | (2,991,000)       | (6,477,000)       |
| <b>Closing Balance - 31 March</b>  | <b>40,047,000</b> | <b>46,258,000</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.

|                                      | 31 March 2020      | March 2021         |
|--------------------------------------|--------------------|--------------------|
|                                      | £                  | £                  |
| Mortgages on sales of Council Houses | (31,500)           | (31,500)           |
| Loans Issued - CHYP                  | (80,008)           | (76,444)           |
| Principal amounts on finance leases  | (3,941,774)        | (5,194,040)        |
| Other deferred receipts              | (342,858)          | (322,701)          |
|                                      | <b>(4,396,140)</b> | <b>(5,624,685)</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.

|  | 1 April 2020<br>£ | Transfers<br>Out<br>£ | Transfers<br>in<br>£ | 31 March<br>2021<br>£ |
|--|-------------------|-----------------------|----------------------|-----------------------|
| 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  | 73,097            | 146,018               |                      | 219,115               |
| NNDR   | 588,098           | 7,407,612             |                      | 7,995,710             |
| NNDR - Renewal Energy Scheme   | (8,601)           |                       | (13,405)             | (22,006)              |
|  | <b>652,594</b>    | <b>7,553,630</b>      | <b>(13,405)</b>      | <b>8,192,819</b>      |

### Pooled Investment Fund Adjustment Account

|   | 2019/20<br>£     | 2020/21<br>£   |
|---|------------------|----------------|
| Opening Balance - 1 April                                 | 198,594          | 1,341,996      |
| Changes in fair value of Pooled Investment Funds          | 1,144,396        | (891,511)      |
| Accumulated gains / (losses) written out on derecognition | (994)            | 0              |
| <b>Closing Balance - 31 March</b>                         | <b>1,341,996</b> | <b>450,485</b> |

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.

### 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.

|  | 2019/20<br>£  | 2020/21<br>£    |
|--|---------------|-----------------|
| Opening Balance - 1 April  | 0             | 20,000          |
| Changes in fair value of financial assets elected to FV through Other Comprehensive Income | 20,000        | (50,000)        |
| <b>Closing Balance - 31 March</b>  | <b>20,000</b> | <b>(30,000)</b> |

## NOTES TO THE BALANCE SHEET

### D1. Property, Plant and Equipment

| Movements in 2020/21                             | Land & Buildings<br>£ | Vehicles,<br>Plant & Equipment<br>£ | Community Assets<br>£ | Surplus Assets<br>£ | Assets Under Construction<br>£ | TOTAL P,P&E<br>£   |
|--|-----------------------|-------------------------------------|-----------------------|---------------------|--------------------------------|--------------------|
| <b>Asset Cost or Valuation</b>                   |                       |                                     |                       |                     |                                |                    |
| Asset values at 1 April 2020                     | 62,234,028            | 2,311,060                           | 201                   | 4,712,913           | 1,609,749                      | <b>70,867,951</b>  |
| Additions  | 0                     | 2,078,949                           | 0                     | 0                   | 259,914                        | 2,338,863          |
| Revaluation increases / (decreases)              | (9,518,194)           | 0                                   | 0                     | (198,534)           | 0                              | (9,716,728)        |
| Derecognition - disposals                        | 0                     | (1,941,744)                         | 0                     | (500)               | 0                              | (1,942,244)        |
| Transfers and reclassifications                  | 1,680,864             | 0                                   | 0                     | 0                   | (1,680,864)                    | 0                  |
| Other Movements                                  | 0                     | 0                                   | 0                     | 0                   | (188,799)                      | (188,799)          |
| <b>Asset values at 31 March 2021</b>             | <b>54,396,698</b>     | <b>2,448,265</b>                    | <b>201</b>            | <b>4,513,879</b>    | <b>0</b>                       | <b>61,359,043</b>  |
| <b>Depreciation</b>                              |                       |                                     |                       |                     |                                |                    |
| Accumulated depreciation at 1 April 2020         | (362,161)             | (1,250,550)                         | 0                     | 0                   | 0                              | <b>(1,612,711)</b> |
| Depreciation charge for the year                 | (1,063,159)           | (326,361)                           | 0                     | (14,924)            |                                | (1,404,444)        |
| Depreciation written out on revaluation          | 1,310,331             | 0                                   | 0                     | 14,924              |                                | 1,325,255          |
| Derecognition - disposals                        | 0                     | 113,337                             | 0                     |                     |                                | 113,337            |
| Transfers and reclassifications                  | 0                     | 0                                   | 0                     |                     |                                | 0                  |
| Other movements                                  | 0                     | 0                                   | 0                     |                     |                                | 0                  |
| <b>Accumulated depreciation at 31 March 2021</b> | <b>(114,989)</b>      | <b>(1,463,574)</b>                  | <b>0</b>              | <b>0</b>            | <b>0</b>                       | <b>(1,578,563)</b> |
| <b>Net Book Value of Assets</b>                  |                       |                                     |                       |                     |                                |                    |
| 1 April 2020                                     | 61,871,867            | 1,060,510                           | 201                   | 4,712,913           | 1,609,749                      | 69,255,240         |
| 31 March 2021                                    | <b>54,281,709</b>     | <b>984,691</b>                      | <b>201</b>            | <b>4,513,879</b>    | <b>0</b>                       | <b>59,780,480</b>  |

## NOTES TO THE BALANCE SHEET

| Movements in 2019/20                             | Land & Buildings<br>£ | Vehicles,<br>Plant & Equipment<br>£ | Community Assets<br>£ | Surplus Assets<br>£ | Assets Under Construction<br>£ | TOTAL P,P&E<br>£   |
|--|-----------------------|-------------------------------------|-----------------------|---------------------|--------------------------------|--------------------|
| <b>Asset Cost or Valuation</b>                   |                       |                                     |                       |                     |                                |                    |
| Asset values at 1 April 2019                     | 59,520,577            | 1,915,937                           | 200                   | 5,420,020           | 460,859                        | <b>67,317,593</b>  |
| Additions  | 0                     | 3,515,309                           | 0                     | 0                   | 1,148,890                      | 4,664,199          |
| Revaluation increases / (decreases)              | 2,213,451             | 0                                   | 0                     | (207,106)           | 0                              | 2,006,345          |
| 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>4,712,913</b>    | <b>1,609,749</b>               | <b>70,867,951</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            |
| Other movements                                  | (12,500)              | 0                                   | 0                     | 12,500              | 0                              | 0                  |
|  | 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>                  |                       |                                     |                       |                     |                                |                    |
| 1 April 2019                                     | 59,256,591            | 769,965                             | 200                   | 5,420,020           | 460,859                        | 65,907,635         |
| 31 March 2020                                    | <b>61,871,867</b>     | <b>1,060,510</b>                    | <b>201</b>            | <b>4,712,913</b>    | <b>1,609,749</b>               | <b>69,255,240</b>  |

### 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.

### 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 2020/21 the revaluations and impairment review was undertaken by William McMahon MRICS and Richard Webb MRICS, of Publica Group (Support) Limited. 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 William McMahon MRICS and Richard Webb 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<br>Land &<br>Buildings<br>£ | Vehicles,<br>Plant &<br>Equipment<br>£ | Community<br>Assets<br>£ | Surplus<br>Assets<br>£ | Assets<br>Under<br>Construction<br>£ | TOTAL<br>£        |
|--|-----------------------------------|--|--------------------------|------------------------|--------------------------------------|-------------------|
| Carried at [depreciated]<br>Historical Cost  | 0                                 | 984,691                                | 201                      | 0                      | 0                                    | 984,892           |
| Valued at Current Value<br>as at 31st March: |                                   |  |                          |                        |                                      |                   |
| 2016/17                                      | 21,782                            | 0                                      | 0                        | 0                      | 0                                    | 21,782            |
| 2017/18                                      | 0                                 | 0                                      | 0                        | 40,700                 | 0                                    | 40,700            |
| 2018/19                                      | 3,836,117                         | 0                                      | 0                        | 107,626                | 0                                    | 3,943,743         |
| 2019/20                                      | 0                                 | 0                                      | 0                        | 82,942                 | 0                                    | 82,942            |
| 2020/21                                      | 50,423,810                        | 0                                      | 0                        | 4,282,611              | 0                                    | 54,706,421        |
|  | <b>54,281,709</b>                 | <b>984,691</b>                         | <b>201</b>               | <b>4,513,879</b>       | <b>0</b>                             | <b>59,780,480</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.

|  | 2019/20<br>£     | 2020/21<br>£     |
|--|------------------|------------------|
| Rental income                                    | (751,082)        | (706,867)        |
| Direct operating expenses                        | 202,445          | 135,690          |
| Net (gains) / losses from fair value adjustments | 441,020          | 335,500          |
|  | <b>(107,617)</b> | <b>(235,677)</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. There are contractual obligations on the Council to repair and maintain certain investment properties and these have been included in the relevant property valuations.

Investment properties are those that are held solely to earn rentals and/or capital appreciation. Investment properties are measured annually at cost and subsequently at fair value. Properties are not depreciated, with gains and losses on revaluation being posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The 2020/21 valuations were undertaken by the Publica Group (Support) Limited valuers William McMahon MRICS and Richard Webb MRICS. The 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, 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.

|  | 2019/20<br>£     | 2020/21<br>£     |
|--|------------------|------------------|
| Opening Balance - 1 April                        | 4,829,000        | 6,571,000        |
| Additions  | 2,183,020        | 0                |
| Net gains / (losses) from fair value adjustments | (441,020)        | (353,500)        |
| <b>Closing Balance - 31 March</b>                | <b>6,571,000</b> | <b>6,217,500</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

|   | 2019/20<br>£     | 2020/21<br>£     |
|---|------------------|------------------|
| <b><u>Asset Cost or Valuation</u></b>       |                  |                  |
| Asset values at 1 April                     | 329,431          | 295,631          |
| Additions                                   | 0                | 9,534            |
| Derecognition                               | (33,800)         | (134,652)        |
| <b>Asset values at 31 March</b>             | <b>295,631</b>   | <b>170,513</b>   |
| <b><u>Amortisation</u></b>                  |                  |                  |
| Accumulated Amortisation at 1 April         | (187,944)        | (219,699)        |
| Amortisation charge for the year            | (65,555)         | (29,087)         |
| Derecognition                               | 33,800           | 134,652          |
| <b>Accumulated Amortisation at 31 March</b> | <b>(219,699)</b> | <b>(114,134)</b> |
| <b>Net carrying amount at 31 March</b>      | <b>75,932</b>    | <b>56,379</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<br>2020<br>£ | 31 March<br>2021<br>£ |
|--|-----------------------|-----------------------|
| Starter Home Initiative                  | 45,235                | 45,235                |
| Council Mortgages & Housing Act Advances | 31,500                | 31,500                |
| Charities                                | 80,008                | 76,444                |
| Housing Improvement Loans                | 54,085                | 54,085                |
| Housing Strategy Loans                   | 11,692                | 11,692                |
| Employee Car Loans                       | 40,367                | 16,158                |
| Loan to 'Friends of the Cotswolds'       | 342,857               | 322,701               |
| Loan to 'Barn Theatre'                   | 0                     | 20,000                |
| Finance Leases - principal outstanding   | 3,365,633             | 4,367,161             |
|  | <b>3,971,377</b>      | <b>4,944,976</b>      |

### D5. Debtors

|   | 31 March 2020<br>£ | March 2021<br>£   |
|---|--------------------|-------------------|
| Government Departments                        | 1,451,084          | 11,489,698        |
| Other Local Authorities                       | 1,714,725          | 6,328,738         |
| Collection Fund debtors (CDC Share)           | 737,590            | 1,432,699         |
| Housing Benefit recovery                      | 785,421            | 758,983           |
| Sundry Debtors                                | 891,828            | 616,204           |
| Finance Leases - principal outstanding        | 576,141            | 826,878           |
| Other Debtors                                 | 736,160            | 758,406           |
| Bromford Housing Association RTB receipts     | 546,870            | 0                 |
| Prepayments                                   | 396,131            | 403,815           |
|   | <b>7,835,950</b>   | <b>22,615,421</b> |
| Less impairment allowance for doubtful debts: |                    |                   |
| Council Tax / NNDR payers (CDC share)         | (200,604)          | (487,975)         |
| Housing Benefit recovery                      | (785,421)          | (703,130)         |
| Sundry Debtors                                | (450,858)          | (122,893)         |
|   | <b>6,399,067</b>   | <b>21,301,423</b> |

Both the debtor and impairment allowance for doubtful debt included within the sundry debtor heading was overstated by £412k at 31 March 2020, this had no impact upon revenue, no prior period adjustment has been made due to the immaterial nature of the error.

## NOTES TO THE BALANCE SHEET

### D6. Creditors

|   | 31 March 2020      | 31 March 2021       |
|---|--------------------|---------------------|
|   | £                  | £                   |
| Government Departments                  | (1,538,790)        | (10,396,202)        |
| Agency Creditor - Covid Business Grants | 0                  | (6,045,901)         |
| Other Local Authorities                 | (936,350)          | (1,837,674)         |
| Collection Fund creditors (CDC Share)   | (367,835)          | (251,553)           |
| Sundry Creditors                        | (40,994)           | (48,357)            |
| Finance Leases - principal outstanding  | (23,585)           | (23,585)            |
| Other Creditors                         | (1,051,710)        | (1,187,638)         |
| Receipts in advance:                    |                    |                     |
| - Council Tax / NNDR payers             | (69,905)           | (487,036)           |
| - Government Departments                | 0                  | (1,328,828)         |
| - Sundry Creditors                      | (2,774,541)        | (1,577,506)         |
|   | <b>(6,803,710)</b> | <b>(23,184,280)</b> |
| S106 Balances                           | (2,178,811)        | (1,773,391)         |
|   | <b>(8,982,521)</b> | <b>(24,957,671)</b> |

### D7. Provisions

|                              | Opening<br>Provision<br>1 April<br>£ | New<br>provisions<br>in-year<br>£ | Use of<br>provisions<br>£ | Provisions<br>returned to<br>revenue<br>£ | Closing<br>Provision<br>31 March<br>£ |
|------------------------------|--------------------------------------|-----------------------------------|---------------------------|---|---------------------------------------|
| Business Rates (NDR) Appeals | (1,052,314)                          | (204,917)                         | 139,011                   | 0   | <b>(1,118,220)</b>                    |
|                              | <b>(1,052,314)</b>                   | <b>(204,917)</b>                  | <b>139,011</b>            | <b>0</b>                                  | <b>(1,118,220)</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.

|   | 2019/20<br>£     | 2020/21<br>£     |
|---|------------------|------------------|
| <b>Opening Capital Financing Requirement</b>                      | <b>110,106</b>   | <b>86,523</b>    |
| <b>Capital investment in the year</b>                             |                  |                  |
| Property, Plant & Equipment                                       | 6,847,219        | 2,338,863        |
| Intangible Assets   | 0                | 9,534            |
| Revenue Expenditure Funded from Capital under Statute             | 814,826          | 847,683          |
| Loan  | 0                | 20,000           |
|   | <u>7,662,045</u> | <u>3,216,080</u> |
| <b>Sources of finance</b>   |                  |                  |
| Capital Receipts  | 5,678,622        | 2,382,371        |
| Better Care Funding/Disabled Facilities Grants                    | 749,593          | 460,996          |
| Other grants & external funding                                   | 717,090          | 124,914          |
| Earmarked Reserves  | 266,738          | 0                |
| Direct Revenue Contributions                                      | 273,585          | 271,135          |
|   | <u>7,685,628</u> | <u>3,239,416</u> |
| <b>Net increase / (decrease) in Capital Financing Requirement</b> | <b>(23,583)</b>  | <b>(23,336)</b>  |
| <b>Closing Capital Financing Requirement</b>                      | <b>86,523</b>    | <b>63,187</b>    |

A decrease in Capital Financing Requirement in 2018/19 represented assets acquired under a finance lease arrangement, the reduction in 2019/20 and 2020/21 represents the financing of this asset through leasing charges in year

### 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.

## 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:

|  | 2019/20<br>£       | 2020/21<br>£      |
|--|--------------------|-------------------|
| <b>Comprehensive Income &amp; Expenditure Statement</b>  |                    |                   |
| <i>Cost of Services:</i>   |                    |                   |
| Current Service Cost   | 2,736,000          | 2,083,000         |
| Past Service Cost  | 0                  | 52,000            |
| <i>Financing and Investment Income &amp; Expenditure:</i>  |                    |                   |
| Net Interest Expense   | 1,141,000          | 870,000           |
| <b>Net Charge to Surplus or Deficit on Provision of Services</b>   | <b>3,877,000</b>   | <b>3,005,000</b>  |
| <i>Other post employment benefit charged to Comprehensive Income &amp; Expenditure Statement</i>   |                    |                   |
| Remeasurement of the net defined benefit liability comprising:   |                    |                   |
| Return on Plan Assets  | 8,035,000          | (16,952,000)      |
| Actuarial (gains) / losses arising on changes in financial assumptions   | (9,554,000)        | 26,230,000        |
| Actuarial (gains) / losses arising on changes in demographic assumptions   | (4,018,000)        | 1,430,000         |
| Experience (gains) / losses  | (2,843,000)        | (1,025,000)       |
|  | (8,380,000)        | 9,683,000         |
| <b>Total post employment benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>                                    | <b>(4,503,000)</b> | <b>12,688,000</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 | (3,877,000)        | (3,005,000)       |
| <b>Actual amount charged against the General Fund Balance for pensions in the year</b>   |                    |                   |
| Employers' contributions payable to the scheme   | 2,991,000          | 6,477,000         |

## 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:

|  | 31 March 2020       | 31 March 2021       |
|--|---------------------|---------------------|
|  | £                   | £                   |
| Present value of the defined benefit obligation - funded     | (105,707,000)       | (133,663,000)       |
| Present value of unfunded obligations                        | (2,549,000)         | (2,847,000)         |
| Fair Value of Plan Assets                                    | 68,209,000          | 90,252,000          |
| <b>Net liability arising from defined benefit obligation</b> | <b>(40,047,000)</b> | <b>(46,258,000)</b> |

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

|   | 2019/20           | 2020/21           |
|---|-------------------|-------------------|
|   | £                 | £                 |
| Opening Fair Value of Scheme Assets           | 74,357,000        | 68,209,000        |
| Interest Income                               | 1,789,000         | 1,608,000         |
| Remeasurement Gains / (Losses)                | (8,035,000)       | 16,952,000        |
| Employers' Contributions                      | 2,853,000         | 6,336,000         |
| Employee Contributions                        | 418,000           | 399,000           |
| Contributions in respect of unfunded benefits | 138,000           | 141,000           |
| Benefits Paid                                 | (3,173,000)       | (3,252,000)       |
| Unfunded Benefits Paid                        | (138,000)         | (141,000)         |
| <b>Closing Balance 31 March</b>               | <b>68,209,000</b> | <b>90,252,000</b> |

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

|  | 2019/20              | 2020/21              |
|--|----------------------|----------------------|
|  | £                    | £                    |
| Opening Balance 1 April                | (121,898,000)        | (108,256,000)        |
| Current Service Cost                   | (2,736,000)          | (2,083,000)          |
| Interest Cost                          | (2,930,000)          | (2,478,000)          |
| Contributions from Scheme Participants | (418,000)            | (399,000)            |
| Past Service Cost                      | 0                    | (52,000)             |
| Remeasurement Gains / (Losses)         | 16,415,000           | (26,635,000)         |
| Benefits Paid                          | 3,173,000            | 3,252,000            |
| Unfunded Benefits Paid                 | 138,000              | 141,000              |
| <b>Closing Balance 31 March</b>        | <b>(108,256,000)</b> | <b>(136,510,000)</b> |
|  | Funded               | <b>(105,707,000)</b> |
|  | Unfunded             | <b>(2,847,000)</b>   |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Composition of Scheme Assets

|   | 2019/20        |                  |               |             | 2020/21        |                  |               |             |
|---|----------------|------------------|---------------|-------------|----------------|------------------|---------------|-------------|
|   | Quoted<br>£000 | Unquoted<br>£000 | Total<br>£000 | %           | Quoted<br>£000 | Unquoted<br>£000 | Total<br>£000 | %           |
| <b>Debt Securities</b>                  |                |                  |               |             |                |                  |               |             |
| Corporate Bonds (investment grade)      | 7,578.3        | -                | 7,578.3       | 11%         | 10,181.0       | -                | 10,181.0      | 11%         |
| Corporate Bonds (non investment grade)  | 163.0          | -                | 163.0         | 0%          | 224.8          | -                | 224.8         | 0%          |
| UK Government                           | 1,250.7        | -                | 1,250.7       | 2%          | 1,154.8        | -                | 1,154.8       | 1%          |
| Other                                   | 188.5          | -                | 188.5         | 0%          | 346.1          | -                | 346.1         | 0%          |
| <b>Private Equity</b>                   |                |                  |               |             |                |                  |               |             |
| All                                     | -              | 225.0            | 225.0         | 0%          | -              | 460.8            | 460.8         | 1%          |
| <b>Real Estate</b>                      |                |                  |               |             |                |                  |               |             |
| UK Property                             | 3,783.5        | 1,209.6          | 4,993.1       | 7%          | 4,369.5        | 1,343.9          | 5,713.4       | 6%          |
| Overseas Property                       | -              | 351.5            | 351.5         | 1%          | -              | 422.5            | 422.5         | 0%          |
| <b>Investment Funds and Unit Trusts</b> |                |                  |               |             |                |                  |               |             |
| Equities                                | -              | 43,321.1         | 43,321.1      | 64%         | -              | 59,885.0         | 59,885.0      | 66%         |
| Bonds                                   | 5,388.7        | -                | 5,388.7       | 8%          | 6,569.6        | 224.1            | 6,793.7       | 8%          |
| Infrastructure                          | -              | 137.1            | 137.1         | 0%          | -              | 459.0            | 459.0         | 1%          |
| Other                                   | -              | 3,802.9          | 3,802.9       | 6%          | -              | 2,074.9          | 2,074.9       | 2%          |
| <b>Derivatives</b>                      |                |                  |               |             |                |                  |               |             |
| Foreign Exchange                        | 14.6           | -                | 14.6          | 0%          | 22.2           | -                | 22.2          | 0%          |
| Other                                   | 7.0            | -                | 7.0           | 0%          | 6.4            | -                | 6.4           | 0%          |
| <b>Cash and Cash Equivalents</b>        |                |                  |               |             |                |                  |               |             |
| All                                     | 787.5          | -                | 787.5         | 1%          | 2,507.4        | -                | 2,507.4       | 3%          |
|   | <b>19,162</b>  | <b>49,047</b>    | <b>68,209</b> | <b>100%</b> | <b>25,382</b>  | <b>64,870</b>    | <b>90,252</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 at age 65 - years)</b> | <b>Males</b>   | <b>Females</b> |
|---|----------------|----------------|
| Current Pensioners  | 21.9           | 24.3           |
| Future Pensioners*  | 22.9           | 26.0           |
| *Assume members aged 45 as at last formal valuation date - 31 March 2019        |                |                |
| <b>Financial Assumptions</b>  | <b>2019/20</b> | <b>2020/21</b> |
| Rate of increase in pensions  | 1.9%           | 2.9%           |
| Rate of increase in salaries  | 2.2%           | 3.2%           |
| Discount Rate   | 2.3%           | 2.0%           |

