

# Public Document Pack



**COTSWOLD**  
DISTRICT COUNCIL

Wednesday, 21 September 2022

Tel: 012856233181  
e-mail - [democratic@cotswold.gov.uk](mailto:democratic@cotswold.gov.uk)

## AUDIT COMMITTEE

A meeting of the Audit Committee will be held at CDC Trinity Road, Cirencester, GL7 1PX on **Thursday, 29 September 2022 at 4.00 pm.**

Rob Weaver  
Chief Executive

To: Members of the Audit Committee  
(Councillors Tony Berry, Patrick Coleman, Nick Maunder, Nigel Robbins, Gary Selwyn,  
Tom Stowe 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 - 10)**  
To confirm the minutes of the meeting of the Committee held on 21<sup>st</sup> July 2022
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. **Informing the Audit Risk Assessment - External Assurances (Pages 11 - 66)**  
Purpose  
To consider proposed management responses to the external's auditor's questions to inform their assessment of risk to underpin the audit of the accounts for the year ended 31 March 2022.  
  
Recommendation(s)  
a) That the Committee confirm their understanding and agreement with the responses provided by management to the auditors in Annex A.  
b) That the Committee are also asked to confirm their understanding and agreement with the approach to estimates set out in Annex B  
c) If any Committee members have any further comments or observations in respect of any of the areas set out in either documents, they should make them known to the auditors
8. **2021/22 Audit Plan (Pages 67 - 96)**  
Purpose  
To receive a report from Grant Thornton, the Council's external auditors regarding the audit plan for 2021/22  
  
Recommendation(s)  
That the Committee considers the Grant Thornton Audit Plan for 2021/22

9. **Treasury Management Outturn 2021/22 (Pages 97 - 104)**

Purpose

To present to the Committee the annual review of treasury management activity for the financial year 2021/22

Recommendation(s)

- For Members to receive and discuss the Annual Treasury Management Review for 2021/22;
- For Members to agree any comments to be passed to Full Council when considering this item.

10. **Draft Statement of Accounts 2021/22 (Pages 105 - 222)**

Purpose

This report presents to the Committee for consideration the published (unaudited) draft Statement of Accounts for the year ended 31 March 2022

Recommendation(s)

That the Committee notes the:

- (a) The draft unaudited Statement of Accounts 2020/21 (as attached at Annex A);
- (b) Key highlights from the Statement of Accounts 2021/22 as set out within this report.

11. **Counter Fraud and Anti-Corruption Policy (Pages 223 - 242)**

Purpose

To present the Audit Committee an updated Counter Fraud and Anti-Corruption Policy for comment and recommends to Cabinet that it be approved.

The Policy has been reviewed to ensure the content reflects current legislation and the Council's Policies and Procedures. The Policy will replace the existing Counter Fraud and Anti-Corruption Policy.

Recommendation(s)

That the Committee considers the draft Counter Fraud and Anti-Corruption Policy to comment thereon to Cabinet, to aid its deliberations and decision making.

12. **Counter Fraud and Enforcement Unit Fraud Risk Strategy (Pages 243 - 266)**

Purpose

To present the Audit Committee with a Fraud Risk Strategy, so that they may consider the approach taken by the Counter Fraud Partnership.

To provide assurance to the Audit Committee that the risks of fraud committed against the Council are recognised, managed and mitigated for in accordance with Council priorities, and changing fraud trends.

Recommendation(s)

That the Committee considers the Counter Fraud and Enforcement Unit Fraud Risk Strategy and associated work streams.

13. **Counter Fraud and Enforcement Unit Update (Pages 267 - 272)**  
Purpose  
To provide the Committee with assurance over the counter fraud activities of the Council. Direct updates will continue to be provided biannually.  
Work plans are presented to the Committee detailing progress and results for consideration and comment as the body charged with governance in this area.  
  
Recommendation(s)  
That the Audit Committee considers and comments on the report and the work plan at Annex A.
14. **Corporate Risk Register (Pages 273 - 284)**  
Purpose  
This report brings to members the current version of the Strategic Risk Register for information and assurance that risks to the Council are being managed and appropriate actions are being taken to mitigate risk.  
  
Recommendation(s)  
That the strategic risk register be noted
15. **Annual Governance Statement (Pages 285 - 330)**  
Purpose  
This report presents to the Audit Committee the draft Annual Governance Statement (AGS) for the financial year 2021/2022 and action plan for 2022/2023  
  
Recommendation(s)  
For Members to receive and discuss the draft Annual Governance Statement for 2021/2022 and action plan for 2022/2023
16. **Internal Audit Progress Reports (Pages 331 - 350)**  
Purpose  
To present a summary of the audit work concluded since the last meeting of this Committee.  
  
Recommendation(s)  
That the Committee considers the reports at Annexes A and B and comments as necessary
17. **Annual Standards Update (Pages 351 - 354)**  
Purpose  
This annual report is to advise the Committee of standards issues, including complaints against members for the year ending 31 March 2022.  
  
Recommendation(s)  
The Audit Committee are recommended to note this report.
18. **Work Plan (Pages 355 - 356)**  
Purpose  
To note the current work plan.



(END)

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Audit Committee  
21/July2022



COTSWOLD  
DISTRICT COUNCIL

## Minutes of a meeting of Audit Committee held on Thursday, 21 July 2022.

### Councillors present:

Nigel Robbins	Nick Maunder
Tony Berry	Tom Stowe
Patrick Coleman	Ray Theodoulou

### Officers present:

Jenny Poole – Deputy Chief Executive & Chief Finance Officer  
Angela Claridge – Director of Governance  
Mandy Fathers – Business Manager, Environment, Welfare and Revenue  
Michelle Burge – Chief Accountant  
Lucy Cater – Assistant Director, SWAP  
Mike Butler – Risk and Compliance Officer  
Caleb Harris – Democratic Services  
Wayne Smith – Democratic Services

### Observers:

Councillor Stephen Andrews

### **144 Apologies**

There were apologies provided from Councillor Gary Selwyn

### **145 Substitute Members**

There were no substitute Members

### **146 Declarations of Interest**

There were no declarations of interest from Members

There were no declarations of interest from Officers

### **147 Minutes**

The Committee reviewed the minutes of the Audit Committee Meeting from 28 April 2022.

RESOLVED: The Committee agreed that the minutes were an accurate record of the previous meeting held on the 28 April 2022.

**Voting Record - For 5, Against 0, Abstentions 0, Absent 2**

#### **148 Public Questions**

There were no public questions.

#### **149 Member Questions**

There were no Member questions

#### **150 KPMG LLP Reports - Housing Benefit Subsidy Certification**

The purpose of the report was for the Audit Committee to note the outcome of the Housing Benefit Subsidy Grant Certification audit for 2020/2021

The Committee noted that a request had been made for a year on year comparator and this had been provided at the end of the previous year. This was not available for the current year but would be included for the following year.

The Committee commented that a loss of 0.02% on Housing Benefit Subsidy was an exceptionally good achievement, especially considering the main IT system was replaced, and all data, was transferred to a new system during this period.

The Committee noted that of the £329,000 total Recoverable Overpaid Benefits, £110,000 had been recovered by the Council and the remainder would be recovered in the future (months and years) until all recoverable debt is repaid. Debts were only written off where payment recipients were declared bankrupt or abscond and could not be traced.

The Committee noted that the completion of the Housing Benefit Subsidy Grant Certification Audit 2020-21 had been delayed due to the work involved in transferring the data between two systems and Housing Benefit Subsidy Grant Certification Audit 2021-22 will be available in May 2023.

RESOLVED: The Audit Committee noted the outcome of the housing benefit subsidy certification work

#### **151 Internal Audit Annual Opinion**

The purpose of the report was to present a summary of the work undertaken by Internal Audit during 2021/22 and to give an overall opinion on levels of assurance resulting from this work.

The Assistant Director, SWAP introduced the report and confirmed that due to the information contained in The Internal Audit Annual Opinion, it was deemed unnecessary to submit a separate quarterly monitoring report. In place of this, a condensed version of the usual report had been produced containing a summary of the work concluded since the last meeting of this Committee.

The Committee noted that no significant risks had been identified over the previous year and the Council had been awarded a 'High Reasonable Assurance' which was the same as the previous year.

The Committee noted that the different areas selected for audit investigation each year meant that direct year on year comparisons were not possible, however the report could still

Audit Committee

21/July2022

provide reassurance that the overall audited performance and probity of the Council remained consistent.

The Council noted that five key Council areas will continue to be audited each year. These were:

- Business Continuity
- Continuous assurance
- Key financial audits
- Information governance and security
- Key front line services

The Council noted that the Summary of Audits By Type showed the Councils audits were broadly in line with other councils of similar size, with the exception of Advice and Consultancy which was higher due to additional work (e.g. over and underpayments) that had been required in these areas.

The Committee noted that 100% of audit customer-service survey forms had been returned (target 95%) and the overall service rating of these audits was 95%

The Committee noted that it was hoped that the nine outstanding priority two actions from the previous audit would be completed within the current year, but this would be determined by the Council or Public Officers completing them.

The Committee commented that the report recommended additional officer training *“to ensure all budget holders are aware of their debt management, recovery and write off responsibilities”* and requested the Business Manager, Finance provide clarification of any training need and remedial actions at the next meeting.

The Committee welcomed the inclusion of Privileged Account Management results as this had been outstanding for some time.

The Committee noted that Council Officers working remotely are subject to the same controls measures, and system security protocols as Officers working within Council premises.

RESOLVED: The Audit Committee considered and noted the report and comments.

## **152 Annual Governance Statement 2021/22**

The purpose of the report was to present the Audit Committee with the draft Annual Governance Statement (AGS) 2021/2022 for consideration and comment.

The Deputy Chief Executive introduced the report, but confirmed that it was not complete and would therefore be deferred to the September Audit Committee.

RESOLVED: The Audit Committee agreed the draft Annual Governance Statement for 2021/2022 would be deferred to the September Audit Committee meeting.

## **153 Corporate Risk Register Update**

The purpose of the report was to update the Committee on the changes and discuss the Corporate Risk Register.

The Risk and Compliance Officer introduced the report and summarised the main changes that had taken place since its previous presentation. An addition risk surrounding the Publica staff pay award (that may exceed its allocated budget), had been added.

The Committee noted that a Risk Management Group (meeting quarterly) had been established looking at all operational risks across the Publica groups to identify those that need to be included in the Corporate Risk Register.

The Committee noted that although it could not amend the register, it could identify significant risks for referral to Cabinet for consideration.

The Committee noted the increase to the risk CRR-016 Local Plan relating to the Council's ability to meet increased government housing need figures. *The Committee stated that losing the 5-year Housing Land Supply would have significant political and environmental consequences from subsequent unplanned development, and this risk should be referred to Cabinet for consideration.*

The Committee commented that fuel, utility bills and cost of living increases have had an impact across the country, and it would be helpful to have a regular summary outlining how these changes are affecting the Councils risks. The Deputy Chief Executive confirmed work on this was currently underway with reports going to both Cabinet and Overview and Scrutiny Committee in the autumn.

RESOLVED: The Audit Committee received and discussed the Corporate Risk Register

#### **154**    **Draft Accounts 2021/2022**

The purpose of this report was to note the presentation of the Draft Accounts 2021/2022

The Chief Accountant presented a three page summary of the key statements from the 100+ page Draft Accounts 2021/2022 that would be published 30 September 2022, with audited accounts available from 30 November to be brought to Audit Committee for consideration and approval. The key statements were:

- Comprehensive Income and Expenditure showed a surplus of £18,000
- £1.6m was transferred to the general fund due to the pension fund contributions not being required within this year (because these contributions had been paid as a single lump sum in a previous year).

The Committee noted that the summary only provided headline figures and it would be prudent to wait for the full published report with associated notes and commentaries, before asking detailed questions.

RESOLVED: The Audit Committee noted the summary of the Draft Accounts 2021/2022

#### **155**    **Value for Money Audit**

The purpose of this report was to present the external auditor's conclusion on the arrangements in place to secure value for money at the Council during 2020/21.

The External Auditor introduced the report that had been delayed due to resourcing issues during the pandemic. Although the report covered 2020/21, the delay in publishing had

enabled later improvements to be captured and included. The three categories of recommendations made by the auditors were presented to provide context to the individual findings:

- Statutory Recommendations – Most serious recommendations, requiring the Council to discuss and respond publicly to the report – **The Auditor did NOT make any recommendations in this category**
- Key Recommendations – Recommendations following identification of significant weaknesses in the key areas of: Financial Resilience, Governance, Economy, Efficiency and Effectiveness with action required to resolve these. **The Auditor did NOT make any recommendations in this category**
- Improvement Recommendations – Recommendations that would improve the arrangements of the Council. **The Auditor made FIVE recommendations in this category.**

The Committee noted and discussed the five recommendations from the Auditor, recommending that the Council:

- carefully monitored its investment strategy so that forecast additional savings were generated in line with the assumptions of the MTFS
- ensured continued close in-year monitoring to ensure savings were delivered and service redesign with partners was successfully implemented
- considered mapping risks to corporate objectives
- undertook a review of 2020/21 Revenue Outrun data to understand variances in unit costs with statistical neighbours
- continued to drive planned improvements with Publica including reviewing the effectiveness of planned changes to contract monitoring, governance and reporting arrangements from Publica to key decision makers.

The Committee noted that the Overview and Scrutiny Committee was reviewing the Councils monitoring data and the type and number of key measures being reported.

The Committee noted that several of the Councils unit costs were higher than those of comparative near-neighbour councils, although it was noted that previous analysis had often revealed legitimate reasons for these.

The Committee noted that the risk register could include risks that, for legitimate reasons (cost, complexity) would not be mitigated, and were therefore accepted by the Council

RESOLVED: The Committee considered and agreed to accept the report, the auditor improvement recommendations and the management responses

**Voting Record – For 5, Against 0, Abstentions 0, Absent 2,**

## **I56**    **Work Plan**

The Committee requested four additional items are added to the Work Plan

An extra Audit Committee meeting could be convened to enable the Auditor to provide training for officers

**29<sup>th</sup> September 2022 – Audit Committee**

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The Audit Committee agreed the draft Annual Governance Statement for 2021/2022 would be deferred to the September Audit Committee meeting.

**29<sup>th</sup> September 2022 - Audit Committee**

The Business Manager, Finance was asked to provide clarification of any training needs following a recommendation stating "... all budget holders are aware of their debt management, recovery and write off responsibilities and remedial actions at the September Audit Committee meeting.

**5<sup>th</sup> September 2022 - Cabinet**

The risk register indicated an increase in the risk applied to the 5-year Housing Land Supply and loss of this would have significant political and environmental consequences for the Council.

This risk should be referred to the next Cabinet meeting for consideration.

RESOLVED: The Committee noted the Work Plan and the extra items to be added.

The Meeting commenced at 4.00 pm and closed at 6.00 pm

Chair

(END)



# Agenda Item 7



**COTSWOLD**  
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 29 SEPTEMBER 2022
Report Number	AGENDA ITEM 7
Subject	INFORMING THE AUDIT RISK ASSESSMENT – EXTERNAL AUDIT ASSURANCE
Wards affected	All
Accountable member	Cllr. Mike Evely Deputy Leader and Cabinet Member for Finance
Accountable officer	Jo Moore, Interim Deputy Chief Executive and Chief Finance Officer Jo.moore@cotswold.gov.uk
Summary/Purpose	To consider proposed management responses to the external's auditor's questions to inform their assessment of risk to underpin the audit of the accounts for the year ended 31 March 2022.
Annexes	Annex A – Informing the audit risk assessment for Cotswold District Council 2021/22 Annex B – Accounting estimate management summary – Cotswold District Council 2021/22
Recommendation(s)	<p>a) <i>That the Committee confirm their understanding and agreement with the responses provided by management to the auditors in Annex A.</i></p> <p>b) <i>That the Committee are also asked to confirm their understanding and agreement with the approach to estimates set out in Annex B</i></p> <p>c) <i>If any Committee members have any further comments or observations in respect of any of the areas set out in either documents, they should make them known to the auditors</i></p>
Corporate priorities	Ensuring that all services delivered by the Council are delivered to the highest standard
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Chief Finance Officer, Monitoring Officer, Chief Executive, Counter Fraud Manager, SWAP Internal Audit



## **1. BACKGROUND**

- 1.1** Each year, the Council's external auditor is required to obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council. In addition, auditors need to understand how those charged with governance gain assurance that the Council complies with all relevant laws and regulations.
- 1.2** Auditing standard ISA (UK) 540 (Auditing Accounting Estimates and Related Disclosures) requires auditors to understand and assess an entity's internal controls in respect of accounting estimates, including ensuring that those charged with governance can satisfy itself that arrangements for accounting estimates are adequate. Annex B includes a number of detailed questions in respect of management's methods, assumptions and controls in respect of material accounting estimates included in the accounts.
- 1.3** Attached as **Annexes A and B** are the Council's proposed response to the questions posed to the Council by the external auditor, Grant Thornton LLP.

## **2. MAIN POINTS**

- 2.1** Each year, ahead of the commencement of the external audit fieldwork, the external auditor will seek certain information to inform their assessment of risk and to act as a two-way communication with those charged with governance. For CDC this is the Audit Committee.
- 2.2** The external auditor will be seeking to understand how the Audit Committee gains assurance on matters such as fraud, breaches of internal control, compliance with laws and regulations and accounting estimates.
- 2.3** In order to do this, Grant Thornton will seek responses to certain questions raised in their "Informing the Audit Risk Assessment" template. Draft management responses to the questions raised for the year ended 31 March 2022 are now attached at Annex A.
- 2.4** The external auditor will also need to update their understanding of key accounting estimates made in the 2021/22 statutory accounts and, again, will seek management responses to a series of questions in this regard.
- 2.5** The Committee are asked to confirm their understanding and agreement with the responses provided by management to the auditors in both Annexes A and B. Should any members have any further comments or observations in respect of any areas included in either document, they are asked to make this known to the auditors.



**3. FINANCIAL IMPLICATIONS**

**3.1** None directly arising from this report

**4. LEGAL IMPLICATIONS**

**4.1** None directly arising from this report.

**5. RISK ASSESSMENT**

**5.1** None

**6. EQUALITIES IMPACT**

**6.1** None directly arising from this report.

**7. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS**

**7.1** None directly arising from this report.

**8. BACKGROUND PAPERS**

**8.1** None

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# Informing the audit risk assessment for Cotswold District Council 2021/22

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**Peter Barber**  
Engagement Lead  
T +441173057897  
E [Peter.A.Barber@uk.gt.com](mailto:Peter.A.Barber@uk.gt.com)



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Cotswold District Council's external auditors and CDC's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the District Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.



## Purpose

This report includes a series of questions on each of these areas and the response we have received from Cotswold District Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>The continuation of the pandemic into 2021/22 had a considerable impact on the Council. A further lockdown meant that local businesses across the district lost business, impacting on the local economy. Staff have been working on continuing Covid-19 related tasks.</p> <p>Again, as in 2020/21, Covid-19 has impacted on several areas of the financial statements including the accounting treatment of grant funding from central government.</p> <p>The value of the Council's IAS 19 pension liability has reduced by £10.7m, details are provided in the narrative report and note E1 to the Statement of Accounts.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Cotswold District Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Accounting policies are reviewed and updated on an annual basis as part of closedown process to ensure that any new policies are incorporated and that existing policies are correct. The 2021/22 accounting policies were reviewed and approved by the Audit Committee in April 2022.</p> <p>The implementation of IFRS 16 Leases has been subject to an optional delay for a further year. The council has opted to take the opportunity to delay this until 2023/24. The policy has therefore not been updated.</p>

# General Enquiries of Management

Question	Management response
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>The Council's financial instruments include: investments, cash equivalents, debtors, equity investments, finance lease assets and liabilities. Financial instruments are accounted for as per the requirements of IFRS 9.</p> <p>Financial instruments are as per the approved investment strategy developed with Arlingclose. Strategic investment reviews take place during the year with senior officers including consequent report and consultation with the Audit Committee.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>No</p>

# General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	None in 2021/22
6. Are you aware of any guarantee contracts? If so, please provide further details	<p>The contract with Publica guarantees the company against future LGPS pension liabilities. Costs are passed through from Publica to the Council.</p> <p>The Council is a shareholder of Ubico Ltd, owning one eighth of the company, and is a joint partner in Publica Group (Support) Limited, owning one quarter of the company. In both cases, should the company overspend, the Council would be liable for its share of the additional costs. In both companies, sound financial management and budgetary control mitigate the risk that additional sums will be required without adequate notice.</p>
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No

# General Enquiries of Management

Question	Management response
8. Other than in house solicitors, can you provide details of those solicitors utilised by Cotswold District Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>A number of external solicitors are engaged on an ad hoc basis when there is no capacity in house. We have instructed Counsel to advise on various matters and to conduct Planning Inquiries and Court cases for us</p> <p><b>Firms engaged include</b></p> <p>Trowers Hamlin LLP (Potential Housing Delivery Partnership)</p>
9. Have any of the Cotswold District Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None reported
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>Arlingclose – Treasury advice</p> <p>Hymans Robertson – Pension Actuary</p> <p>Pixel Financial Management and LG Futures – Financial Advisory Service regarding government funding including Business Rates</p>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Provisions have been included for Debtors.

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Cotswold District Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Cotswold District Council's management.