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2020 model, an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.5% 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%                                   | 12,677   |
| 0.5% increase in salary increase rate  | 1%                                   | 1,231    |
| 0.5% increase in pension increase rate | 8%                                   | 11,183   |

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, the actuary has estimated that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice, the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

The estimated employer's contributions for the year to 31<sup>st</sup> March 2022 will be approximately £1,177,000.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E2. Financial Instruments

#### Categories of Financial Instruments

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

| 31 March 2020     |                    |  | 31 March 2021     |                    |
|-------------------|--------------------|--|-------------------|--------------------|
| Non-Current       | Current            |  | Non-Current       | Current            |
| £                 | £                  |  | £                 | £                  |
|                   |                    | <b>Financial Assets at Amortised Cost</b>            |                   |                    |
| 0                 | 8,030,717          | Investments  | 0                 | 0                  |
| 1                 | 0                  | Ubico Shareholding                                   | 1                 | 0                  |
| 0                 | 97,439             | Cash and cash equivalents                            | 0                 | 9,778,348          |
| 605,757           | 3,438,725          | Debtors  | 577,815           | 18,910,431         |
| 3,365,620         | 576,141            | Finance Leases                                       | 4,367,161         | 826,878            |
| 3,971,378         | 12,143,022         |  | 4,944,977         | 29,515,657         |
|                   |                    | <b>Fair Value through Profit or Loss</b>             |                   |                    |
| 9,143,767         | 1,145,097          | Investments  | 10,032,287        | 1,139,649          |
| 0                 | 5,591,145          | Cash and cash equivalents                            | 0                 | 1,590,001          |
| 9,143,767         | 6,736,242          |  | 10,032,287        | 2,729,650          |
|                   |                    | <b>Fair Value through Other Comprehensive Income</b> |                   |                    |
| 980,000           | 0                  | Designated Equity Instruments                        | 1,030,000         | 5,000              |
| <b>14,095,145</b> | <b>18,879,264</b>  | <b>Total Financial Assets</b>                        | <b>16,007,264</b> | <b>32,250,307</b>  |
|                   |                    | <b>Financial Liabilities at Amortised Cost</b>       |                   |                    |
| 0                 | (231,393)          | Cash and cash equivalents                            | 0                 | (133,990)          |
| 0                 | (1,818,298)        | Creditors  | 0                 | (9,128,050)        |
| (62,936)          | (23,585)           | Finance Leases                                       | (62,936)          | (23,585)           |
| <b>(62,936)</b>   | <b>(2,073,276)</b> | <b>Total Financial Liabilities</b>                   | <b>(62,936)</b>   | <b>(9,285,625)</b> |

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

|   | Non Current Debtors<br>£ | Current Debtors<br>£ | Current Creditors<br>£ |
|---|--------------------------|----------------------|------------------------|
| Total on Balance Sheet                                | 4,944,976                | 21,301,423           | (23,184,280)           |
| Finance Leases (shown separately)                     | (4,367,149)              | (826,878)            | 23,585                 |
| <b>Items not classified as Financial Instruments:</b> |                          |                      |                        |
| Statutory & Government Debtors / Creditors            | 0                        | (1,160,299)          | 10,639,275             |
| Payments / Receipts in Advance                        | 0                        | (403,815)            | 3,393,370              |
| <b>Total Debtors / Creditors (as above)</b>           | <b>577,827</b>           | <b>18,910,431</b>    | <b>(9,128,050)</b>     |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Income, Expense, Gains and Losses

| 2019/20          |                        |                        |                       | 2020/21          |                        |                        |                       |
|------------------|------------------------|------------------------|-----------------------|------------------|------------------------|------------------------|-----------------------|
| 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        |
| £                | £                      | £                      | £                     | £                | £                      | £                      | £                     |
| (171,336)        | (498,407)              | 0                      |                       | (87,382)         | (410,216)              | (21,500)               |                       |
| 15,357           |                        |                        |                       | 51,259           |                        |                        |                       |
|                  | 1,144,396              |                        |                       |                  | (891,511)              |                        |                       |
| 0                | 5,721                  | 0                      |                       |                  | 0                      | 0                      |                       |
|                  |                        |                        | 3,361                 |                  |                        |                        | 0                     |
|                  |                        |                        | 0                     |                  |                        |                        | 0                     |
|                  |                        | 20,000                 |                       |                  |                        | (50,000)               |                       |
| <b>(155,979)</b> | <b>651,710</b>         | <b>20,000</b>          | <b>3,361</b>          | <b>(36,123)</b>  | <b>(1,301,727)</b>     | <b>(71,500)</b>        | <b>0</b>              |

#### **Financing & Investment Income and Expenditure**

Interest / dividend income  
 Changes in impairment loss allowance  
 Changes in fair value  
 (Gains) / losses on derecognition

Interest expense  
 Fee expense

#### **Other Comprehensive Income**

Changes in fair value

**Net (Gains) / Losses for the Year**

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

## 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 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<br>March 2021<br>£ |
|--|-------------|-----------------------------|
| <u>Fair Value through Profit or Loss</u> |             |                             |
| Money Market Funds                       | Level 1     | 1,590,001                   |
| Pooled Investment Funds                  | Level 1     | 11,171,936                  |
|  |             | <b>12,761,937</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.

|  | 31 March 2020           |                   | 31 March 2021           |                   |
|--|-------------------------|-------------------|-------------------------|-------------------|
|  | Carrying<br>Amount<br>£ | Fair Value<br>£   | Carrying<br>Amount<br>£ | Fair Value<br>£   |
| <b>Financial Assets at Amortised Cost</b>      |                         |                   |                         |                   |
| Investments                                    | 8,030,717               | 8,030,717         | 0                       | 0                 |
| Ubico Shareholding                             | 1                       | 1                 | 1                       | 1                 |
| Cash and cash equivalents                      | 97,439                  | 97,439            | 9,778,348               | 9,778,348         |
| Non-Current Debtors                            | 605,757                 | 605,757           | 577,815                 | 577,815           |
| Non-Current Finance Leases                     | 3,365,620               | 3,365,620         | 4,367,161               | 4,367,161         |
|  | <b>12,099,534</b>       | <b>12,099,534</b> | <b>14,723,325</b>       | <b>14,723,325</b> |
| <b>Financial Liabilities at Amortised Cost</b> |                         |                   |                         |                   |
| Borrowing                                      | (231,393)               | (231,393)         | (133,990)               | (133,990)         |
| Non-Current Finance Leases                     | (62,936)                | (62,936)          | (62,936)                | (62,936)          |
|  | <b>(294,329)</b>        | <b>(294,329)</b>  | <b>(196,926)</b>        | <b>(196,926)</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<br>2020<br>£ | 31 March<br>2021<br>£ | 31 March<br>2020<br>£ | 31 March<br>2021<br>£ |
| Fundamentum Social Housing REIT plc | 980,000               | 1,030,000             | 0                     | 21,500                |
|                                     | <b>980,000</b>        | <b>1,030,000</b>      | <b>0</b>              | <b>21,500</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<br/>Balance</b> |
|---|-------------------------------|
| <u>Fixed duration deals</u>   |                               |
| A+ Rated Banks  | £0                            |
| Local Authorities   | £0                            |
| <u>Call accounts and other 'cash equivalent' investments</u>  |                               |
| Money Market Funds  | £1,590,000                    |
| Call Accounts   | £9,770,000                    |
| <u>UK Equities</u>  | £1,035,000                    |
| <u>Pooled funds</u>   |                               |
| Non-rating agency rated pooled fund<br><i>separately approved by the Council's Treasury Management advisors</i> | £11,173,868                   |

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                        |   |                 |                  |                 |
| UK Local Authorities            |   |                 |                  |                 |
| Money Market Funds              | £1,590,000                                  |                 |                  |                 |
| Call Accounts                   | £9,770,000                                  |                 |                  |                 |
| UK Equities                     | £5,000                                      |                 |                  | £1,030,000      |
| <u>Externally managed funds</u> |   |                 |                  |                 |
| Pooled Funds                    | £68,054                                     |                 |                  | £11,103,882     |

## 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, 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 0.10% 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 £23,958.

### Price Risk

The Council hold some financial instruments of which the capital value may fluctuate because 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<br>2020<br>£ | 31 March<br>2021<br>£ |
|---|-----------------------|-----------------------|
| Not later than one year                         | 43,148                | 93,406                |
| Later than one year & not later than five years | 101,466               | 182,500               |
| Later than five years                           | 121,250               | 96,250                |
|   | <b>265,864</b>        | <b>372,156</b>        |

Operating lease payments charged to Cost of Services during the year totalled £66,766.3. (2019/20 £17,263).

##### Finance Leases

The Council hire 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<br>2020<br>£ | 31 March<br>2021<br>£ |
|--|-----------------------|-----------------------|
| Vehicles, plant, furniture & equipment | 86,521                | 62,937                |
|  | <b>86,521</b>         | <b>62,937</b>         |

The Authority is committed to making minimum payments under these 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<br>2020<br>£ | 31 March<br>2021<br>£ |
|---------------------------------------|-----------------------|-----------------------|
| Finance lease liabilities:            |                       |                       |
| Current                               | 23,585                | 23,585                |
| Non Current                           | 62,936                | 39,352                |
| Finance costs payable in future years | 12,329                | 8,969                 |
| <b>Minimum Lease Payments</b>         | <b>98,850</b>         | <b>71,905</b>         |



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

|   | Minimum Lease Payments |               | Finance Lease Liabilities |               |
|---|------------------------|---------------|---------------------------|---------------|
|   | 31 March 2020          | 31 March 2021 | 31 March 2020             | 31 March 2021 |
|   | £                      | £             | £                         | £             |
| Not later than one year                         | 26,945                 | 26,945        | 23,585                    | 23,585        |
| Later than one year & not later than five years | 71,905                 | 44,960        | 62,936                    | 39,352        |
| Later than five years                           | 0                      | 0             | 0                         | 0             |
|   | <b>98,850</b>          | <b>71,905</b> | <b>86,521</b>             | <b>62,937</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 2020    | 31 March 2021    |
|---|------------------|------------------|
|   | £                | £                |
| Present value of principal payments outstanding on non current assets | 3,941,761        | 5,194,028        |
| Unearned finance income   | 2,966,381        | 2,952,753        |
|   | <b>6,908,142</b> | <b>8,146,780</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 2020                 | 31 March 2021    | 31 March 2020                      | 31 March 2021    |
|   | £                             | £                | £                                  | £                |
| Not later than one year                         | 679,727                       | 943,481          | 576,141                            | 826,878          |
| Later than one year & not later than five years | 2,445,764                     | 3,360,787        | 2,126,391                          | 3,021,492        |
| Later than five years                           | 3,782,651                     | 3,842,512        | 1,239,229                          | 1,345,658        |
|   | <b>6,908,142</b>              | <b>8,146,780</b> | <b>3,941,761</b>                   | <b>5,194,028</b> |

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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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 2020/21 the Council received £145,372 in contingent rents (2019/20 £135,485).

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<br/>2020<br/>£</b> | <b>31 March<br/>2021<br/>£</b> |
|---|--------------------------------|--------------------------------|
| Not later than one year                         | 1,136,936                      | 1,004,379                      |
| Later than one year & not later than five years | 2,820,446                      | 2,160,857                      |
| Later than five years                           | 3,226,922                      | 567,072                        |
|   | <b>7,184,304</b>               | <b>3,732,308</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.
- The council has set a de-minimis level for accruals of creditors and debtors that are calculated manually in order to avoid additional time and cost in estimating and recording accruals. This level is set at £1,000 with the exception of any grant where applying the de-minimis level would affect the claim and accruals calculated using system automated reports.

#### 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.

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

#### iv) Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

### i) 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

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.

### ii) 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.

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

### iii) 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 (e.g. 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, e.g. 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

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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. In the Movement in Reserves Statement, appropriations are required to and from the pension reserve to remove the notional debits and credits for pension enhancements termination benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

### iv) 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

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

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost- the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement
  - net interest of the net defined benefit liability, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments
- Remeasurements comprising
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the pensions reserve as other comprehensive income and expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

- updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure
- contributions paid to the Gloucestershire County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the 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.

### **v) 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.

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

### **vi) 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.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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.

### Financial Assets at Fair Value through Profit or Loss (FVPL)

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.

### Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets that are measured at fair value through other comprehensive income are recognised on the balance sheet when the Authority 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 arise in other comprehensive income.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

### vii) Government grants and contributions

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

### viii) 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.



## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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### ix) 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.

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

### x) 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.

### xi) 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.

### xii) 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

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

### xiii) 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 minimis 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.

#### 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

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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.

### 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 (i.e. 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

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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are categorised as capital receipts and can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement) Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

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

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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### **xiv) 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.

### **xv) 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.

### **xvi) 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.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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### xvii) 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.

- Grants are only recognised as income in the CIES, where the Council is acting as a principal. If the Council is acting as an intermediary (agent), then the net balance of monies to either be repaid or due to the council, will be shown on the balance sheet. It is deemed the Council is acting as a principal if they have control of a grant i.e. the ability to direct the use of and obtain substantially all of the remaining benefits from the grant. Following the receipt of a grant the Council had to determine whether in administering the grant it was acting as an agent or principal.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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Where the Council was acting as agent the following conditions applied:

- It was acting as an intermediary between the recipient and the Government Department;
- It did not have “control” of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as principal, it was able to use its own discretion when allocating the amount of grant payable. The narrative report (page 5) highlights the business grants where the Council is acting as either the principal or agent.



### **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.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

| Item  | Uncertainties  | Effect if actual result differs from assumption  |
|---|--|--|
| <p>Property, Plant &amp; Equipment – Operational Property</p> | <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.</p> <p>The Valuer has stated that valuations have been prepared in accordance with the RICS Valuation standard and recommendations contained within the RICS Red Book.</p> <p>Following the outbreak of Covid-19 and subsequent UK Government imposed lockdown measures, the property market has faced unprecedented challenges. Financial support has been offered to businesses to keep them afloat during the pandemic during which there has been a seismic shift towards home working for those that are able to do so and a mass closure of retail, leisure and hospitality venues.</p> <p>In the context of the Council's property portfolio the Valuer has assessed the impairment risk by sector and individual asset. Due to changes in office, retail and leisure markets and the use of car parks, it has been considered prudent to revalue all assets within these sectors.</p> <p>The valuations reflect significant falls in car park valuations as a result of significant drops in car park income during 2020/21.</p> <p>The remainder of the portfolio unvalued in 2020/21 has been assessed and it has been confirmed that there have been no further material changes to the portfolio that is considered sufficient to affect the unvalued position.</p> <p>The Council's valuers provided valuations as at 31 March 2021 for the Council's investment property portfolio and approximately 89% of its operational portfolio.</p> <p>Operational assets are depreciated over the best estimate of an asset's 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 £35m.</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 £59m.</p> <p><b>It is estimated that the annual depreciation charge for buildings would increase by approximately £36,000 for every year that useful lives had to be reduced.</b></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>In 2020/21 Covid-19 impacted on rental income and assumptions for 2021/22 have been adjusted to assume rent free and void periods. Where possible evidence has been used for transactions that have taken place post Covid-19. Where evidence has not been available, pre Covid data has been used and, if appropriate adjusted.</p> <p>Whilst it is no longer considered appropriate to include a "Material Uncertainty" clause it is noted that there is a greater chance of market volatility than pre pandemic. The valuation of the portfolio will continue to be reviewed on an annual basis to ensure values remain materially accurate.</p> | <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.</p> <p><b>An increase of 5% in the overall valuation would result in an increase in value of £311,000</b></p> |
| 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   |
|---------------|--|---|
| 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>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>The provisions in the CIPFA code in respect of going concern accounting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that local authorities have no ability to cease being a going concern as described by IAS 1 Presentation of Financial Statements (i.e. management deciding to liquidate the entity or cease trading). As authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for local Authority financial statements to be prepared on anything other than a going concern basis.</p> <p>It is therefore assumed that the Council will remain a going concern with the assumption that the Council's services will continue for the foreseeable future. There is no material uncertainty in relation to going concern.</p> |



## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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### 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 2021/22 code are limited to:

- Definition of a Business: Amendments to IFRS3 Business Combinations  
The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. This is not expected to impact upon the Council.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7  
Amendments to IFRS 9, IAS39 and IFRS 7 have an impact on hedge accounting if interest rates change. The amendment will not have an impact on the council, as the council is currently debt free and any future debt is expected to be based on a fixed rate and the Council's investments are held in sterling and low risk.
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 30, IFRS 7, IFRS 4 and IFRS 16.  
The Phase 2 amendments relate to issues that arise if any existing interest rate is replaced by an alternative one. This unlikely to have an impact on the Council as interest rate benchmark reform is rarely applied. In addition financial instruments are valued at amortised costs rather than fair value.

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 B8, *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].

Individual Member declarations are available to view via the Council website.

- Eleven Cabinet Members have declared an interest as a Town or Parish Councillor where precepts, grants and contributions (£333,199) were awarded during 2020/21.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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- 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 2020/21.

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 2021 four of the Council's Members are also Members of Gloucestershire County Council (four as at 31 March 2020). Cotswold District Council made payments of £160,308 to the County Council and received grants, fees and contributions of £1,948,458 during 2020/21.

### 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.

For the first quarter of 2020/21 Cotswold District Council shared its Chief Finance Officer (CFO) 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 was shared and had influence in both Cotswold District Council and West Oxfordshire District Council, she was 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 2021 the Council owed Publica £402,672 (31 March 2019, £267,979) and was owed £214,113 (31 March 2020, £369,686).

## 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 2021, Ubico Ltd owed the Council £402,462 (2019/20, £366,474) and the Council owed Ubico Ltd (creditors and receipts in advance) £103,688 (2019/20, £27,313).

### 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 14 July 2021. 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.





## NOTES TO THE CASH FLOW STATEMENT

### F1. Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements

|  | 2019/20<br>£     | 2020/21<br>£     |
|--|------------------|------------------|
| Depreciation, amortisation and impairment                                | 1,749,977        | 1,433,532        |
| Increase / (decrease) in creditors                                       | (122,007)        | 924,317          |
| (Increase) / decrease in debtors   | (2,829,262)      | (550,411)        |
| Increase / (decrease) in provision for bad debts                         | (2,199)          | 51,259           |
| (Increase) / decrease in inventories                                     | 669              | (11,290)         |
| Pensions' liability  | 886,000          | (3,472,000)      |
| Carrying amount of non current assets sold                               | 2,891,355        | 1,828,507        |
| Increase / (decrease) in provisions                                      | (1,011,481)      | 65,906           |
| Movements in the fair value of investment properties                     | 441,020          | 353,500          |
| Movements in the fair value of financial instruments                     | 1,144,396        | (891,511)        |
| Other non cash items charged to Surplus/Deficit on Provision of Services | 97,309           | (1,345)          |
|  | <b>3,245,777</b> | <b>(269,536)</b> |

### F2. Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing or financing activities

|  | 2019/20<br>£       | 2020/21<br>£       |
|--|--------------------|--------------------|
| Capital grants applied to the financing of capital expenditure | (721,021)          | (772,342)          |
| Proceeds from the sale of non current assets                   | (2,891,355)        | (598,516)          |
| Unattached capital receipts                                    | (591,620)          | (30,142)           |
|  | <b>(4,203,996)</b> | <b>(1,401,000)</b> |

### F3. Investing Activities

|  | 2019/20<br>£     | 2020/21<br>£     |
|--|------------------|------------------|
| Purchase of property, plant & equipment and other capital investment | (3,671,418)      | (2,348,398)      |
| Purchase of short term and long term investments                     | (25,000,000)     | (45,000,000)     |
| Proceeds from the sale of non current assets                         | 1,015,561        | 720,674          |
| Proceeds from disposal of short term and long term investments       | 30,007,919       | 53,000,000       |
| Other (receipts) / payments from investing activities                | 273,740          | 655,518          |
|  | <b>2,625,802</b> | <b>7,027,794</b> |

## NOTES TO THE CASH FLOW STATEMENT

### F4. Financing Activities

|  | 2019/20<br>£    | 2020/21<br>£  |
|--|-----------------|---------------|
| Finance Lease repayments                 | (23,429)        | 23,585        |
| Other payments from financing activities | 0               | 0             |
|  | <b>(23,429)</b> | <b>23,585</b> |

# THE COLLECTION FUND

## 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).

| 2019/20             |                     |                      |  |      | 2020/21             |                     |                     |
|---------------------|---------------------|----------------------|--|------|---------------------|---------------------|---------------------|
| Business Rates<br>£ | Council Tax<br>£    | Total<br>£           |  | Note | Business Rates<br>£ | Council Tax<br>£    | Total<br>£          |
| 0                   | (72,080,794)        | (72,080,794)         | Council Tax receivable                                 | G1   |                     | (75,460,412)        | (75,460,412)        |
| (32,356,918)        | 0                   | (32,356,918)         | Business Rates Receivable                              | G2   | (15,382,274)        |                     | (15,382,274)        |
| (538,979)           | 0                   | (538,979)            | Transitional Protection Payments                       |      | (144,841)           |                     | (144,841)           |
| (578,659)           | 0                   | (578,659)            | Contribution to previous year's deficit                |      | 201,355             |                     | 201,355             |
| <b>(33,474,556)</b> | <b>(72,080,794)</b> | <b>(105,555,350)</b> | <b>Total Income</b>                                    |      | <b>(15,325,760)</b> | <b>(75,460,412)</b> | <b>(90,786,172)</b> |
|                     |                     |                      | <u>Apportionment of previous year's surplus</u>        |      |                     |                     |                     |
| 0                   | 96,878              | 96,878               | Cotswold District Council                              |      | 0                   | (49,328)            | (49,328)            |
| 0                   | 599,609             | 599,609              | Gloucestershire County Council                         |      | 0                   | (311,207)           | (311,207)           |
| 0                   | 110,213             | 110,213              | Gloucestershire Police & Crime Commissioner            |      | 0                   | (60,257)            | (60,257)            |
| 0                   | 806,700             | 806,700              |  |      | 0                   | (420,792)           | (420,792)           |
|                     |                     |                      | <u>Precepts, Demands and Shares</u>                    |      |                     |                     |                     |
| 16,376,662          | 0                   | 16,376,662           | Central Government                                     |      | 16,545,141          |                     | 16,545,141          |
| 13,101,328          | 8,547,426           | 21,648,754           | Cotswold District Council                              |      | 13,236,113          | 8,975,225           | 22,211,338          |
| 3,275,332           | 53,925,374          | 57,200,706           | Gloucestershire County Council                         |      | 3,309,028           | 56,258,107          | 59,567,135          |
| 0                   | 10,441,190          | 10,441,190           | Gloucestershire Police & Crime Commissioner            |      |                     | 10,757,588          | 10,757,588          |
| 32,753,322          | 72,913,990          | 105,667,312          |  |      | 33,090,282          | 75,990,920          | 109,081,202         |
|                     |                     |                      | <u>Charges on the Collection Fund</u>                  |      |                     |                     |                     |
| 144,033             | 86,821              | 230,854              | Write-offs of uncollectable amounts                    |      | 5,891               | 60,273              | 66,164              |
| (940,703)           | (400,000)           | (1,340,703)          | Increase / (decrease) in Bad Debt / Appeals Provisions | G3   | 915,493             | 1,075,624           | 1,991,117           |
| 180,554             | 0                   | 180,554              | Cost of Collection                                     |      | 181,565             |                     | 181,565             |
| 74,118              | 0                   | 74,118               | Disregarded Amounts                                    | G4   | 82,532              |                     | 82,532              |
| (541,998)           | (313,179)           | (855,177)            |  |      | 1,185,481           | 1,135,897           | 2,321,378           |
| <b>32,211,324</b>   | <b>73,407,511</b>   | <b>105,618,835</b>   | <b>Total Expenditure</b>                               |      | <b>34,275,763</b>   | <b>76,706,025</b>   | <b>110,981,788</b>  |
| <b>(1,263,232)</b>  | <b>1,326,717</b>    | <b>63,485</b>        | <b>(Surplus) / Deficit for the Year</b>                |      | <b>18,950,003</b>   | <b>1,245,613</b>    | <b>20,195,616</b>   |
| 2,302,540           | (703,164)           | 1,599,376            | (Surplus) / Deficit brought forward                    |      | 1,039,308           | 623,553             | 1,662,861           |
| <b>1,039,308</b>    | <b>623,553</b>      | <b>1,662,861</b>     | <b>(Surplus) / Deficit carried forward</b>             | G5   | <b>19,989,311</b>   | <b>1,869,166</b>    | <b>21,858,477</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 2020/21.

| Valuation Bands  | Estimated number of taxable dwellings* | Ratio | Equivalent number of Band D dwellings |
|--|--|-------|---------------------------------------|
| A- Band A - entitled to disabled relief reduction                        | 4.50                                   | 5/9   | 2.50                                  |
| A up to £40,000  | 2,940.50                               | 6/9   | 1,960.33                              |
| B £40,001 - £52,000  | 4,447.75                               | 7/9   | 3,459.36                              |
| C £52,001 - £68,000  | 9,814.75                               | 8/9   | 8,724.22                              |
| D £68,001 - £88,000  | 6,623.00                               | 1     | 6,623.00                              |
| E £88,001 - £120,000   | 5,763.25                               | 11/9  | 7,043.97                              |
| F £120,001 - £160,000  | 4,442.75                               | 13/9  | 6,417.31                              |
| G £160,001 - £320,000  | 4,110.25                               | 15/9  | 6,850.42                              |
| H over £320,001  | 624.00                                 | 18/9  | 1,248.00                              |
| Contributions in lieu (South Cerney Barracks)                            | -                                      | -     | 207.19                                |
|  |  |       | 42,536.30                             |
| Adjustments for collection rates and anticipated changes during the year |  |       | -782.38                               |
|  |  |       | <b>41,753.92</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 £1,736.50 per dwelling for 2020/21 (2019/20 - £1,673.12), 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.

### 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.

The Council is a member of the Gloucestershire Business Rates Pool, in which any levy payment or safety receipt is 'pooled' across several authorities. This enables each pool member to benefit from a lower levy rate payable should the growth in its business rates exceed its levy threshold, whilst receiving from the pool a safety net payment should its rates fall below its safety net threshold, contributed by the pool member. In 2020/21 the Authority benefited from a Pool distribution of £407,409 (£335,784 in 2019/20).

|  | 2019/20<br>£ | 2020/21<br>£ |
|--|--------------|--------------|
| Total Non Domestic Rateable Value at 31 March                  | £89,279,193  | £89,870,364  |
| National Non-domestic Rate Multiplier - Higher                 | 50.4p        | 51.2         |
| National Non-domestic Rate Multiplier - Lower [Small Business] | 49.1p        | 49.9         |

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:

|                             | 2019/20<br>£     | 2020/21<br>£       | % of<br>arrears |
|-----------------------------|------------------|--------------------|-----------------|
| Council Tax                 | (141,942)        | (1,217,567)        | 31.5%           |
| National Non Domestic Rates | (459,911)        | (863,110)          | 35.3%           |
|                             | <u>(601,853)</u> | <u>(2,080,677)</u> |                 |

### 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 balances on the Collection Fund are shared between the Council and its major precepting authorities (Gloucestershire County Council and the Gloucestershire Police and Crime Commissioner), in proportion to their precepts. The Fund balance for non-domestic rates is shared between the Council, Gloucestershire County Council and central government, in the statutory proportions.

The respective authorities' share of the balance is as follows at 31 March 2021:

|                                 | <b>Cotswold<br/>District<br/>Council<br/>£</b> | <b>Gloucs.<br/>County<br/>Council<br/>£</b> | <b>Central<br/>Govt.<br/>£</b> | <b>Gloucs.<br/>P&amp;CC<br/>£</b> |
|---------------------------------|--|---|--------------------------------|-----------------------------------|
| <b>Council Tax</b>              |  |   |                                |                                   |
| Debtors                         | 453,388  | 2,860,408                                   | n/a                            | 553,840                           |
| Bad Debt Provision              | (142,730)                                      | (900,482)                                   | n/a                            | (174,354)                         |
| Prepayments and Overpayments    | (165,241)                                      | (1,042,500)                                 | n/a                            | (201,852)                         |
| (Surplus) / Deficit at 31 March | 219,115  | 1,382,389                                   | n/a                            | 267,662                           |
| <b>Business Rates</b>           |  |   |                                |                                   |
| Debtors                         | 979,312  | 244,828                                     | 1,224,139                      | n/a                               |
| Bad Debt Provision - Tax Payers | (345,244)                                      | (86,311)                                    | (431,555)                      | n/a                               |
| Bad Debt Provision - Appeals    | (1,118,220)                                    | (279,994)                                   | (1,397,776)                    | n/a                               |
| Prepayments and Overpayments    | (86,311)                                       | (21,578)                                    | (107,889)                      | n/a                               |
| (Surplus) / Deficit at 31 March | 7,995,711                                      | 1,998,928                                   | 9,994,645                      | n/a                               |

The apportionment of the balances on the Collection Fund as at 31 March 2020 is as follows:

|                                 | <b>Cotswold<br/>District<br/>Council<br/>£</b> | <b>Gloucs.<br/>County<br/>Council<br/>£</b> | <b>Central<br/>Govt.<br/>£</b> | <b>Gloucs.<br/>P&amp;CC<br/>£</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                               |

# ANNUAL GOVERNANCE STATEMENT

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## ANNUAL GOVERNANCE STATEMENT 2020/2021

### 1. SCOPE OF RESPONSIBILITY UPDATE

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 2021 and up to the date of approval of the Annual Statement of Accounts.

In November 2019 a Corporate Peer Challenge of the Council took place. Some of the key recommendations of the peer challenge related to:



# ANNUAL GOVERNANCE STATEMENT

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- In order to produce credible delivery plans for the emerging priorities of the new administration, the council should set aside sufficient and distinct organisational thinking time to develop a credible Corporate Plan and to determine the resources required to deliver.
- Ensure the Council has the strategic leadership capacity it requires, within the retained senior officer team, to: shape the identity and unique agenda of Cotswold District Council and to influence key stakeholders; engage in wider partnership working to help deliver new and emerging ambitions; work with and influence the Publica strategy/policy team; act as intelligent client to commission services from Publica and other partners.
- Develop a medium-term financial strategy to underpin implementation of the Corporate Plan that identifies opportunities to enhance financial capacity including: income from fees and charges; returns on investment from treasury management; savings and income from Publica; opportunities to generate savings and create additional capacity to deliver through partnership working; a commercial strategy, learning from best practice elsewhere, to create new income streams.
- Recognise the value and potential of Publica to refocus capacity to deliver on the Council's ambitions and utilise the opportunity of a new Managing Director (MD) to reset the relationship between the Council and Publica and address governance issues.
- Undertake the LGA's Communications Health Check to support improved communications and help develop a branding strategy.
- Build the Council's organisational capacity by: putting in place a development programme for officers to harness enthusiasm and positivity of Group and Business Managers which will build organisational capacity; strengthening performance management and reporting including programme and project management; a comprehensive reboot of the current transformation programme in order to develop a new programme plan, with resources and expertise in place to deliver.
- Strengthening the role of the Overview and Scrutiny Committee.
- Ensure the potential risks associated with any potential equal pay claim are understood and being managed.

In September 2020, Council received an update report showing the progress which has been achieved against each of these recommendations. Since September 2020, the new Chief Executive position has been filled, and a new Cabinet Support Officer has been appointed. In addition a Leadership Development Programme has been implemented which includes Publica officers, the Council's Chief Executive and Deputy Chief Executive. In addition, a revised approach to shareholder engagement is also being developed. led by the Chief Executives of each of the Publica Councils the Publica Managing Director and each Council leader. The Council is continuing to make progress with some of the recommendations, including programme and project management and a reboot of the transformation programme.

Since March 2020, the Council has been managing the impact of Covid-19 which has had a significant impact on the Council, its residents and businesses. The Council changed the way it delivered existing services, and was innovative in the creation of new services in order to meet the needs of businesses and residents.

The Annual Governance Statement illustrates how the Council's governance arrangements 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:

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- 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 a separate Code of Conduct for Members and a joint Member / Officer Protocol, which sets out guidelines as to behaviour and practical issues. This is further

supported by Publica's<sup>1</sup> Business Conduct rules which set out guidelines for staff on behavioural 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.
- An employee declaration is completed annually by all staff. A register of gifts and hospitality is maintained by Human Resources.
- 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. For 2020/21, one of the Audit Committees was cancelled while the Council established virtual meeting arrangements. The Audit Committee received one update during 2020/21.
- The Council put in place a robust set of emergency governance measures to monitor and respond to the Covid-19 pandemic, which very quickly had an extraordinary impact across the Council, its services, residents, businesses 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. Regular meetings (initially twice weekly) were held with Cabinet Members, Members of the Opposition Group and the two ungrouped Members to ensure that there was transparent and inclusive discussion on matters related to Covid-19. The Head of Paid Service, and latterly the Interim Chief Executive, used powers set out in the Constitution to enable emergency decisions to be taken. Those decisions were subject to consultation with Members as set out in the Constitution. A log of decisions taken was subsequently presented to the Overview and Scrutiny Committee.
- 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 across the organisation, with extended use of video conference call platforms as well as mass emails.
- The Communications service has been fully mobilised to ensure communications through all 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', feedback from Members and local businesses has been used to adapt communications as the pandemic situation developed.

<sup>1</sup> Publica Group (Support) Limited is a local authority owned company, jointly owned by Cheltenham Borough Council and Cotswold, Forest of Dean and West Oxfordshire District Councils. Over 95% of staff formerly employed by Cotswold District Council are now employed by Publica which delivers services on behalf of the Council.

## 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.
  - The Council's Corporate Plan 2020-202 (approved by full Council in September 2020) is available to the public on the Council's website.
  - 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.
  - 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 Planning officers is included within the Constitution. The Council approved a revised and comprehensive Scheme of Delegation for officers on 14 July 2021.
  - The Council has a planning protocol which sets out guidance for both Officers and Councillors when determining Planning applications, specifically those which come before the Planning and Licensing Committee for decision. The protocol sets out the conditions for Members to refer applications within the District to the Planning and Licensing Committee. Referrals are reviewed by a Review Panel which considers which applications should proceed to Committee. The Minutes of the Review Panel are circulated to all Members. The Planning Protocol was updated by Council on 14 July 2021.
  - Communication channels with staff include: one-to-one meetings between an officer and their supervisor, a weekly update email to all staff from the Publica Directors (Keeping you connected) and an online portal which contains informal blogs, policies, and further detail on subjects highlighted in the Keeping you connected update.
  - A Customer Feedback form is available publicly for handling comments, complaints and compliments. The Council's website includes different ways for customers to give feedback or access services. A customer satisfaction survey is carried out throughout the year on the telephone service provided, with the Council consistently receiving high satisfaction scores.
  - The Council maintains clear channels of communication with all sections of the Community and other Stakeholders. As part of the response to Covid19, the Council introduced weekly social media "CDC Live" broadcasts. These broadcasts will continue but have now reduced in frequency to a monthly basis.
  - 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 quarterly for the Overview and Scrutiny Committee and Cabinet regarding the service and financial performance of the council and the achievement of its aims and objectives.
  - 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.

- 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.
- 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.

### **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 which was approved by the new Administration in September 2019 and contained the Aim, Priorities and Principles of the new Council. A Corporate Plan has subsequently been approved which provides 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.
- An annual business planning process is also conducted by Publica, which is informed by the corporate priorities, legislation and government guidance.
- 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 priorities are included within the Council's Medium Term Financial Strategy, revenue budgets and capital programme. 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 impact and will have an effect on the level of resources available to the Council. As part of its 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 ten grant funding schemes; 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 has also had a financial impact on the Council's capital programme. The Council revised its revenue and capital budgets for 2020/21 in September 2020. In February 2021, the Council approved a refresh of its MTFs and the budget for 2021/22.
- A Recovery and Regeneration Investment Strategy was approved by the Council in September 2020, which will assist in guiding decisions on the best use of capital resources to support 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 is a live document and can be reviewed, updated and reported as necessary, to respond to the changing environment. A refresh was

considered by Cabinet in September 2020 which reflects the impact of Covid-19 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 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 informed the Corporate Plan which was approved 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 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. Councillors also have a range of experience which is a valuable asset to the Council.
  - 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 at Executive, Non-Executive and Regulatory meetings. 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.
  - Training is also provided for officers on an on-going basis as appropriate and necessary. During 2020/21 all training took place via video conference and e-learning.

### **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 Corporate Risk Register on a quarterly basis. The Corporate 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 was impacted by the Council's response to Covid-19 and was updated to reflect work undertaken to support the Council in responding to Covid-19. The Audit Committee continued to 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.



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- 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 Audit Committee, further follow-up is planned if recommendations have not been actioned in full.
- The Council has a process for the receipt and processing of freedom of information requests made under the Freedom of Information Act.
- There is a presumption that all reports and the associated annexes to be considered in public meetings will be published. The Council's Legal Officer is consulted in circumstances where reports or annexes contain information which is considered to be exempt from publication.

## **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 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.

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- 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 2020/21, in respect of the areas reviewed during the year, was High 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 2020/2021

When preparing its 2019/2020 statement the Council identified a number of areas which required focus and attention. Progress by the end of March 2021 is detailed in the table below:

|    | Key Area of Focus | Proposed Actions  | Progress  |
|----|-------------------|---|---|
| 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 Plan and Key Performance Indicators linked to new Corporate Plan.</li> </ul> | <ul style="list-style-type: none"> <li>• Complete, approved by Council September 2020</li> <li>• A revised set of performance indicators with a new style of performance report has been established</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.</li> </ul>   | <ul style="list-style-type: none"> <li>• Audit Committee received an update on Ubico governance arrangement and the updated</li> </ul>  |

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|    |                             |  |   |
|----|-----------------------------|--|---|
|    |                             | And how this can be strengthened.  | Ubico Business Plan in January 2021. Regular Meetings between Council and Ubico Officers and the Cabinet Member have been implemented.  |
| 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> | <ul style="list-style-type: none"> <li>Officers are continuing to work in partnership with communities building upon the relationships established during the response to Covid-19</li> <li>Recovery Investment Strategy and Green Economic Growth Strategy approved.</li> <li>Revised budget for 2020/21 approved September 2020, updated MTFS approved February 2021</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>   | <ul style="list-style-type: none"> <li>Recovery Investment Strategy approved September 2020. Implementation to be carried forward to action plan for 2021/22.</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>   | <ul style="list-style-type: none"> <li>Outstanding recommendations are being reviewed and overseen by the Corporate Governance Group to ensure target dates remain relevant and are being met.</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>   | <ul style="list-style-type: none"> <li>A Commissioning and Procurement Board has been established to oversee Council contracts ensuring that a commissioning review is carried out to inform procurement activity.</li> <li>A further internal audit review of contract monitoring will be carried out in 2021/22.</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>   | <ul style="list-style-type: none"> <li>Ongoing response to the pandemic has been the highest priority for the Business Recovery Team.</li> </ul>  |
| 8. | Corporate Peer Challenge    | <ul style="list-style-type: none"> <li>Respond to the recommendations of the Corporate Peer Review</li> </ul>  | <ul style="list-style-type: none"> <li>The new Chief Executive position has been filled, and a new Cabinet Support Officer has been appointed. In addition a Leadership Development</li> </ul>  |

# ANNUAL GOVERNANCE STATEMENT

|  |  |  |   |
|--|--|--|---|
|  |  |  | Programme has been implemented which includes Publica officers, the Council’s Chief Executive and Deputy Chief Executive. The Council is continuing to make progress with some of the recommendations, including programme and project management and a reboot of the transformation programme. |
|--|--|--|---|

The Annual Internal Audit Opinion, as drafted by the SWAP Assistant Director (Head of Internal Audit), lists 32 pieces of audit work being conducted during 2020/21, which includes consultancy and advisory services. 13 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.