# Fraud risk assessment

Question	Management response
<p>1. Has Cotswold District Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the District Council's risk management processes link to financial reporting?</p>	<p>The Council has a robust financial control framework, supported by Financial Rules, Standing Orders, Scheme of Delegation and an independent and objective Internal Audit function and Counter Fraud and Enforcement Unit (CFEU). Responsibility for ensuring that fraud and corruption risks are addressed sits with the Deputy Chief Executive in their role as Chief Finance Officer. Internal processes require managers to identify and mitigate all risks within projects and services with escalation to the Corporate Risk Register where appropriate, which is monitored regularly by the Council's Leadership Team and Audit Committee. The year end risk registers contain information to identify possible contingent assets/liabilities and/or requirements to include provisions.</p> <p>The Audit Committee approved the risk based annual audit plan which includes a risk based audit of the core financial systems that are used in the compilation of the financial statements. These core systems are audited annually, any risks that are identified that may result in the financial statements being materially mis-stated due to fraud will be reported to the Council's Management Team and the Audit Committee as part of the quarterly reporting cycle. The Audit Committee also approves the work plan of the CFEU which are developed with Internal Audit and Senior Management based on current fraud trends and risk areas.</p> <p>The finance team comprises skilled, qualified accounting officers responsible for regular monitoring of management accounts to report actual income and expenditure against budgeted and forecast performance. This process includes discussions with service leads and review of variances to identify any instances of fraud and error. The annual budget is risk assessed and reported, and then monitored as part of the revenue and capital budget monitoring process. All reports to Cabinet include a section on financial implication and risk assessment to ensure that Members are aware of the financial risks of making a decision.</p>

# Fraud risk assessment

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Question	Management response
1. (Continued)	<p>The CFEU is a permanent shared support service reporting directly to the Deputy Chief Executive. The Counter Fraud and Anti-Corruption Policy, the Corporate Enforcement Policy, the Whistleblowing Policy, and the Internal Audit Charter are formally agreed by the Council (at a meeting of the appropriate Committee/Executive). These documents set out the role of Internal Audit in the prevention and investigation of fraud.</p> <p>The work of the CFEU is reported to the Audit Committee on a biannual basis. The overall remit is to prevent, detect and deter the abuse of public funds within the Council by working closely with other public sector organisations. The team can undertake reactive investigation work where a referral is received and where necessary, proactive fraud drives in high risk areas. Internal investigations have taken place by the CFEU and appropriate action has been taken and reported where appropriate. Where an investigation takes place due to the suspicion of fraud, any areas of risk or poor control that are identified will also be reported to the appropriate manager with remedial recommendations. Internal Audit will include a follow up audit in the Audit Plan to ensure the recommendations have been implemented. The Council also employs a number of Enforcement Officers within the various service areas who undertake work to tackle abuse of public funds. The risk registers are used to identify cost or resource pressures or income streams and any significant risks.</p>



# Fraud risk assessment

Question	Management response
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Revenue – streams such as Council Tax, Business Rates and any rental income.</p> <p>Grants / Benefits – Business Grants, Council Tax Reduction Scheme (and Housing Benefit), Track and Trace Support Payments.</p> <p>Expenditure – procurement and contract management. The procurement policy has recently been updated and the procurement threshold raised to £25,000 above which a full competitive procurement shall be undertaken using an Invitation to Tender</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Cotswold District Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>Any instances of actual, suspected or alleged fraud, error or other irregularities that are identified are reported to Corporate Management and the Audit Committee (see CFEU reports for full details). Benefit fraud investigation is the responsibility of the DWP. Abuse of the Council Tax Reduction Scheme is supported by the Revenues and Benefit staff.</p> <p>The CFEU investigate all allegations of wrongdoing in relation to the abuse of public funds. These matters are managed in line with Council's policies, including disciplinary policy, and will be reported to the police where appropriate</p>

## Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>In some instances recommendations have been made in respect of control procedures and reports are issued to the appropriate Service Leads and Governance Group.</p> <p>The Audit Committee approves the risk based Annual Audit Plan which includes a risk based system audit of core financial systems and resources for auditing non financial systems on a risk basis.</p> <p>The CFEU has a similar annual plan for its work which includes an allocation of resources to investigate any alleged fraud. Performance against the Internal Audit Plan and Counter Fraud Plan and any specific issues identified are reported quarterly/half yearly to the Audit Committee.</p>

# Fraud risk assessment

Question	Management response
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Cotswold District Council where fraud is more likely to occur?</p>	<p>The main areas of abuse relate to fraud associated with benefits to include the Council's Council Tax Reduction Scheme, although reviews and verification processes within the department keep this to a minimum. In addition abuse relating to Council Tax and Business Rates avoidance / evasion affects a main revenue stream. Due to the pandemic, abuse of Business Grants is a significant fraud risk area.</p> <p>The CFEU team has a similar annual plan for its work which includes an allocation of resources to investigate any alleged fraud. Performance against the Internal Audit Plan and Counter Fraud Plan and any specific issues identified are reported quarterly/half yearly to the Audit, Compliance and Governance Committee.</p> <p>Some high risk areas are no longer within the domain of the Council - Depot services are managed by Ubico, Leisure matters are outsourced. There are low risk internal areas such as mileage expense abuse but this is not significant due to changes that working from home has introduced. Recruitment and payroll are also areas which are open to abuse. Procurement fraud, specifically within departments such as Property Services, remains an area susceptible to abuse because of the significantly high levels of expenditure. Regarding external fraud, both Internal Audit and the CFEU have undertaken work around serious and organised crime</p> <p>Cyber related crime remains a significant risk for the Council and this is managed and reported on by the ICT Team. It cannot be stated that fraud will not occur, but we would not consider one area being significantly at risk. There is a current increased risk of fraud across the Council due to the pandemic, especially with the payment of Business and Community Grant payments.</p>

## Fraud risk assessment

Question	Management response
<p>6. What processes do Cotswold District Council have in place to identify and respond to risks of fraud?</p>	<p>The existence of the CFEU as a permanent dedicated service significantly mitigates fraud risk generally. The overall remit is to prevent, detect and deter the abuse of public funds within the Council by working closely with other public sector organisations and referring to recommendations by the Home Office and other professional bodies. The team undertakes reactive investigation work where a referral is received and where necessary, proactive fraud drives in high risk areas.</p> <p>The Counter Fraud Unit have promoted and introduced processes for internal and external reporting for both staff and by members of the public. Whistleblowing is becoming more effective as a result.</p> <p>There are many financial controls around the validity and payment of invoices and work with HR re recruitment controls in place to ensure all new employees are vetted properly and that staff recognise fraudulent qualifications. Work has been completed in relation to gifts and hospitality procedures and is underway in relation to conflicts / declarations of interest by staff. The CFEU assist with NFI data matching and undertake their own data matching exercises where risk has been identified. The Council also employs a number of Enforcement Officers within the various service areas who undertake work to tackle abuse of public funds.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Cotswold District Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>There remains a separation of duties, the Council's internal audit service is provided by SWAP Internal Audit Services (SWAP). SWAP provide the Council with an annual audit opinion using findings from review work carried out across the Council services. At the point of preparing this response, it is expected that the Council will have a "Reasonable" internal audit opinion, confirming that internal control processes are effective. As part of the core audit of systems, appropriate internal controls (or their absence/non-compliance) is considered by internal audit. Appropriate testing by internal audit, enables advice to be produced on the effectiveness of internal controls. The outcome of internal audit reviews are reported to management through audit reports and to the Audit Committee as part of quarterly performance updates.</p> <p>There is a good working relationship between the CFEU and Internal Audit, which ensures that internal control weaknesses identified through counter fraud activities are followed up, following management action to address the weaknesses by internal audit reviews. External Audit also report their findings and recommendations to Audit Committee, which is subject to the same process of monitoring and challenge. Outcomes of audit work feed in to the Annual Governance Statement which is considered by the Councils Leadership Team and Audit Committee.</p> <p>Awareness training on a regular basis reduces the risks associated with internal abuse and fraud. The promotion of integrity and whistleblowing channels also mitigates this. Conflict of interest / declaration of interest processes also help identify those staff who are a potential risk so that appropriate training and management controls can be put in place. The CFEU submits data for the National Fraud Initiative (NFI) and assesses all matches for review and, where appropriate, mitigation. On occasions such issues have been raised by both internal and external audit as part of the audit work. Appropriate recommendations for changes to internal controls are made on these occasions for management to implement.</p>

# Fraud risk assessment

Question	Management response
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>The financial reporting process is subject to review and challenge by both the Deputy S151 Officer and Chief Finance Officer.</p> <p>There is always the potential but we believe appropriate checks and balances are in place within the shared Finance Team to ensure mis-reporting does not occur. The Council monitors budgets to cost centre level which would highlight any unexpected variances for further investigation. Financial rules govern what is required to be reported and controls the rules surrounding 'virement'. Reports produced by the CFEU are subject to auditable case files held on the case management system. These reports are then scrutinised by Governance staff, Members and Executive Leadership which therefore mitigates the risk of misreporting.</p>
<p>9. How does Cotswold District Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p>	<p>The Council communicates and encourages ethical behaviour and business processes of its staff and contractor through its policies and strategies including the Counter Fraud and Anti- Corruption Policy, Employee Code of Conduct and Whistleblowing Policy all of which are available on the intranet site. Updates are communicated through induction and refresher training and other channels such as 'Keeping You Connected', emails or staff training events. Staff and Member awareness sessions have been provided by the CFEU. Provision of refresher information and literature for new starters is being developed as are online training modules</p> <p>Significant contracts are let following a robust process which seeks assurance from the potential contractor that the organisation has appropriate policies and processes in place. The Council monitors performance and quality and adherence to standards of service delivery. The Procurement Team have included statements on all tender / quote documentation detailing the Councils approach to modern slavery, ethical procurement and supporting local businesses.</p>

# Fraud risk assessment

Question	Management response
<p>9. (continued) What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details.</p>	<p>Publicity with regard to identified fraud and error will also be encouraged to act as a deterrent generally. Through the continued work the CFEU have delivered across the Council relating to awareness and through reputation, staff continue to approach the team. HR colleagues also ensure fraud reports come to the CFEU for assessment.</p> <p>No significant issues have been reported in 2021/22. Staff are expected to report any concerns they have about fraud or the misuse of public funds. Any allegations received are referred to the Counter Fraud Unit for investigation. These matters are managed in line with the Council policies, including disciplinary policy, and will be reported to the Council's leadership team where appropriate. In some instances, recommendations will be made in respect of control processes.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Contract procurement posts, high level budget controllers/approvers, ICT staff with high level system access, Marketing Teams. Officers with significant operational financial responsibilities, such as roles in the Treasury Management team, Chief Finance Officer/Deputy Chief Finance Officer, and roles in Revenues and Benefits are subject to regular security checks, at recruitment and then regularly every three years.</p> <p>Each role is assessed for the requirement to undertake post holder security checks. Many Local Government staff are susceptible to duress and corruption due to the nature of their duties - housing teams, council tax officers, planning staff; however there must be a level of trust within the organisation to promote a healthy working environment. Conflict of interest / declaration of interest process development make it a more risk based one - identifying high risk staff and ensuring the correct controls are in place. Recruitment checks to vet staff and prevent them entering the workplace enables the Council to manage the risk.</p>

# Fraud risk assessment

Question	Management response
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Organisations such as Ubico and Publica all give rise to fraud risk which may affect the Council.</p> <p>The risks associated with fraud related to related party relationships and transactions are mitigated through the requirement within the Constitution for members to make declarations of all relevant relationships and transactions and update their declarations on a quarterly basis. They are also required to disclose any relevant interests at Committee meetings and where appropriate withdraw and disclose any gifts and/or hospitality received via the Council register. Officers are also required to declare any related party transactions.</p> <p>Prevention methods for bribery and corruption form part of the CFEU work stream and are detailed within the Counter Fraud and Anti Corruption Policy. With the establishment of Publica, the Council reviewed the appointment of Statutory Officers to ensure that they are employed by the Council (or shared with a partner Council) rather than Publica to minimise any risk of conflict of interest.</p> <p>Transparency, audit and scrutiny practices are in place across these partnerships. The CFEU were consulted by Publica in relation to the new procurement processes and fraud awareness training/updated documents were reviewed in relation to fraud risk.</p>



# Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>On a quarterly basis, the Audit Committee receives monitoring reports from the South West Audit Partnership regarding work carried out by the internal audit team. The report details the work carried out compared to the plan, the level of assurance resulting from the audit, the key issues regarding internal controls or fraud including any breaches. Reporting includes the outcome of internal audit follow-up reviews of the implementation of audit recommendations. In addition, the CFEU report biannually to Committee. The Audit Committee approves the risk based Annual Audit Plan which includes a risk based system audit of core financial systems and resources for auditing non financial systems on a risk basis. The CFEU has a similar annual plan for its work which includes an allocation of resources to investigate any alleged fraud. Performance against the Internal Audit Plan and Counter Fraud Plan and any specific issues identified are reported quarterly/half yearly to the Audit Committee. The Committee is consulted on any proposed changes to relevant Council Policy – e.g. Whistle Blowing Policy, Counter Fraud and Anti-Corruption Policy, Money Laundering Policy, RIPA Policies etc. Changes to the Council's Corporate Risk Register are also reported to the Audit Committee on a quarterly basis. The Council's Overview and Scrutiny Committee also receives the Council's quarterly performance reports, which includes changes to the Council's risk registers and details of financial performance.</p> <p>The Audit Committee exercise oversight over management processes for identifying and responding to risks of fraud and breaches of internal control through challenge of internal audit and counter fraud, monitoring the implementation of recommendations and seeking additional assurances from operational management.</p> <p>See reports presented to Audit / Overview and Scrutiny Committee.</p>

## Fraud risk assessment

Question	Management response
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The CFEU has received referrals via whistleblowing. Reports are dealt with correctly and in line with the Whistleblowing Policy and with due consideration to sensitive referral sources. Once the investigation is complete, appropriate recommendations are made for action which may include prosecution, civil penalties, improvements to internal controls, and (where an employee is the subject), consideration of disciplinary action. If warranted a report would be made to the Audit Committee and recommendations for improvements to internal controls issued to Corporate Management to be followed up by internal audit.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>There have been none.</p>

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# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Cotswold District Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Cotswold District Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the District Council's regulatory environment that may have a significant impact on the District Council's financial statements?</p>	<p>Internal Audit reviews are designed to ensure that services are complying with internal and external policies and procedures and all legislation. Where non compliance is identified, this is reported to Management and Members via the Council's Audit Committee.</p> <p>There is a dedicated legal services team that provides advice to members and officers in relation to laws and regulations. The Council's Legal Services, Counter Fraud team, Revenues and Benefit team and Enforcement teams for various services receive regulatory updates and changes via their own services sources e.g. CIPFA, DLUHC and DWP statutory regulations, RIPA updates, newsletters and best practice guidance. The implications of such changes are fed into the Council's leadership team for advice and to gain approval and, when necessary, recommend approval from Committee/Cabinet.</p> <p>In addition, the Whistle-blowing Strategy provides staff with the ability to report to management where laws and regulations have not been complied with. Any allegations that relate to criminal offences can be investigated by the Counter Fraud team with appropriate legal action being taken by the Council where appropriate.</p> <p>The Chief Finance Officer is responsible for preparing the Statement of Accounts in accordance with the relevant legal and regulatory requirements.</p> <p>Not aware of any significant changes to regulatory environment.</p>

# Impact of laws and regulations

Question	Management response
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Internal Audit review are designed to ensure services are complying with internal and external policies and procedures and all legislation. Where non compliance is identified, this is reported to Management and Members via the Council's Audit Committee. Management actions are agreed where non compliance is identified.</p> <p>Senior managers within Publica and the Council complete an Annual Assurance Statement at the end of the financial year. These governance declarations provide appropriate management assurance that key area of the system of internal control are in place and working effectively. In addition, training sessions are used to explain new legislation. Where the changes would have a significant impact on the Council they will appear on the Corporate Risk Register which is reported to the Audit Committee on a quarterly basis. Any accounting requirements are explained to members as part of the approval of the accounts. For any specific cases a special report is prepared for the Audit Committee.</p> <p>Any allegations that relate to criminal offences can be investigated by the Counter Fraud Team with legal action being taken by the Council where appropriate.</p>

## Impact of laws and regulations

Question	Management response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	The accounts were published after the deadline of the 31 July 2022 on the 25 <sup>th</sup> August 2022. This had no impact on the external audit which is not due to start until October 2022.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	The only material claim relates to NNDR appeals as disclosed in note D7 of the financial statements

# Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Cotswold District Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>The Legal Services team works with management when potential claims or litigation identified. The Head of Legal Services provides details of litigation and claims for inclusion in the financial statements.</p> <p>The Council has a customer complaints process which aims to resolve issues before they escalate. The Council has robust risk management arrangements which include recording risks of litigation or claims either within service areas or corporately.</p> <p>The Council has processes in place to manage significant contracts so they operate on a partnership basis so issues can be raised and managed and any issues can be raised and managed with the aim of minimising litigation or claims. Contract performance is monitored by the use of management information including key performance indicators.</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>No significant findings</p>

# Related Parties

## Matters in relation to Related Parties

Cotswold District Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Cotswold District Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the District Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the District Council, or of any body that is a related party of the District Council

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the District's perspective but material from a related party viewpoint then the District Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.



## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Cotswold District Council's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and CDC</li> <li>whether CDC has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>No, subject to the receipt of management and member declarations for 2021/22.</p>
<p>2. What controls does Cotswold District Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All elected Members are required to complete a questionnaire detailing any areas where potential conflicts of interest may occur between their private interests and their position as the elected representatives of the Council. Details are recorded in the register of member's interest.</p> <p>Declarations are made at meetings by Members and Officer where appropriate and are recorded in the minutes of the meeting. The Members code of conduct requires Members to make declaration of interest when necessary which are also recorded.</p> <p>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.</p>

## Related Parties

Question	Management response
	<p>On an annual basis, senior officers and officers within positions of influence within the Council are required to complete a related party declaration to highlight any potential conflicts of interest. This is reviewed as part of the accounts closedown process and are disclosed in the statement of accounts where the interest would be material to either party.</p> <p>A register of gifts and hospitality is also maintained.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Members are required to withdraw from the decision making process where they have declared a related party interest.</p> <p>With the establishment of Publica, the Council reviewed the appointment of Statutory Officers to ensure that they are employed by the Council rather than Publica and to minimise any risk of conflict of interest. Historically there have been no other related party transactions in relation to officers.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Transactions outside of the normal course of business would be subject to S151 approval and be reported to full Council.</p>

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 body'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.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

# Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Cotswold District Council will no longer continue?</p>	<p>The Council's performance and financial position is reported to members and senior officers on a quarterly basis. Overview and Scrutiny Committee and Cabinet receive quarterly performance and financial reports which set out the Council's financial position against budget and report performance against a number of indicators.</p> <p>The Council's Senior Leadership Management Team meet on a weekly basis and the Public Executive Directors also have regular departmental leadership meetings to discuss performance and finances.</p> <p>Cabinet Members have regular briefings that ensure they are aware of the latest developments in a service and are made aware of any issues.</p> <p>As part of the process of preparing the MTFS, external factors such as the funding landscape, changing political priorities and the wider economic context are considered and the authority's ability to manage potential or emerging financial challenges is assessed. Officers continually monitor and report on any known changes to legislation or political decisions.</p> <p>Note E7 to the 2021/22 draft financial statements confirms that the statement of accounts have been prepared on a going concern basis.</p>
<p>2. Are management aware of any factors which may mean for Cotswold District Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>Management are not aware of any factors which may mean for Cotswold DC that either statutory services will no longer be provided or that funding for statutory services will be discontinued.</p>

# Going Concern

Question	Management response
<p>3. With regard to the statutory services currently provided by Cotswold District Council, does CDC expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for CDC to cease to exist?</p>	<p>Statutory services will continue to be delivered by Cotswold DC for the foreseeable future, there are no plans for Cotswold DC to cease to exist.</p>
<p>4. Are management satisfied that the financial reporting framework permits Cotswold District Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Management are satisfied that the financial reporting framework permits Cotswold DC to prepare its financial statements on a going concern basis and doing so provides a faithful representation of the items in the financial statements.</p>

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>Significant estimates included in the 2021/22 statement of accounts include:</p> <ul style="list-style-type: none"> <li>Valuation of PPE</li> <li>Valuation of Investment Properties</li> <li>NNDR appeals provision</li> <li>Pension Liability</li> </ul>
<p>2. How does the District Council's risk management process identify and address risks relating to accounting estimates?</p>	<p>The year end risk registers contain information to identify possible contingent assets/liabilities and/or requirements to include provisions. The data in the register is used to identify costs or resource pressures or income streams. The information can be used to inform financial planning process.</p> <p>The Council's Risk Register contains significant risk from Publica and project and service operational risk registers.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>See separate list</p>

# Accounting Estimates - General Enquiries of Management

Question	Management response
4. How do management review the outcomes of previous accounting estimates?	The outcome of previous accounting estimates is reviewed as part of the estimation process in the following year. Where there is a material difference to the accounts, estimates will be updated to the date that the accounts are authorised for issue following review by external audit.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No changes to the estimation process.



# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Experts with specialist skills are used for the following areas of estimation in the financial statements.</p> <ul style="list-style-type: none"> <li>• Valuation of PPE (Internal and External Valuers (Carter Jonas) – Valuer and Estates Surveyor (RICS))</li> <li>• Depreciation – Useful Economic Lives (Internal Valuers – Valuer and Estates Surveyor (RICS))</li> <li>• Valuation of Investment Properties (Internal Valuers)</li> <li>• Pension Liability (Hymans Robertson – Actuary)</li> </ul>
<p>7. How does the District Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Assurances are sought from the Council's internal and external valuers in relation to their independence, objectivity and professional qualifications. Regular communication between the finance team and the Property Team ensures that the valuers have access to the information they require to undertake detailed valuations in accordance with RICS guidance.</p> <p>Hymans Robertson (Actuary) provide the Council with details of their experience, qualifications and independence through correspondence with Gloucestershire Pension Fund.</p> <p>External audit also obtain assurance that the experts are sufficiently qualified and independent.</p>

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Management ensure that experts appointed are independent, professional, suitably experienced and qualified.</p> <p>For areas of estimation where the experts are not used, including accruals and NNDR appeals provision, these are subject to review by the Section 151 Officer. Control arrangements are reviewed by internal audit and external audit and any findings reported to Audit Committee.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>The assumptions which underpin the figures reported in the Statement of Accounts are reviewed in advance of preparation and such estimates and assumptions are reviewed by the Section 151 Officer and disclosed in the notes to the Accounts for transparency.</p> <p>Methods and assumptions are reported within this paper and to the Audit Committee as those charged with governance.</p>

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in the management summary)? If so, what are they?</p>	<p>All significant accounting estimates that require significant judgement are separately disclosed.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in the management summary, are reasonable?</p>	<p>They are satisfied as the estimates are reviewed by qualified finance staff, the Section 151 Officer and such experts as required for specific areas of expertise. They are also reviewed by the Audit Committee as part of the accounts.</p>
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>The assurance which underpin the figures reported in the Statement of Accounts are reviewed in advance of preparation and such estimates and assumptions are disclosed in the notes to the Accounts for transparency.</p>



Our ref:  
Your ref:

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Dear

## Cotswold District Council's Financial Statements for the year ended 31 March 2022

As part of our audit of CDC's financial statements for the year ended 31 March 2022, we need to update our understanding of your accounting estimates, including all the key accounting estimates that will be included in CDC's financial statements this year. We do this to maintain our understanding of CDC and to comply with International Auditing Standards (ISAs (UK)).

International Auditing Standards place obligations on auditors to document their understanding of the entity and its environment, including the entity's internal control, in identifying and assessing the risks of material misstatement in the financial statements. [ISA \(UK\) 540 \(Revised\) Auditing Accounting Estimates and Related Disclosures](#) requires auditors to understand a number of matters related to your key accounting estimates (as set out in section 13 of the standard).

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the accompanying schedules. A separate schedule is included for each key accounting estimate that we have identified. If you are aware of any other material accounting estimates that will be included in your financial statements could you please add and complete an additional schedule for that estimate.

I would be grateful for your responses, if possible, by the 15<sup>th</sup> August to help inform our risk assessment and planning of our 2021/22 audit of the Authority's financial statements.

Please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Meriel Clementson

## Property, plant, and equipment valuation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>Cost of living pressures, increases in interest rates and the war in Ukraine potentially impacting on the property market and property valuations.</p> <p>Risk mitigated by independent external valuation.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?</p>	<p>Valuations are made by a qualified valuer (RICS) member in line with RICS guidance based on 5 year valuations with interim reviews.</p> <p>The assets not externally revalued in any one year are reviewed using market indices in intervening years to see if further formal valuations are required in addition to the rolling programme.</p> <p>Management agree clear terms of engagement with the external valuer and estates team. These set out for the valuer the requirements, standards, valuation basis, timescales and format of reports. There have not been any changes to the models used.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?</p>	<p>Rolling programme of valuations. The finance team issue terms of engagement covering specific issues for the year. Valuations are performed to ensure that current value of a revalued amount does not materially differ from its carrying amount.</p> <p>No changes identified in assumptions for 2021/22.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2021/22, and if so what was the reason for the change?</p>	<p>Source data is held in respect of floor areas, usage and condition by the Property Services Team and is provided to the valuer as part of the valuation exercise. Market trends are considered by the valuer as part of the valuation process. No changes were made to source data.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>Publica internal valuer (Valuer and Estates Surveyor (RICS)) and external valuer (Carter Jonas LLP) were used to undertake the valuations.</p> <p>The valuers are RICS registered and are in a position to provide an unbiased and objective valuation.</p> <p>Carter Jonas LLP were appointed as part of a procurement exercise to undertake the 2021/22 valuations due to resource pressures in the Publica internal valuation team.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>All valuations provided to management were subject to robust review and challenge if appropriate. This will ensure any significant movements or assumptions are understood and consistent with the knowledge and experience of the team. Management ensure that valuers appointed are independent, professional, suitably experienced and qualified.</p>

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Adequate controls are in place over the calculation of valuations. Robust challenge and scrutiny of reports received from both internal and external valuers is undertaken to understand movements in valuations.  Controls are subject to review from both internal and external audit.
8. Were any changes made to the key control activities this year? If so please provide details.	No changes made to the key control activities.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Valuations are made in line with RICS guidance. A degree of uncertainty is inherent with any revaluation. We employ professional, qualified valuers and rely on expert opinion. Assets are reviewed on a rolling 5 year programme and all assets are reviewed annually to ensure values reflect current circumstances.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Valuations are made in line with RICS guidance. A degree of uncertainty is inherent with any revaluation. We employ professional valuers and rely on expert opinion. A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded in the Comprehensive Income and Expenditure Statement (CIES). 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 CIES due to the level of revaluation reserve balance held of approximately £36m.  An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previously negative revaluations to the CIES and / or gains being recorded in the CIES.  Further sensitivity analysis is disclosed in note E7 of the 2021/22 Statement of Accounts.

### Estimated remaining useful lives of PPE

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risks identified.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	The following asset categories have general asset lives: <ul style="list-style-type: none"> <li>Buildings – 30 to 60 years</li> <li>Car Parks – 20 years</li> <li>Vehicles, Plant and Machinery – 4 to 7 years</li> </ul> <p>Estimated useful remaining lives of PPE is recorded in accordance with the qualified RICS internal valuer and can vary dependent upon specific examples.</p> <p>Where items or property, plant and equipment are revalued, and the valuer 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</p>

	<p>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.</p> <p>No changes in methods or models proposed for 2021/22.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?</p>	<p>Assumptions are based on general asset lives and assessment undertaken by the valuer. No changes to assumptions in 2021/22.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2021/22, and if so what was the reason for the change?</p>	<p>Estimated useful life is based on category of asset and condition of asset, which for property is based upon assessment by the RICS qualified valuer. No changes to the source data in 2021/22.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>Yes Publica internal valuer (Valuer and Estates Surveyor) (RICS) and external valuers, Carter Jonas LLP.</p> <p>Carter Jonas LLP were appointed as part of a procurement exercise to undertake the 2021/22 valuations due to resource pressures in the Publica internal valuation team.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Standard asset lives are included in the asset register and are updated on receipt of the valuation report received from the internal valuer and external valuer.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Adequae controls are in place over the calculation of this accounting estimate. General asset lives are used and are varied where the valuer assesses that a different live is more appropriate. Assurances are sought and provided on qualifications, independence and experience of the valuers as management's experts. Controls are subject to review from both internal and external audit.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No change made to key control activities.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Assets are depreciated over useful lives that are dependent upon assumptions about usage, obsolescence and the level of repairs and maintenance that will be incurred in relation to individual assets. The assumptions applied in determining the useful life will be considered to determine where there have been any general or specific changes that might have had the effect of changing useful lives materially.</p> <p>All valuation provided to management, which include assessments of useful lives are subject to robust review and challenge if appropriate. This ensures any significant movements or assumptions are understood and consistent with the knowledge and experience of the team.</p>



	Management ensure that experts appointed are independent, professional, suitably experienced and qualified.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Management reviews any changes in the estimated useful life proposed and would undertake a sensitivity analysis of the impact. Significant changes in useful lives applied would be disclosed in the financial statements.

### Investment property valuations

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Cost of living pressures, increases in interest rates and the war in Ukraine potentially impacting on the property market and property valuations. Risk mitigated by independent external valuation.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Valuations are made by a qualified valuer (RICS) member in line with RICS guidance based on an annual basis.
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	Valuations are made in line with RICS guidance. Values are based on assumptions of rental income expected in 2022/23 adjusted for void periods. There have been no changes to these assumptions in 2021/22.
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	The valuers have access to source data such as rental income received and void periods held by the Property Team at Publica. There have been no changes to source data in 2021/22
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?  	Yes, External Valuer, Carter Jonas LLP undertook the valuations. The valuers are RICS registered and are in a position to provide an unbiased and objective valuation.  -They were appointed as part of a procurement exercise to undertake the 2021/22 valuations due to resource pressures in the Publica internal valuation team.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	All valuations provided to management were subject to robust review and challenge if appropriate. This ensures any significant movements or assumptions are understood and consistent with the knowledge and experience of the team. Management ensure that valuers appointed are independent, professional, suitably experienced and qualified.

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Adequate controls are in place, assurances are sought and provided on the qualifications, independence and experience of the valuers as management experts. Controls are subject to review from both internal and external audit.
8. Were any changes made to the key control activities this year? If so please provide details.	No changes made to the key control activities.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Valuations are made in line with RICS guidance. A degree of uncertainty is inherent with any revaluation. We employ professional, qualified valuers and rely on expert opinion. All investment properties were valued in 2021/22 to minimise any inherent uncertainty.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	<p>The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property.</p> <p>The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best data available. Valuations are made in line with RICS guidance. A degree of uncertainty is inherent with any revaluation. We employ professional qualified valuers and rely on expert opinion.</p> <p>Estimated fair values may differ from actual prices that could be achieved in an arm's length transaction at the reporting date.</p> <p>The investment properties' main assumptions for change are yield and rent. When valuing the investment properties, the valuers have run a number of valuations adjusting yields typically by 25 basis points each time to encapsulate and understand how current and future risk within the yield affects values. They also consider further potential for rental growth, covenant strength or letting void.</p> <p>An increase of 5% in the overall valuation would result in an increase in value of £297,000</p> <p>Further detail is provided in note E7 of the draft 2021/22 financial statements.</p>

#### Provision for Liabilities (NNDR appeals provision)

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No specific risk identified other than inherent estimation uncertainty.

<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?</p>	<p>The NNDR provision has been set aside for the potential cost to the Council for outstanding appeals against property revaluations. The non-domestic (NDR) appeals provision for the 2010 valuation list is estimated based on past experience of successful appeals and other RV reductions. Following the introduction of the Check, Challenge and Appeal process, a lower level of appeals have been received. The process has reduced the number of vexatious claims. The provision is based on the percentage of successful appeals over the past three years and the basis of calculation has not changed since last year.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?</p>	<p>The provision is calculated based on outstanding appeal losses and past experience of successful appeals.</p> <p>No changes to assumptions were made in 2021/22.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2021/22, and if so what was the reason for the change?</p>	<p>The Valuation Office provides data on outstanding appeals. Source data is updated in year to include appeals settled during the financial year.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>No specialised skills or knowledge required but a review of the process and level of provision was undertaken by the S151 Officer in conjunction with the Chief Accountant who has many years of experience in this area.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>The provision is calculated by the Chief Accountant and the calculation and assumptions applied are reviewed by the S151 Officer.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Adequate controls are in place in respect of the calculation of the estimate. The S151 Officer reviews the work of the Chief Accountant and reasonableness of assumption is applied.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No changes in key control activities planned.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>There is a significant level of estimation uncertainty in relation to business rates appeals due to the volume of outstanding appeals, which are processed by the Valuation Office. The value of provision is assessed using information on outstanding rates appeals.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Where appeals are successful, refunds of business rates are general repayable back to the latest valuation date which reduces the business rate yield in the year in which the refund is made. Management disclose there is significant estimation uncertainty surrounding this estimate in the statement of accounts.</p> <p>An increase to the appeals provision reduces the Council's share of income. A decrease in the size of the provision would increase the income distributed to the Council.</p>

	<p>If successful appeals are higher than the provision then this would lead to a deficit on the collection fund which would need to be repaid in future years.</p> <p>As at 31 March 2022 the NDR appeals provision is £3.2m million, of which the council's share disclosed in the financial statements is £1.3m. The total provision equates to 2% of net rates payable which reflects the uncertainty concerning appeals against the 2017 list and the outstanding appeals against the 2010 list.</p>
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### Expected credit losses

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risk relating to material accuracy of this. A review of methodology was carried out in 2020/21 in respect of credit losses.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Collective lifetime expected credit losses are calculated based on the credit risk, the credit status of the instrument and whether there has been any change in credit risk since initial recognition. There have been no changes to these methods but specific factors in the calculation will be reviewed in light of the risks identified.
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	Assumptions are based on the reasonable and supportable credit risk information available, e.g. the nature of the debt, the age of the debt and the likelihood of recovery. The assumption will be revisited as part of the 2021/22 accounts process to ensure they remain prudent and soundly based.
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	Source data available from Accounts Receivable, combined with intelligence from service managers.  No changes have been made.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Debt is being monitored as part of the quarterly revenue budget monitoring. Monthly reports on outstanding debt at cost centre level are provided to budget holders. Regular write off of bad debts are approved by the Section 151 Officer.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes – management has oversight of the source data and assumptions.

8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Management consider the potential materiality and risk as part of their review process.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	<p>The approach to calculating bad debt provisions take account of the age of debts and apply an increasing proportion set aside for non-payment as the debt gets older.</p> <p>Previous experience of bad debt provisions compared to actual amounts of debt written off give assurance that the assumptions used are materially correct.</p>

### Accruals

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risks identified.
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?</p>	Standard accruals accounting is used. Accruals are based on expenditure incurred that has not yet been paid, or income due that has not yet been received. Activity is accounted for in the year it takes place, not where money is paid or received. Quarterly budget monitoring provides analysis so that accruals are identified. Accruals for income and expenditure are principally based on known values. Where accruals are estimated, they are based on the latest information available. No changes have been made in 2021/22.
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?</p>	Procedures for indentifying accruals are included in the closedown instructions distributed to budget holders. There have been no change to assumptions in 2021/22.
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2021/22, and if so what was the reason for the change?</p>	Various sources of data are used in calculating accruals including previous outturn and estimated usage. No changes have been made to this source data in 2021/22.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No specialised skills or knowledge used. Accruals identified by the Finance Team and through discussion and return of accruals forms from officers.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Significant accruals are reviewed by the Chief Accountant as part of the accounts preparation process. Supporting documentation is maintained to support accruals and any assumptions made in the estimation process.

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Adequate controls are in place.  Controls are subject to review from both internal and external audit.
8. Were any changes made to the key control activities this year? If so please provide details.	No changes to the key control activities.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Accruals are largely based on known values, where estimates are used, the level of uncertainty is not deemed to be material.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	As above, the level of uncertainty in respect of estimates made is not deemed to be material.

#### Pension Fund Actuarial Gains/Losses

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The pension fund liability and any in-year actuarial gain / loss is inherently risky due to its material nature and sensitivity to small changes in assumptions. The risk is addressed by placing reliance on the actuarial expert, Hymans Robertson and ensuring the data and assumption used by the actuary are reasonable.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	The Council is an admitted body to the Gloucestershire County Local Government Pension Scheme. The administering body (the County Council) engage Hymans Robertson (the actuary) who provide the estimate of the pension liability. Payroll data is provided to the actuary. Management reconcile this estimate of contributions to the actuals paid out during the year.  No changes have been made to the method / model used for 2021/22.
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	The assumptions used for estimating actuarial gains and losses are calculated by Hymans Robertson as the actuarial expert. Assumptions include discount rate used, rate of salary increases, changes in retirement age, mortality rates and expected return on Pension Fund investments. Assumptions are updated on an annual basis and are shared with the Council. The Council has not made any changes to the assumptions used by Hymans Robertson.

<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2021/22, and if so what was the reason for the change?</p>	<p>The source data is held by Gloucestershire Pension Fund. Payroll data is submitted on a monthly basis from the Publica payroll team to Gloucestershire Pension Fund. A questionnaire is completed by the finance team and returned directly to the Actuary confirming any major changes in membership of the pensions scheme and premature non ill-health retirements. The Council Finance Team are also required to confirm to Gloucestershire Pension Fund that the payroll and deficit payment data is accurate as part of the year end process.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>The administering body (the County Council) engage Hymans Robertson (the actuary) who provide the estimate of the pension liability.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Reliance is placed on the work of the Actuary as an expert. Terms of engagement have been provided by the actuary to the Council in respect of the basis of appointment, scope and methodology of the work undertaken. The Finance Team review the data disclosed in the IAS 19 report provided by the Actuary to the Council for reasonableness and any unexplained variances. Any differences would be queried with the actuary and Gloucestershire Pension Fund. Assurances are provided to both the Council and External Audit in respect of the qualifications, independence, professionalism and experience of Hymans Robertson.</p>
<p>7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Adequate controls are in place.</p> <p>The Council challenges any unusual movements or assumptions with the actuary and responds to any queries raised by the administering body.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No changes made to key control activities in year.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management recognise that there is a large degree of estimation uncertainty in relation to the pension liability. The estimate 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 age, 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 engage Hymans Robertson as its consulting actuary to provide expert advice about the assumptions to apply. The statement of accounts will disclose estimates in respect of the pension liability as a major source of estimation uncertainty in the Statement of Accounts.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>The effect of changing assumptions will result in changes in the valuation of the pension fund's assets and liabilities. Further details of the impact of variations in key assumptions are disclosed as part of the financial statements.</p> <p>The actuary provides a sensitivity analysis with the valuation report that calculates the financial impact of</p>

	changes in key assumptions such as longevity, salary increases and the discount rate. This is published in the statement of accounts. A small change in actuarial assumptions can have a material effect on the present value of the total pension obligation. For example, a 0.5% change in the discount rate can increase or decrease the obligation by approximately £11.5 million.
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# Agenda Item 8



**COTSWOLD**  
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 29 SEPTEMBER 2022
Report Number	AGENDA ITEM 8
Subject	EXTERNAL AUDIT PLAN
Wards affected	All
Accountable member	Cllr. Mike Every Deputy Leader and Cabinet Member for Finance
Accountable officer	Jo Moore, Interim Deputy Chief Executive and Chief Finance Officer Jo.moore@cotswold.gov.uk
Summary/Purpose	To receive a report from Grant Thornton, the Council's external auditors regarding the audit plan for 2021/22
Annexes	Annex A – Cotswold District Council indicative Audit Plan for the year ending 31 March 2022
Recommendation(s)	<i>a) That the Committee considers the Grant Thornton Audit Plan for 2021/22</i>
Corporate priorities	Ensuring that all services delivered by the Council are delivered to the highest standard
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Chief Finance Officer



## **1. BACKGROUND**

- 1.1** Attached as Annex A is the Council's external auditor's (Grant Thornton UK LLP) plan for the audit for the year ended 31 March 2022.

## **2. MAIN POINTS**

- 2.1** Each year, ahead of the main audit, the external auditor will set out their plan and approach to the external audit.
- 2.2** The plan will consider key factors relevant to the sector and any specific matters relating to CDC.
- 2.3** The external audit plan will also outline the key financial risks that they consider are relevant and could potentially result in a material misstatement of amounts included within the draft Statement of Accounts.
- 2.4** The external auditor will also set out their assessment of "materiality" for misstatements which for 2021/22 has been set at £0.820m. Misstatements where either individually or in aggregate are above the materiality level could reasonably be expected to influence the users understanding of the financial statements and/or decisions taken based on them.
- 2.5** During the course of their, Grant Thornton will also be required to consider value-for-money and has identified, in the attached plan, that the greatest risk in relation to value-for-money is financial sustainability.
- 2.6** The 2021/22 audit scale fee approved by PSAA Ltd is £37,557. Grant Thornton is proposing a fee of £62,568, which includes additional work required due to changes in the expectations of the regulator and additional work required in respect of the VFM conclusion.
- 2.7** The fee also includes an uplift of £5,000 which assumes that the finance and audit team will work remotely. These indicative fees are currently being discussed with the Interim Deputy Chief Executive and finance team. This fee is subject to approval by PSAA and will be subject to challenge from PSAA to justify the need for areas of additional work outlined in page 21 of the Audit Plan (Annex A). Grant Thornton is not able to invoice for additional fees until approval has been provided by PSAA.
- 2.8** The final proposed external audit fee for 2020/21 is £57,307. This fee was reported to the Audit Committee in the External Auditor's 2020/21 Audit Findings Report and



included additional charges required due to changes in the expectations of the regulator and additional work required in relation to the VFM conclusion. This fee is still subject to final approval with PSAA.

- 2.9** Representatives from Grant Thornton will attend the meeting to answer any questions from the Committee.

### **3. FINANCIAL IMPLICATIONS**

- 3.1** The proposed audit fee of £62,568 for 2021/22 which is a 9.18% increase on the 2020/21 fee.
- 3.2** In 2021/22 the provision for the external audit fee for 21/22 was £57,830 which means that there is a shortfall of £4,738
- 3.3** Therefore, this additional cost will result in an additional pressure in the 2022/23 budget which will either be funded from compensating underspends or result in an overall reduction of the Council's General Fund.
- 3.4** The 2022/23 budget was increased to reflect the additional external audit fees but will need to be reviewed as part of the 2023/24 budget setting process if a remote audit is undertaken and the £5,000 uplift in fees is applied.

### **4. LEGAL IMPLICATIONS**

- 4.1** None directly arising from this report.

### **5. RISK ASSESSMENT**

- 5.1** The audit plan states that the audit fee is "subject to the Council delivering a good set of financial statements and working papers". The Interim Deputy Chief Executive has requested that Grant Thornton provide advanced notice of any work which is likely to incur additional audit fees.

### **6. EQUALITIES IMPACT**

- 6.1** None directly arising from this report.

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

- 7.1** None directly arising from this report.

### **8. BACKGROUND PAPERS**

- 8.1** None



**COTSWOLD**  
DISTRICT COUNCIL

# Cotswold District Council indicative Audit Plan

**Year ending 31 March 2022**

Cotswold District Council  
6 September 2022  
Page 73



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## Your key Grant Thornton team members are:

### Peter Barber

Key Audit Partner

T 0117 305 7897

E peter.a.barber@uk.gt.com

### Meriel Clementson

Audit Manager

T 0121 232 5436

E Meriel.h.clementson@uk.gt.com

### Araminta Allen

Engagement In-charge

T 0121 232 5241

E Araminta.J.Allen@uk.gt.com

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit 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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# Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

# Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.



# Key matters

## Factors

### Council developments

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. The last report on the financial performance of the Council was taken to Cabinet in July 2022. The draft accounts for 2021/22 report a surplus on the provision of services of £1.659m, this is due to a budgeted underspend of £1.640m (£6k budgeted surplus and £1.634m budgeted underspend in deficit pension contributions) and a small net underspend against other service budgets of £19k.

Cotswold District Council has developed a Medium Term Financial Strategy for the General Fund which was updated for Cabinet in February 2022. This shows that the Council will come under increasing financial pressure into the medium term. However, the 2022/23 budget is predicated on further transfers to General Fund balances that are budgeted to total £4.1m at 31 March 2023.