## 6. GOVERNANCE ACTION PLAN FOR 2021/2022

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.  | Audit recommendations:<br>Managers to ensure compliance with agreed timescales to implement recommendations. | <ul style="list-style-type: none"> <li>Level 1 &amp; 2 recommendations to be monitored and reported quarterly to Audit Committees. Managers to give feedback where there has been an unacceptable delay.</li> <li>All recommendations to be reported quarterly to Council Management Team. Managers to give feedback where there has been an unacceptable delay.</li> </ul> |
| 2.  | Procurement and contract management.   | <ul style="list-style-type: none"> <li>Compliance with new strategy for procurement and contract management.</li> <li>Ensure all contract conditions are being monitored and fulfilled.</li> <li>Financial management training to cover procurement and commissioning.</li> </ul>   |
| 3.  | Constitution and schemes of delegation.  | <ul style="list-style-type: none"> <li>Schemes of delegation to be updated.</li> <li>Training to be provided where appropriate for Officers given delegated authority.</li> <li>A training programme for Members to be developed.</li> </ul>  |
| 4.  | Operational Risks.   | <ul style="list-style-type: none"> <li>Operational risk registers to be reviewed quarterly with emerging high level risks escalated to strategic/corporate register.</li> </ul>   |

## ANNUAL GOVERNANCE STATEMENT

|    |   |   |
|----|---|---|
| 5. | Responsibility and accountability of the Council's Senior Leadership Team and Publica Management Team | <ul style="list-style-type: none"> <li>Clarify and embed responsibility and accountability between the Council's Senior Leadership Team and Publica's Management Team.</li> <li>Clarify responsibility and accountability of Publica Officers.</li> </ul>                   |
| 6. | Budget management   | <ul style="list-style-type: none"> <li>Review of approvers on 'Business World' to ensure only the approved budget holder (or line manager) is able to approve spending.</li> <li>Financial management training to cover budget management.</li> </ul>                       |
| 7. | Project and programme management.   | <ul style="list-style-type: none"> <li>New framework for project and programme management to be rolled out.</li> <li>High level project risks to be escalated to Strategic/Corporate register.</li> </ul>   |
| 8. | Health and safety.  | <ul style="list-style-type: none"> <li>Health and safety audits to be refreshed as we come out of 'lockdown' and staff return to office working.</li> <li>Fire Risk Assessments to be refreshed as we come out of 'lockdown' and staff return to office working.</li> </ul> |

### 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 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

**Robert Weaver**  
Chief Executive

Date:

Date:

(END)

# INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report to the members of Cotswold District Council

## Report on the Audit of the Financial Statements

Opinion

## **INDEPENDENT AUDITOR'S REPORT**

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**Opinion on other matter required by the Code of Audit Practice**

**Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements**

**Auditor's responsibilities for the audit of the financial statements**

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

**Conclusion**

**Responsibilities of the Authority**

**Report on other legal and regulatory requirements - Certificate**

**Use of our report**

## Glossary

### 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)**

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Annex C - Audit Committee Queries on Draft Statement of Accounts 2020/21

| <u>Query</u>  | <u>Response</u>  |                   |                   |                   |             |  |          |          |          |                         |            |            |         |                     |           |           |            |                          |           |            |           |  |                   |                   |                   |
|---|--|-------------------|-------------------|-------------------|-------------|--|----------|----------|----------|-------------------------|------------|------------|---------|---------------------|-----------|-----------|------------|--------------------------|-----------|------------|-----------|--|-------------------|-------------------|-------------------|
| Did the £8.031m decrease in current investments lead to a loss of income? Where did it go? (p7) | <p>Balances fluctuate daily dependent upon cash flow needs. This represents the position at 31 March 2021. The overall balance of current, long terms and cash and cash equivalent balances at 31 March 2021 was £23.6m compared to £24.9m on 31 March 2020.</p> <table border="1"> <thead> <tr> <th></th> <th><u>31/03/2020</u></th> <th><u>31/03/2021</u></th> <th><u>Diff</u></th> </tr> <tr> <th></th> <th><u>£</u></th> <th><u>£</u></th> <th><u>£</u></th> </tr> </thead> <tbody> <tr> <td>Non Current Investments</td> <td>10,123,768</td> <td>11,062,288</td> <td>938,520</td> </tr> <tr> <td>Current Investments</td> <td>9,175,814</td> <td>1,144,649</td> <td>-8,031,165</td> </tr> <tr> <td>Cash and Cash equivalent</td> <td>5,688,585</td> <td>11,370,358</td> <td>5,681,773</td> </tr> <tr> <td></td> <td><b>24,988,167</b></td> <td><b>23,577,295</b></td> <td><b>-1,410,872</b></td> </tr> </tbody> </table> <p>There has been an increase of £0.938m in Strategic Pooled Funds, £8m fall in current investments but £5.6m in cash held in money market funds (classified as cash equivalent).</p> <p>During 2020/21, the Authority's investment balance ranged between £61.596m and £19.212 million due to timing differences between income and expenditure.</p> <p>The outturn for investment income received in 2020/21 was £452,895 which equates to a 1.80% return (19/20 – 2.16%) on an average investment portfolio of £29.505 million against a budgeted £575,668 on an average investment portfolio of £28.369 million. Net investments made a deficit of £122,773 for the 2020/21 financial year against the original budget.</p> <p>Further details can be seen in the Treasury Outturn report (July 22 Audit Committee – Agenda item 9).</p> |                   | <u>31/03/2020</u> | <u>31/03/2021</u> | <u>Diff</u> |  | <u>£</u> | <u>£</u> | <u>£</u> | Non Current Investments | 10,123,768 | 11,062,288 | 938,520 | Current Investments | 9,175,814 | 1,144,649 | -8,031,165 | Cash and Cash equivalent | 5,688,585 | 11,370,358 | 5,681,773 |  | <b>24,988,167</b> | <b>23,577,295</b> | <b>-1,410,872</b> |
|   | <u>31/03/2020</u>  | <u>31/03/2021</u> | <u>Diff</u>       |                   |             |  |          |          |          |                         |            |            |         |                     |           |           |            |                          |           |            |           |  |                   |                   |                   |
|   | <u>£</u>   | <u>£</u>          | <u>£</u>          |                   |             |  |          |          |          |                         |            |            |         |                     |           |           |            |                          |           |            |           |  |                   |                   |                   |
| Non Current Investments   | 10,123,768   | 11,062,288        | 938,520           |                   |             |  |          |          |          |                         |            |            |         |                     |           |           |            |                          |           |            |           |  |                   |                   |                   |
| Current Investments   | 9,175,814  | 1,144,649         | -8,031,165        |                   |             |  |          |          |          |                         |            |            |         |                     |           |           |            |                          |           |            |           |  |                   |                   |                   |
| Cash and Cash equivalent  | 5,688,585  | 11,370,358        | 5,681,773         |                   |             |  |          |          |          |                         |            |            |         |                     |           |           |            |                          |           |            |           |  |                   |                   |                   |
|   | <b>24,988,167</b>  | <b>23,577,295</b> | <b>-1,410,872</b> |                   |             |  |          |          |          |                         |            |            |         |                     |           |           |            |                          |           |            |           |  |                   |                   |                   |
| Should we not set up a reserve account against possible increases in costs from                 | The Council Priorities fund (£2.473m) is available to provide a level of contingency against possible increases in costs from either Ubico or Publica.   |                   |                   |                   |             |  |          |          |          |                         |            |            |         |                     |           |           |            |                          |           |            |           |  |                   |                   |                   |

|  |  |
|--|--|
| either Ubico or Publica? (p8)  |  |
| - Please could you tell us why 'other operating expenditure' increased by 33% (circa £800k)? (p11) | As shown in note B3, in 2019/20 an 'unattached capital receipt' of £547k was received from Bromford Housing as a result of the sale of housing stock under 'Right to Buy' that belonged to Cotswold District Council prior to Large Scale Voluntary Transfer. No such receipts were received during 2020/21.   |
| What are 'retained and corporate council services' and why have they gone up by over £400k? (p11)  | <p>This includes services delivered by the 'retained' Council (CDC) rather than services delivered through Publica and Corporate Costs including savings budgeted, external audit fees, discretionary pension payments and Strategic Director Costs.</p> <p>In 2019/20 this included expenditure of £108k reflecting falls in the revaluation of surplus assets charged to the comprehensive income and expenditure statement as no revaluation reserve balance was held. No equivalent accounting entry was required in 2020/21 as all falls in value of surplus asset were charged to the revaluation reserve within the balance sheet as corresponding revaluation reserve balances were held.</p> <p>A separate line has been included in the 2020/21 Comprehensive Income and Expenditure Statement for Retained and Corporate Services in relation to Covid-19. This includes expenditure in respect of additional Ubico costs as a result of Covid-19, compliance and enforcement of Covid-19 restrictions, support offered to vulnerable residents and grant income and expenditure in relation to test and trace self-isolation payments. Funding of the net £276k expenditure (£nil in 2019/20) is met from the general Covid-19 LA Support Grant received from central government shown at note B8 (Grants Credited to Taxation and Non Specific Grant Income).</p> |
| 'Other service expenses'   | 'Other service expenses' increased by £1.6m from £12.6m to £14.2m.   |

|  |   |
|--|---|
| <p>increased by some £1.6m, what were the key elements of this increase? (p19)</p>   | <p>This can be explained by the following:</p> <ul style="list-style-type: none"> <li>- £248k Purchase of new Civica ‘Open Revenues’ Revenue and Benefits Software (funded from earmarked reserves)</li> <li>- £830k more S106 contributions paid to Community groups and Housing Association in 2020/21 than in 2019/20 (balances transferred from balance sheet).</li> <li>- £554k of Covid-19 related Ubico charges</li> </ul> |
| <p>I don’t remember seeing anything previously about a loan to ‘Friends of the Cotswolds’ please could you give me some details of this? (p40)</p> | <p>A loan of £360k was issued in 2014 for the purchase of the ‘Old Prison’ with a further advance of £78k being made in 2019 to enable the ‘Friends of the Cotswold’ to secure grant funding in relation to the upgrade and renovation of the ‘Old Prison’.</p> <p>Both loans are secured upon the ‘Old Prison’, Northleach and repayments have been made in line with the agreed 30 year repayment schedule.</p>                 |

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## ANNEX D - ANNUAL GOVERNANCE STATEMENT 2019/2020/2021

### 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~~2021 and up to the date of approval of the Annual Statement of Accounts.

In November 2019 a Corporate Peer Challenge of the Council took place. Some of the key ~~recommendation~~recommendations of the peer challenge related to:

- In order to produce credible delivery plans for the emerging priorities of the new administration, the council should set aside sufficient and distinct organisational thinking time to develop a credible Corporate Plan and to determine the resources required to deliver.
- Ensure the Council has the strategic leadership capacity it requires, within the retained senior officer team, to: shape the identity and unique agenda of Cotswold District Council and to influence key stakeholders; engage in wider partnership working to help deliver new and emerging ambitions; work with and influence the Publica strategy/policy team; act as intelligent client to commission services from Publica and other partners.
- Develop a medium-term financial strategy to underpin implementation of the Corporate Plan that identifies opportunities to enhance financial capacity including: income from fees and charges; returns on investment from treasury management; savings and income from Publica; opportunities to generate savings and create additional capacity to deliver through partnership working; a commercial strategy, learning from best practice elsewhere, to create new income streams.
- Recognise the value and potential of Publica to refocus capacity to deliver on the Council's ambitions and utilise the opportunity of a new Managing Director (MD) to reset the relationship between the Council and Publica and address governance issues.
- Undertake the LGA's Communications Health Check to support improved communications and help develop a branding strategy.
- Build the Council's organisational capacity by: putting in place a development programme for officers to harness enthusiasm and positivity of Group and Business Managers which will build organisational capacity; strengthening performance management and reporting including programme and project management; a comprehensive reboot of the current transformation programme in order to develop a new programme plan, with resources and expertise in place to deliver.
- Strengthening the role of the ~~role of the~~ Overview and Scrutiny Committee.
- Ensure the potential risks associated with any potential equal pay claim are understood and being managed.

In September 2020, Council received an update report showing the progress which has been achieved against each of these recommendations. ~~Some of the recommendations have been addressed and are therefore included within this AGS. Other recommendations will take longer to address and will be reflected in the Annual Government Statement for 2020/21~~ Since September 2020, the new Chief Executive position has been filled, and a new Cabinet Support Officer has been appointed. In addition a Leadership Development Programme has been implemented which includes Publica officers, the Council's Chief Executive and Deputy Chief Executive. In addition, a revised approach to shareholder engagement is also being developed, led by the Chief Executives of each of the Publica Councils the Publica Managing Director and each Council leader. The Council is continuing to make progress with some of the recommendations, including programme and project management and a reboot of the transformation programme.

Since March 2020, the Council has been managing the impact of Covid-19 which has had a significant impact on the Council, its residents and businesses. The Council changed the way it delivered existing services, and was innovative in the creation of new services in order to meet the needs of businesses and residents.

~~Although Covid19 only impacted on the Council from March 2020 onwards, -~~

The Annual Governance Statement ~~incorporates~~ illustrates how the Council's governance arrangements ~~which were put in place in response to Covid-19 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)

|   |
|---|
| <p><b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>● Behaving with Integrity</li> <li>● Demonstrating strong commitment to ethical values</li> <li>● Respecting the rule of the law</li> </ul>  |
| <ul style="list-style-type: none"> <li>● 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 <u>a separate <a href="#">CodesCode</a> of Conduct for Members and Officers</u>, and a joint</li> </ul> |

Member / Officer Protocol, which sets out guidelines as to behaviour and practical issues. This is further supported by Publica's<sup>1</sup> Business Conduct rules which set out guidelines for staff on behavioural issues.

- Declarations are made at meetings by Members, and Officers, where appropriate, and are recorded in the minutes of the meeting. The ~~Members~~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.
- An employee declaration is completed annually by all staff. A register of gifts and hospitality is maintained by Human Resources.
- 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. For 2020/21, one of the Audit Committees was cancelled while the Council established virtual meeting arrangements. ~~It is expected that~~The Audit Committee ~~will receive~~received one update during 2020/21, ~~unless there are exceptional circumstances.~~
- The Council put in place a robust set of emergency governance measures to monitor and respond to the Covid-19 pandemic, which very quickly had an extraordinary impact across the Council, its services, residents, businesses 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. Regular meetings (initially twice weekly) were held with Cabinet Members, Members of the Opposition Group and the two ungrouped Members to ensure that there was transparent and inclusive discussion on matters related to Covid-19. The Head of Paid Service, and latterly the Interim Chief Executive, used powers set out in the Constitution to enable emergency decisions to be taken. Those decisions were subject to consultation with Members as set out in the Constitution. A log of decisions taken was subsequently presented to the Overview and Scrutiny Committee.
- 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~~staff across the ~~Council and within Publica~~organisation, with extended use of video conference call platforms as well as mass emails.
- The Communications service has been fully mobilised to ensure communications through all 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

<sup>1</sup> Publica Group (Support) Limited is a local authority owned company, jointly owned by Cheltenham Borough Council and Cotswold, Forest of Dean and West Oxfordshire District Councils. Over 95% of staff formerly employed by Cotswold District Council are now employed by Publica which delivers services on behalf of the Council.

and inspired', feedback from Members and local businesses has been used to adapt communications as the pandemic situation developed.

## 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.
  - The Council's Corporate Plan 2020-202 (approved by full Council in September 2020) is available to the public on the Council's website.
  - All Committee, Cabinet and Council reports clearly outline their purpose, ~~to support so~~ the community ~~to 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.
  - 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 Planning officers is included within the Constitution. The Council approved a revised and comprehensive Scheme of Delegation for officers on 14 July 2021.
  - The Council has a planning protocol which sets out guidance for both Officers and Councillors when determining Planning applications, specifically those which come before the Planning and Licensing Committee for decision. The protocol sets out the conditions for Members to refer applications within the District to the Planning and Licensing Committee. Referrals are reviewed by a Review Panel which considers which applications should proceed to Committee. The Minutes of the Review Panel are circulated to all Members. The Planning Protocol was updated by Council on 14 July 2021.
  - Communication channels with staff include: one-to-one meetings between an officer and their supervisor, a weekly update email to all staff from the Publica Directors (Keeping you connected) and an online portal which contains informal blogs, policies, and further detail on subjects highlighted in the Keeping you connected update.
  - A Customer Feedback form is available publicly for handling comments, complaints and compliments. The Council's website includes different ways for customers to give feedback or access services. A customer satisfaction survey is carried out throughout the year on the telephone service provided, with the Council consistently receiving high satisfaction scores.
  - The Council maintains clear channels of communication with all sections of the Community and other Stakeholders. As part of the response to Covid19, the Council introduced weekly social media "CDC Live" broadcasts. These broadcasts will continue but have now reduced in frequency to a monthly basis.
  - The ability for members of the public to ask questions at all Committee, Cabinet and meetings of the Full Council held in public.

- A report is produced quarterly for the Overview and Scrutiny Committee and Cabinet regarding the service and financial performance of the council and the achievement of its aims and objectives.
- 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.
- 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.
- 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.

### 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 which was approved by the new Administration in September 2019 ~~which~~ and contained the Aim, Priorities and Principles of the new Council. A Corporate Plan has subsequently been approved which provides 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.
- An annual business planning process is also conducted by Publica, which is informed by the corporate priorities, legislation and government guidance.
- 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.
- The Council recognises that the Covid-19 crisis has had a significant ~~financial~~ impact and will have a long term an 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. ~~Following the announcement of the second lockdown, in November the Council began administering further support grants for businesses closed due to national restrictions and a further discretionary grants scheme.~~
- ~~The Covid-19 crisis will~~ has also ~~have~~ had a financial impact on the Council's capital programme. ~~→ In~~ The Council revised its revenue and capital budgets for 2020/21 in September 2020. In February 2021, the Cabinet ~~Council~~ approved a refresh of its MTFS and the budget proposals for 2021/22 for consultation. This included an update of the Medium Term Financial.
- A Recovery and Regeneration Investment Strategy and its capital programme. Final proposals will be considered by Council in February 2021 ~~was approved by the Council in September 2020, which will assist in guiding decisions on the best use of capital resources to support 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 was considered by Cabinet in September 2020 which reflects the impact of Covid-19 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 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 ~~informed the~~informed the Corporate Plan which was approved 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 a wealth of experience from a range of different economic sectors. Councillors also have a range of experience which is a valuable asset to the Council.
  - 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 at~~ Executive, Non-Executive and Regulatory meetings. 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.
- Training is also provided for officers on an on-going basis as appropriate and necessary. During 2020/21 all training took place via video conference and e-learning.

#### **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 Corporate Risk Register on a quarterly basis. The Corporate 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 was impacted by the Council's response to Covid-19 and will was updated to reflect work undertaken to support the Council in responding to Covid-19. The Audit Committee will continued to 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. ~~For 2019/20 only the deadline for completion of the audit and publication of the Statement of Accounts was delayed from the end of July to the end of November in recognition of the impact of councils response to Covid-19.~~
- 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~~have not been actioned in full.
- The Council has a process for the receipt and processing of freedom of information requests made under the Freedom of Information Act.
- There is a presumption that all reports and the associated annexes to be considered in public meetings will be published. The Council's Legal Officer is consulted in circumstances where reports or annexes contain information which is considered to be exempt from publication.

#### **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 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 [2019/2020/21](#), in respect of the areas reviewed during the year, was [High](#) 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 2019/2020/2021

When preparing its 2018/19/2019/2020 statement the Council identified a number of areas which required focus and attention. ~~These have been actively monitored throughout~~ Progress by the year and ~~progress~~ end of March 2021 is detailed in the table below:

|      | <b>Key Area of Focus</b>             | <b>Planned/Proposed Actions</b>  | <b>Outcome/Progress</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   |
| 2.1. | Update Corporate Strategy Plan       | <ul style="list-style-type: none"> <li>Following elections in May 2019, the Council will need to <u>Develop Corporate Plan</u>, to produce a new <u>underpin Corporate Strategy</u>, setting out its aims</li> <li><u>Development of new performance management framework, including Service Delivery Plan and objectives for the next four years. Key Performance Indicators linked to new Corporate Plan.</u></li> </ul>   | <ul style="list-style-type: none"> <li><u>Corporate Strategy Complete, approved September 2019, supporting Corporate Plan approved by Council September 2020.</u></li> <li><u>A revised set of performance indicators with a new style of performance report has been established</u></li> </ul>   |
| 2.   | Ubico Ltd                            | <ul style="list-style-type: none"> <li><u>A review to be carried out of the current governance arrangements with Ubico Ltd. And how this can be strengthened.</u></li> </ul>   | <ul style="list-style-type: none"> <li><u>Audit Committee received an update on Ubico governance arrangement and the updated Ubico Business Plan in January 2021. Regular Meetings between Council and Ubico Officers and the Cabinet Member have been implemented.</u></li> </ul>   |
| 3.   | Publica Ltd Impact of Covid-19       | <ul style="list-style-type: none"> <li><u>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. Learn from Covid-19 response and take forward best practice into future governance arrangements.</u></li> <li><u>Support the economic and community recovery of the Cotswold District, ensuring</u></li> </ul> | <ul style="list-style-type: none"> <li><u>The new Service Delivery Plans and Key Performance Indicators Officers are dependent continuing to work in partnership with communities building upon the new Corporate Plan relationships established during the response to Covid-19</u></li> <li><u>Recovery Investment Strategy and Green Economic Growth Strategy approved by Council in</u></li> </ul> |

|          |   |  |  |
|----------|---|--|--|
|          |   | <p><u>that the environment and addressing the climate emergency are intrinsically linked with all recovery work.</u></p> <ul style="list-style-type: none"> <li>● <u>Keep the Covid-19 related financial impact on the Council under review and produce revised MTFS mid-year.</u></li> </ul>  | <ul style="list-style-type: none"> <li>● <u>Revised budget for 2020/21 approved September 2020.</u><br/><u>updated MTFS approved February 2021</u></li> </ul>  |
| 4.       | <u>General Data Protection Regulation (GDPR)Capital Investment Strategy</u> | <ul style="list-style-type: none"> <li>● <u>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.</u><br/><u>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.</u></li> </ul> | <ul style="list-style-type: none"> <li>● <u>Progress against the Action Plan is regularly reported to the Audit Committee.</u><br/><u>Recovery Investment Strategy approved September 2020.</u><br/><u>Implementation to be carried forward to action plan for 2021/22.</u></li> </ul>   |
| 5.       | <u>Audit recommendations</u>  | <ul style="list-style-type: none"> <li>● <u>Ensure outstanding audit recommendations (including where timescales were affected by Covid-19) are addressed and revised timescales agreed.</u></li> </ul>  | <ul style="list-style-type: none"> <li>● <u>Outstanding recommendations are being reviewed and overseen by the Corporate Governance Group to ensure target dates remain relevant and are being met.</u></li> </ul>   |
| 5.<br>6. | <u>Ubico LtdProcurement</u>   | <ul style="list-style-type: none"> <li>● <u>A review to be carried out of the current governance arrangements with Ubico Ltd. and how this can be strengthened.</u><br/><u>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.</u></li> </ul>   | <ul style="list-style-type: none"> <li>● <u>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 has been appointed for Ubico and further work on governance arrangements will be taken forward with the new Managing Director.</u><br/><u>A Commissioning and Procurement Board has been established to oversee Council contracts ensuring that a commissioning review is carried out to inform procurement activity.</u></li> <li>● <u>A further internal audit review of contract monitoring will be carried out in 2021/22.</u></li> </ul> |

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|-----|---|--|---|
| 7.  | <u>Business Continuity</u>                                | <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>   | <ul style="list-style-type: none"> <li>Ongoing response to the pandemic has been the highest priority for the Business Recovery Team.</li> </ul>  |
| 6-8 | <u>S106 Agreements and Funds Corporate Peer Challenge</u> | <ul style="list-style-type: none"> <li>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. Respond to the recommendations of the Corporate Peer Review</li> </ul> | <ul style="list-style-type: none"> <li>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 addressed as part of the implementation of the CIL processes. Internal Audit work is planned to follow up on previous recommendations during 2020/21. The new Chief Executive position has been filled, and a new Cabinet Support Officer has been appointed. In addition a Leadership Development Programme has been implemented which includes Public officers, the Council's Chief Executive and Deputy Chief Executive. The Council is continuing to make progress with some of the recommendations, including programme and project management and a reboot of the transformation programme.</li> </ul> |

The Annual Internal Audit Opinion, as drafted by the SWAP Assistant Director (Head of Internal Audit), lists 32 pieces of audit work being conducted during 2020/21, which includes consultancy and advisory services. 13 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.