### Recovery from Covid 19 pandemic

The Council continues to operate in a post Covid-19 environment which includes additional challenges such as bringing services back to pre pandemic efficiency, and staff shortages.

In 2020/21 and 2021/22 Central Government provided funding to the Council in recognition of both the impact of the Covid-19 pandemic on the Council's finances and in recognition of the additional duties the Council took on in response to the pandemic. We will review the accounting for these grants as part of our 2021/22 audit work.

### Financial Statements

We have progressed our detailed planning for 2021/22 and are intending to carry out the fieldwork audit starting on October. We have started discussions with your Executive team, including holding initial discussions around key areas, such as the valuation of property, plant and equipment and the Council's estimates.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further on page 20 of this plan is based on our current assessment of the work required to discharge our responsibilities. These indicative fees are currently being discussed with the Interim Deputy Chief Executive (S151 Officer).
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Audit Committee updates.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Cotswold District Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Cotswold District Council. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council [and group]'s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls;
- Revenue and expenditure recognition (rebutted);
- Valuation of land and buildings
- Valuation of investment properties; and
- Valuation of the net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £0.820m (PY £0.880m) for the Council, which equates to approximately 1.9% of your gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.040m (PY £0.045m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money remains in progress, however, based on our VFM planning work to date we have identified the following risk of significant weakness:

- Financial Sustainability - Whilst the Council has a good record of delivering to budget, there remains a financial challenge over the medium term in relation to revenue funding. Due to the inherent uncertainty, we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability.

Once our VFM planning work is complete we will revisit the risks in this area and update the Audit Committee in our Audit Findings Report should the risks change.

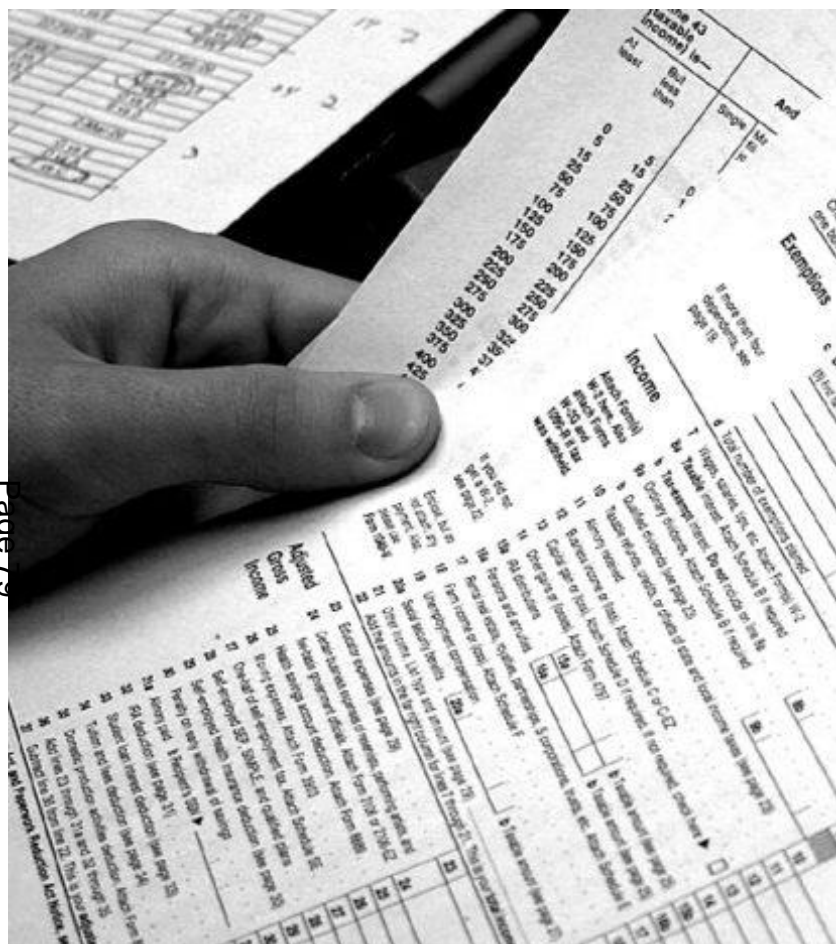
# Introduction and headlines cont.

## Audit logistics

We anticipate commencing our 2021/22 post-statements audit in October 2022. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our indicative fee at this stage of the audit is £62,658 (more detail is provided on pages 20 & 21), subject to the Council delivering a good set of financial statements and working papers. These indicative fees are currently being discussed with the Interim Deputy Chief Executive (S151 Officer).

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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..



# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Cotswold District Council mean that all forms of fraud are seen as unacceptable.</li> </ul>	No specific work is planned as the presumed risk has been rebutted.
The expenditure cycle includes fraudulent transactions (rebutted)	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"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.</p> <p>We have rebutted this presumed risk for Cotswold District Council because:</p> <ul style="list-style-type: none"> <li>• expenditure is well controlled and the Council has a strong control environment; and</li> <li>• the Council has clear and transparent reporting of its financial plans and financial position to the Council.</li> </ul> <p>We therefore do not consider this to be a significant risk for Cotswold District Council.</p>	No specific work is planned as the presumed risk has been rebutted.

# Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Valuation of land and buildings	<p>Revaluation of property, plant and equipment should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. The Council revalues its land and buildings on a rolling basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out;</li> <li>• challenge 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;</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register; and</li> <li>• evaluate the assumptions made by the valuer for those assets revalued at 31 March 2022. For the assets not formally revalued in year we will assess how management has satisfied themselves that these assets are not materially different to the current value at the year end.</li> </ul>

# Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of investment properties	<p>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 and the sensitivity of this estimate to changes in key assumptions.</p> <p>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.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out;</li> <li>• challenge 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;</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register; and</li> <li>• evaluate the assumptions made by the valuer for those assets revalued at 31 March 2022.</li> </ul>
Valuation of the pension fund net liability	<p>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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of the 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.</li> </ul>



# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, and investment properties,
- Depreciation,
- Year end provisions and accruals,
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities, and
- Fair value estimates

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.





### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered 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 point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

### Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management and the responses will be shared with Those Charged with Governance alongside this Audit Plan.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

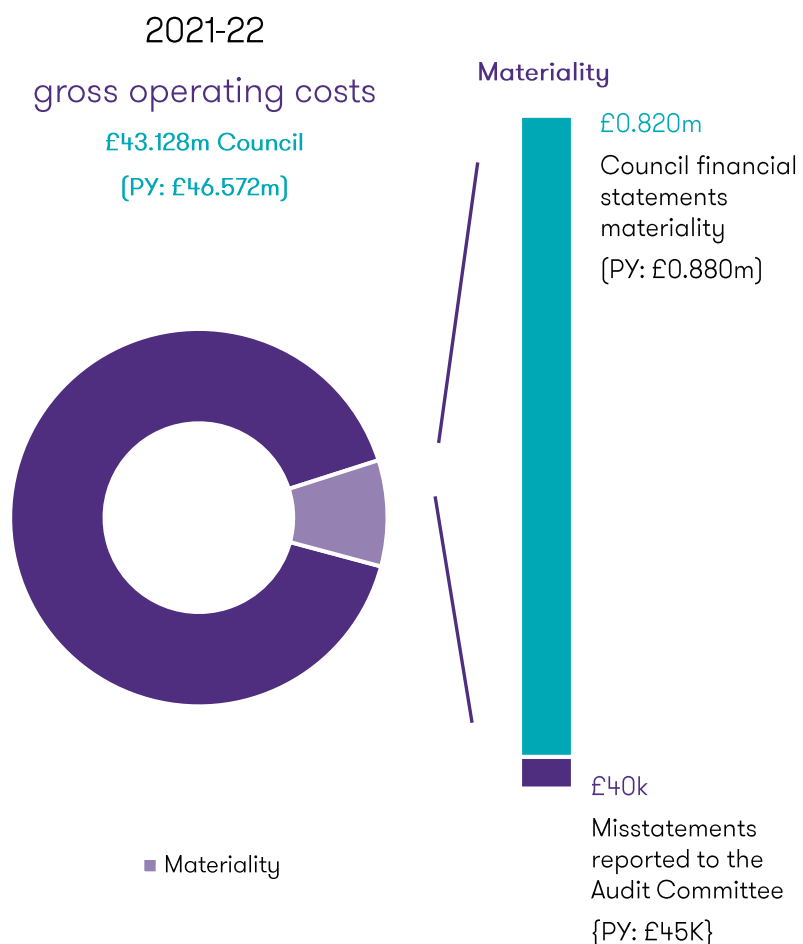
We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £0.820m (PY 0.880m) for the Council, which equates to approximately 1.9% of your draft precast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £5,000 for Senior Officer Remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.040m (PY £0.045m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

We plan to rely on the operation of application controls whether automated / IT dependent and will therefore carry out an extended IT General Controls assessment on the IT systems that support the operation of those controls. This is to gain assurance that the relevant controls have **been operating** effectively throughout the period.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso	Financial reporting	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> <li>Design Effectiveness for areas of significant risk detailed on pages 8-10</li> </ul>
Citica	Revenues (Council tax and business rates) and housing benefits	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> <li>We will gain an understanding of the Business Processes for this audit areas</li> </ul>

# Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires 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 three specified reporting criteria. These are as set out below:



### 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

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We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



# Risks of significant VFM weaknesses

As part of our planning work to date, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

## Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.



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**Risk title:** Financial Sustainability

**Risk description:** Whilst the Council has a good record of delivering to budget, there remains a financial challenge over the medium term in relation to revenue funding. Due to the inherent uncertainty, we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability.

Our 2021/22 VFM planning work has not been concluded at the time of drafting this audit plan and therefore we will keep our risk assessment open and provide an update as to any further risks identified once our work has concluded.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, 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



# Audit logistics and team

Planning and  
risk assessment

Interim audit  
August 2022

Audit Committee  
20 September 2022

Audit Plan

Year end audit  
October to November 2022

Audit  
Committee  
TBC

Audit Findings  
Report/Draft  
Auditor's Annual  
Report

TBC  
Audit Opinion &  
Auditor's Annual  
Report

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## Peter Barber, Key Audit Partner

Peter is responsible for the overall delivery of the audit. He will meet regularly with senior management of the Council and will attend Audit Committee meetings.



## Meriel Clementson, Manager

Meriel's role will be to manage the delivery of a high quality audit, meeting the highest professional standards. She will also oversee the delivery and quality of work produced by the audit team and draft reports for the Committee.

## Araminta Allen, Audit Incharge

Araminta is responsible for the on-site delivery of the audit work. She assigns activities across the team and ensures it is completed satisfactorily.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees

In 2017, PSAA awarded a contract of audit for Cotswold District Council to begin with effect from 2018/19. The fee agreed in the contract was £34,557 which was uplifted to £37,557 for 2021/22. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 11 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting.

The pandemic has led to considerable changes to how we all work and how we have carried out our audits over the last two years. Many local government bodies are exploring new ways of working to support its officers, through use of remote and hybrid working environments. We see the positive benefits this can bring to entities, and their workforce, both in providing more flexibility and reducing its environmental impact.

Whilst there are many efficiencies to remote working, having the ability to work together with officers face to face in conducting our audit work provides many advantages to the timely progression of the audit; both in minimising inefficiencies in gathering audit evidence, and in discussing key issues with officers and resolving and concluding outstanding queries.

With Covid restrictions now lifted, we have considered our on-site working arrangements. We have been discussing this with PSAA and propose that where local government bodies continue to have a preference to undertake audits remotely, either fully or in part, that audit fees would be uplifted to reflect the inefficiencies that this would cause. For Cotswold, we estimate this uplift to be in the region of £5,000.

These indicative fees are currently being discussed with the Interim Deputy Chief Executive (S151 Officer). Our proposed work and fee for 2021/22, as set out below, is detailed overleaf.

	Actual Fee 2020/21	Proposed fee 2021/22
Cotswold District Council Audit	£34,557	£37,557
Additional fees at the planning stage	£22,750	£25,101
Total audit fees (excluding VAT)	£57,307	£62,658

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.



# Audit fees – detailed analysis

Scale fee published by PSAA		£37,557
<i>Ongoing increases to scale fee</i>		
Increased challenge		£3,125
PPE Valuation		£688
Pensions IAS19		£688
Additional VFM		£9,000
Impact of ISA540		£2,100
Journals / Grants testing		£3,000
Local risk factors		£1,500
Remote working		£5,000
<b>Total audit fees (excluding VAT)</b>		<b>£62,658</b>

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 taken 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 there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

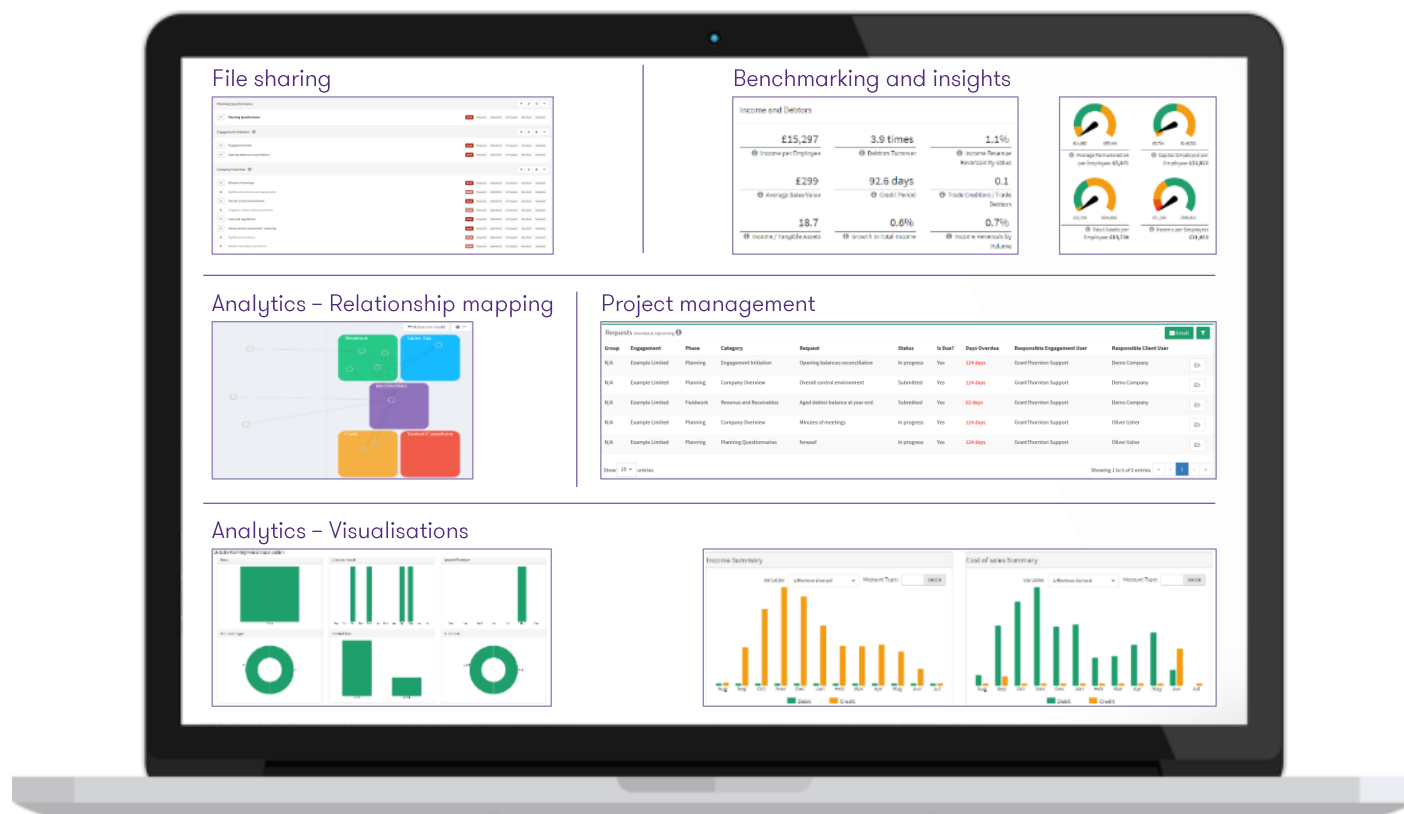
## Other services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. We have not identified any other services.

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

# Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Council's financial statements, which resulted in 2 recommendations being reported in our 2020/21 Audit Findings Report. In the following table we set out progress against each of our prior year recommendations.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	Disclosures relating to both critical judgements and estimation uncertainty lack the level of detail envisioned by IAS 540 and as described in the most recent FRC thematic review. The audit team recommended that management should consider working closely with experts to ensure more detailed disclosures can be provided in relation to both estimation uncertainty and critical judgements.	Disclosures were expanded in 2020/21 and reviewed again for 2021/22. We will review updates to disclosures during our audit fieldwork procedures in October to November.
In progress	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 in 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.	Management agreed to review the UEL for the 2021-22 year. We will review updates to disclosures during our audit fieldwork procedures in October to November.



# Agenda Item 9



**COTSWOLD**  
DISTRICT COUNCIL

Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>Audit Committee - 29 September 2002</b>
Report Number	<b>AGENDA ITEM 9</b>
Subject	<b>Treasury Management Outturn Report 2021/22</b>
Wards affected	N/A
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	Jo Moore, Interim Deputy Chief Executive Tel: 01285 623608 Email: jo.moore@cotswold.gov.uk
Summary/Purpose	To present to the Committee the annual review of treasury management activity for the financial year 2021/22
Annexes	None
Recommendation(s)	<i>For Members to receive and discuss the Annual Treasury Management Review for 2021/22;</i> <i>For Members to agree any comments to be passed to full Council when considering this item.</i>
Corporate priorities	<ul style="list-style-type: none"> <li>Delivering our services to the highest standards</li> </ul>
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Arlingclose Limited – Council's treasury advisors



## **1. BACKGROUND**

- 1.1** The Council's treasury management activity is underpinned by the CIPFA Code, which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year.
- 1.2** The Council was debt free during 2021/22 and holds investments in pooled funds and holds cash balances for short periods. It is therefore exposed to financial risks including changes in capital value of funds, the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are central to the Council's treasury management strategy.
- 1.3** Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. The Council's Treasury Management Strategy, complying with CIPFA's requirement, was approved by full Council on 24 February 2021.
- 1.4** The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing and treasury management. The Council's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 24 February 2021.

## **2. MAIN POINTS**

- 2.1** During the year the Council operated within the treasury limits and prudential indicators as set out in the Treasury Management Strategy approved by Council on the 24 February 2021.
- 2.2** Investment interest for 2021/22 has produced a net surplus of £8,770 against the original budget set in February 2021 of £390,568.
- 2.3** Pooled Funds have maintained strong returns of dividends, and returned over 3.41% against the £12.5m invested in this area. This compares to returns achieved of 0.08% for cash invested in money market funds and call accounts and 1.3% where cash is invested with Government.
- 2.4** The capital values of the Pooled Funds increased by £419,000 from £12.209m to £12.628 during 2021/22.
- 2.5** Due to capital expenditure included in the 2021/22 capital programme in relation to the Council's Recovery Investment Strategy now expected to be spent in 2022/23 and 2023/24, the Council has continued to have no requirement to borrow or hold external debt as at 31 March 2022.





### **3. ECONOMIC BACKGROUND**

- 3.1** The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.
- 3.2** UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality that were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series
- 3.3** Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.
- 3.4** In the nine months to December 2021, improved market sentiment was reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the Authority's property, equity and multi-asset income funds in the Authority's portfolio. In the January-March quarter in 2022, the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets.
- 3.5** In light of Russia's invasion, Arlingclose contacted the fund managers of our MMF's and strategic funds and confirmed no direct exposure to Russian or Belarusian assets was identified.

### **4. BORROWING**

- 4.1** The Council currently has no external debt and therefore no borrowing considerations. In order to determine whether the Council needs to borrow, the underlying need to borrow needs to be compared against the Council's internal borrowing capacity. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) which is total capital expenditure to be funded by borrowing less any revenue provision made for the Minimum Revenue Provision.
- 4.2** Whilst there may be an underlying need to borrow, the Council may not actually undertake external borrowing and may instead use its internal cash balances to fund the borrowing requirement which is known as "internal borrowing".  
For Cotswold District Council, there is a small underlying need to borrow of £16k and significant internal borrowing capacity as set out in Table 1 below:



Table 1: Balance Sheet Summary

	31/3/2021 Actual £m	2021/22 Movement £m	31/3/2022 Actual £m
General Fund CFR	0.063	(0.047)	0.016
Less: External borrowing	0	0	0
Less: Usable reserves	(25.904)	0.227	(25.677)
Less: Working capital	2.264	(9.526)	(7.262)
<b>Available for investment or internal borrowing*</b>	<b>(23.577)</b>	<b>(9.346)</b>	<b>(32,923)</b>

\*A positive figures would indicate a need to externally borrow

## 5. INVESTMENT ACTIVITY

- 5.1 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 5.2 A key aspect of the Council's current investment strategy is to invest into pooled funds in order to increase investment returns. These funds do introduce higher levels of risk as the capital value is not protected and the value of the funds can go up and down. The funds can be drawn down at relatively short notice but consideration would need to be given as to whether drawing them down would crystallise a capital loss. The funds themselves are invested in different investment classes and therefore risk within the pooled fund is diversified.
- 5.3 The value of all investments at 31 March 2022 is set out in Table 2 below together with the year-on-year movements.



Table 2: Treasury Management Summary

	<b>31/3/2021 Actual £m</b>	<b>2021/22 Movement £m</b>	<b>31/3/2022 Balance £m</b>	<b>31/3/2022 Rate %</b>
Long-term investments	12.134	0.423	12.557	3.41
Short-term investments	0.075*	5.496	5.571	0.02
Cash and cash equivalents	11.368	3.427	14.795	0.08
<b>Total investments</b>	<b>23.577</b>	<b>9.346</b>	<b>32.923</b>	<b>1.18</b>

\*Short term value of £75,000 is the accrued dividends on the Pooled Funds

- 5.4 During 2021/22, the Authority's investment balance ranged between £44.348 million and £22.968 million due to cashflow timing differences. The year-end investment position analysed between investment types and the year-on-year change in show in table 3 below.

Table 3: Investment Position (Treasury Investments)

	<b>31/3/2021 Actual £m</b>	<b>2020/21 Movement £m</b>	<b>31/3/2022 Balance £m</b>	<b>31/3/2022 Rate %</b>
Government (incl. local authorities)	0	5.500	5.500	1.51
Money Market Funds/Call A/C's	11.368	3.427	14.795	0.08
Pooled Funds	12.209	0.419	12.628	3.41
<b>Total investments</b>	<b>23.577</b>	<b>9.346</b>	<b>32.923</b>	<b>1.18</b>

#### **Pooled Funds**

- 5.5 The Council currently holds £12.5m in strategic pooled (bond, equity, multi-asset, property and cash) funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated a total return of £386,033 (3.41%) during 21/22 and the capital values on these funds increased by £422,705 as at 31 March 2022.
- 5.6 The increase in value is treated as an unrealised capital gain i.e. the income is not recognised as any gain or loss will only be recognised at the point funds are sold. The Council did not make any further contributions to the pooled fund during 2021/22 with the amount invested remaining at £12.5m.



Table 4: Current Pooled Funds

<b>Fund Manager</b>	<b>Investment</b>	<b>31<sup>st</sup> March 2021</b>	<b>31<sup>st</sup> March 2022</b>	<b>Dividends Received 2021/22</b>	<b>2021/22 Gain/(Loss)</b>	<b>Gain/(Loss) v Original Investment</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
CCLA Property	2,500,000	2,282,755	2,683,429	86,058	400,674	183,429
Schroders	1,000,000	764,342	847,022	54,470	82,680	(152,978)
M&G UK Income	2,000,000	1,831,782	1,920,825	79,423	89,043	(79,175)
Investec Div Income	2,000,000	2,018,818	1,921,396	71,881	(97,422)	(78,604)
Threadneedle Bond	2,000,000	2,148,990	2,050,746	46,215	(98,244)	50,746
CCLA Div	1,000,000	985,600	1,031,275	24,486	45,675	31,275
Federated Cash +	1,000,000	1,071,595	1,071,894	-	299	71,894
Fundamentum REIT	1,000,000	1,030,000	1,030,000	23,500	-	30,000
<b>Total –current funds</b>	<b>12,500,000</b>	<b>12,133,882</b>	<b>12,556,587</b>	<b>386,033</b>	<b>422,705</b>	<b>56,587</b>

- 5.7** As highlighted above, the nature of these funds is that values can fluctuate from one year to another. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives are monitored and discussed with Arlingclose on a regular basis. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

#### **Investment Returns**

- 5.8** The outturn for investment income received in 2021/22 was £399,338 which equates to a 1.18% return (20/21 – 1.80%) on an average investment portfolio of £32.768 million against a budgeted £390,568 on an average investment portfolio of £29.5 million. Net investments made a surplus of £8,770 for the 2021/22 financial year. See table 5 for details.

Table 5: Investment income versus budget

<b>Investment Income</b>	<b>2021/22 Budget £</b>	<b>2021/22 Actual £</b>	<b>Variance Surplus/ (Deficit) £</b>
Pooled Funds	367,068	362,533	(4,535)
Housing REIT	23,500	23,500	-
Short term	-	3,274	3,274
Call/MMF's	-	10,031	10,031
<b>NET Income</b>	<b>390,568</b>	<b>399,338</b>	<b>8,770</b>



## 6. COMPLIANCE REPORT

- 6.1 The Chief Finance Officer reports that all treasury management activities undertaken during 2021/22 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.
- 6.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	31.3.22 Actual £m	2021/22 Operational Boundary £m	2021/22 Authorised Limit £m	Complied
Borrowing	0	21.000	26.000	✓

- 6.3 No borrowing was taken out in 2021/22 and the authority currently had no external debt at 31 March 2022.

## 7. TREASURY MANAGEMENT INDICATORS

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

### Security

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

	31.3.22 Actual	2021/22 Target	Complied
Portfolio average credit	A	A-	✓

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

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

	2021/22	2022/23	2023/24
Actual principal invested beyond year end	£12.5m	£12.5m	£12.5m
Limit on principal invested beyond year end	£25m	£25m	£25m
Complied	✓	✓	✓



## **8. FINANCIAL IMPLICATIONS**

- 8.1** The Council maintained an average investment portfolio of £32.768 million during 2021/22. The funds earned an average rate of return of 1.18%, this compares to 1.80% in 2020/21.
- 8.2** The Council budgeted for £390,568, in treasury investment income for 2021/22. Actual performance was a surplus of £8,770, with investment income received of £399,338.

## **9. LEGAL IMPLICATIONS**

- 9.1** None.

## **10. RISK ASSESSMENT**

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

## **11. EQUALITIES IMPACT**

- 11.1** None.

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

- 12.1** None.

## **13. ALTERNATIVE OPTIONS**

- 13.1** None.

## **14. BACKGROUND PAPERS**

- 14.1** None.

(END)



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 29 SEPTEMBER 2022
Report Number	AGENDA ITEM 10
Subject	DRAFT STATEMENT OF ACCOUNTS 2021/22
Wards affected	N/a
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	Jo Moore, Interim Deputy Chief Executive and Chief Finance Officer Tel: 01285 623608 Email: jo.moore@cotswold.gov.uk
Summary/Purpose	This report presents to the Committee for consideration the published (unaudited) draft Statement of Accounts for the year ended 31 March 2022
Annexes	<b>Annex A</b> – Draft Statement of Accounts 2021/22 (unaudited)
Recommendation(s)	That the Committee notes the: (a) The draft unaudited Statement of Accounts 2020/21 (as attached at Annex A); (b) Key highlights from the Statement of Accounts 2021/22 as set out within this report.
Corporate priorities	<b>Priority</b> - Ensure that all services delivered by the council are delivered to the highest standard  <b>Principle - Value for money</b> - we will use the Council's resources wisely, but will invest in the fabric and future of the district
Key Decision	No
Exempt	No
Consultees/ Consultation	None



## **1. BACKGROUND**

- 1.1** The draft statement of accounts for the year ended 31 March 2022 are attached at Annex A and presented to the Committee for consideration.
- 1.2** The draft accounts were required to be published by 31 July 2022 but were actually published on 25 August 2022. The reason for the delay was that there was some confusion over the publishing date and the external auditors were liaised with throughout. Apologies are extended to the Committee for this oversight.
- 1.3** Once published, local authorities are required to allow for a public inspection period of 30 working days. The public inspection period for the 2021/22 accounts will therefore run from 30 August to 10 October 2022.
- 1.4** A final version of the accounts, together with the Council's external auditor's opinion on those accounts will be presented to a future Committee meeting following completion of the external audit. The fieldwork is due to commence in October 2022.
- 1.5** The draft Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ('the Code'). The Council is statutorily obliged under the Accounts and Audit Regulations 2015 to prepare its Statement of Accounts in accordance with the Code.
- 1.6** The Statement of Accounts have a specified format which includes a narrative report, four primary statements, accounting policies and notes to the accounts. The purpose of the primary statements are set out below together with any key highlights from those statements for the year ended 31 March 2022.

## **2. KEY HIGHLIGHTS**

### **2.1 Comprehensive Income & Expenditure account (CI&E)**

This statement includes the net cost of services in accordance with generally accepted accounting practices which for 2021/22 was a surplus of £0.403m. This differs from the revenue outturn report which reported a surplus of £18,982 as the CI&E is prepared under International Accounting Standards (IASs) while the management accounts are prepared based upon local authority accounting rules. The "Expenditure and Funding Analysis" (page 15) of the Accounts reconciles the difference between the IAS net surplus and the management accounts outturn.





## **2.2 Movement in Reserves Statement (MIRS)**

The MIRS details the movement in the year between reserves, from the surplus/deficit on provision of services in the Comprehensive Income and Expenditure Statement, to the position on the Balance Sheet at 31 March. The reserves are also split into usable reserves (which are available to spend) and unusable reserves which represent reserves held for accounting purposes (and are not available for use).

## **2.3 Balance Sheet**

The balance sheet depicts the assets and liabilities of the Council as at 31 March 2022 splitting these between current (less than 12 months) and non-current i.e. long term assets and liabilities. Subtracting liabilities from assets shows leads to a net position which represents the Council's 'net worth'.

At 31 March 2022, the Council's net worth was £58.2m compared to £42.8m the previous year and an increase of £15.4m. This is largely due to a reduction in the pension liability and increase in cash and investments and movements on debtors and creditors.

## **2.4 Cashflow Statement**

The cashflow statement shows the year-on-year change in cash and cash equivalents which includes on-demand deposits rather than simply showing the movement in the bank balance. There has been a £3.6m increase in cash and cash equivalents due to an increase in cash held in highly liquid 'money market funds'.

## **2.5 Notes to the accounts**

The notes to the accounts provide the detailed breakdown of the numbers contained within the primary statements together with relevant supporting information to assist readers of the accounts and to comply with accounting standards disclosure requirements. These can be found on pages 17 to 87.

## **2.6 Accounting policies**

The Council's Financial Rules state that the Chief Finance Officer is responsible for setting the Council's accounting policies. The Statement of Accounts is prepared based upon these policies. Whilst it is the Chief Finance Officer's responsibility to set the policies, the Audit Committee is responsible for approving them.

The accounting policies as set out in the draft statement of accounts were presented to and approved by the Audit Committee at the meeting on 28 April 2022. No further changes have been made to the policies presented and approved at that meeting.



## **2.7 Approval and publication of the accounts**

The Audit Committee is responsible for formally approving the audited Statement of Accounts on behalf of the Council. The statutory deadline for completing the 2021/22 external audit is 30 November 2022.

On completion of the audit, the Committee will be asked to approve the signing of the Statement of Accounts and Letter of Representation. At this point the Accounts can be formally approved by the Committee and the external auditor (Grant Thornton UK LLP). The S151 Officer will sign then sign the accounts and these will then be published on the Council's website along with the notice of completion of Audit.

## **2.8 Post-balance sheet events**

Until the day of the signing of the final accounts, the S151 Officer will continue to monitor matters which occur after the balance sheet date (31 March 2022) and which could impact on amounts included within the statement of accounts. If the matter meets the definition of an "adjusting" event and would have a material impact on an amount or amounts included within the statements then this could require an adjustment to the account. Any such events would be discussed with the external auditor and reported to the Committee.

## **3. FINANCIAL IMPLICATIONS**

- 3.1** As this is a finance report, the financial implications are as set out in the main body of the report and the annex. There are no other direct financial implications arising from this report.

## **4. LEGAL IMPLICATIONS**

- 4.1** None specific.

## **5. RISK ASSESSMENT**

- 5.1** The main risks arise from lack of financial control and poor accounts preparation processes. The Council has appropriate controls in place to mitigate these. In addition, any recommendations made by the External Auditor which have been accepted will be implemented within agreed deadlines.

## **6. EQUALITIES IMPACT**

- 6.1** This report presents to the Committee a statutory report which the Council has a legal obligation to prepare and, as such, there are no equalities impacts.



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

**7.1** None.

## **8. ALTERNATIVE OPTIONS**

**8.1** There are no alternative options as the Council has a legal obligations to prepare the statutory statement of accounts and for these to be subject to external audit.

## **9. BACKGROUND PAPERS**

**9.1** 28 April 2022 – Audit Committee approved the Draft Accounting Policies.  
4 July 2022 – Cabinet received the 2021/22 Financial, Council Priority and service Performance Report.

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## **STATEMENT OF ACCOUNTS 2021/2022 (UNAUDITED)**

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

### Our Aims and Priorities

The Council held its local elections in May 2019. This resulted in a change of political control from Conservative to Liberal Democrat. The administration set out its aims, priorities and underlying principles that set the direction for the Corporate Strategy for the Council for the period 2020-2024. The strategy was updated in 2022 as projects have progressed and the local and national picture has developed.

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 2021/22.

Each quarter, the Council monitors its progress towards achieving its aim and priorities, service delivery and financial performance.

Despite the continuing impact of Covid-19 during 2021/22 from Covid-19 lockdowns to vaccinations and gradual lifting of restrictions and resulting impact on resources, good progress has been made to deliver actions in the Corporate Plan including:

- Working with Gloucestershire Rural Community Council, the Council invested £14,000 in a Volunteer Flood Warden scheme which launched in November 2021, recognising the knowledge and commitment of local residents, and their vital role in preventing and mitigating the impact of future flooding events.
- The first two phases of the cashless parking project has been completed within the removal of the option to pay with cash at five of our car parks across the district providing better payment flexibility and enabling more cost-effective management.
- The Council received £1.2m of government funding from the Public Sector Decarbonisation Scheme. Energy efficiency and carbon reduction technologies have been installed at Cirencester and Bourton-on-the-Water leisure centres, and the Museum Resources Centres at Northleach, as well as lighting improvements at Moreton in Marsh Area Centre.
- Cabinet approved funding for the first phase of Electric Vehicle Charging Point installations with 20 charging connections (10 EVCPs) across locations in Bourton-on-the-Water, Cirencester and Moreton in Marsh during phase one including public car parks and Council offices. The provider Electric Blue Charging is supporting the Council in applying for Government funding to partially fund the capital cost of this project.
- Using monies generated from recent private sector developments, the Council are investing in two projects to deliver low carbon affordable housing, including £478,500 to provide 100 per cent social rent on a scheme of 15 units in Moreton in Marsh. A further allocation of £102,000 will be used to enhance the environmental sustainability of the homes. A second allocation of £332,000 has been made to Gloucestershire Rural Housing Association to deliver a rural exception site of 14 low-carbon affordable homes at Sunground Avening.
- The Council launched a new approach to community grants funding. Crowdfund Cotswold, our online crowdfunding platform, has raised an amazing £300,000 of funding from 1,333 backers, supporting 19 community-led projects in only its first year and recently won the Local Government Chronical (LGC) national award for 'Community Involvement'

# NARRATIVE REPORT

- Supporting local businesses through the Covid lockdown: between April 2020 to March 2022 we disbursed over £73m in Local Business Grant payments
- Working with Forest of Dean and West Oxfordshire District Councils, the Local Government Association, and national experts, published a toolkit guiding developers and homeowners on how to make properties net-zero carbon. The toolkit has been recognised nationally as good practice as part of the Pass the Planet Campaign
- The Council secured £130,000 from DWP (via the County Council) last November 2021 to protect vulnerable households in most need of support during the winter as the economy recovers. The funding has been used to provide supermarket vouchers and support to vulnerable households with energy and water bills, rent arrears and essential items to keep warm and well. The scheme was delivered by Citizens Advice Stroud & Cotswold Districts Ltd on behalf of the Council. In addition, the Council has provided 1,300 supermarket vouchers to pensioners on benefits as well as 28 starter packs containing a microwave, bedding, small table top fridge and additional kitchen equipment for families and individuals that are moving from temporary to permanent tenancy.

## Covid-19 pandemic

The Covid-19 pandemic has continued to have a significant impact on our communities, businesses and customers as the nation moves from Covid-19 lockdowns to vaccinations and lifting of restrictions. This has included:

- Many services supporting residents, communities and businesses impacted by Covid-19 as part of their every day job including supporting businesses 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 supporting over 700 residents through our help hub during the pandemic.
- We were allocated just over £160,000 from the 'Reopening High Streets Safely Fund' and 'Welcome Back Fund', which ran until the end of March 2022. Working with our towns and parishes, we have undertaken a number of physical improvement projects in town and village centres, run promotional campaigns and supported businesses to improve their digital presence.
- 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 2021/22, the Council continued to distribute a number of support grants to eligible businesses. A summary of business grants administered in 2021/22 is included below:

Grant	Value £
Restart Grant	10,728,747
Omicron Grant	2,223,079
Additional Restrictions Support Grant	1,723,109
Local Restrictions Support Grant	782,471
Closed Business Lockdown	364,000
<b>Total</b>	<b>£15,821,406</b>

- The Council distributed £240,500 during 2021/22 (£59,500 in 2020/21) in financial support to 481 individuals (119 in 2020/21) 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 affected by the reduction in car park usage during restrictions and the rise of the Omicron variant in the last quarter of 2021/22.
- After a difficult year with construction delays due to Covid-19 and the rising cost and lack of availability of building materials, 48 affordable homes for individuals and families were completed in Q4 bringing the total for 2021/22 to 99 units, one short of the target of 100. The forecast for 2022/23 is currently 125 affordable units.

The total general Covid-19 funding received by the Council in 2021/22 is £377,000 and £242,255 was received through the income compensation scheme.

Further funding has been received from Government, in relation to financial support for specific services and measures, and this has been reported to Cabinet on a quarterly basis.

## 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,

## NARRATIVE REPORT

the Company is a body governed by public law as defined in the Public Contracts Regulations 2015.

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

### Medium Term Financial Strategy (MTFS)

The Council operates a rolling 4 year MTFS, the latest being approved by Council on 24 February 2022. This update reflected announcements in the local government settlement for 2022/23 including:

- Funding baseline is a flat roll over from 2021/22;
- Councils impacted by “negative Revenue Support Grant” (including this Council) would continue to be protected from this funding cut;
- New Homes Bonus funding will continue for 2022/23 but the grant will be for one year only. Prior to 2020/21, New Homes Bonus grant was awarded for multiple financial years, initially six years and latterly four years. Funding from the New Homes Bonus Scheme is being reviewed as part of the DLUHC Fairer Funding Review;
- Rural Services Delivery Grant to continue for 2022/23;
- A new Services Grant has been introduced in 2022/23 and will be payable for one year only. This Grant includes funding for the national increase to National Insurance Contributions. This grant will be excluded from potential “transitional protection” as the Government implements changes to local government funding. This change is expected to take place from 2023/24
- The Lower Tier Services Grant which was introduced in 2021/22 to ensure that no local authority saw an overall reduction in Core Spending Power in 2021/22 continues in 2022/23. Core Spending Power includes income from Retained Business Rates, Council Tax, Lower Tier Support Grant, New Homes Bonus, Rural Services Delivery Grant and the new Services Grant.;
- Disabled Facilities Grant funding will continue at current levels;
- The Government delayed changes to local government funding from the Fairer Funding Review and Business Rates Retention Scheme for at least a year to April 2023 but will be confirmed as part of the Spending Review in 2022.

The 2022/23 revenue budget funded by core Government funding has therefore reduced by £228,000.

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:

	2022/23	2023/24	2024/25	2025/26
	£000s	£000s	£000s	£000s
Net Cost of Service	12,595	10,930	10,318	9,739
Central Government Funding	(6,469)	(4,486)	(3,581)	(2,654)
Council Tax	(6,157)	(6,444)	(6,687)	(6,985)
Collection Fund (Surplus)/Deficit	0	0	(50)	(100)
<b>Budgeted (Surplus)/Deficit</b>	(31)	0	0	0

### Investment in Council Priorities

Over the term of the Council (2019 to 2023), 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 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 to plan and develop better, greener transport options in the District, including cycle and walking routes and innovative bus options.
- £350,000 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.
- £360,000 provision for additional costs associated with waste and recycling services due to increased working from home related to the Covid-19 pandemic

### Retained Business Rates

## NARRATIVE REPORT

The Council is part of the Gloucestershire 50% Business Rate Pool. The MTFS assumes that any windfall gain associated with the Business Rates Pool will be allocated to the Council Priorities Fund. A gain of £377,000 was received in respect of 2021/22.

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. The accounting arrangements for Business Rates are complex and statute requires recognition of items charged in one financial year to be resolved in the following year i.e. the deficit arising in 2021/22 (the shortfall in collectable rates vs expected due to the Government reliefs) will be repaid to the Collection Fund in 2022/23. This deficit has therefore been budgeted for in 2022/23 and is funded by the exceptional S31 grant received in 2021/22. The S31 grant of £3.919m received in 2021/22 will be held in earmarked reserve and used to fund the contribution to the Collection Fund in 2022/23.

This year's accounts include a transfer of £7.4m from earmarked reserves to the general fund to fund the Collection Fund deficit payable in 2021/22

Changes to the Business Rate Retention Scheme were due to be implemented by Central Government in 2020/21 but were delayed due to the impact on businesses of the pandemic. These changes are now expected in 2023/24 at the earliest and a significant reduction in funding from Retained Business Rates has been reflected in the Council's Medium Term Financial Strategy, which will be updated as further advice is received from the Government

### 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 2022/23. The MTFS assumes increases of £5 per annum on a Band D property to 2025/26.

### Financial Assumptions

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

- provision for the impact of pay inflation on the Publica contract sum of 2.5% for 2021/22 and for each year thereafter;
- provision for service contract inflation;
- investment interest returns are expected to generate a 1.67% return with pooled funds expected to generate a higher 3.4% 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 £8.8m over the next four years to compensate for lost government funding. An updated Recovery Investment Strategy has been approved by Council in July 2022, which sets out the options for delivering additional income or generating further savings.

### Capital Investment and Borrowing

The Council has included £75 million of capital investment to reflect the desire to invest to deliver against the Council Priorities and Corporate Plan, approved in September 2020 and updated in spring 2022, and which will 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

At the 31 March 2022, the Council reported an underspend against its net cost of services budget of £64,384. After taking account of income from Council Tax, NNDR, government grants and transfers to/from reserves this equates to an underspend against the budget of £18,982

### Income

Income from car park fees, fines and permits continued to be impacted by Covid-19 and the rise of the Omicron variant in the last quarter of 2021/22 led to the outturn position being 75% of budget for the year, £749,000 less than budget. The impact of this is partially offset by the Government's sales fees and charges compensation grant of £245,225.

Income from planning fees slowed during the financial year but still resulted in an over achievement of income of £15,000. Planning appeals expenditure was £64,000 less than budgeted due to fewer appeals than



## NARRATIVE REPORT

estimated during 2021/22. Income from land charges has also continued to perform below budget with income received being £41,000 below budget at the end of the financial year due to a combination of Covid-19 and the significant rise in free unofficial Personal Searches (through Personal Search Agents).