## 6. GOVERNANCE ACTION PLAN FOR ~~2020/21~~2021/2022

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.  | <del>Corporate Plan</del> <u>Audit recommendations:</u><br><u>Managers to ensure compliance with agreed timescales to implement recommendations.</u> | <ul style="list-style-type: none"> <li><del>• Develop Corporate Plan, to underpin Corporate Strategy</del></li> <li><del>• Development of new performance management framework, including Service Delivery Plans and Key Performance Indicators linked to new Corporate Plan</del><u>Level 1 &amp; 2 recommendations to be monitored and reported quarterly to Audit Committees. Managers to give feedback where there has been an unacceptable delay.</u></li> <li><del>• All recommendations to be reported quarterly to Council Management Team. Managers to give feedback where there has been an unacceptable delay.</del></li> </ul>   |
| 2.  | <del>Ubico Ltd</del> <u>Procurement and contract management.</u>   | <ul style="list-style-type: none"> <li><del>• A review to be carried out of the current governance arrangements with Ubico Ltd. and how this can be strengthened.</del><u>Compliance with new strategy for procurement and contract management.</u></li> <li><del>• Ensure all contract conditions are being monitored and fulfilled.</del></li> <li><del>• Financial management training to cover procurement and commissioning.</del></li> </ul>   |
| 3.  | <del>Impact of Covid-19</del> <u>Constitution and schemes of delegation.</u>   | <ul style="list-style-type: none"> <li><del>• Learn from Covid 19 response and take forward best practice into future governance arrangements</del></li> <li><del>• 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.</del></li> <li><del>• Keep the Covid 19 related financial impact on the Council under review and produce revised MTFs mid-year</del><u>Schemes of delegation to be updated.</u></li> <li><del>• Training to be provided where appropriate for Officers given delegated authority.</del></li> <li><del>• A training programme for Members to be developed.</del></li> </ul> |
| 4.  | <del>Capital Investment Strategy</del> <u>Operational Risks.</u>   | <ul style="list-style-type: none"> <li><del>• 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</del><u>Operational risk registers to be reviewed quarterly with emerging high level risks escalated to strategic/corporate register.</u></li> </ul>   |



|    |  |  |
|----|--|--|
| 5. | <u>Audit recommendations Responsibility and accountability of the Council's Senior Leadership Team and Publica Management Team</u> | <ul style="list-style-type: none"> <li><u>Ensure outstanding audit recommendations (including where timescales were affected by Covid-19) are addressed and revised timescales agreed</u></li> <li><u>Clarify and embed responsibility and accountability between the Council's Senior Leadership Team and Publica's Management Team.</u></li> <li><u>Clarify responsibility and accountability of Publica Officers.</u></li> </ul>  |
| 6. | <u>Procurement Budget management</u>   | <ul style="list-style-type: none"> <li><u>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.</u></li> <li><u>Review of approvers on 'Business World' to ensure only the approved budget holder (or line manager) is able to approve spending.</u></li> <li><u>Financial management training to cover budget management.</u></li> </ul> |
| 7. | <u>Business Continuity Project and programme management.</u>   | <ul style="list-style-type: none"> <li><u>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</u></li> <li><u>New framework for project and programme management to be rolled out.</u></li> <li><u>High level project risks to be escalated to Strategic/Corporate register.</u></li> </ul>  |
| 8. | <u>Corporate Peer Review Health and safety.</u>  | <ul style="list-style-type: none"> <li><u>Respond to the recommendations of the Corporate Peer Review</u></li> <li><u>Health and safety audits to be refreshed as we come out of 'lockdown' and staff return to office working.</u></li> <li><u>Fire Risk Assessments to be refreshed as we come out of 'lockdown' and staff return to office working.</u></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 ~~INTERIM CHIEF EXECUTIVE~~ 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~~  
Robert Weaver  
Leader of the Council

~~Christine Gore~~  
~~Interim~~ Chief Executive

Date:  
(END)

Date:

|                             |  |
|-----------------------------|--|
|                             | <b>COTSWOLD DISTRICT COUNCIL</b>   |
| Name and date of Committee  | <b>AUDIT COMMITTEE – 23 NOVEMBER 2021</b>  |
| Report Number               | <b>AGENDA ITEM 8</b>   |
| Subject                     | <b>CORPORATE RISK REGISTER UPDATE AND UPDATED RISK AND OPPORTUNITY MANAGEMENT STRATEGY</b>   |
| Wards affected              | ALL  |
| Accountable member          | Cllr Joe Harris, Leader<br>Email: <a href="mailto:joe.harris@cotswold.gov.uk">joe.harris@cotswold.gov.uk</a>   |
| Accountable officer         | Rob Weaver, Chief Executive<br>Email: <a href="mailto:rob.weaver@cotswold.gov.uk">rob.weaver@cotswold.gov.uk</a>   |
| Summary/Purpose             | To update the Committee on the changes to the Council's corporate risk register at the end of 2021/22 Q2 and put before members a revised Risk and Opportunity Management Strategy for approval. |
| Annexes                     | Annex A Corporate Risk Register 2021/22 Q2<br>Annex B Risk Scoring Matrix<br>Annex C Proposed Risk and Opportunity Management Strategy   |
| Recommendation(s)           | <i>(a) To note the updates to the Council's corporate risk register; and<br/>(b) Approve the Risk and Opportunity Management Strategy at Annex C</i>   |
| Corporate priorities        | Not applicable   |
| Key Decision                | NO   |
| Exempt                      | NO   |
| Consultees/<br>Consultation | The Risk and Opportunity Policy has been shared with statutory officers, Executive Directors and Group Managers  |



## 1. BACKGROUND

- 1.1. Risk and Opportunity Management is the process used to identify, evaluate and manage the whole range of business risks and opportunities facing an organisation. It is vital to ensure the effective operation of the Council and delivery of its Corporate Plan.
- 1.2. A risk can be defined as the potential of something happening which may have a negative impact on the Council's ability to deliver services, projects and achieve its objectives. Conversely, an opportunity will enhance the Council's ability to achieve and effectively deliver, however there are often risks inherent in pursuing opportunities. By being alert to this and putting in place mechanisms to manage both the risks and opportunities effectively, the Council will be in a better position to continue to deliver services, remain viable, continue to innovate and use resources more efficiently.
- 1.3. Risk management is not necessarily about being 'risk averse', it is about being 'risk aware'. Risk is ever present and some element of risk taking is inevitable if the Council is to achieve its priorities and objectives. Effective risk management is about making the most of opportunities and about achieving defined objectives once those decisions are made. By being risk aware the Council is in a better position to avoid threats and take advantage of opportunities.
- 1.4. Whilst historically the Council has managed strategic risks to varying degrees, little attention has been placed on the management of opportunities, furthermore a recent audit identified some inconsistencies in approach around the management of risk, specifically around operational and project risks. It is for those reasons that a new approach, coupled with robust reporting and management procedures are presented to the Audit Committee for approval by way of the Risk and Opportunity Management Strategy.

## 2. RISK REGISTER

- 2.1. The Corporate Risk Register was updated by the risk owners at the end of Q2 and is attached at Annex A.
- 2.2. The methodology for scoring is attached at Annex B for information.
- 2.3. CRR-030 - This risk concerns the recycling contract with Ubico and has reduced as the likelihood of disruption due to Covid is reducing.
- 2.4. CRR-030 - This risk relates to the handling of the Council dealing with local emergencies, including flooding of households. The risk has reduced following introduction of pre-recorded telephone messages and flood warden scheme.

## 3. RISK AND OPPORTUNITY MANAGEMENT STRATEGY

- 3.1. As mentioned above, robust risk and opportunity management is vital to ensuring good governance and to the delivery of the Council's Corporate Plan. With that in mind officers have been working on a comprehensive review of existing policies, with a view to ensuring that risks and opportunities are effectively managed at all levels of the Council (and Publica).
- 3.2. To deliver comprehensive risk and opportunity management, and to ensure compliance with current audit recommendations, it is necessary for the Council to adopt a revised approach that captures how it manages both risks and opportunities across all levels and activities. This is encapsulated in the revised strategy document attached at Annex B.
- 3.3. Members will note that in order to bring detail to the strategy and to ensure that all staff are aware of their roles and responsibilities, Publica have developed a Risk and Opportunity



**3.4.** Management Guide. This document, which is attached to the Council Strategy as Annex A, seeks to supplement the Council's Strategy by setting out in detail the processes and procedures to be followed, bringing the management of risks and opportunities to life by using examples and setting clear requirements.

**4. FINANCIAL IMPLICATIONS**

There are no direct financial implications of this report but there are a number of financial risks facing the Council which are set out in the risk register.

**5. LEGAL IMPLICATIONS**

None.

**6. RISK ASSESSMENT**

The purpose of this report is to consider the range of risks facing the Council.

**7. BACKGROUND PAPERS**

7.1 The following documents have been identified by the author of the report in accordance with section 100D.5(a) of the Local Government Act 1972 and are listed in accordance with section 100 D.1(a) for inspection by members of the public:

- Previous version of Strategic Risk Register.

7.2 These documents will be available for inspection at the Council Offices at Trinity Road, Cirencester during normal office hours for a period of up to 4 years from the date of the meeting. Please contact the author of the report.

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## Cotswold District Council - Corporate Risk Register

| Overarching strategic risks |   |                         |            |       |  |                              |            |       |                          |            |       |                     |  |
|-----------------------------|---|-------------------------|------------|-------|--|------------------------------|------------|-------|--------------------------|------------|-------|---------------------|--|
| Risk ID                     | Description of Risk/Opportunity   | Initial Risk Assessment |            |       | Existing Control, Mitigation or Contingency  | Previous Residual Risk Score |            |       | Residual Risk Assessment |            |       | Direction of Travel | Risk Response & Further Action   |
|                             |   | impact                  | likelihood | score |  | impact                       | likelihood | score | impact                   | likelihood | score |                     |  |
| CRR-016                     | <p>If the government does not provide timely and adequate guidance on the proposed changes to the planning system then the Council will be unable to identify the type of Local Plan update that is required. Delays to preparing an updated Local Plan may result in an increase of speculative planning applications on the fifth anniversary of the local plan's adoption (2023).</p> <p>Risk Owner: Group Manager - Strategic Support</p> | 4                       | 4          | 16    | <ul style="list-style-type: none"> <li>Local Plan Adopted in Aug 2018.</li> <li>Local Plan Programme Board reconvened with updated Terms of Reference and membership</li> <li>* Cabinet approved Local Development Scheme in 2021, which confirms LP update key milestones and estimated delivery date.</li> </ul> | 3                            | 1          | 15    | 3                        | 5          | 15    | →                   | <p>08-June-2021 (remains relevant at Oct 2021) Partial update of Local Plan has restarted. However, the Government announced in May 2021 (via the Queen's Speech) its intention to publish a Planning Bill in the autumn 2021 and carry forward many of the proposed changes suggested by its white paper. The exact details are unknown at this stage but suggested changes are not comparable (in terms of scale and fundamentals) with recent updates and it will have a notable impact on the town planning profession and the Council's statutory duties. The Council's approach to partially updating the Local Plan (rather than a full update) is finely balanced but it continues to offer the most expeditious route to deliver Corporate Strategy actions. This position will need to be reviewed in light of the eventual Planning Bill.</p> <p>21-Apr-2021 Risk of speculative applications has reduced in the short term. Forthcoming request will be made to Cabinet to reboot the partial update of the local plan project</p> |

**Financial management & control**

| Risk ID | Description of Risk/Opportunity  | Initial Risk Assessment |            |       | Existing Control, Mitigation or Contingency   | Previous Residual Risk Score |            |       | Residual Risk Assessment |            |       | Direction of Travel | Risk Response & Further Action  |
|---------|--|-------------------------|------------|-------|---|------------------------------|------------|-------|--------------------------|------------|-------|---------------------|---|
|         |  | impact                  | likelihood | score |   | impact                       | likelihood | score | impact                   | likelihood | score |                     |   |
| CRR-014 | <p>If the Government imposes legislative changes that are not expected then it could have an impact on the Council's finances and other resources.</p> <p>Risk Owner: Chief Finance Officer</p>  | 4                       | 4          | 16    | <ul style="list-style-type: none"> <li>• Horizon scanning</li> <li>• Professional publications</li> <li>• Four year funding settlement</li> </ul> | 3                            | 5          | 15    | 3                        | 5          | 15    | →                   | <p>9-June-2021 (remains relevant at Oct 2021) The Council continues to respond to the Government's requirements of local authorities to implement initiatives related to Covid-19. The Government has provided some funding for additional costs and lost income and the Council has profiled budgets accordingly based on financial risks associated with the pandemic, a revised budget was approved in September 2020 and the new budget agreed in February 2021.</p> <p>Officers are reviewing Government consultation on the Environment Bill and are drafting a response setting out the implications of the proposals both operational and financial. The financial implications could be significant e.g. provision of a free garden waste collection service for all residents. If new burdens funding linked with the Environment Bill is not sufficient to offset additional costs of collection and lost income the impact will fall upon the Council</p> |
| CRR-019 | <p>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</p> <p>Risk Owner: Chief Finance Officer</p> | 3                       | 3          | 9     | Medium Term Financial Strategy  | 3                            | 3          | 9     | 3                        | 3          | 9     | →                   | <p>9-Jun-2021 (remains relevant at Oct 2021) . The financial implications of the Council's new Corporate Strategy have been included in the Medium Term Financial Strategy. The latest MTFS was approved by Council in February 2021 and includes additional funding for resources to support the Council's new priorities which were identified in 2020 within the revised MTFS (Sept 2020) and within the Recovery Investment Strategy which also allocates capital funding for investment in Council Priorities and to provide a revenue stream to the Council.</p> <p>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.</p>   |



|         |  |   |   |    |   |   |   |   |   |   |   |   |  |
|---------|--|---|---|----|---|---|---|---|---|---|---|---|--|
| CRR-028 | <p>If the Local Government settlement over the medium term is unfavourable then the Council's savings target may need to increase</p> <p>Risk Owner: Chief Finance Officer</p>   | 4 | 4 | 16 | <ul style="list-style-type: none"> <li>• Medium Term Financial Strategy</li> <li>• Only legacy Payments of New Homes Bonus in MTFS</li> <li>• Publica Transformation Programme</li> <li>• Recovery Investment Strategy approved by Council Sept 20</li> </ul>   | 3 | 3 | 9 | 3 | 3 | 9 | → | <p>9-Jun-2021 (remains relevant at Oct 2021) . The MTFS was approved in Feb 2021. New Homes Bonus awarded for 2020/21 and 2021/22 is for one year only (no legacy payments from 2021/22). The significant changes to LG Funding (75% Business Rate Retention, Business Rate Reset, Fairer Funding Review and new Spending Round) have been delayed until 2022/23 and is reflected in the update of the MTFS which was approved by Council in Feb 21. MTFS includes savings targets to address changes to government funding.</p> <p>The Council approved a Recovery Investment Strategy in Sept 20 which aims to increase income to the Council to mitigate against reduced government funding.</p>  |
| CRR-018 | <p>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</p> <p>Risk Owner: Chief Finance Officer</p> | 3 | 3 | 9  | <p>Service Delivery Planning</p> <p>Budgetary control system</p> <p>Publica Strategic Directors/Group Managers and Business Managers engaged in updated of budget and MTFS</p> <p>Key variances reported to Cabinet and Overview and Scrutiny Committee</p>   | 3 | 3 | 9 | 3 | 3 | 9 | → | <p>9-Jun-2021 (remains relevant at Oct 2021) . The 2020/21 budget was revised to reflect the impact of Covid 19. Key service providers (Publica, Ubico and SLM) have been engaged in the revised budget and have also fed in to the budget for 2021/22 approved in February 2021.</p> <p>The Council has determined its Priorities and the financial resources required to enable the Council to deliver against its priorities had been included in the MTFS and associated 2021/22 budget.</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 22/23 as a result of changes to local government funding.</p> |
| CRR-024 | <p>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</p> <p>Risk Owner: Chief Finance Officer</p>  | 5 | 5 | 25 | <ul style="list-style-type: none"> <li>• Regular meetings with Members and Cabinet</li> <li>• MTFS and budget process</li> <li>• Publica Group Managers/Business Managers and Strategic Directors involved in budget process</li> <li>• Publica Transformation Programme</li> <li>• Recovery Investment Strategy</li> </ul> | 3 | 3 | 9 | 3 | 3 | 9 | → | <p>9-Jun-2021 (remains relevant at Oct 2021) . Impacts on income resulting from the Covid-19 which include leisure services management fee, rental and parking incomes have been considered and incorporated into the 2021/22 budget.</p> <p>The level of savings required as a result of changes to local government funding which will now come into effect in 2022/23 remains unclear. The Council has approved a Recovery Investment Strategy to deliver the savings, or generate additional income, required from changes to local government funding.</p>  |
| CRR-002 | <p>If the Council fails to meet income targets then it may need to make unplanned use of revenue reserves, raise council tax, find further savings and/or cut services</p> <p>Risk Owner: Chief Finance Officer</p>  | 3 | 4 | 12 | <ul style="list-style-type: none"> <li>• Systems of budgetary control</li> <li>• Appropriate marketing of services and consideration of effective charging levels</li> <li>• Project management arrangements</li> </ul>   | 3 | 3 | 9 | 3 | 3 | 9 | → | <p>9-Jun-2021 (remains relevant at Oct 2021), 2020/21 budget revised to reflect impact of Covid-19 on income budgets. Budget 2021/22 has been prepared in consultation with Publica officers and reflects reduced development control income and provides for reduced income in first quarter of the financial year offset by Government funding through Sales and Charges Compensation Scheme.</p>  |

|         |   |   |   |    |  |   |   |    |   |   |    |   |   |
|---------|---|---|---|----|--|---|---|----|---|---|----|---|---|
| CRR-017 | If the level of pay inflation exceeds provision in the MTFS then the Council may need to make unplanned use of revenue reserves, raise council tax, find further savings and/or cut services<br><br>Risk Owner: Chief Finance Officer   | 3 | 2 | 6  | National negotiations on pay award   | 3 | 3 | 9  | 2 | 5 | 10 | ↑ | 13 Oct-2021 Budget 2021/22 includes provision for a pay award of 1%. Employers have offered 1.75% which has been rejected by Unions and they are now balloting for industrial action. Impact is 2 due to the scale of the financial impact of the extra 0.75% over budget assumption of 1%. Likelihood increased to 5 reflecting the fact that the offer is already in excess of budget assumption.   |
| CRR-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<br><br>Risk Owner: Business Manager for Commissioning   | 3 | 3 | 9  | <ul style="list-style-type: none"> <li>• Service management</li> <li>• Performance monitoring</li> <li>• Service risk registers</li> </ul>   | 4 | 5 | 16 | 4 | 3 | 12 | ↓ | 11-Oct-2021 Waste and recycling volumes have remained high but have continued to reduce marginally compared to that seen during 2020 (approximately 20% down to 10% increase) and so additional vehicles and resources are still required for recycling and garden waste collections. The need for additional personal protective equipment is also still in place for Ubico to protect its staff from Covid-19. The Council has provided additional funding in 2021/22 budget accordingly. Ongoing budget implications will be included within the MTFS Update and budget for 2022/23.   |
| CRR-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<br><br>Risk Owner: Chief Executive/Managing Director | 4 | 3 | 12 | <ul style="list-style-type: none"> <li>• Programme Board</li> <li>• Local Political Support</li> <li>• National Political Support</li> <li>• Early Engagement with employees and Unions</li> <li>• Funding provided to develop detailed business case</li> </ul> | 2 | 2 | 4  | 2 | 3 | 4  | → | 11 October 2021 Increase - after a successful 2020/21 where the outturn demonstrated delivery of the overall savings target of £0.5m and additional one off savings of £0.16m Publica has largely delivered its business case targets. The target for 21/22 is a further £0.5m and whilst some steps are in place to deliver this there are pressures building within the organisation in respect of pay capacity to deliver council objectives. The Council has recently approved some additional resource to help resolve some of these issues and steps are being taken to increase resource and deal with pay issues where the labour market is tight. Any risk of under delivery against the Cotswold share of the target is low and falls within the definition of minor in the policy (less than £100k). |
| CRR-005 | If there is a legal challenge to any of the Council's decisions or actions then there may be financial or policy implications<br><br>Risk Owner: Head of Legal Services   | 3 | 2 | 6  | <ul style="list-style-type: none"> <li>• Managerial advice and supervision</li> <li>• Legal advice and effective role of monitoring officer</li> <li>• Robust internal procedures</li> <li>• 200k in MTFS for planning appeals</li> </ul>                        | 3 | 2 | 6  | 3 | 2 | 6  | → | 11-10-2021 No change in rating  |
| CRR-032 | Without clear and robust procurement procedures, Publica and Partner Councils will not benefit from the most economically advantageous procurement opportunities and may fail to comply with the law governing Public Procurement Rules.<br><br>Risk Owner: Executive Director for Commissioning                | 4 | 3 | 12 | <ul style="list-style-type: none"> <li>• Procurement rules approved by Council.</li> <li>• Publica Procurement Team able to provide procurement advice and assistance on major procurements.</li> </ul>  | 3 | 3 | 6  | 3 | 2 | 6  | → | 13-10-2021 Procurement and Commissioning Board established and meet monthly to review upcoming procurements. S151, Group Managers, Business Managers and Commissioners in attendance. The purpose of Board is to ensure effective Commissioning takes place prior to Procurement. Procurement Strategy on hold pending update from Central Government advice on post Brexit on Public Contract Regulations.   |

| Customer Focus |  |                         |            |       |   |                              |            |       |                          |            |       |                     |   |
|----------------|--|-------------------------|------------|-------|---|------------------------------|------------|-------|--------------------------|------------|-------|---------------------|---|
| Risk ID        | Description of Risk/Opportunity  | Initial Risk Assessment |            |       | Existing Control, Mitigation or Contingency   | Previous Residual Risk Score |            |       | Residual Risk Assessment |            |       | Direction of Travel | Risk Response & Further Action  |
|                |  | impact                  | likelihood | score |   | impact                       | likelihood | score | impact                   | likelihood | score |                     |   |
| CRR-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<br><br>Risk Owner: Chief Executive                                | 3                       | 3          | 9     | <ul style="list-style-type: none"> <li>• Communication team</li> <li>• Engagement strategy</li> <li>• Neighbourhood coordination meetings</li> <li>• Annual Town &amp; Parish council meetings</li> <li>• Annual Budget consultation</li> </ul>   | 3                            | 2          | 6     | 3                        | 2          | 6     | →                   | No change in rating.  |
| CRR-013        | If there is insufficient capacity to respond to an emergency then the Council may not be able to deal effectively during emergencies resulting in reputational damage<br><br>Risk Owner: Chief Executive/Managing Director | 4                       | 4          | 16    | <ul style="list-style-type: none"> <li>• Contract terms with SLM (Everyone Active) e.g. use of leisure centre as a rest centre</li> <li>• Mutual aid arrangements</li> <li>• Good will of staff</li> <li>• Ward Members, Town &amp; Parish Councillors on hand/training provided</li> <li>• Enhanced community resilience arrangements</li> <li>• Emergency management framework in place with duty officer arrangements</li> <li>- Flood warden scheme introduced</li> <li>- New telephone messages set up and ready to be activated during flooding season</li> </ul> | 3                            | 3          | 9     | 3                        | 2          | 6     | ↓                   | 12-Oct-21 Risk slightly reduced with the introduction of pre-recorded telephone messages regarding flooding which can be made live during winter/flooding time and the introduction of the flood warden scheme.<br><br>New emergency planning framework will be launched in November 21 which should provide more capacity to respond and therefore risk may be able to be reduced further. |
| CRR-014        | If the Council's buildings are destroyed then it would be unable to operate/deliver services which would impact on residents /communities<br><br>Risk Owner: Business Manager for Corporate Responsibility                 | 5                       | 2          | 10    | <ul style="list-style-type: none"> <li>• BCPs including ICT contingency plans</li> <li>• Remote access</li> <li>• Mutual aid through Shared working strategy</li> <li>• Insurance</li> <li>• Fail over protocol</li> </ul>  | 2                            | 2          | 4     | 2                        | 2          | 4     | →                   | 12-Oct-21 No change in rating. BCP's are all in the process of being updated and transferred onto new templates which reflect our ability to work from home more easily. Once completed these will inform the new corporate recovery guide which will then be tested later in the year.   |

|         |  |   |   |    |   |   |   |   |   |   |   |   |   |
|---------|--|---|---|----|---|---|---|---|---|---|---|---|---|
| CRR-023 | If there was a civil emergency in the District then there could be a financial burden on the Council in responding to it<br><br>Risk Owner: Business Manager for Corporate Responsibility  | 4 | 4 | 16 | <ul style="list-style-type: none"> <li>• Mutual aid arrangements would enable support and reduce the resource burden on one individual council</li> <li>• The Belwin scheme enables costs incurred over a threshold (approx. £22K) to be reclaimed</li> <li>• Insurance of Council's assets and some loss income</li> <li>• General Fund Working Balance</li> <li>• Flood engineering schemes in place to minimise the impact of severe weather and reduce the risk of property flooding</li> </ul> | 2 | 3 | 6 | 2 | 3 | 6 | → | 12-Oct-21 No change in rating. There are good internal controls in place to help mitigate this financial risk.  |
| CRR-031 | District Councils are required to provide rest centres for the Public during a Civil Emergency. If staff are unwilling to come forward and volunteer with the running of a rest centre, there is a risk that the Council will be unable to fulfil its duty in providing a safe rest centre.<br><br>Risk Owner: Business Manager for Corporate Responsibility | 4 | 2 | 8  | <ul style="list-style-type: none"> <li>• Small team of volunteers established (although some have left Publica in recent months). Training and support provided by the County Civil Protection Team.</li> <li>• New staff have emergency planning incorporated in Job Roles</li> <li>• Mutual aid can be called upon</li> <li>• It is becoming more common place to use hotels as opposed to rest centres</li> </ul>  | 3 | 2 | 6 | 3 | 2 | 6 | → | No change in rating. The Council is reviewing its emergency planning arrangements. A small number of staff have come forward as being able to offer assistance in an emergency. A whatsApp group has been set up and is now actively used during emergency incidents to facilitate a better flow of information |

| Organisational learning, staffing & development |  |                         |            |       |   |                              |            |       |                          |            |       |                     |   |
|---|--|-------------------------|------------|-------|---|------------------------------|------------|-------|--------------------------|------------|-------|---------------------|---|
| Risk ID   | Description of Risk/Opportunity  | Initial Risk Assessment |            |       | Existing Control, Mitigation or Contingency   | Previous Residual Risk Score |            |       | Residual Risk Assessment |            |       | Direction of Travel | Risk Response & Further Action  |
|   |  | impact                  | likelihood | score |   | impact                       | likelihood | score | impact                   | likelihood | score |                     |   |
| Page 196  |  |                         |            |       |   |                              |            |       |                          |            |       |                     |   |
| CRR-003   | If Publica or the Council is unable to recruit suitable staff and retain them, particularly in some key service areas then the level of service delivery may be reduced<br><br>Risk Owner: Chief Executive/Managing Director | 3                       | 4          | 12    | <ul style="list-style-type: none"> <li>• Financial incentives (market force supplement scheme)</li> <li>• Work with partners to address skill shortages</li> </ul>  | 3                            | 3          | 9     | 3                        | 3          | 9     | →                   | 12 Oct 2021 No change in rating. Quarterly performance reports enable any necessary mitigation to maintain service delivery levels to be discussed. A review of recruitment is underway and feedback from managers, staff (both Publica and Retained Council staff) clients and Councillors is being considered to help ensure the service meets users' needs and is both flexible and modern going forward. Career-graded posts are being introduced into a number of service areas to assist with retention and development of staff. A new professional development training offer has recently been promoted to staff as another retention measure. |
| CRR-009   | If staff morale and motivation is low in Publica then the level of service delivered may be reduced in some services<br><br>Risk Owner: Chief Executive/Managing Director  | 4                       | 5          | 20    | <ul style="list-style-type: none"> <li>• Communication</li> <li>• Comprehensive consultation and engagement process</li> <li>• Change management training</li> <li>• Joint Liaison Forum</li> <li>• 2020 Engagement Strategy</li> </ul> | 3                            | 3          | 9     | 3                        | 3          | 9     | →                   | 11 Oct 2021 No change - The IIP report has identified some areas of weakness for us to work on and we have has a Q&A session post sharing of IIP report. We have held some informal staff lunch get togethers to help re-introduce staff to the office environment and re-connect with colleagues face to face. We are developing some key actions to deliver some of the shortcomings identified in the IIP report.  |

|         |  |   |   |   |   |   |   |   |   |   |   |   |                      |
|---------|--|---|---|---|---|---|---|---|---|---|---|---|----------------------|
| CRR-011 | If key Officers in the Council (such as the Chief Executive, Deputy Chief Executive 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<br><br>Risk Owner: Chief Executive/Managing Director | 4 | 2 | 8 | <ul style="list-style-type: none"> <li>• Deputy CFO and Monitoring Officers in place</li> <li>• Support from Shared Legal Services team-employed by the Publica Partner Councils</li> <li>• Support from professionals within Publica (e.g. Strategic Directors, Group Managers, Accountants, HR)</li> <li>• Support available from other Statutory Officers from across the Publica Partner Councils</li> <li>• Effective working relationships between Officers and Cabinet Members</li> <li>• Risk management processes</li> </ul> | 3 | 2 | 6 | 3 | 2 | 6 | → | No change to rating. |
|---------|--|---|---|---|---|---|---|---|---|---|---|---|----------------------|

| Business processes |   |                         |            |       |  |                              |            |       |                          |            |       |                     |   |
|--------------------|---|-------------------------|------------|-------|--|------------------------------|------------|-------|--------------------------|------------|-------|---------------------|---|
| Risk ID            | Description of Risk/Opportunity   | Initial Risk Assessment |            |       | Existing Control, Mitigation or Contingency  | Previous Residual Risk Score |            |       | Residual Risk Assessment |            |       | Direction of Travel | Risk Response & Further Action  |
|                    |   | impact                  | likelihood | score |  | impact                       | likelihood | score | impact                   | likelihood | score |                     |   |
| CRR-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  | 3                       | 4          | 12    | <ul style="list-style-type: none"> <li>• Internal processes and self assessments</li> <li>• Internal audit assurance and support</li> <li>• Dedicated staff resource on performance management and data quality</li> <li>• Performance Management Framework</li> </ul> | 3                            | 3          | 9     | 3                        | 3          | 9     | →                   | 13-Oct-2021 Additional mitigation has been put in place as part of a collective effort between Corporate Performance and Business Intelligence Teams to improve the accuracy and speed at which KPI data can be collected (moving some of the information into a live environment). A working group has been set up involving members of the scrutiny committee to develop improved assurance methods and metrics for councils relating to public services. Prototyping is in progress in relation to a live data assurance framework for Publica Services.   |
| CRR-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<br><br>Risk Owner: Data Protection Officer | 3                       | 4          | 12    | <ul style="list-style-type: none"> <li>• Access to Information Policy</li> <li>• FOI process reviewed</li> <li>• LGA guidance and supporting documents &amp; templates</li> </ul>  | 3                            | 3          | 9     | 3                        | 3          | 9     | →                   | 17 May 2021 (remains relevant at Oct 2021) .<br><ul style="list-style-type: none"> <li>• Progress on the UK-GDPR Action Plan &amp; GDPR Risk Register is being reported to the Council and Publica on a regular basis.</li> <li>• Mandatory refresher Information Security / Data Protection on-going , target completion date Oct 2021. Increase internal communications on portal to raise staff awareness on data security</li> <li>• Covid Information Sharing Protocols internal and externally with NHS and OCC continually updated</li> <li>• Conducting a Data (applications) audit</li> <li>• Implement new UK – GDPR changes to Council systems</li> <li>• Introduction of new Data Security Portal page for staff</li> </ul> |

|         |  |   |   |    |   |   |   |   |   |   |   |   |   |
|---------|--|---|---|----|---|---|---|---|---|---|---|---|---|
| CRR-019 | If contractors do not comply with health and safety requirements then there could be both financial and reputational implications for the Council<br><br>Risk Owner: Group Manager for Commercial Growth   | 4 | 3 | 12 | <ul style="list-style-type: none"> <li>Contract management in place to ensure appropriate measures such as risk assessments, appropriate policies, and training is in place.</li> <li>Health and Safety business partners provide advice and support</li> <li>Concerns can be escalated to contractors' senior management</li> </ul>  | 4 | 2 | 8 | 4 | 2 | 8 | → | 11-Oct-2021 No change in rating   |
| CRR-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<br><br>Risk Owner: Group Manager for Commercial Growth  | 4 | 3 | 12 | <p>Robust and effective contract management to ensure standards and requirements in contracts are met and any failings are identified and addressed quickly and effectively</p> <p>Regular meetings to review performance/standards</p>   | 3 | 3 | 9 | 3 | 3 | 9 | → | 11-Oct-2021 No change in rating.  |
| CRR-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<br><br>Risk Owner: Group Manager for Business Support  | 3 | 3 | 9  | <p>Preventative measures introduced such as blocking of USB and other devices</p> <p>Undertaken and passed a central government ICT audit, meeting the very high standards set for network security</p> <p>Introduction of new / revised joint policies</p> <p>Periodic staff awareness training</p> <p>BCP in place and reviewed &amp; tested</p>  | 3 | 2 | 6 | 3 | 2 | 6 | → | <p>18 May 2021 No change in Risk rating.</p> <ul style="list-style-type: none"> <li>All partner Councils achieved PSN accreditation in Oct 2020</li> <li>Publica to achieve Cyber Essentials re- accreditation in Sept 2021</li> <li>Ongoing network Internal &amp; External Penetration checks</li> <li>Regular review of User Privileges</li> <li>Progress on the Cyber Security updates and Action Plan is being reported to the Council and Publica on a regular basis.</li> <li>Continual update Information Asset Register</li> <li>Additional Phishing awareness training to educates employees on how to spot and report suspected phishing attempts</li> <li>Continual Password Audits across our network to evaluate weak passwords</li> <li>Periodic reviews Business Continuity &amp; Disaster Recovery Plans</li> <li>Continual review of staff development</li> </ul> |
| CRR-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<br><br>Risk Owner: Group Manager for Business Support | 3 | 3 | 9  | <ul style="list-style-type: none"> <li>Preventative measures introduced such as blocking of USB and other devices</li> <li>Undertaken and passed a central government ICT audit, meeting the very high standards set for network security</li> <li>Introduction of new / revised joint policies</li> <li>Periodic staff awareness training</li> <li>BCP in place and reviewed &amp; tested</li> </ul> | 3 | 2 | 6 | 3 | 2 | 6 | → | <p>18 May 2021 (remains relevant at Oct 2021) No change in rating.</p> <ul style="list-style-type: none"> <li>All Councils have PSN accreditation, which compliments the Cyber Essential Plus.</li> <li>The online training programme has now been completely rolled out which is helping to reinforce the need for staff to be aware of their responsibilities with regards to data security, passwords and GDPR.</li> <li>Additional Phishing awareness training to educates employees on how to spot and report suspected phishing attempts has also been provided.</li> </ul>   |

| Longer Term Risks |                                 |                         |   |                              |                          |                     |                                |
|-------------------|---------------------------------|-------------------------|---|------------------------------|--------------------------|---------------------|--------------------------------|
| Risk ID           | Description of Risk/Opportunity | Initial Risk Assessment | Existing Control, Mitigation or Contingency | Previous Residual Risk Score | Residual Risk Assessment | Direction of Travel | Risk Response & Further Action |

|         |   | impact | likelihood | score |   | impact | likelihood | score | impact | likelihood | score |   |   |
|---------|---|--------|------------|-------|---|--------|------------|-------|--------|------------|-------|---|---|
| CRR-002 | If Health and Safety procedures and risk assessments are not in place /being followed then staff could be injured undertaking Council duties which would impact on their health and wellbeing, affect their ability to work and create liability issues for the Council<br><br>Risk Owner: Group Manager for Business Support | 5      | 3          | 15    | <ul style="list-style-type: none"> <li>• Health and Safety procedures</li> <li>• Access to weather forecasts</li> <li>• Lone workers policy</li> <li>• Business Continuity Plans</li> </ul> | 4      | 2          | 8     | 4      | 2          | 8     | → | 13 Oct 2021 No change in rating. All H&S policies & guidance notes have been updated and signed of by the Chief Executive / Managing Director for sign off. The Local H&S Committee which comprises of the H&S Team, HR, Chief Execs and union reps meet on a quarterly basis to review risk assessment and policies to ensure ongoing compliance. A new Fire Evac procedure is currently being developed and will be rolled out across all the Council's buildings in Nov / Dec. |

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## Management Methodology: Evaluation Criteria

## Measure of Likelihood

|   |                |   |
|---|----------------|---|
| 1 | Improbable     | <ul style="list-style-type: none"> <li>● Has not occurred before</li> <li>● Has not occurred at other similar organisations</li> <li>● Extremely unlikely to occur (less than 10% chance) but may do so in at least 10 years' time</li> </ul>   |
| 2 | Remote         | <ul style="list-style-type: none"> <li>● Remote risk but could happen within next 3 to 10 years</li> <li>● Has not occurred at Publica but isolated cases have occurred at other similar organisations</li> </ul>   |
| 3 | Possible       | <ul style="list-style-type: none"> <li>● Could happen at least once every 1 to 3 years</li> <li>● New circumstances with little data to indicate likelihood of occurrence</li> <li>● 50 / 50 chance of it happening</li> </ul>  |
| 4 | Probable       | <ul style="list-style-type: none"> <li>● More likely to happen than not</li> <li>● Could occur within next 3 – 12 months</li> <li>● Has occurred in the last five years</li> <li>● Has occurred at <b>some</b> other similar organisations</li> </ul>   |
| 5 | Almost certain | <ul style="list-style-type: none"> <li>● Has occurred in the last two years</li> <li>● Has occurred at <b>many</b> other similar organisations</li> <li>● More than an <b>80%</b> chance of it happening</li> <li>● Likely to happen within next three months or is occurring at present</li> </ul> |

## Measure of Impact

(Achievement of objectives or service delivery /achievement of projects/health and safety/ staff motivation/ legal and regulatory issues/ reputational damage / financial loss or additional expenditure necessitated).

|   |               |  |
|---|---------------|--|
| 1 | Insignificant | <ul style="list-style-type: none"> <li>● Negligible impact on achievement of service objectives/delivery</li> <li>● Negligible impact on delivery of project – slight slippage or reduction in quality/scope with no overall impact</li> <li>● Negligible financial impact</li> <li>● Health and Safety of very small number of individuals affected</li> <li>● Limited impact on staff and culture – a few individuals only affected</li> <li>● Minor legal/regulatory impact – no sanction or legal action likely</li> <li>● No damage to reputation or will not result in adverse media comment</li> </ul>  |
| 2 | Minor         | <ul style="list-style-type: none"> <li>● Moderate impact on service objectives/delivery - only partially achievable without additional time / resources</li> <li>● Some impact on project – slight slippage against published milestones/targets and some 'nice to have' elements not possible</li> <li>● Minor injuries possible to relatively small number of individuals</li> <li>● Likely to affect motivation of small groups of staff</li> <li>● Some legal/regulatory impact – could lead to warnings/threats of sanctions/legal action</li> <li>● Some public embarrassment but no damage to reputation or standing in the community</li> <li>● Financial impact can be contained within service budget (&lt;£10,000)</li> </ul> |
| 3 | Moderate      | <ul style="list-style-type: none"> <li>● Service objectives/delivery not achievable without considerable additional time/resources</li> </ul>  |

|   |         |   |
|---|---------|---|
|   |         | <ul style="list-style-type: none"> <li>● Moderate effect on project timetable and significant elements of scope or functionality may not be available</li> <li>● Moderate number of injuries possible – not life threatening</li> <li>● Moderate impact on staff motivation within particular service(s)</li> <li>● Significant legal/regulatory impact leading to reprimand, sanctions or legal action</li> <li>● Some public embarrassment leading to limited reputational damage (adverse local press) – short term impact</li> <li>● Financial impact cannot be contained within budget and needs additional resourcing (&lt;£250,000).</li> </ul>  |
| 4 | Major   | <ul style="list-style-type: none"> <li>● Significant impact on achievement of service objectives/delivery even with additional resources (possibly leading to closure of facilities / service being withdrawn)</li> <li>● Failure to meet key project deadlines or project fails to meet needs of proportion of stakeholders</li> <li>● Possibility of serious injury to individuals</li> <li>● Significant impact on employee motivation generally – possibly leading to poor quality service in particular service(s)</li> <li>● Serious legal/regulatory impact leading to sanctions or legal action with significant consequences</li> <li>● Loss of credibility and public confidence in the service / organisation (of interest to the national press)</li> <li>● Significant financial impact (&gt;£250,000)</li> </ul>  |
| 5 | Extreme | <ul style="list-style-type: none"> <li>● Unable to achieve corporate objective or prolonged closure/withdrawal of service</li> <li>● Major project's viability jeopardised through delay or level of quality makes it effectively unusable</li> <li>● Possibility of fatalities or multiple serious injuries</li> <li>● Severe impact on staff motivation generally, leading to dissatisfaction and industrial unrest</li> <li>● Major legal/regulatory impact leading to sanctions or legal action with substantial financial or other consequences</li> <li>● Highly damaging to reputation with immediate impact on public confidence</li> <li>● Incident of interest to government agencies</li> <li>● Incident potentially leading to resignation or dismissal of an Executive Director on Publica Board or Council statutory officer. Severe and unmanageable financial impact</li> </ul> |



# Risk and Opportunity Management Strategy

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### About this document

Risk and Opportunity Management Strategy – November 2021

Responsible officer: Business manager Corporate Responsibility

Approved by Audit Committee on 23 November 2021, due for review in November 2023.

To be retained for six months after policy review or replacement.

## I. Strategy statement

Our aim is to recreate a council that's proactive and responsive to the needs of our residents and businesses in a fast-changing environment, and to build for the future while respecting our heritage.

As a local authority operating within a dynamic environment Cotswold District Council faces ongoing challenges and needs to continuously review its strategic approach to ensure viability for the future. As a result, we look at alternative ways of empowering our communities and alternative approaches to working with partners. Whilst these changes create opportunities, they may also create significant risk and uncertainty.

This strategy is focused on setting out the principles, tools, techniques, advice and support required for effective risk and opportunity management, from strategic to operational activities. The key is to ensure that the management of the risk is not a process that is dealt with in isolation, but instead it should be embedded in every piece of work the Council does. Risk is unavoidable and the Council seeks to proactively manage it through the use of risk registers.

### **Objectives of the strategy**

The purpose of this strategy is to outline the overall approach to risk and opportunity management at Cotswold District Council. It is acknowledged that some risks will always exist and will never be eliminated, but through effective mitigation can be managed to an agreed level at which risk can be tolerated.

The objectives of the risk and opportunity management strategy are to:

- Raise awareness of the principles and benefits of effective risk and opportunity management with all those responsible for the delivery of Council services
- Embed risk and opportunity management as a key part of strategic, operational, financial and project planning and management
- Embed risk and opportunity management into the culture of the Council
- Establish a systematic approach to the identification, assessment, management and review of risk and opportunity
- Identify and allocate roles and responsibilities for managing risk and opportunity
- Make it easy to clearly identify the key strategic and operational risks and opportunities
- Assess the likelihood of risks and opportunities occurring and their impact on the Council's objectives
- Ensure risks and opportunities are fully considered when identifying and responding to changing social, environmental and legislative requirements

These objectives will be achieved by;

- Establishing a clear risk and opportunity management process that is effectively communicated to all officers and Members
- Providing risk and opportunity management training to officers and Members
- Clearly defining roles and responsibilities for risk and opportunity management
- Maintaining and reviewing registers of strategic, operational and project risks and opportunities and assigning ownership for each task
- Identifying risk and opportunities in relation to working in partnerships / contracts

The 'Risk and Opportunity Management Strategy' will be reviewed periodically to take account of changing legislation, government initiatives, corporate priorities and experience gained within the Council.

## 2. Introduction

### What is Risk and Opportunity Management?

Risk and Opportunity Management is the process used to identify, evaluate and manage the whole range of business risks and opportunities facing an organisation.

A risk can be defined as the potential of something happening which may have a negative impact on the Council's ability to deliver services, projects and achieve its objectives. Conversely, an opportunity will enhance the Council's ability to achieve and effectively deliver, however there are often risks inherent in pursuing opportunities. By being alert to this and putting in place mechanisms to manage both the risks and opportunities effectively, the Council will be in a better position to continue to deliver services, remain viable, continue to innovate and use resources more efficiently.