£156,000 more income has been received in respect of garden waste annual subscriptions in comparison to the full year budget as a result of higher take up than anticipated. Licensing income also performed better than budgeted with income £54,000 higher than budgeted.

Income from recycling has also exceeded budget, recycling credits from Gloucestershire County Council were £252,000 higher than estimated as a result of higher levels of recycling. Increased demand for bulky waste collection has also resulted in an £54,000 overachievement of income.

### Expenditure

The majority of the Council's staffing resource is supplied under contract from Publica. The Publica net contract sum for 2021/22 was £8,919,148, 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. 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 £77,803.

The Council's Environmental Services (grounds maintenance, street cleaning, domestic waste collection, recycling collections etc.) are provided by Ubico Ltd. The Ubico contract costs were under budget (excluding unavoidable additional costs incurred as a result of Covid-19) by £401,000. This includes an underspend of £112,000 in respect of street cleaning, £102,000 in respect of food waste and £89,000 in respect of recycling. The underspend was largely a result of savings on budgeted fuel costs, savings in repairs partly as a result of utilising new vehicles and lower corporate costs recharged. After taking into account additional costs reported as incurred as a result of Covid-19 of £555,000 this represents a net overspend of £154,000.

The 2021/22 budget includes contingency funding for expenditure related directly to the impact of Covid-19 and reduced income from fees and charges. The contingency budget is funded from Government Covid-19 grant. The largest expenditure impact is from Ubico Ltd. As Ubico Ltd 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 and Ubico needing to protect its own employees in response to Covid-19 health and safety requirements, Ubico incurred unavoidable additional costs. These costs include: agency staff, hire vehicles and personal protective equipment have amounted to £555,000.

The Council approved a further financial support package of £280,403 for the Council's Leisure Operator, SLM for the period April to July 2021 whilst the leisure centres were closed due to Covid-19 restrictions. £178,334 was paid to SLM under open book arrangements. This has been funded from an underspend in the 2020/21 budget earmarked at the 31 March 2021 and grant funding of £104,298 received from the National Leisure Recovery Fund. The management fee for the period April to July 2021 was also waived.

### Covid-19 Support Grants

The Council received a range of grants from Central Government in 2020/21 and 2021/22 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 £5.197 million remained unspent for such schemes, which sits as a Creditor on our Balance Sheet (note D6). All Business Support scheme grants are now closed with all payments being made by 31 March 2022. These surplus funds will subsequently 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.

Covid-19 support grant funding received in 2021/22 is detailed below.

## NARRATIVE REPORT

	Council as Agent	Council as Principal
Grant Funding at 31 March 2022	£	£
Additional Restrictions Grant 21/22		(1,324,942)
Restart Grant	(13,326,125)	
Omicron – Hospitality and Leisure	(3,714,514)	
Test and Trace Self Isolation (Mandatory)	(118,000)	
Test and Trace Self Isolation 21/22 (Discretionary)		(83,000)
<b>TOTAL</b>	<b>17,158,639</b>	<b>1,407,942</b>

### Pensions Liability

The pension liability as at 31 March 2022 was £35.516m (£46.258m as at 31 March 2021). Whilst a significant sum, this is the net value of what is estimated 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 £4.220m and the liability reduced by £6.522m however, resulting in the overall net liability reducing by £10.74m.

The financial and demographic assumptions at 31st March 2022 were more favourable than they were at 31st March 2021, with a positive impact on the pension liability. The future value of pension liabilities is determined by the discount rate, which is based on the yield on investment grade corporate bonds. During the year, rate rises on index linked GILTS has led to an increase in the discount rate, which in turn reduces the future value of liabilities. The fund is revalued and contribution rates set every three years.

The most recent valuation was at 31 March 2019 and the next valuation will complete in 2022/23.

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 £4.902m 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 has provided capacity in the revenue budget to top up the General

Fund Balance by £1.634m in both 2021/22 and 2022/23.

### Capital Programme (Asset Management)

In 2021/22, the Council spent £2.629m against a budget of £23.060m on:

Capital Programme	£'000
Decarbonisation Project (Cirencester and Bourton Leisure Centres and Museum Resource Centre)	1,225
Disabled Facilities Grants (DFGs)	850
IT Equipment and Infrastructure	51
Community Grants Funded Projects	97
Ubico Fleet Replacement (recycling and waste vehicles)	173
Waste and Recycling Containers	55
Electric vehicle charging points	67
Roller Break testing (Ubico)	44
Packers Leaze Depot – Flood Prevention Works	67
	<b>2,629</b>

Significant expenditure included £1.225m of decarbonisation works to Cirencester and Bourton Leisure Centre and the Museum Resource Centre. Work included solar PV, the introduction of Air Source Heat Pumps and Building management systems upgrades as well as associated pump and ventilation improvements works to Cirencester and Bourton Leisure Centres.

Not all schemes planned for the year were undertaken including:

- Recovery Investment Strategy – budget of £15.2m. Further opportunities and options are being explored by officers and detailed reports seeking approval will be presented to Cabinet and Council as appropriate. In July 2021, Council approved a loan to a local housing association as part of the Recovery Investment Strategy and is committed expenditure of £3.8m in 2022/23.
- Investment in Strategic Property Acquisition – budget of £4.3m; discussions with landowner are ongoing.
- Electric vehicles charging points (EVCPs) – budget of £0.719m, Two EVCPs have been procured to replace the existing obsolete EVCPs at Beeches Car Park, Cirencester and Old Market Way Car Park, Bourton on the Water. The project will continue in 2022/23.

There is committed expenditure in relation to the projects listed of £4.014m and Capital Programme

## NARRATIVE REPORT

budgets have been carried forward in to 2022/23 to fund ongoing projects.

### Capital Receipts

£941,580 in capital receipts was received from Bromford Housing Association during 2021/22 in relation to homes previously owned by the Council and sold under Right-to-buy Legislation. All capital receipts are transferred to the Capital Receipts Reserve to fund future capital expenditure.

### Reserves and Balances

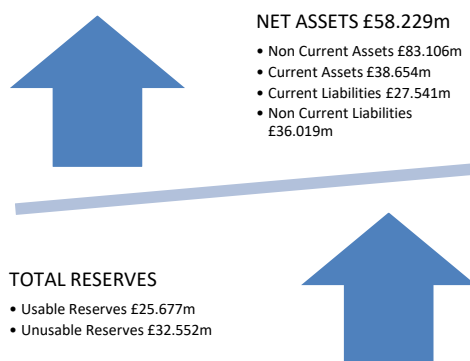
At the year-end usable reserves stood at £25.677 million, a decrease of £0.226 million during the year.

Earmarked reserves includes £3.9m of exceptional S31 grant provided by government in response to the Covid-19 pandemic in 2021/22 to compensate for lost business rate income due to extended retail discount awarded to businesses during the year. This will be used to fund the Collection Fund deficit in 2022/23.

Of the usable reserves at the year-end, non-earmarked General Reserves or 'Balances' were £2.553 million, an increase of £1.654 million during the year.

### Financial Position

Net assets increased in the year by £15,456,627.



Significant movements were:

- £1.732m upward valuation of Property, Plant & Equipment
- £5.498m increase in current investments
- £4.423m decrease in debtors
- £3.477m increase in cash and cash equivalent
- £1.116m increase in creditors
- £10.742m reduction in pension liability
- £1.658 increase in general fund balance due to budgeted transfer in lieu of pension payment made in advance in 2020/21
- £3.913m decrease 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.

During 2021-22 some services were unable to achieve their targets due to high workloads, some of which was caused by the impact of Covid-19, and a shortage of staff. An injection of additional resources, both temporary and permanent, as well as the implementation of improvement plans have had a positive effect on performance over the last six months in some key services such as Benefits and Planning. However, despite the introduction of career graded posts in the planning service, the service continues to experience difficulties in both recruiting suitable staff and retaining them. The Business Manager is exploring what further actions can be taken to attract qualified planning officers in the context of a national shortage

Both Council tax and Business rates collection rates have been affected by the impact of Covid-19. The team has supported the administration of a range of mandatory and discretionary business grants throughout the pandemic, while some homeowners will receive a rebate on their Council Tax to help with the rising cost of living.

In spite of the challenges, customer satisfaction for services delivered by phone and face to face remain high. The implementation of improvement plans, in particular the increased use of technology and automation to better manage workflow and resources is expected to, and has had positive effects on performance, e.g. In-Cab technology in the waste service, and more recently the new Revenues and Benefits system.

There have been a number of areas where indicators have improved or are noteworthy

- The Council's customers are highly satisfied with services delivered by phone, with over 95% of customers responding positively;
- The Council has increased its enforcement activity supported by its Clean and Green initiative. There have been 15 enforcement actions since the beginning of 2021-22. The Council takes a proactive and preventative approach to fly tipping, and duty of care work has been carried out with businesses and households to support them to manage their waste responsibly. More recently, the Council has commenced some targeted work in locations which are attracting high levels of fly tipping using a combination of proactive measures to deter fly tipping such as signage as well as enforcement activity. Further targeted work is expected in the coming months;
- In spite of staffing issues due to high Covid-19 infection rates, Storm Eunice (requiring the

# NARRATIVE REPORT

rescheduling of collections) and relatively high levels of waste due to home working (in response to Omicron variant), the number of missed bins per 100,000 scheduled collections continues to perform well within the target. The implementation of In-Cab technology a year ago is having positive benefits.

Eleven indicators fell short of their annual targets; six in Revenues and Benefits; one in Housing Support; three in Planning and Strategic Housing, one in Environmental and Regulatory and one in Leisure:

## Revenues and Benefits

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

## Planning and Strategic Housing

- Percentage of other planning applications determined within time
- Pre application advice income
- Percentage of land charge searches dispatched within time

## Environment and Regulatory

- Percentage of high risk food premises inspected within time

## Leisure

- Gym Memberships

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

## **Risk Management**

The Corporate Risk Register was updated during 2021/22 and reviewed by the Senior Management Team, which comprises both Council and Publica Senior Managers. Any risk scoring 15 or above is considered a 'primary risk'.

At the end of 2021/22, there was one primary 'residual' risk on the register which summarised that 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).

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. Government has published its Levelling Up and Regeneration Bill which seeks to significantly alter the planning system,

technical details are deferred to secondary legislation and consultations on updated policy and guidance (expected within the next 12 months).

## **Facing the Challenges Ahead**

The Council has approved an ambitious Corporate Plan for delivery over the next two 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. 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.

In order to deliver action to support the new Council priorities, the Council will need to invest in capital projects and this will 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.

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 fallout of the pandemic, Ukrainian war and current cost of living crisis exposes the Council to a number of major risks. The major risks looking forward are in respect of further changes to Government funding post 2022/23 and continuing impact of the Covid-19 pandemic. The impact of the pandemic will also be felt within this Council for years to come with increased costs for homelessness, rough sleepers, leisure facilities and lost income in car parking, leisure and other key fees, sales and charges into 2022/2023 and beyond. As well as additional energy and fuel costs due to the cost of living crisis and high oil prices due to the Ukrainian war. The Council plans to offset some of these additional costs by installing solar panels and reducing the energy usage in the council offices.



### Further information

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



Jo Moore, FCCA  
Interim 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 2022. 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 2020/22, 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 2022.

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 2022.



Date: 25.8.22

Jo Moore  
Interim 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. Nigel Robbins  
Chair of the Audit Committee



# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Comprehensive Income and Expenditure Statement

2020/21				Note	2021/22		
Gross Expenditure £	Gross Income £	Net Expenditure £			Gross Expenditure £	Gross Income £	Net Expenditure £
1,095,422	(474,611)	620,811	<u>Joint Committee/ Shared Services</u>		1,208,756	(597,985)	610,771
2,240,015	(1,135,547)	1,104,468	Environmental and Regulatory Services		2,416,056	(1,103,014)	1,313,042
2,016,349	(87,879)	1,928,470	Business Support Services		2,184,333	(110,466)	2,073,867
1,609,021	(842,309)	766,712	ICT, Change and Customer Services		1,785,039	(783,520)	1,001,519
210,264	0	210,264	Land, Legal and Property Services		185,335	0	185,335
15,736,064	(14,975,290)	760,774	Chief Executive and Modernisation Costs		14,827,328	(13,882,621)	944,707
5,119,036	(5,494,822)	(375,786)	Revenues and Housing Support Services		1,764,434	(1,324,941)	439,493
			Revenues - Covid Grants				
			<u>Strategic Directors</u>				
1,157,901	(106,765)	1,051,136	Democratic Services		1,389,278	(339,142)	1,050,136
9,125,334	(3,370,220)	5,755,114	Environmental Services		9,096,198	(5,059,228)	4,036,970
2,282,953	(542,763)	1,740,190	Leisure and Communities Services		2,322,163	(870,043)	1,452,120
3,799,655	(2,211,851)	1,587,804	Planning and Strategic Housing Services		3,327,884	(1,397,348)	1,930,536
1,369,620	(442,998)	926,622	Retained and Corporate Council Services		1,511,822	(522,480)	989,342
810,255	(534,250)	276,005	Retained and Corporate Council Services - Covid		1,109,213	(649,436)	459,777
<b>46,571,889</b>	<b>(30,219,305)</b>	<b>16,352,584</b>	<b>Cost of Services</b>		<b>43,127,839</b>	<b>(26,640,224)</b>	<b>16,487,615</b>
3,374,599	(30,042)	3,344,557	Other Operating Expenditure	B3	3,520,820	(989,455)	2,531,365
1,394,401	(2,139,443)	(745,042)	Financing and Investment Income and Expenditure	B4	1,302,275	(1,762,252)	(459,977)
0	(19,350,432)	(19,350,432)	Taxation and Non-Specific Grant Income	B5	0	(18,961,853)	(18,961,853)
<b>51,340,889</b>	<b>(51,739,222)</b>	<b>(398,333)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	B1/B2	<b>47,950,934</b>	<b>(48,353,784)</b>	<b>(402,850)</b>
		8,391,474	(Surplus) / deficit on revaluation of non current assets				(1,731,784)
		(50,000)	(Gains)/ losses on financial instruments designated at Fair Value through Other Comprehensive Income				0
		188,550	Reclassification of Asset under construction to REFCUS				0
		9,683,000	Remeasurement of the net defined benefit liability				(13,344,000)
		<b>18,213,024</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(15,075,784)</b>
		<b>17,814,691</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(15,478,634)</b>

## MOVEMENT IN RESERVES STATEMENT

### Movement in Reserves Statement

	Note	Usable Reserves					Unusable Reserves £	TOTAL RESERVES £
		General Fund - Unallocated £	General Fund - Earmarked £	Capital Receipts Reserve £	Capital Grants Unapplied £	Total Usable Reserves £		
<b>Balance at 31 March 2020</b>		(4,475,258)	(7,811,578)	(9,948,696)	(73,679)	(22,309,211)	(38,277,940)	(60,587,151)
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	17,814,691
Adjustments between accounting basis & funding basis under regulations	C1	(4,761,246)	0	1,752,368	(187,082)	(3,195,960)	3,195,960	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>(3,594,293)</b>	<b>21,408,984</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>(25,903,504)</b>	<b>(16,868,956)</b>	<b>(42,772,460)</b>
Adjustment to Collection Fund Adjustment Account		0	0	0	0	0	22,007	22,007
Movements in reserves 2021/22		(3,868,789)	3,868,789	0	0	0	0	0
Total Comprehensive income and expenditure		(402,850)	0	0	0	(402,850)	(15,075,784)	(15,478,634)
Adjustments between accounting basis & funding basis under regulations	C1	2,613,542	43,900	(1,477,748)	(550,175)	629,519	(629,519)	0
<b>(Increase) / Decrease in Reserves 2021/22</b>		<b>(1,658,097)</b>	<b>3,912,689</b>	<b>(1,477,748)</b>	<b>(550,175)</b>	<b>226,669</b>	<b>(15,683,296)</b>	<b>(15,456,627)</b>
<b>Balance at 31 March 2022</b>		<b>(2,552,710)</b>	<b>(12,639,113)</b>	<b>(9,674,076)</b>	<b>(810,936)</b>	<b>(25,676,835)</b>	<b>(32,552,252)</b>	<b>(58,229,087)</b>

# BALANCE SHEET

## Balance Sheet

31 March 2021 £		Note	31 March 2022 £
59,780,480	Property, Plant & Equipment	D1	61,388,371
17,000	Heritage Assets		17,000
6,217,500	Investment Property	D2	5,947,000
56,379	Intangible Assets	D3	30,688
11,062,288	Non-Current Investments	E2	11,484,694
4,944,976	Non-Current Debtors	D4	4,238,469
<b>82,078,623</b>	<b>Non-Current Assets</b>		<b>83,106,222</b>
1,144,649	Investments	E2	6,642,683
0	Assets Held for Sale	D9	300,000
26,488	Inventories		15,714
21,301,423	Debtors	D5	17,149,742
11,370,358	Cash and Cash Equivalents	E2	14,847,840
<b>33,842,918</b>	<b>Current Assets</b>		<b>38,955,980</b>
(133,990)	Cash and Cash Equivalents	E2	0
(23,184,280)	Creditors	D6	(24,572,116)
(1,773,391)	Creditors - s.106 balances	D6	(1,941,457)
(1,118,220)	Provisions	D7	(1,299,869)
<b>(26,209,881)</b>	<b>Current Liabilities</b>		<b>(27,813,442)</b>
(46,258,000)	Other Non-Current Liabilities	E1	(35,516,000)
(62,936)	Finance Lease Liabilities	E4	(15,767)
(618,264)	Capital Grants Receipts in Advance	B8	(487,906)
<b>(46,939,200)</b>	<b>Non-Current Liabilities</b>		<b>(36,019,673)</b>
<b>42,772,460</b>	<b>Net Assets</b>		<b>58,229,087</b>
<b>(25,903,505)</b>	Usable reserves	C2	<b>(25,676,835)</b>
<b>(16,868,955)</b>	Unusable Reserves	C3	<b>(32,552,252)</b>
<b>(42,772,460)</b>	<b>Total Reserves</b>		<b>(58,229,087)</b>

These financial statements were certified by the Chief Finance Officer on 25 August 2022.



Jo Moore  
Interim Chief Finance Officer

## CASH FLOW STATEMENT

### Cash Flow Statement

	Note	2020/21 £	2021/22 £
Net surplus or (deficit) on provision of services		398,333	402,850
Adjustments to net surplus or (deficit) on the provision of services to exclude non-cash movements	F1	(269,536)	10,501,906
Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing or financing activities	F2	(1,401,000)	(4,452,085)
<b>Net cash flows from Operating Activities</b>		<b>(1,272,203)</b>	<b>6,452,671</b>
Investing Activities	F3	7,027,794	(2,794,030)
Financing Activities	F4	23,585	(47,169)
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>5,779,176</b>	<b>3,611,472</b>
Cash and cash equivalents at 1 April		5,457,192	11,236,368
<b>Cash and cash equivalents at 31 March</b>		<b>11,236,368</b>	<b>14,847,840</b>
Comprising:			
Cash and bank current accounts		(131,980)	52,151
Money Market Funds		1,590,000	8,702,990
Short Term Deposits (Call Accounts)		9,778,348	6,092,699
		<b>11,236,368</b>	<b>14,847,840</b>



# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Notes to the Comprehensive Income and Expenditure Statement

### B1. Expenditure and Funding Analysis

	2021/22					
	Net Expenditure in CI&ES £	Adjs. between accounting and funding basis £	Transfers to /(from ) GF Earmarked Reserves £	Net Exp. Chargeable to the General Fund £	Management Reporting Adjs. £	Outturn Reported to Management £
<u>Joint Committee</u>						
Environmental and Regulatory Services	610,771	(192,340)	0	418,431	35,635	454,066
Business Support Services	1,313,042	(303,499)	0	1,009,543	19,454	1,028,997
ICT, Change and Customer Services	2,073,867	(282,137)	0	1,791,730	37,020	1,828,750
Land, Legal and Property Services	1,001,519	(260,928)	0	740,591	132,011	872,602
Chief Executive and Modernisation Costs	185,335	(26,649)	0	158,686	(111,630)	47,056
Revenues and Housing Support Services	944,707	(156,234)	0	788,473	25,698	814,171
Revenues - Covid Grants	439,493	0	0	439,493	0	439,493
<u>Strategic Directors</u>						
Democratic Services	1,050,136	(143,389)	0	906,747	58,567	965,314
Environmental Services	4,036,970	(555,505)	0	3,481,465	469,122	3,950,587
Leisure and Communities Services	1,452,120	(778,407)	0	673,713	602,889	1,276,602
Planning and Strategic Housing Services	1,930,536	(457,074)	0	1,473,462	57,449	1,530,911
Retained and Corporate Council Services	989,342	(52,213)	0	937,129	(1,081,431)	(144,302)
Retained and Corporate Council Services - Covid	459,777	0	0	459,777	0	459,777
<b>Cost of Services</b>	<b>16,487,615</b>	<b>(3,208,375)</b>	<b>0</b>	<b>13,279,240</b>	<b>244,784</b>	<b>13,524,024</b>
Other Income and Expenditure	(16,890,465)	5,820,775	(3,868,789)	(14,938,479)	(244,784)	(15,183,263)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(402,850)</b>	<b>2,612,400</b>	<b>(3,868,789)</b>	<b>(1,659,239)</b>	<b>0</b>	<b>(1,659,239)</b>
Budgeted Transfer to General Fund						1,640,257
<b>Surplus reported to Management</b>						<b>(18,982)</b>
Opening General Fund Balance (Unallocated) at 1 April				(894,613)		
(Surplus) / Deficit for the year				(1,659,239)		
<b>Closing General Fund Balance (Unallocated) at 31 March</b>				<b>(2,553,852)</b>		

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2020/21					
	Net Expenditure in CI&ES £	Adjs. between accounting and funding basis £	Transfers to /(from ) GF Earmarked Reserves £	Net Exp. Chargeable to the General Fund £	Management Reporting Adjs. £	Outturn Reported to Management £
<u>Joint Committee</u>						
Environmental and Regulatory Services	620,811	(113,534)	0	507,277	32,084	539,361
GO Shared 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
	(375,786)	0	0	(375,786)	0	(375,786)
<u>Strategic Directors</u>						
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		