*ALARM (the Association of Local Authority Risk Managers) defines Risk Management as follows;*

*"Risk Management is the culture, processes and structures that are dedicated towards effective management of potential opportunities and threats to the organisation and its objectives".*

Risk management is not necessarily about being 'risk averse', it is about being 'risk aware'. Risk is ever present and some element of risk taking is inevitable if the Council is to achieve its priorities and objectives. Effective risk management is about making the most of opportunities and about achieving defined objectives once those decisions are made. By being risk aware the Council is in a better position to avoid threats and take advantage of opportunities.

### Risk Appetite

A fundamental part of the Council's risk and opportunity framework is its appetite for risk. Risk appetite can be defined as 'the level of risk the Council is prepared to accept in pursuit of its corporate objectives'.

Risk appetites can be categorised as follows:

| Averse   | Cautious   | Creative and Aware  | Eager   |
|--|--|---|---|
| <ul style="list-style-type: none"> <li>• Safe Business delivery options with low risks limited reward</li> <li>• Reluctant to take action given uncertainty</li> </ul> | <ul style="list-style-type: none"> <li>• Safe delivery of options that have a medium degree of risk and potential for reward</li> <li>• Tight corporate control over change</li> </ul> | <ul style="list-style-type: none"> <li>• Willing to consider all potential options that are most likely to result in success</li> <li>• Well evaluated risk taking</li> <li>• Learns from experience</li> </ul> | <ul style="list-style-type: none"> <li>• Eager to be creative and innovative</li> <li>• Higher rewards despite inherent risk</li> <li>• Willing to accept significant loss</li> <li>• Actions when results are unknown</li> </ul> |

Risk appetite can help inform decisions about the nature and extent of risk mitigation activity required, or which initiatives should be pursued. The Council’s risk appetite level is Creative and Aware, although this can change on a risk to risk basis. It is willing to consider all potential options but with well evaluated risks and learning from experiences.

### Benefits of Risk and Opportunity Management

Successful Risk and Opportunity Management is about ensuring that the Council has the right controls in place to provide sufficient mitigation from risks, without missing the opportunities for development.

Embedding Risk and Opportunity Management across the organisation can bring a number of benefits:

- Improved strategic, operational and financial management
- Better decision making
- Improved service delivery
- Better outcomes for customers
- Effective use of resources
- Taking advantage of key opportunities
- Effective mitigation of key risks
- Encourages a culture of innovation
- Identifying and controlling risks at an early stage means that major projects and opportunities are more likely to succeed

### Definitions

**Risk** can be defined as “an uncertain event that, should it occur, will have an effect on the Council’s objectives, service delivery and/or reputation”. It is the combination of the probability of an event occurring (likelihood) and its effect, should it occur (impact).

**Risk management** - As defined by *ALARM (the Association of Local Authority Risk Managers)* is the culture, processes and structures that are dedicated towards effective management of potential opportunities and threats to the organisation and its objectives

Risk management does not only focus on the negative impacts but also on the positive opportunity impacts. This can lead to improved benefits / outcomes. Risks are divided into five categories:

| Strategic Risks   | Operational Risks  | Contract Risks  | Project Risks   | Partnership Risks   |
|---|--|---|---|---|
| <ul style="list-style-type: none"> <li>•Risks that could have an impact on the successful achievement of the Council's long term core objectives, priorities, reputation and outcomes.</li> <li>•Unable to be managed at service level</li> </ul> | <ul style="list-style-type: none"> <li>•These risks could have a significant financial, reputational and service delivery impact on the Council</li> </ul> | <ul style="list-style-type: none"> <li>•Risks that could have an effect on the successful achievement of the contract's outcomes/objectives in terms of delivery</li> </ul> | <ul style="list-style-type: none"> <li>•Risks that could have an effect on the successful achievement of the project in terms of service delivery, benefits realisation and engagement with key stakeholders</li> </ul> | <ul style="list-style-type: none"> <li>•Risks that could have an effect on the successful achievement of the partnership's objectives. These can be strategic and/or operational</li> </ul> |

**Opportunities** management is the process used to identify, evaluate and manage the whole range of business opportunities for an organisation. An opportunity can be defined as 'something happening which may have an impact on the achievement of the Council's objectives in a positive way.' Often internal and external factors can limit the benefit or impact potential improvements. Opportunities may include the following:

| Customers   | Competition  | Resource  | Technology and skills  |
|---|--|---|--|
| <ul style="list-style-type: none"> <li>•Identifying customer needs and demands to improve services</li> </ul> | <ul style="list-style-type: none"> <li>•Looking for opportunities in the market</li> </ul> | <ul style="list-style-type: none"> <li>•Assessing the Council's ability to leverage resource and/or streamline working practices</li> </ul> | <ul style="list-style-type: none"> <li>•Harnessing the evolution of technology and developing/ enhancing skills</li> </ul> |

### 3. The Risk and Opportunity Management Process

The Council has in place a five-stage process for managing risks and opportunities:



This shows how managing risks and opportunities needs to be a continuous process in order to be successful. The process must be regularly repeated to identify new risks and opportunities, but also those risks and opportunities already identified must be reviewed regularly to ensure they are being effectively managed.

Most of the Council’s operational and project risks are identified and managed by Publica. As such this Strategy should be read in conjunction with Publica’s Risk and Opportunity Management Guide which sets out in detail the processes associated with the five stages of risk and opportunity management. The Guide is attached at Annex A.

#### 4. Roles and Responsibilities

An approach that involves all appropriate Members and officers is required to ensure that risk and opportunity management is fully integrated and embedded into the culture of the Council. All officers and Members may have a role to play in identifying and assessing risk. However, there are certain roles within the Council that directly contribute to ensuring effective risk and opportunity management. These roles and responsibilities are outlined below.

| Individual or Group           | Role  |
|-------------------------------|---|
| Full Council                  | <ul style="list-style-type: none"> <li>➤ Approves the policy framework and budget</li> <li>➤ Supports and promotes an effective risk management culture</li> </ul>  |
| Cabinet                       | <ul style="list-style-type: none"> <li>➤ Risk manages the Council in delivering its core purpose, priorities and outcomes</li> <li>➤ Considers and challenges the risks involved in making ‘key decisions’</li> </ul> |
| Audit Committee               | <ul style="list-style-type: none"> <li>➤ Approves the Risk and Opportunity Management Strategy</li> <li>➤ Reviews risk management reports and makes recommendations</li> </ul>  |
| Council Local Management Team | <ul style="list-style-type: none"> <li>➤ Agrees tolerance levels for risk</li> <li>➤ Agrees the appetite for risk</li> </ul>  |



|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>➤ Receives updates on any new significant emerging risks and opportunities</li> <li>➤ Assigns responsibility for the Council's strategic risks</li> <li>➤ Prioritises opportunities detailed on the opportunity register</li> <li>➤ Ensures that risk and opportunity management is embedded in the culture of the organisation</li> <li>➤ Ensures consistency of approach to risk and opportunity management across the Council</li> <li>➤ Provides a quarterly report to Audit Committee on Strategic Risks</li> </ul>   |
| Corporate Governance Group                                | <ul style="list-style-type: none"> <li>➤ Carries out quarterly 'spot checks' on operational and project risk registers to ensure that registers are being used within the framework</li> <li>➤ Offers advice and guidance on reporting of risks</li> </ul>  |
| Publica Group Managers and Executive Directors            | <ul style="list-style-type: none"> <li>➤ Act as a central point for coordination and dissemination of information on risk and opportunity</li> <li>➤ Review risk and opportunity management systems and their implementation on a regular basis</li> <li>➤ Raise awareness of risk and opportunity issues and the Council's approach to risk and opportunity management</li> <li>➤ Encourage and support development and effective implementation of the Risk and Opportunity Management strategy</li> <li>➤ Assist Business Managers to identify, assess and monitor operational risks and opportunities</li> <li>➤ Ensure a responsible officer is assigned to manage each significant risk</li> <li>➤ Identify resources to address the highest priority risks</li> <li>➤ Escalate significant emerging risks and opportunities to the Council's Local Management Team</li> <li>➤ Discuss significant emerging risk and opportunities at regular briefings with Cabinet Members</li> </ul> |
| Publica Business Managers and equivalent Council Managers | <ul style="list-style-type: none"> <li>➤ Identify team level risks and opportunities and lead reviews within their teams, as part of the operational planning process and on an ongoing basis throughout the year</li> <li>➤ Provide a quarterly update to Group Manager, in particular highlighting those risks that are emerging, recurring, high level (above 10) or may become strategic</li> <li>➤ Monitor progress against mitigation actions and updating risk registers on a quarterly basis</li> <li>➤ Discuss significant emerging risk and opportunities at regular briefings with Cabinet Members</li> </ul>  |
| Business Manager – Corporate Responsibility               | <ul style="list-style-type: none"> <li>➤ Responsible for ensuring that risk management processes are in place</li> </ul>  |

|                                       |   |
|---------------------------------------|---|
|                                       | <ul style="list-style-type: none"> <li>➤ Recommends changes to the Risk and Opportunity Management Strategy</li> <li>➤ Ensures that appropriate guidance and training is provided to staff as required.</li> </ul>  |
| Risk Owners                           | <ul style="list-style-type: none"> <li>➤ Ensure that appropriate resources and importance are allocated to the risk and opportunity management process</li> <li>➤ Confirm the existence and effectiveness of existing actions and ensuring that any further actions are implemented</li> <li>➤ Provide assurance that the risks for which they are the risk owner are being effectively managed.</li> </ul>   |
| Project and Programme Managers        | <ul style="list-style-type: none"> <li>➤ Establish and maintain Programme Risk and Issue Registers</li> <li>➤ Ensure project or programme risks are being identified, assessed, controlled, monitored and reported throughout the project's or programme's lifecycle</li> <li>➤ Escalate risks which have an impact on the ability to deliver the project or programme within the approved constraints of time, cost, quality and scope to the Project or Programme Board, relevant Publica Executive Director, Publica Group Manager and Publica Business Manager who will be responsible for discussing with the Council's Local Management Team</li> </ul> |
| All Staff                             | <ul style="list-style-type: none"> <li>➤ Consider risk and opportunity as part of their everyday work</li> <li>➤ Where appropriate draw their line manager's attention to risk, for instance where risk is increasing or a new risk or opportunity is identified.</li> </ul>  |
| Internal Audit                        | <ul style="list-style-type: none"> <li>➤ Provides information and assurance on the reliability and effectiveness of internal controls</li> <li>➤ Highlights issues resulting from specific internal audits that should be considered by Publica Executive Directors, Publica Group Managers and Publica Business Managers and the Council Local Management Team</li> </ul>  |
| Partners/Contract Monitoring Officers | <ul style="list-style-type: none"> <li>➤ Actively manage risk within the partnership / contract</li> <li>➤ Report on risk management issues to partnership / contract boards or equivalent.</li> </ul>  |

## 5. Embedding Risk and Opportunity Management

For risk and opportunity management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day to day working. Monitoring of associated actions should be considered as part of a number of the Council's significant business processes;

- Corporate Decision Making – Addressing significant risks and opportunities
- Business Planning – Updating service plans to reflect operational risks and current priorities

- Project Management – Considering risks and opportunities linked to delivering the project outcomes before and throughout the project. This includes risks that have an effect on service delivery, benefits realisation and key stakeholders
- Partnership working – Establishing procedures to record and monitor risk and opportunities that may impact the Council or its partnership aims
- Commissioning - Identifying and keeping under review risks associated with all stages of the commissioning cycle
- Contract management – Identifying and keeping under review risks associated with all stages of contract management
- Insurance – Managing insurable risks and self-insurance arrangements

## Culture

Developing an effective risk and opportunity management culture is a critical part of the risk and opportunity management process and takes time. In building this culture it is important that:

- Lessons from activities that lead to loss or reputational damage or positive outcomes through improvements to services are shared and acted on.
- There is a clear analysis of the risks and a robust justification for decisions, enabling officers and Members to be more creative and innovative in progressing opportunities that benefit the Council and the district
- Discussion on risk and opportunity in any context is conducted in an open and honest manner.

## 6. Key Success Factors

The following are crucial to the successful embedding of risk management.

- The implementation of this strategy must be endorsed by the Local Management Team and positively supported by all officers
- Risk management needs to be part of the annual business planning process
- Risks and opportunities should be incorporated within items for discussion as part of:
  - Strategy review
  - Budget approval meetings
  - Performance reviews
  - Project planning and review meetings
- There should be a regular update of the risk register by the managers who are accountable and responsible for their mitigation
- Training will be provided to all staff, appropriate to their level of responsibility.

## Annex A – Public Risk and Opportunity Management Guide

|                             |  |
|-----------------------------|--|
|                             | <b>COTSWOLD DISTRICT COUNCIL</b>   |
| Name and date of Committee  | <b>AUDIT COMMITTEE – 23 NOVEMBER 2021</b>  |
| Report Number               | <b>AGENDA ITEM</b>   |
| Subject                     | <b>ANNUAL GOVERNANCE STATEMENT – ACTION PLAN</b>   |
| Wards affected              | ALL  |
| Accountable member          | Cllr Joe Harris, Leader<br>Email: <a href="mailto:joe.harris@cotswold.gov.uk">joe.harris@cotswold.gov.uk</a>     |
| Accountable officer         | Rob Weaver, Chief Executive<br>Email: <a href="mailto:rob.weaver@cotswold.gov.uk">rob.weaver@cotswold.gov.uk</a> |
| Summary/Purpose             | This report presents an update on the Governance Action Plan for 2021/22   |
| Annexes                     | Annex A Annual Governance Statement Action Plan 2021/22 including progress updates.                              |
| Recommendation              | To note progress against items in the Governance Action Plan for 2021/22   |
| Corporate priorities        | Not applicable   |
| Key Decision                | NO   |
| Exempt                      | NO   |
| Consultees/<br>Consultation | The Corporate Action Plan has been shared with statutory officers, Executive Directors and Group Managers        |



## **1. REASONS FOR RECOMMENDATION**

- 1.1. The Audit Committee is the Committee of the Council charged with governance.
- 1.2. The Accounts and Audit Regulations 2011 require the Council to produce an Annual Governance Statement (AGS), setting out the state of the Council's governance arrangements for the previous financial year.
- 1.3. The AGS for 2020/2021 was presented to this Committee on 22 July 2021 and is included within the approved Annual Statement of Accounts. The AGS identified eight areas for focussed improvement during 2021/2022.
- 1.4. Progress reports covering these areas are made to this Committee on a quarterly basis so that it may monitor progress in improving the Council's governance arrangements.
- 1.5. An action plan for 2021/2022 covering the eight areas of focus is shown at Annex A.

## **2. BACKGROUND**

### **2.1. The AGS areas of focus, identified for 2021/2022 are:**

- Audit recommendations
- Procurement and contract management
- Constitution and officer schemes of delegation
- Operational risks
- Responsibility and accountability of the Council's Senior Leadership Team and Publica Management Team
- Budget management
- Project and programme management
- Health and safety

## **3. LEGAL IMPLICATIONS**

- 3.1. These are set out in the report.

## **4. RISK**

- 4.1. If governance is weak the Council runs the risk of failing to safeguard the use of public money. In turn this would lead to poor external assessments, damaging the reputation of the Council. The areas of focus for the coming financial year identified in the Annual Governance Statement provide a clear set of priorities for the continual improvement of governance to mitigate risk.

## **5. BACKGROUND PAPERS**

- 7.1 The following documents have been identified by the author of the report in accordance with section 100D.5(a) of the Local Government Act 1972 and are listed in accordance with section 100 D.1(a) for inspection by members of the public:

- Agenda Item 11 – Audit Committee 22<sup>nd</sup> July 2021



- 7.2 These documents will be available for inspection at the Council Offices at Trinity Road, Cirencester during normal office hours for a period of up to 4 years from the date of the meeting. Please contact the author of the report.

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## ANNUAL GOVERNANCE ACTION PLAN 2021/2022

**Notes and key**

Each action in the plan is marked with a 'traffic light' as follows:

|              |  |
|--------------|--|
| <b>Green</b> | On target  |
| <b>Amber</b> | Off target but action being taken to ensure delivery (where this results in a reviewed target date, this is made clear in the table) |
| <b>Red</b>   | Off target and no action has yet been agreed to resolve the situation  |

**Completed** actions are marked as such in the 'Date' column and are shaded grey

This action plan contains actions from the Annual Governance Statement 2020/2021 which are coordinated and monitored by the Local Management Team.

**Key to officers**Accountable officer

Monitoring Officer: Angela Claridge

Chief Executive: Rob Weaver

S.151 Officer: Jenny Poole

Responsible officer

Publica Strategic Support Officer - Risk and Compliance: Mike Butler

Publica Business Manager for Corporate Responsibility: Claire Hughes

Publica Business Manager for Finance: Debra Goodall

Publica Senior Procurement Business Partner: Ciaran O'Kane

Publica Executive Director (Services): Frank Wilson

Publica Business Partner - Health and Safety: Katrin Richardson

|             | Key Area of Focus                    | Actions  | Responsible Officer  | Accountable Officer                         | Completion due by                         | Progress  |
|-------------|--------------------------------------|--|--|---|---|---|
| 1.<br>GREEN | Audit recommendations                | <p>Managers to ensure compliance with agreed timescales to implement recommendations</p> <ul style="list-style-type: none"> <li>Level 1 &amp; 2 recommendations to be monitored and reported quarterly to Audit Committees. Managers will give feedback where there has been an unacceptable delay.</li> <li>All recommendations to be reported quarterly to the Council Management Team. Managers will give feedback where there has been an unacceptable delay.</li> </ul> | <p>SWAP Audit</p> <p>Publica Strategic Support Officer - Risk and Compliance</p> | <p>S.151 Officer</p> <p>S.151 Officer</p>   | <p>November 2021</p> <p>November 2021</p> | <p>Reported by Internal Audit at each Audit Committee</p> <p>Reporting to begin in October 2021</p>   |
| 2.<br>GREEN | Procurement and contract management. | <ul style="list-style-type: none"> <li>Compliance with new strategy for procurement and contract management.</li> <li>Ensure all contract conditions are being monitored and fulfilled.</li> </ul>   | <p>Publica Business Manager for Procurement</p> <p>All budget holders</p>        | <p>S.151 Officer</p> <p>Chief Executive</p> | <p>March 2022</p> <p>March 2022</p>       | <p>Procurement and Commissioning Board established and meets monthly to review upcoming procurements. S151, Group Managers, Business Managers and Commissioners in attendance. The purpose of the Board is to ensure effective Commissioning takes place prior to Procurement. Procurement Strategy on hold pending update from Central Government advice on post Brexit on Public Contract Regulations.</p> <p>A training plan is currently being developed internally</p> |

|    |   |  |   |                    |               |  |
|----|---|--|---|--------------------|---------------|--|
|    |   | <ul style="list-style-type: none"> <li>Financial management training to cover procurement and commissioning.</li> </ul>  | Publica Business Manager for Procurement / Publica Business Manager for Finance | S.151 Officer      | March 2022    | A training plan is currently being developed internally    |
| 3. | Constitution and officer schemes of delegation.   | <ul style="list-style-type: none"> <li>Schemes of delegation to be updated.</li> </ul>   | Monitoring Officer  | Monitoring Officer | March 2022    | Outstanding  |
|    |   | <ul style="list-style-type: none"> <li>Training to be provided where appropriate for Officers given delegated authority.</li> </ul>  | Monitoring Officer  | Monitoring Officer | March 2022    | Outstanding  |
|    |   | <ul style="list-style-type: none"> <li>A training programme for Members to be developed.</li> </ul>  | Monitoring Officer  | Monitoring Officer | March 2022    | Outstanding  |
| 4. | Operational Risks.  | <ul style="list-style-type: none"> <li>Governance Group to carry out a quarterly review of operational risk registers to ensure that they are being appropriately populated and that emerging high level risks are being escalated to strategic/corporate register.</li> </ul> | Publica Business Manager for Corporate Responsibility                           | Chief Executive    | November 2021 | Process to be implemented from October 2021                |
| 5. | Responsibility and accountability of the Council's Senior Leadership Team and Publica Management Team | <ul style="list-style-type: none"> <li>Clarify and embed responsibility and accountability between the Council's Senior Leadership Team and Publica's Management Team.</li> </ul>  | Executive Director (Services)   | Chief Executive    | March 2022    | Local Leadership Team including Lead Director for Publica. |
|    |   | <ul style="list-style-type: none"> <li>Clarify responsibility and accountability of Publica Officers.</li> </ul>   | Executive Director (Services)   | Chief Executive    | March 2022    | Reaffirmed the roles between Commissioning and Delivery.   |

|                         |                                   |  |   |                 |              |   |
|-------------------------|-----------------------------------|--|---|-----------------|--------------|---|
| 6.<br>GREEN             | Budget management                 | <ul style="list-style-type: none"> <li>Review of approvers on 'Business World' to ensure only the approved budget holder (or line manager) is able to approve spending.</li> </ul> | Publica Business Manager for Finance                    | S.151 Officer   | March 2022   | Included as part of a bigger review on Business World   |
|                         |                                   | <ul style="list-style-type: none"> <li>Provide financial management training to cover budget management.</li> </ul>  | Publica Business Manager for Finance                    | S.151 Officer   | March 2022   | Provided as and when needed.  |
| 7.<br>GREEN<br>Page 220 | Project and programme management. | <ul style="list-style-type: none"> <li>New framework for project and programme management to be rolled out.</li> </ul>   | Publica Business Manager for Corporate Responsibility   | Chief Executive | March 2022   | The framework was launched in Oct 2020 and has been in use since then. The roll out of a Project Management Framework support library to support use of the framework is being rolled out from mid October 2021.  |
|                         |                                   | <ul style="list-style-type: none"> <li>High level project risks to be escalated to Strategic/Corporate register.</li> </ul>  | Publica Strategic Support Officer - Risk and Compliance | Chief Executive | January 2022 | Monthly project updates on the project register provide a mechanism to flag that there is a new/increased project risk to raise. The Governance Group will look at a sample of project risk registers at their meetings to check that they are being completed and that risks are being escalated appropriately |
| 8.<br>GREEN             | Health and Safety                 | <ul style="list-style-type: none"> <li>Health and safety audits to be refreshed as we come out of 'lockdown' and work on an increasingly agile basis.</li> </ul>                   | Publica Business Partner - Health and Safety            | Chief Executive | Complete     | A schedule of audits has been compiled which will cover all service areas over a four year cycle. This includes follow up audits to ensure any necessary actions have been put in place.  |
|                         |                                   | <ul style="list-style-type: none"> <li>Fire Risk Assessments to be refreshed as we come out of 'lockdown' and work on an increasingly agile basis.</li> </ul>                      | Publica Business Partner - Health and Safety            | Chief Executive | Complete     | Fire risk assessments refreshed and will be updated in 2022. Quarterly review meetings held with Chief Executive.   |



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|                            |  |
|----------------------------|--|
| Council name               | COTSWOLD DISTRICT COUNCIL  |
| Name and date of Committee | AUDIT COMMITTEE – 23 NOVEMBER 2021   |
| Report Number              | AGENDA ITEM 10   |
| Subject                    | USE OF THE INTERNET AND SOCIAL MEDIA IN INVESTIGATIONS AND ENFORCEMENT POLICY  |
| Wards affected             | All indirectly   |
| Accountable member         | <p>Cllr Joe Harris, Leader of the Council</p> <p>Email: <a href="mailto:Joe.Harris@cotswold.gov.uk">Joe.Harris@cotswold.gov.uk</a></p>   |
| Accountable officer        | <p>Emma Cathcart, Counter Fraud Unit Manager</p> <p>Email: <a href="mailto:Emma.Cathcart@cotswold.gov.uk">Emma.Cathcart@cotswold.gov.uk</a></p>  |
| Summary/Purpose            | To present the Audit Committee with a new Use of the Internet and Social Media in Investigations and Enforcement Policy for comment.   |
| Annexes                    | Annex A – Use of the Internet and Social Media in Investigations and Enforcement Policy  |
| Recommendation(s)          | <i>That the Committee considers the Use of the Internet and Social Media in Investigations and Enforcement Policy and provides comments to the Cabinet for consideration.</i>              |
| Corporate priorities       | Delivering our services to the highest standards.  |
| Key Decision               | NO   |
| Exempt                     | NO   |
| Consultees/ Consultation   | Any Policies drafted or revised by the Counter Fraud Unit have been reviewed by Legal Services and have been issued to the Governance Group and the Council’s leadership team for comment. |



## **1. BACKGROUND**

- 1.1** In administering its responsibilities; this Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor.
- 1.2** The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate and community plans.
- 1.3** The Counter Fraud Unit was tasked with reviewing and developing the Council's Policy and procedures on accessing the internet and social media for investigations and enforcement purposes.

## **2. MAIN POINTS**

- 2.1** The Council's Policies are based on the legislative requirements of the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA) and the Codes of Practice relating to directed surveillance and the acquisition of communications data.
- 2.2** Whilst there has been a general decline in the use of covert surveillance activity, Councils have come under increased scrutiny in this area by Investigatory Powers Commissioner's Office (IPCO) during inspections and there are a number of recommendations in their annual reports, procedures and guidance.
- 2.3** IPCO confirms that, where inspections reveal activity - particularly with regard to intelligence gathering through the use of the internet and social media - evidence should demonstrate that consideration has been given to whether the activity could be considered surveillance and the appropriate authorisation sought.
- 2.4** Existing arrangements have been reviewed and the Policy for ensuring compliance has been developed, attached at Appendix A. The Policy is generic and broad to ensure that the integrity of investigations and methods of detection are not revealed.
- 2.5** The procedure that derives from this Policy is a confidential document available to members of staff involved in investigation work only who are authorised to undertake research and investigation using open source internet applications (as investigative tools) or other civil or criminal enforcement and recovery work.
- 2.6** The Council takes responsibility for ensuring its procedures relating to surveillance and the acquisition of communications data are continuously improved and all activity is recorded.





### **3. FINANCIAL IMPLICATIONS**

- 3.1 The adoption and approval of this Policy will support the Council's objectives in reducing crime and financial loss.

### **4. LEGAL IMPLICATIONS**

- 4.1 The Council is required to ensure that it complies with the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016 and any other relevant legislation regarding investigations. Any authorisations for directed/covert surveillance or the acquisition of communications data undertaken should be authorised by the appropriate Officer and recorded in the Central Register.
- 4.2 The Council has a statutory obligation for enforcing a wide range of legislation, where it is necessary and proportionate to do so. Human Rights implications are a consideration of this type of activity and this is included within the Policies.

### **5. RISK ASSESSMENT**

- 5.1 The RIPA and IPA Policies demonstrate the Council's consideration of necessity, proportionality and public interest when deciding on surveillance activity or the decision to obtain personal communication data.

### **6. EQUALITIES IMPACT**

- 6.1 The application of the RIPA and IPA Policies and Procedures, to govern surveillance and the obtaining of personal communications data, minimises the risk that an individual's Human Rights will be breached. Furthermore it protects the Council from allegations of the same.

### **7. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS**

- 7.1 None.

### **8. BACKGROUND PAPERS**

- 8.1 Cabinet Report December 2019 - Regulation of Investigatory Powers Act 2000 Surveillance and Covert Human Intelligence Source Policy / Investigatory Powers Act 2016 Acquisition of Communications Data Policy.

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Use of the Internet and Social Media for Investigations and Enforcement Policy

|                             |  |
|-----------------------------|--|
| <b>Version Control</b>      |  |
| <b>Document Name:</b>       | Use of the Internet and Social Media for Investigations and Enforcement Policy |
| <b>Version:</b>             | 1  |
| <b>Responsible Officer:</b> | Emma Cathcart, Counter Fraud Unit  |
| <b>Approved by:</b>         | Cabinet / Executive Committee  |
| <b>Date First Approved:</b> | TBC  |
| <b>Next Review Date</b>     |  |
| <b>Retention Period:</b>    | N/A  |

**Revision History**

| Revision date | Version | Description |
|---------------|---------|-------------|
|               |         |             |

**Consultees**

| Internal  | External |
|---|----------|
| Enforcement Lead Officers<br>Governance Group<br>Legal Services<br>Corporate Management<br>Audit / Audit and General Purposes / Audit and Governance / Audit, Compliance and Governance Committee |          |

**Distribution**

| Name                 |  |
|----------------------|--|
| Enforcement Officers |  |

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## 1. INTRODUCTION

- 1.1 Online open source research is widely regarded as the collection, evaluation and analysis of material from online sources available to the public, whether by payment or otherwise, to use as intelligence and evidence.
- 1.2 The use of online open source Internet and Social Media research is a method of obtaining information to assist the Council with its regulatory and enforcement functions. It can also assist with service delivery issues. However, the use of the Internet and Social Media is constantly evolving and with it the risks, particularly regarding breaches of privacy under Article 8 of the Human Rights Act (HRA) 1998 and other operational risks.
- 1.3 The Council is a Public Authority in law under the HRA, and as such, the staff of the Authority must always work within this legislation. This applies to research on the Internet.
- 1.4 Researching, recording, storing, and using open source information regarding a person or group of people must be both necessary and proportionate and take account of the level of intrusion against any person. The activity may also require authorisation and approval by a Magistrate under the Regulation of Investigatory Powers Act (RIPA) 2000. To ensure that any resultant interference with a person's Article 8 Right (respect for private and family life) is lawful, the material must be retained and processed in accordance with the principles of the General Data Protection Regulation (GDPR) 2016 and Data Protection legislation.

## 2. SCOPE OF POLICY

- 2.1 This Policy and associated Procedure establishes the Council's approach to ensuring that all online research and investigations are conducted lawfully and ethically to reduce risk. It provides guidance to all staff within the Council, about legislative framework and implications associated with online Internet and Social Media research, when engaged in their official capacity. It will also ensure that the activity undertaken, and any evidence obtained, will withstand scrutiny.
- 2.2 This Policy takes account of the HRA, RIPA, Criminal Procedures and Investigations Act (CPIA) 1996, Data Protection legislation and regulations and National Police Chiefs Council (NPCC) Guidance on Open Source Investigation/Research.
- 2.3 This Policy and associated Procedure will be followed at all times and should be read, where required, with the RIPA Codes of Practice and any other legislation and relevant policies mentioned in this document. Should there be any queries advice can be sought from the RIPA Coordinator within the Counter Fraud Unit.
- 2.4 This Policy should not be exempt from disclosure under the Freedom of Information Act 2000.

**3. RISK**

- 3.1 Staff must be aware that any activity carried out using the Internet leaves a trace or footprint which can identify the device used, and, in some circumstances, the individual carrying out the activity. This may pose a legal and reputational risk to the Council if they are challenged by the subject of the research for breaching Article 8.1 of the HRA which states “Everyone has the right to respect for his private and family life, his home and his correspondence”.
- 3.2 Article 8.2 states “There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals or for the protection of the rights and freedoms of others”. It is therefore important that the Council can demonstrate that such activity was necessary and proportionate.
- 3.3 Monitoring of an individual’s social media or other open source information on a repeated or continuous basis could constitute surveillance by a Public Authority and fall with the realms of RIPA.
- 3.4 Breach of an individual’s rights under the HRA leaves the Council open to claims for financial compensation and the consequential reputational damage.
- 3.5 Failure to implement and follow a policy could risk compromising the integrity of evidence and any associated investigation.

**4. NECESSITY / JUSTIFICATION**

- 4.1 To justify the intrusion and interference with an individual’s privacy there must be a clear and lawful reason for the activity. Therefore the necessity for the research such as the criminal conduct that it is aimed to prevent or detect must be identified and clearly described. This should be documented with clear objectives. Should the research fall within RIPA activity, the RIPA authorisation will deal with the criteria for it to be lawful intrusion.

**5. PROPORTIONALITY**

- 5.1 Proportionality involves balancing the level of intrusion of the research on the subject and other innocent third parties who might be affected by it (collateral intrusion) against the need for the activity in operational terms.
- 5.2 The Officer must consider and document the benefit to carrying out the activity and how the benefit will outweigh the intrusion.
- 5.3 The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means.
- 5.4 All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair.

**6. PRIVATE INFORMATION**

- 6.1 Private information is defined in the RIPA Codes of Practice and states it “includes any information relating to a person’s private or family life. Private information should be taken generally to include any aspect of a person’s private or personal relationship with others, including family and professional or business relationships.”
- 6.2 Prior to, and during, any research Staff must take into account the privacy issues of any person associated with the research.
- 6.3 There are three broad categories of private information applicable here:
- 6.4 Category 1 - Viewing publically available postings or websites where the person viewing does not have to register a profile, answer a question, or enter any significant correspondence in order to view. For example, a typical trader’s website.
- 6.5 Category 2 - Viewing postings on social networks where the viewer has had to register a profile but otherwise there is no other restriction on access. This would include Facebook where there is no need to be accepted as a “friend” to view. For example a trader has a “shop window” on Facebook advertising a business and products.
- 6.6. Category 3 - Viewing postings on social networks which require a “friend” or similar status to view.

**7. REVIEWING THE ACTIVITY**

- 7.1 During the course of conducting the Internet open source research, the nature of the online activity may evolve. It is important that Staff continually assess and review their activity to ensure it remains lawful and compliant. Where it evolves into RIPA activity, the RIPA procedure should be followed. If in doubt, Staff should seek advice from the RIPA Coordinator within the Counter Fraud Unit.

**8. USE OF MATERIAL**

- 8.1 The material obtained from conducting open source Internet and Social Media research may be used as intelligence or evidence.
- 8.2 Any material gathered from the Internet during the course of a criminal investigation must be retained in compliance with the Criminal Procedure and Investigations Act (CPIA) Codes of Practice and all material stored in line with the General Data Protection Regulations (GDPR) data retention policies.

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|                            |  |
|----------------------------|--|
| Council name               | COTSWOLD DISTRICT COUNCIL  |
| Name and date of Committee | AUDIT COMMITTEE – 23 NOVEMBER 2021   |
| Report Number              | AGENDA ITEM 11   |
| Subject                    | ANNUAL OMBUDSMAN LETTER 2020/21  |
| Wards affected             | All  |
| Accountable member         | Cllr Joe Harris, Leader of the Council<br>Email: <a href="mailto:Joe.Harris@cotswold.gov.uk">Joe.Harris@cotswold.gov.uk</a>  |
| Accountable officer        | Angela Claridge, Interim Monitoring Officer<br>Email: <a href="mailto:angela.claridge@cotswold.gov.uk">angela.claridge@cotswold.gov.uk</a>   |
| Summary/Purpose            | This report informs Audit Committee about the annual Local Government & Social Care Ombudsman’s (LGO’s) letter for 2021  |
| Annexes                    | LGO’s 2020/21 annual letter dated 21.07.2021<br><br>Excel Workbook(s) providing additional information on: <ul style="list-style-type: none"> <li>o the complaints and enquiries received in the period</li> <li>o the decisions made in the period</li> <li>o compliance with recommendations recorded during the period</li> </ul> |
| Recommendation(s)          | <i>That the Committee note the Ombudsman’s letter.</i>   |
| Corporate priorities       | Delivering our services to the highest standards.  |
| Key Decision               | NO   |
| Exempt                     | NO   |
| Consultees/ Consultation   | Deputy Chief Executive   |



## 1.0 BACKGROUND

- 1.1 At Full Council on 14 July 2021, the responsibilities for Audit Committee were amended to include:

”Formulating and keeping under review the Council’s arrangements for handling complaints and investigations by the Local Government Ombudsman (LGO)”.

- 1.2 The LGO has now published its annual complaint figures, for the year ending 31 March 2021, in respect of each local authority. This is the first time this committee has had the opportunity to consider and comment on the LGO’s annual letter and supporting workbook. In the past this has been reported to Cabinet and Overview & Scrutiny Committee as part of the quarterly performance monitoring reports.

## 2.0 MAIN POINTS

- 2.1 In summary, in 2020/21 the LGO received 8 complaints about the Council, an increase from 6 the previous year. The annexe attached shows the service areas to which the complaints related. During this period the LGO also determined 5 complaints about the Council. Again, details are also included in the annexe.
- 2.2 This ranks Cotswold District Council as number five of all local authority district councils in the south west for the least number of complaints.
- 2.3 The LGO’s letter does not flag up any areas of concern about either the Council’s services or its procedures for dealing with complaints. However, Members will be aware that the LGO has recently upheld a complaint referred to it from a Cotswold resident and determined the resident suffered “injustice”, which was reported to the Cabinet on 6 September 2021. This case will be included in the 2021/22 annual letter as it relates to the timeframe when the decision is made as opposed to when the complaint is submitted.

## 3.0 LEGAL IMPLICATIONS

- 3.1 The Ombudsman’s letter gives an indication of the Council’s approach to dealing with complaints. A fair and open complaint handling process is one indicator of the strength of the Council’s corporate governance arrangements.

## 4.0 BACKGROUND PAPERS

Cabinet report 06.09.2021: Ombudsman Decision – Reference 20 008 553 & Council Tax Section 13A Policy

(END)

21 July 2021

*By email*

Ms Gore  
Interim Chief Executive  
Cotswold District Council

Dear Ms Gore

### **Annual Review letter 2021**

I write to you with our annual summary of statistics on the decisions made by the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2021. At the end of a challenging year, we maintain that good public administration is more important than ever and I hope this feedback provides you with both the opportunity to reflect on your Council's performance and plan for the future.

You will be aware that, at the end of March 2020 we took the unprecedented step of temporarily stopping our casework, in the wider public interest, to allow authorities to concentrate efforts on vital frontline services during the first wave of the Covid-19 outbreak. We restarted casework in late June 2020, after a three month pause.

We listened to your feedback and decided it was unnecessary to pause our casework again during further waves of the pandemic. Instead, we have encouraged authorities to talk to us on an individual basis about difficulties responding to any stage of an investigation, including implementing our recommendations. We continue this approach and urge you to maintain clear communication with us.

### **Complaint statistics**

This year, we continue to focus on the outcomes of complaints and what can be learned from them. We want to provide you with the most insightful information we can and have focused statistics on three key areas:

**Complaints upheld** - We uphold complaints when we find some form of fault in an authority's actions, including where the authority accepted fault before we investigated.

**Compliance with recommendations** - We recommend ways for authorities to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

**Satisfactory remedy provided by the authority** - In these cases, the authority upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit authorities that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your authority with similar types of authorities to work out an average level of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data will be uploaded to our interactive map, [Your council's performance](#), along with a copy of this letter on 28 July 2021. This useful tool places all our data and information about councils in one place. You can find the decisions we have made about your Council, public reports we have issued, and the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

I would encourage you to share the resource with colleagues and elected members; the information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

As you would expect, data has been impacted by the pause to casework in the first quarter of the year. This should be considered when making comparisons with previous year's data.

### **Supporting complaint and service improvement**

I am increasingly concerned about the evidence I see of the erosion of effective complaint functions in local authorities. While no doubt the result of considerable and prolonged budget and demand pressures, the Covid-19 pandemic appears to have amplified the problems and my concerns. With much greater frequency, we find poor local complaint handling practices when investigating substantive service issues and see evidence of reductions in the overall capacity, status and visibility of local redress systems.

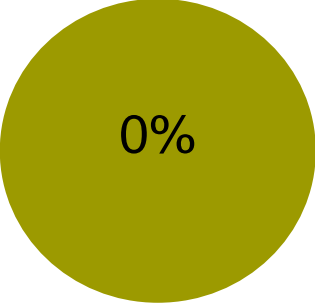
With this context in mind, we are developing a new programme of work that will utilise complaints to drive improvements in both local complaint systems and services. We want to use the rich evidence of our casework to better identify authorities that need support to improve their complaint handling and target specific support to them. We are at the start of this ambitious work and there will be opportunities for local authorities to shape it over the coming months and years.

An already established tool we have for supporting improvements in local complaint handling is our successful training programme. During the year, we successfully adapted our face-to-face courses for online delivery. We provided 79 online workshops during the year, reaching more than 1,100 people. To find out more visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

Yours sincerely,



Michael King  
Local Government and Social Care Ombudsman  
Chair, Commission for Local Administration in England

| Complaints upheld   |   |
|---|---|
|  | <p><b>0%</b> of complaints we investigated were upheld.</p> <p>This compares to an average of <b>53%</b> in similar authorities.</p> <p><b>0</b> upheld decisions</p> <p>Statistics are based on a total of 1 detailed investigation for the period between 1 April 2020 to 31 March 2021</p> |
| Compliance with Ombudsman recommendations   |   |
| No recommendations were due for compliance in this period                         |   |
| Satisfactory remedy provided by the authority                                     |   |
| The Ombudsman did not uphold any detailed investigations during this period       |   |

**NOTE:** To allow authorities to respond to the Covid-19 pandemic, we did not accept new complaints and stopped investigating existing cases between March and June 2020. This reduced the number of complaints we received and decided in the 20-21 year. Please consider this when comparing data from previous years.

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| <b>Reference</b> | <b>Authority</b>          |
|------------------|---------------------------|
| 20001778         | Cotswold District Council |
| 20003401         | Cotswold District Council |
| 20006186         | Cotswold District Council |
| 20009050         | Cotswold District Council |
| 20010279         | Cotswold District Council |
| 20006246         | Cotswold District Council |
| 20008553         | Cotswold District Council |
| 20008874         | Cotswold District Council |

| <b>Category</b>   | <b>Received</b> |
|---|-----------------|
| Environmental Services & Public Protection & Regulation | 16 Jul 2020     |
| Corporate & Other Services                              | 17 Aug 2020     |
| Planning & Development                                  | 09 Oct 2020     |
| Planning & Development                                  | 07 Dec 2020     |
| Benefits & Tax  | 22 Feb 2021     |
| Planning & Development                                  | 09 Oct 2020     |
| Benefits & Tax  | 25 Nov 2020     |
| Planning & Development                                  | 02 Dec 2020     |



| <b>Reference</b> | <b>Authority</b>          |
|------------------|---------------------------|
| 20001778         | Cotswold District Council |
| 20003401         | Cotswold District Council |
| 20006186         | Cotswold District Council |
| 20009050         | Cotswold District Council |
| 20010279         | Cotswold District Council |

| <b>Category</b>   | <b>Decided</b> |
|---|----------------|
| Environmental Services & Public Protection & Regulation | 26 Nov 2020    |
| Corporate & Other Services                              | 02 Oct 2020    |
| Planning & Development                                  | 27 Nov 2020    |
| Planning & Development                                  | 07 Dec 2020    |
| Benefits & Tax  | 29 Mar 2021    |

| <b>Decision</b>                    |
|------------------------------------|
| Not Upheld                         |
| Closed after initial enquiries     |
| Closed after initial enquiries     |
| Referred back for local resolution |
| Closed after initial enquiries     |

| <b>Decison Reason</b>                        |
|--|
| no mal                                       |
| Other reason not to investigate              |
| Not warranted by alleged injustice           |
| Premature Decision - advice given            |
| Not warranted by alleged mal/service failure |

| Remedy |
|--------|
|        |
|        |
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|        |

**Service improvement recommendations**

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| Reference                                     | Authority |
|---|-----------|
| No compliance data recorded during the period |           |

| Category | Decided |
|----------|---------|
|          |         |





| Remedy Target Date | Remedy Achieved Date |
|--------------------|----------------------|
|                    |                      |

**Satisfaction with Compliance**

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## WORK PLAN 2021/22

| COMMITTEE DATE         | ITEMS   |
|------------------------|---|
| <b>27 January 2022</b> | Internal Audit Monitoring Report  |
|                        | KPMG LLP Reports – Housing Benefit Subsidy Certification                                |
|                        | Capital, Investment and Treasury Management Strategies Report for 2022/23               |
|                        | Grant Thornton Reports  |
|                        | Corporate Risk Register Update  |
|                        | Cyber Security Update   |
|                        | Ubico – Governance Overview and Business Plan - Update                                  |
|                        | Update on elected member code of conduct issues including complaints and investigations |
|                        | Procurement of External Audit Services  |
|                        | Work Plan 2021/22   |
|                        |   |
|                        |   |
|                        |   |
| <b>28 April 2022</b>   | Grant Thornton Reports  |
|                        | Grant Thornton Assurance  |
|                        | Corporate Risk Register Updates   |
|                        | Counter Fraud Unit Report and Annual RIPA/IPA Update                                    |
|                        | Internal Audit Monitoring Report  |
|                        | Proposed 2022/23 Internal Audit Plan and Internal Audit Charter                         |
|                        | Work Plan 2022/23   |
|                        |   |
|                        |   |

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