# 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:

	2021/22						
	Adjustments between funding and accounting basis (see MiRS Note C1)				Adjustments between amounts chargeable to the General Fund and Management Reporting		
	Capital Adjs £	Pension Adjs £	Other Adjs £	Total adjs between funding and accounting £	Depreciation & Amortisation £	Other Segment Adjs. £	Total Management Reporting Adjustments £
<u>Joint Committee</u>							
Environmental and Regulatory Services	(35,635)	(156,705)	0	(192,340)	35,635	0	35,635
Business Support Services	(19,454)	(284,045)	0	(303,499)	19,454	0	19,454
ICT, Change and Customer Services	(37,020)	(245,117)	0	(282,137)	37,020	0	37,020
Land, Legal and Property Services	(132,011)	(128,917)	0	(260,928)	132,011	0	132,011
Chief Executive and Modernisation Costs	(1,649)	(25,000)	0	(26,649)	1,649	(113,279)	(111,630)
Revenues and Housing Support Services	(25,698)	(130,536)	0	(156,234)	25,698	0	25,698
Revenues - Covid Grants	0	0	0	0	0	0	0
<u>Strategic Directors</u>							0
Democratic Services	(58,567)	(84,822)	0	(143,389)	58,567	0	58,567
Environmental Services	(477,638)	(77,867)	0	(555,505)	469,122	0	469,122
Leisure and Communities Services	(699,115)	(79,292)	0	(778,407)	602,889	0	602,889
Planning and Strategic Housing Services	(57,449)	(399,625)	0	(457,074)	57,449	0	57,449
Retained and Corporate Council Services	(3,140)	(49,073)	0	(52,213)	3,140	(1,084,571)	(1,081,431)
Retained and Corporate Council Services - Covid	0	0	0	0	0	0	0
<b>Cost of Services</b>	<b>(1,547,376)</b>	<b>(1,660,999)</b>	<b>0</b>	<b>(3,208,375)</b>	<b>1,442,634</b>	<b>(1,197,850)</b>	<b>244,784</b>
Other Income and Expenditure	2,784,794	(941,000)	3,976,981	5,820,775	(1,442,634)	1,197,850	(244,784)
(Surplus) / Deficit on Provision of Services	1,237,418	(2,601,999)	3,976,981	2,612,400	0	0	0

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2020/21						
	Adjustments between funding and accounting basis (see MiRS Note C1)				Adjustments between amounts chargeable to the General Fund and Management Reporting		
	Capital Adjs £	Pension Adjs £	Other Adjs £	Total adjs between funding and accounting £	Depreciation & Amortisation £	Other Segment Adjs. £	Total Management Reporting Adjustments £
<u>Joint Committee</u>							
Environmental and Regulatory Services	(32,084)	(81,450)	0	(113,534)	32,084	0	32,084
GO Shared 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

## 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

	2020/21 £	2021/22 £
<b>Expenditure</b>		
Employee benefits expenses	2,138,961	3,405,474
Publica Contract Charge	9,459,160	9,629,795
Housing Benefit & other transfer payments	13,560,399	12,409,922
Covid Business Grants Paid	5,096,786	1,723,107
Other service expenses	14,206,516	13,687,257
Depreciation, amortisation and impairment	1,433,532	1,457,668
Interest payments and similar expense	870,000	944,360
Precepts and Levies	3,374,599	3,520,820
Other expenditure	1,200,934	1,172,531
<b>Total Expenditure</b>	<b>51,340,887</b>	<b>47,950,934</b>
<b>Income</b>		
Fees, charges & other service income	(6,976,527)	(9,023,256)
Housing Benefit Subsidy	(13,127,159)	(12,093,646)
Covid Business Grants	(5,494,822)	(1,324,292)
Other Government Grants	(17,833,971)	(11,354,657)
Income from Council Tax	(8,900,806)	(9,451,842)
Income from Non Domestic Rates	6,324,848	2,627,344
Non Government Grants & Contributions	(3,564,391)	(5,105,146)
Investment interest and similar income	(1,244,840)	(1,216,129)
Other income	(921,553)	(1,412,160)
<b>Total Income</b>	<b>(51,739,221)</b>	<b>(48,353,784)</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(398,334)</b>	<b>(402,850)</b>

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B3. Other Operating Income & Expenditure

	2020/21 £	2021/22 £
(Gains) / losses on disposal of non current assets	(30,042)	(48,397)
Unattached capital receipts	0	(941,058)
Town and Parish Council precepts	3,374,599	3,520,820
	<b>3,344,557</b>	<b>2,531,365</b>

## B4. Financing and Investment Income and Expenditure

	2020/21 £	2021/22 £
Interest payable and similar charges	0	3,361
Interest receivable and similar income	(527,464)	(490,318)
Changes in fair value of financial assets	(891,511)	(422,705)
Movement in impairment allowance for doubtful debts	51,259	(113,846)
Movement in the fair value of investment property	353,500	217,500
Net investment property (income) / expenditure	(600,826)	(616,590)
Net interest on the net defined benefit pension liability	870,000	941,000
	<b>(745,042)</b>	<b>(481,598)</b>

	2020/21 £	2021/22 £
Interest payable and similar charges	0	3,361
Interest receivable and similar income	(527,464)	(490,318)
Changes in fair value of financial assets	(891,511)	(422,705)
Movement in impairment allowance for doubtful debts	51,259	(113,846)
Movement in the fair value of investment property	353,500	217,500
Net investment property (income) / expenditure	(600,826)	(616,590)
Net interest on the net defined benefit pension liability	870,000	941,000
	<b>(745,042)</b>	<b>(481,598)</b>

# NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## B5. Taxation and Non Specific Grant Income

	2020/21 £	2021/22 £
National Non Domestic Rates		
- Redistribution	(2,035,436)	(2,173,016)
- Safety Net Levy	860,825	661,793
- (Surplus) / Deficit	7,499,459	4,138,567
	<b>6,324,848</b>	<b>2,627,344</b>
Council Tax income	(8,900,806)	(9,451,842)
Non-ringfenced government grants	(16,774,473)	(12,137,355)
	<b>(19,350,431)</b>	<b>(18,961,853)</b>

## B6. Members' Allowances

	2020/21 £	2021/22 £
Allowances	298,441	303,963
Expenses	172	636
	<b>298,613</b>	<b>304,599</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.

	2020/21 £	2021/22 £
<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	37,557
Increases to Scale Fee	22,750	13,400
Fees payable to external auditor for the certification of grants claims and returns for the year	6,750	16,000
Additional fees payable relating to 2019/20 Audit	15,868	0
Additional fees payable relating to 2020/21 certification of grants	0	26,850
	<b>79,925</b>	<b>93,807</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.

Increase to the scale fee have been recognised as expenditure in 2021/22 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.

Additional audit fees in respect of both the 2020/21 and 2021/22 certification of the housing benefit subsidy return payable to KPMG are also disclosed above.



# 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.

	2020/21 £	2021/22 £
<u>Revenue grants credited to Cost of Services</u>		
Housing Benefit Subsidy	(12,966,284)	(11,857,479)
Housing Benefit and Council Tax Administration Subsidy	(227,518)	(228,717)
Covid Business Grants Funding	(5,494,822)	(1,324,292)
Contain Outbreak Management Fund	(200,000)	(279,400)
High Street Reopening/Welcome Back Fund*	0	(134,029)
Test and Trace Grant Funding	(137,766)	(49,394)
Preventing Homelessness	(88,088)	(161,215)
Rough Sleeping **	0	(83,144)
Physical Activity and Dispersal Project (Cotswold Water Park)	0	(130,000)
National Leisure Recovery Fund	(89,602)	(104,298)
Compliance and Enforcement	(34,218)	0
PCC Elections	0	(122,600)
Domestic Abuse New Burdens	0	(33,790)
	<b>(19,238,298)</b>	<b>(14,508,358)</b>
<u>Grants credited to Taxation and Non Specific Grant Income</u>		
New Homes Bonus	(3,169,266)	(2,092,561)
Lower Tier Services Grant	0	(690,819)
Section 31 NNDR Compensation	(9,694,715)	(6,122,744)
Local Government Income Compensation Scheme for Lost Sales, Fees and Charges	(1,487,750)	(245,225)
Covid-19 LA Support Grant	(1,129,100)	(377,437)
Rural Services Delivery Grant	(602,434)	(632,183)
New Burdens	(503,612)	(198,493)
Other revenue grants	(1,165)	0
Public Sector Decarbonisation	0	(1,181,584)
CIL grant income (Capital infrastructure)	(186,431)	(550,175)
Other capital grants	0	(46,134)
	<b>(16,774,473)</b>	<b>(12,137,355)</b>
<u>Capital grants credited to Cost of Services in the Comprehensive Income and Expenditure Statement</u>		
Better Care Fund (Disabled Facilities Grants)	(460,997)	(850,269)
S.106 Receipts	(1,071,070)	(72,494)
Other capital grants	(110,532)	0
	<b>(1,642,599)</b>	<b>(922,763)</b>

\* £12,252 of funding in respect of the 'Welcome Back Fund' was recognised as grant income in 2020/21 but not separately disclosed due to trivial nature.

\*\* £11,400 of grant funding in relation to 'Rough Sleeping' was recognised as grant income in 2020/21 but not separately disclosed due to trivial nature.

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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:

	2020/21 £	2021/22 £
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)
Consultation Software Procurement	0	(48,906)
Better Care Fund (Disabled Facilities Grants)	(392,435)	(213,166)
Other Grants Receipts in Advance	(3,059)	(3,059)
	<b>(618,264)</b>	<b>(487,901)</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:

2021/22					
Post	Salary, allowances & other benefits £	Pension Contributions £	Compensation for Loss of Employment	Pension Strain	Total Remuneration £
Chief Executive	102,728	20,521	0	0	123,249
Deputy Chief Executive and Chief Finance Officer <sup>1</sup>	86,275	17,428	0	0	103,703
Interim Head of Legal and Monitoring Officer (to 30 April 2021)	9,003	0	0	0	9,003
Director of Governance and Development (Monitoring Officer) (permanent basis from 16th December 2021)	25,279	5,106	0	0	30,385
	<b>223,285</b>	<b>43,055</b>	<b>0</b>	<b>0</b>	<b>266,340</b>
2020/21					
Post	Salary, allowances & other benefits £	Pension Contributions £	Compensation for Loss of Employment	Pension Strain	Total Remuneration £
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>

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. The figures shown above represent the full salary, allowances and pension costs incurred by Cotswold District Council as the employing Authority for the year. Jo Moore was appointed as Interim Deputy Chief Executive and S151 Officer from 21 July 2022.

<sup>2</sup> The statutory responsibility of Monitoring Officer was fulfilled by the Group Manager Legal Services until 31 July 2020; 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 except for the Director of Governance and Development (Monitoring Officer) who was appointed formally part way through the financial year (16 December 2021).

	2020/21	2021/22
	No. of Officers including Severance or Other Related Payments <sup>1</sup>	
£50,000 to £54,999	1	0
£55,000 to £59,999	1	1
£60,000 to £64,999	0	1
£75,000 to £79,999	2	0
£80,000 to £84,999	1	0
£85,000 to £89,999	0	1
£100,000 to £104,999	0	1
£190,000 to £194,999	0	0
£225,000 to £229,999	0	0
<b>Total</b>	<b>5</b>	<b>4</b>

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

## B10. Termination Benefits

There were no termination benefits paid in 2021/22. (Two in 2020/21, incurring liabilities of £359,634).

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

	2020/21		2021/22	
	No. of packages	£	No. of packages	£
Severance Payments	2	126,856	0	0
Pension Strain Costs	2	232,778	0	0
		<b>359,634</b>		<b>0</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 £	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£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	1	0	1	0	157031	0
£201,001 - £250,000	0	0	1	0	1	0	202,603	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>359,634</b>	<b>0</b>

# NOTES TO THE MOVEMENT IN RESERVES STATEMENT

## Notes to the Movement in Reserves Statement

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

	2021/22			
	General Fund - Unallocated	General Fund - Earmarked	Capital Receipts Reserve	Capital Grants Unapplied
	£	£	£	£
<b>Capital Adjustments</b>				
Reversal of entries included in the CI&ES relating to Capital Expenditure				
Charges for depreciation, amortisation and impairment	(1,457,668)			
Revaluation losses on Property, Plant and Equipment	0			
Movements in the fair value of Investment Properties	(217,500)			
Capital Grants and Contributions applied	2,077,988			
Revenue Expenditure funded from Capital Under Statute	(955,031)			
Non current assets written off on disposal or sale	(182,172)			
<b>Adjustments between Capital &amp; Revenue Resources</b>				
Transfer of cash sale proceeds from disposal of non current assets	182,172			
Capital expenditure charged against General Fund Balance	250,000	43,900		
Capital Grants and contributions credited to CIES	550,175			(550,175)
Unattached Capital Receipts	989,455		(989,455)	
<b>Adjustments to Capital Resources</b>				
Use of capital receipts reserve to finance new capital expenditure			367,570	
Transfer from Deferred Capital Receipts on receipt of cash			(825,483)	
Write down of long term debtor on receipt of loan principal			(30,380)	
<b>Financial Instrument Adjustments</b>				
Reversal of changes in fair value on Pooled Investment Funds	422,705			
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	(2,602,000)			
<b>Other Adjustments</b>				
Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account	3,555,418			
	<b>2,613,542</b>	<b>43,900</b>	<b>(1,477,748)</b>	<b>(550,175)</b>

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

	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)	
<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

### 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 2021 £	Transfers between £	Transfers Out £	Transfers in £	31 March 2022 £
Council Priorities Fund	(4,947,033)	(101,172)	536,931	(350,000)	<b>(4,861,274)</b>
Community-Led Housing	(827,564)	0	21,230	0	<b>(806,334)</b>
Business Rates Smoothing reserve	(7,626,162)	0	7,425,000	(3,919,000)	<b>(4,120,162)</b>
New Burdens Grant	(475,300)	90,000	90,011	(115,389)	<b>(410,678)</b>
Additional Restrictions Grant	(398,306)	0	398,306	0	<b>0</b>
Covid related	(493,711)	0	317,852	0	<b>(175,859)</b>
Other earmarked reserves	(1,783,727)	11,172	394,807	(887,058)	<b>(2,264,806)</b>
	<b>(16,551,803)</b>	<b>0</b>	<b>9,184,137</b>	<b>(5,271,447)</b>	<b>(12,639,113)</b>

### C3. Unusable Reserves

#### Summary of Unusable Reserves

	31 March 2021 £	31 March 2022 £
Revaluation Reserve	(35,269,701)	(36,435,768)
Capital Adjustment Account	(30,846,273)	(31,318,676)
Pension Reserve	46,258,000	35,516,000
Deferred Capital Receipts Reserve	(5,624,685)	(4,970,994)
Collection Fund Adjustment Account	8,192,819	4,659,407
Pooled Investment Fund Adjustment Account	450,485	27,780
Financial Instruments Revaluation Reserve	(30,000)	(30,000)
	<b>(16,869,355)</b>	<b>(32,552,251)</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.

	2020/21 £	2021/22 £
Opening Balance - 1 April	(44,338,362)	(35,269,701)
Upward revaluation of assets	(878,055)	(4,885,015)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	9,269,529	3,153,231
Other amounts written off to Capital Adjustment Account	0	0
<i>Surplus / deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services</i>	8,391,474	(1,731,784)
Difference between fair value and historic cost depreciation	677,188	565,717
<i>Amount written off to the Capital Adjustment Account</i>	677,188	565,717
<b>Closing Balance - 31 March</b>	<b>(35,269,701)</b>	<b>(36,435,767)</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].

	2020/21 £	2021/22 £
Opening Balance - 1 April	(31,605,026)	(30,846,273)
<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	1,433,532	1,457,668
Revaluation losses on Property, Plant and Equipment	0	0
Revenue expenditure funded from capital under statute	1,036,233	955,031
Amounts of non-current assets written off on disposal or sale	1,828,507	182,172
	4,298,272	2,594,871
<u>Adjusting amounts written out of the Revaluation Reserve</u>		
Historical cost depreciation adjustment	(677,188)	(565,317)
Other amounts written off	0	0
	(677,188)	(565,317)
<u>Adjustments between Capital &amp; Revenue Resources</u>		
Capital Grants Repaid	0	0
<b>Net written out amount of the cost of non current assets consumed in year</b>	<b>3,621,084</b>	<b>2,029,554</b>
<u>Capital financing applied in year</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,382,371)	(347,969)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(585,910)	(2,077,587)
Use of General Fund Earmarked Reserves applied to capital financing	0	(43,900)
Capital expenditure charged against the General Fund Balance	(247,550)	(250,000)
	(3,215,831)	(2,719,456)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	353,500	217,500
<b>Closing Balance - 31 March</b>	<b>(30,846,273)</b>	<b>(31,318,676)</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.

	2020/21 £	2021/22 £
Opening Balance - 1 April	40,047,000	46,258,000
Return on plan assets	(16,952,000)	(4,437,000)
Remeasurement of the net defined benefit liability	26,635,000	(8,907,000)
Reversal of items debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement	3,005,000	3,864,000
Employers' pension contributions	(6,477,000)	(1,262,000)
<b>Closing Balance - 31 March</b>	<b>46,258,000</b>	<b>35,516,000</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 2021 £	March 2022 £
Mortgages on sales of Council Houses	(31,500)	(31,500)
Loans Issued - CHYP	(76,444)	(72,880)
Principal amounts on finance leases	(5,194,040)	(4,549,334)
Other deferred receipts	(322,701)	(317,281)
	<b>(5,624,685)</b>	<b>(4,970,995)</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 2021 £	Adjustment	Transfers Out £	Transfers in £	31 March 2022 £
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	219,115		(171,874)		47,241
NNDR	7,995,710		(7,521,083)	4,137,538	4,612,165
NNDR - Renewal Energy Scheme	(22,006)	22,006			0
	<b>8,192,819</b>		<b>(7,692,957)</b>	<b>4,137,538</b>	<b>4,659,406</b>

### Pooled Investment Fund Adjustment Account

	2020/21 £	2021/22 £
Opening Balance - 1 April	1,341,996	450,485
Changes in fair value of Pooled Investment Funds	(891,511)	(422,705)
Accumulated gains / (losses) written out on derecognition	0	0
<b>Closing Balance - 31 March</b>	<b>450,485</b>	<b>27,780</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.

	2020/21 £	2021/22 £
Opening Balance - 1 April	20,000	(30,000)
Changes in fair value of financial assets elected to FV through Other Comprehensive Income	(50,000)	0
<b>Closing Balance - 31 March</b>	<b>(30,000)</b>	<b>(30,000)</b>

## NOTES TO THE BALANCE SHEET

### Notes to the Balance Sheet

#### D1. Property, Plant and Equipment

Movements in 2021/22	Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Construction £	TOTAL P,P&E £
<b>Asset Cost or Valuation</b>						
Asset values at 1 April 2021	54,396,697	2,448,266	201	4,513,879	0	<b>61,359,043</b>
Additions	113,322	1,618,156	0	0	0	1,731,478
Revaluation increases / (decreases)	1,138,190	0	0	(473,560)	0	664,630
Derecognition - disposals	0	(276,883)	0	0	0	(276,883)
Transfers and reclassifications	0	0	0	0	0	0
Other Movements	0	0	0	0	0	0
<b>Asset values at 31 March 2022</b>	<b>55,648,209</b>	<b>3,789,539</b>	<b>201</b>	<b>4,040,319</b>	<b>0</b>	<b>63,478,268</b>
<b>Depreciation</b>						
Accumulated depreciation at 1 April 2021	(114,987)	(1,463,575)	0	0	0	<b>(1,578,562)</b>
Depreciation charge for the year	(1,020,353)	(392,358)	0	(13,487)	0	(1,426,198)
Depreciation written out on revaluation	806,667	0	0	13,487	0	820,154
Derecognition - disposals	0	94,711	0	0	0	94,711
Transfers and reclassifications	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
<b>Accumulated depreciation at 31 March 2022</b>	<b>(328,673)</b>	<b>(1,761,222)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,089,895)</b>
<b>Net Book Value of Assets</b>						
1 April 2021	54,281,710	984,691	201	4,513,879	0	59,780,481
31 March 2022	<b>55,319,536</b>	<b>2,028,317</b>	<b>201</b>	<b>4,040,319</b>	<b>0</b>	<b>61,388,373</b>

## NOTES TO THE BALANCE SHEET

Movements in 2020/21	Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Con- struction £	TOTAL P,P&E £
<b>Asset Cost or Valuation</b>						
Asset values at 1 April 2020	62,234,027	2,311,061	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	(188,798)	(188,798)
<b>Asset values at 31 March 2021</b>	<b>54,396,697</b>	<b>2,448,266</b>	<b>201</b>	<b>4,513,879</b>	<b>1</b>	<b>61,359,044</b>
<b>Depreciation</b>						
Accumulated depreciation at 1 April 2020	(362,159)	(1,250,551)	0	0	0	<b>(1,612,710)</b>
Depreciation charge for the year	(1,063,159)	(326,361)	0	(14,924)	0	(1,404,444)
Depreciation written out on revaluation	1,310,331	0	0	14,924	0	1,325,255
Derecognition - disposals	0	113,337	0	0	0	113,337
Other movements	0	0	0	0	0	0
	0	0	0	0	0	
<b>Accumulated depreciation at 31 March 2021</b>	<b>(114,987)</b>	<b>(1,463,575)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,578,562)</b>
<b>Net Book Value of Assets</b>						
1 April 2020	61,871,868	1,060,510	201	4,712,913	1,609,749	69,255,241
31 March 2021	<b>54,281,710</b>	<b>984,691</b>	<b>201</b>	<b>4,513,879</b>	<b>1</b>	<b>59,780,482</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.
- Freehold land is not depreciated.
- Surplus assets will have lives based upon the type of asset – e.g. Buildings 30 to 40 years less any residual land value, land indefinite lifespans. Useful economic lives will be agreed with the valuer.
- Vehicles, plant, furniture and equipment: 4 – 20 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 material changes in its accounting estimates in either the life or depreciation methods of assets during the year.

### Revaluations

The 2021/22 revaluations and impairment review were undertaken by Richard Webb MRICS, of Publica Group (Support) Limited and Carter Jonas Chartered Surveyors. 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 5-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 Carter Jonas Chartered Surveyors, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

	Other Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Construction £	TOTAL £
Carried at [depreciated] Historical Cost	0	2,028,317	201	0	0	2,028,518
Valued at Current Value as at 31st March:						
2017/18	21,122	0	0	40,700	0	61,822
2018/19	1,329,929	0	0	107,626	0	1,437,555
2019/20	0	0	0	82,942	0	82,942
2020/21	16,033,832	0	0	198,052	0	16,231,884
2021/22	37,934,649	0	0	3,611,000	0	41,545,649
	<b>55,319,532</b>	<b>2,028,317</b>	<b>201</b>	<b>4,040,320</b>	<b>0</b>	<b>61,388,370</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.

	2020/21 £	2021/22 £
Rental income	(706,867)	(710,758)
Direct operating expenses	135,690	82,811
Net (gains) / losses from fair value adjustments	335,500	217,500
	<b>(235,677)</b>	<b>(410,447)</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.

## NOTES TO THE BALANCE SHEET

The 2021/22 valuations were undertaken by Carter Jonas Chartered Surveyors. 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.

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.

	2020/21 £	2021/22 £
Opening Balance - 1 April	6,571,000	6,217,500
Additions	0	0
Transfers and reclassifications	0	(53,000)
Net gains / (losses) from fair value adjustments	(353,500)	(217,500)
<b>Closing Balance - 31 March</b>	<b>6,217,500</b>	<b>5,947,000</b>

### D3. Intangible Assets

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

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

#### Movements in Intangible Assets

	2020/21 £	2021/22 £
<b><u>Asset Cost or Valuation</u></b>		
Asset values at 1 April	295,631	170,512
Additions	9,534	5,779
Derecognition	(134,652)	0
<b>Asset values at 31 March</b>	<b>170,513</b>	<b>176,291</b>
<b><u>Amortisation</u></b>		
Accumulated Amortisation at 1 April	(219,699)	(114,133)
Amortisation charge for the year	(29,087)	(31,470)
Derecognition	134,652	0
<b>Accumulated Amortisation at 31 March</b>	<b>(114,134)</b>	<b>(145,603)</b>
<b>Net carrying amount at 31 March</b>	<b>56,379</b>	<b>30,688</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 2021 £	31 March 2022 £
Starter Home Initiative	45,235	45,235
Council Mortgages & Housing Act Advances	31,500	31,500
Charities	76,444	72,880
Housing Improvement Loans	54,085	54,085
Housing Strategy Loans	11,692	11,692
Employee Car Loans	16,158	7,970
Loan to 'Friends of the Cotswolds'	322,701	301,725
Loan to 'Barn Theatre'	20,000	15,556
Finance Leases - principal outstanding	4,367,161	3,697,827
	<b>4,944,976</b>	<b>4,238,469</b>

### D5. Debtors

	31 March 2021 £	March 2022 £
Government Departments	11,489,698	6,504,376
NHS	0	149,995
Other Local Authorities	6,328,738	5,513,770
Collection Fund debtors (CDC Share)	1,432,699	1,902,419
Housing Benefit recovery	758,983	683,670
Finance Leases - principal outstanding	826,878	851,507
Housing Association RTB receipts	0	941,058
Sundry Debtors	616,204	591,918
Other Debtors	758,406	656,297
Prepayments	403,815	387,000
	<b>22,615,421</b>	<b>18,182,010</b>
Less impairment allowance for doubtful debts:		
Council Tax / NNDR payers (CDC share)	(487,975)	(327,690)
Housing Benefit recovery	(703,130)	(581,119)
Sundry Debtors	(122,893)	(123,459)
	<b>21,301,423</b>	<b>17,149,742</b>

## NOTES TO THE BALANCE SHEET

### D6. Creditors

	31 March 2021 £	31 March 2022 £
Government Departments	(10,396,202)	(10,340,418)
Agency Creditor - Covid Business Grants	(6,045,901)	(5,197,437)
Other Local Authorities	(1,837,674)	(1,099,999)
Collection Fund creditors (CDC Share)	(251,553)	(402,366)
Sundry Creditors	(48,357)	(109,059)
Finance Leases - principal outstanding	(23,585)	(23,585)
Other Creditors	(1,187,638)	(1,209,298)
Receipts in advance:		
- Agency Council Tax Energy Rebate	0	(3,913,950)
- Council Tax / NNDR payers	(487,036)	(473,847)
- Government Departments	(1,328,828)	(275,365)
- Sundry Creditors	(1,577,506)	(1,526,792)
	(23,184,280)	(24,572,116)
S106 Balances	(1,773,391)	(1,941,457)
	<b>(24,957,671)</b>	<b>(26,513,573)</b>

### D7. Provisions

	Opening Provision 1 April £	New provisions in-year £	Use of provisions £	Provisions returned to revenue £	Closing Provision 31 March £
Business Rates (NDR) Appeals	(1,118,220)	(330,167)	148,518	0	(1,299,869)
	<b>(1,118,220)</b>	<b>(330,167)</b>	<b>148,518</b>	<b>0</b>	<b>(1,299,869)</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.

	2020/21 £	2021/22 £
<b>Opening Capital Financing Requirement</b>	<b>86,523</b>	<b>63,187</b>
<b>Capital investment in the year</b>		
Property, Plant & Equipment	2,338,863	1,731,477
Intangible Assets	9,534	5,779
Revenue Expenditure Funded from Capital under Statute	847,683	955,031
Loan	20,000	0
	3,216,080	2,692,287
<b>Sources of finance</b>		
Capital Receipts	2,382,371	367,570
Better Care Funding/Disabled Facilities Grants	460,996	850,269
Other grants & external funding	124,914	1,227,718
Earmarked Reserves	0	43,900
Direct Revenue Contributions	271,135	250,000
	3,239,416	2,739,457
<b>Net increase / (decrease) in Capital Financing Requirement</b>	<b>(23,336)</b>	<b>(47,170)</b>
<b>Closing Capital Financing Requirement</b>	<b>63,187</b>	<b>16,017</b>

A decrease in Capital Financing Requirement in 2018/19 represented assets acquired under a finance lease arrangement, the reduction in capital financing requirement represents assets leased under a finance lease financed through revenue leasing charges in year

### D9. Assets Held for Sale

Current Assets	2020/21 £	2021/22 £
Opening Balance - 1 April	0	0
Assets classified as/(transferred from) held for sale during the year:		
- Property, Plant & Equipment	0	300,000
<b>Closing Balance - 31 March</b>	<b>0</b>	<b>300,000</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### Additional Disclosures – Technical Notes

#### 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:

	2020/21 £	2021/22 £
<b>Comprehensive Income &amp; Expenditure Statement</b>		
<i>Cost of Services:</i>		
Current Service Cost	2,083,000	2,897,000
Past Service Cost	52,000	26,000
<i>Financing and Investment Income &amp; Expenditure:</i>		
Net Interest Expense	870,000	941,000
<b>Net Charge to Surplus or Deficit on Provision of Services</b>	<b>3,005,000</b>	<b>3,864,000</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	(16,952,000)	(4,437,000)
Actuarial (gains) / losses arising on changes in financial assumptions	26,230,000	(8,523,000)
Actuarial (gains) / losses arising on changes in demographic assumptions	1,430,000	(644,000)
Experience (gains) / losses	(1,025,000)	260,000
	9,683,000	(13,344,000)
<b>Total post employment benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>12,688,000</b>	<b>(9,480,000)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	<b>(3,005,000)</b>	<b>(3,864,000)</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employers' contributions payable to the scheme	<b>6,477,000</b>	<b>1,262,000</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

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

	31 March 2021 £	31 March 2022 £
Present value of the defined benefit obligation - funded	(133,663,000)	(127,296,000)
Present value of unfunded obligations	(2,847,000)	(2,692,000)
Fair Value of Plan Assets	90,252,000	94,472,000
<b>Net liability arising from defined benefit obligation</b>	<b>(46,258,000)</b>	<b>(35,516,000)</b>

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

	2020/21 £	2021/22 £
Opening Fair Value of Scheme Assets	68,209,000	90,252,000
Interest Income	1,608,000	1,784,000
Remeasurement Gains / (Losses)	16,952,000	4,437,000
Employers' Contributions	6,336,000	1,122,000
Employee Contributions	399,000	381,000
Contributions in respect of unfunded benefits	141,000	140,000
Benefits Paid	(3,252,000)	(3,504,000)
Unfunded Benefits Paid	(141,000)	(140,000)
<b>Closing Balance 31 March</b>	<b>90,252,000</b>	<b>94,472,000</b>

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

	2020/21 £	2021/22 £
Opening Balance 1 April	(108,256,000)	(136,510,000)
Current Service Cost	(2,083,000)	(2,897,000)
Interest Cost	(2,478,000)	(2,725,000)
Contributions from Scheme Participants	(399,000)	(381,000)
Past Service Cost	(52,000)	(26,000)
Remeasurement Gains / (Losses)	(26,635,000)	8,907,000
Benefits Paid	3,252,000	3,504,000
Unfunded Benefits Paid	141,000	140,000
<b>Closing Balance 31 March</b>	<b>(136,510,000)</b>	<b>(129,988,000)</b>
	Funded	(133,663,000)
	Unfunded	(2,847,000)
		(127,296,000)
		(2,692,000)



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Composition of Scheme Assets

	2020/21				2021/22			
	Quoted £000	Unquoted £000	Total £000	%	Quoted £000	Unquoted £000	Total £000	%
<b>Debt Securities</b>								
Corporate Bonds (investment grade)	10,181.0	-	10,181.0	11%	-	-	-	0%
Corporate Bonds (non investment grade)	224.8	-	224.8	0%	-	-	-	0%
UK Government	1,154.8	-	1,154.8	1%	-	-	-	0%
Other	346.1	-	346.1	0%	-	-	-	0%
<b>Private Equity</b>								
All	-	460.8	460.8	1%	-	1,030.2	1,030.2	1%
<b>Real Estate</b>								
UK Property	4,369.5	1,343.9	5,713.4	6%	3,933.2	2,740.9	6,674.1	7%
Overseas Property	-	422.5	422.5	0%	-	657.6	657.6	1%
<b>Investment Funds and Unit Trusts</b>								
Equities		59,885.0	59,885.0	66%	-	64,244.3	64,244.3	68%
Bonds	6,569.6	224.1	6,793.7	8%	6,033.8	11,376.0	17,409.8	18%
Infrastructure		459.0	459.0	1%	-	951.1	951.1	1%
Other		2,074.9	2,074.9	2%	-	2,246.3	2,246.3	2%
<b>Derivatives</b>								
Foreign Exchange	22.2	-	22.2	0%	-	-	0.0	0%
Other	6.4	-	6.4	0%	-	-	0.0	0%
<b>Cash and Cash Equivalents</b>								
All	2,507.4	-	2,507.4	3%	1,258.5	-	1,258.5	1%
	<b>25,382</b>	<b>64,870</b>	<b>90,252</b>	<b>100%</b>	<b>11,226</b>	<b>83,246</b>	<b>94,472</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	21.7	24.1
Future Pensioners*	22.6	25.8
*Assume members aged 45 as at last formal valuation date - 31 March 2019		
<b>Financial Assumptions</b>		
	<b>31 March 2021</b>	<b>31 March 2022</b>
Rate of increase in pensions	2.9%	3.2%
Rate of increase in salaries	3.2%	3.2%
Discount Rate	2.0%	2.7%

At the date of the most recent valuation, the duration of the Employer's funded obligation is 19 years. Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% for both males and females. Based on these assumptions, the average life expectancies at 65 are summarised above.

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	10%	11,680
0.5% increase in salary increase rate	1%	1,131
0.5% increase in pension increase rate	10%	10,460
1 year increase in life expectancy	2%	2,092

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 2023 will be approximately £1,100,000.

## 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 2021			31 March 2022	
Non-Current £	Current £		Non-Current £	Current £
0	0	<b>Financial Assets at Amortised Cost</b>	0	5,500,083
1	0	Investments	1	0
0	9,778,348	Ubico Shareholding	0	6,143,613
577,815	18,910,431	Cash and cash equivalents	540,642	2,782,618
4,367,161	826,878	Debtors	3,697,827	852,955
4,944,977	29,515,657	Finance Leases	4,238,470	15,279,269
		<b>Fair Value through Profit or Loss</b>		
10,032,287	1,139,649	Investments	10,454,693	1,136,850
0	1,590,001	Cash and cash equivalents	0	8,702,990
10,032,287	2,729,650		10,454,693	9,839,840
		<b>Fair Value through Other Comprehensive Income</b>		
1,030,000	5,000	Designated Equity Instruments	1,030,000	5,750
<b>16,007,264</b>	<b>32,250,307</b>	<b>Total Financial Assets</b>	<b>15,723,163</b>	<b>25,124,859</b>
		<b>Financial Liabilities at Amortised Cost</b>		
0	(133,990)	Cash and cash equivalents	0	0
0	(9,128,050)	Creditors	0	(4,825,155)
(62,936)	(23,585)	Finance Leases	(15,767)	(23,585)
<b>(62,936)</b>	<b>(9,285,625)</b>	<b>Total Financial Liabilities</b>	<b>(15,767)</b>	<b>(4,848,740)</b>

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

	Non Current Debtors £	Current Debtors £	Creditors £
Total on Balance Sheet	4,238,469	17,149,742	(24,572,116)
Finance Leases (shown separately)	(3,697,827)	(852,955)	23,585
<u>Items not classified as Financial Instruments:</u>			
Statutory & Government Debtors / Creditors	0	(13,127,169)	16,048,949
Payments / Receipts in Advance	0	(387,000)	3,674,427
<b>Total Debtors / Creditors (as above)</b>	<b>540,642</b>	<b>2,782,618</b>	<b>(4,825,155)</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Income, Expense, Gains and Losses

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

2020/21					2021/22			
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 £
(87,382)	(410,216)	(21,500)		<b><u>Financing &amp; Investment Income and Expenditure</u></b>	(7,730)	(368,432)	(23,500)	
51,259				Interest / dividend income	(113,846)			
	(891,511)			Changes in impairment loss allowance		(422,705)		
				Changes in fair value				
				<b><u>Other Comprehensive Income</u></b>				
		(50,000)		Changes in fair value				
<b>(36,123)</b>	<b>(1,301,727)</b>	<b>(71,500)</b>	<b>0</b>	<b>Net (Gains) / Losses for the Year</b>	<b>(121,576)</b>	<b>(791,137)</b>	<b>(23,500)</b>	<b>0</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### Fair Values of Financial Assets and Financial Liabilities

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

The Code sets out the fair value valuation hierarchy 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 March 2022 £
<u>Fair Value through Profit or Loss</u>		
Money Market Funds	Level 1	8,702,990
Pooled Investment Funds	Level 1	11,591,543
		<b>20,294,533</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 2021		31 March 2022	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
<b>Financial Assets at Amortised Cost</b>				
Investments	0	0	5,500,083	5,500,083
Ubico Shareholding	1	1	1	1
Cash and cash equivalents	9,778,348	9,778,348	6,143,613	6,143,613
Non-Current Debtors	577,815	577,815	540,642	540,642
Non-Current Finance Leases	4,367,161	4,367,161	3,697,827	3,697,827
	<b>14,723,325</b>	<b>14,723,325</b>	<b>15,882,166</b>	<b>15,882,166</b>
<b>Financial Liabilities at Amortised Cost</b>				
Borrowing	(133,990)	(133,990)	0	0
Non-Current Finance Leases	(62,936)	(62,936)	(15,767)	(15,767)
	<b>(196,926)</b>	<b>(196,926)</b>	<b>(15,767)</b>	<b>(15,767)</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 2021 £	31 March 2022 £	31 March 2021 £	31 March 2022 £
Fundamentum Social Housing REIT plc	1,030,000	1,030,000	21,500	23,500
	<b>1,030,000</b>	<b>1,030,000</b>	<b>21,500</b>	<b>23,500</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 Balance</b>
<u>Fixed duration deals</u>	
A+ Rated Banks	£0
Local Authorities	£0
Central Government	£5,500,000
<u>Call accounts and other 'cash equivalent' investments</u>	
Money Market Funds	£8,700,000
Call Accounts	£6,080,000
<u>UK Equities</u>	£1,035,750
<u>Pooled funds</u>	
Non-rating agency rated pooled fund <i>separately approved by the Council's Treasury Management advisors</i>	£11,591,543

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				
Central Government	£5,500,000			
Money Market Funds	£8,700,000			
Call Accounts	£6,080,000			
UK Equities	£5,750			£1,030,000
<u>Externally managed funds</u>				
Pooled Funds	£64,956			£11,526,587



## 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 1% 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 £273,366.

### 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 2021 £	31 March 2022 £
Not later than one year	93,406	91,871
Later than one year & not later than five years	182,500	130,632
Later than five years	96,250	71,250
	<b>372,156</b>	<b>293,753</b>

Operating lease payments charged to Cost of Services during the year totalled £93,182 (2020/21 £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 2021 £	31 March 2022 £
Vehicles, plant, furniture & equipment	62,937	39,352
	<b>62,937</b>	<b>39,352</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 2021 £	31 March 2022 £
Finance lease liabilities:		
Current	23,585	23,585
Non Current	39,352	15,767
Finance costs payable in future years	8,969	5,608
<b>Minimum Lease Payments</b>	<b>71,906</b>	<b>44,960</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£	£	£	£
Not later than one year	26,945	26,945	23,585	23,585
Later than one year & not later than five years	44,960	18,015	39,352	15,767
Later than five years	0	0	0	0
	<b>71,905</b>	<b>44,960</b>	<b>62,937</b>	<b>39,352</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 2021	31 March 2022
	£	£
Present value of principal payments outstanding on non current assets	5,194,028	4,549,321
Unearned finance income	2,952,753	2,858,229
	<b>8,146,780</b>	<b>7,407,550</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 2021	31 March 2022	31 March 2021	31 March 2022
	£	£	£	£
Not later than one year	943,481	962,391	826,878	852,955
Later than one year & not later than five years	3,360,787	3,253,330	3,021,492	2,950,378
Later than five years	3,842,512	3,191,828	1,345,658	745,987
	<b>8,146,780</b>	<b>7,407,550</b>	<b>5,194,028</b>	<b>4,549,321</b>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 the Council received £126,248 in contingent rents (2020/21 £145,372).

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 2021 £</b>	<b>31 March 2022 £</b>
Not later than one year	1,004,379	914,929
Later than one year & not later than five years	2,160,857	1,817,426
Later than five years	567,072	257,369
	<b>3,732,308</b>	<b>2,989,724</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.

### **v) Prior period, adjustments, changes in accounting policies and estimates and errors**

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

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

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

### **vi) 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.

### **vii) 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.

### **viii) Employee benefits**

#### Benefits payable during employment

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

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.

### **ix) Post-employment benefits**

Employees of the Authority are permitted to join 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



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

- 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 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.

### **x) 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



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

- 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

### xi) Financial instruments

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

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

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

**Financial assets** are classified based on a principles based classification and measurement approach that reflects the business model for holding the assets (i.e. why are we holding the asset) and the characteristics of the cash flows. 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 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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 x 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.

## **xii) 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.

### **xiii) 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.

### **xiv) 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.

### **xv) 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.

### **xvi) 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 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.

### **xvii) Leases**

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

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

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

### **The Authority as lessee**

#### Finance leases

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

Lease payments are apportioned between:

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

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

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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### 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.

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

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



## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

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

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

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

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

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

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

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

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

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

### 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.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### 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. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, 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 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.

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

#### Provisions

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

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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.

## **xx) Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance, 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.

## **xxi) Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset 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.



### xxii) 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 (one-eighth from April 2022). Ubico operates separate operating practices and management structure, the application of majority-voting on the Ubico Ltd. board indicates that the Council does not have joint-control or significant influence over the company. The Council's interest has therefore been classified as an investment in Ubico Ltd. and group accounts have not been prepared.
- The Council jointly owns (with West Oxfordshire District Council, the Forest of Dean District Council and Cheltenham Borough Council) Publica Group (Support) Limited, a wholly owned company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council and services to other members Councils under contract. Publica can be considered to be merely an employment vehicle (in accounting terms only a 'holding account'), employing and paying staff and then recharging these costs to the Councils, via a contract sum. It does not trade and does not make a 'profit' as substantially all surpluses are redistributed back to the councils. While the Council has an interest in the Company, the Council's share of surplus for the year and net assets at the balance sheet date have not been consolidated into the Council's single entity accounts. It is the view of management that the figures involved are not material and the production of group accounts will not enhance disclosure or provide any additional benefit to the reader of the accounts, and on that basis Group Accounts have not been prepared.
- No allowance has been made in the Councils' accounts for the transfer out of any Local Government Pension Scheme (LGPS) pension liability to Publica Group (Support) Limited. The service contract and tripartite agreement between the Council, Gloucestershire Pension Fund and Publica Group (Support) Limited mean that the pension liability and risk relating to the pension fund remains with the Council, following the TUPE transfer of the majority of the Council's staff to Publica on 1st November 2017. Therefore the Council is reporting the pension liability for both staff transferred to Publica, and the Councils retained staff, in the accounts. Although Publica, as the employer of many of the current staff may be initially responsible for paying any exit contributions (for example), for any of its staff that are members of the LGPS, such cost will be reimbursed by the relevant Council. The accounts have been prepared on the basis that the full pension fund liability for the LGPS sits in the Council's accounts. There are no separate disclosures for Publica as they are not responsible for any LGPS obligations liability.
- Under International Financial Reporting Standards (IFRS) assessments have been made as to the correct accounting treatment for a number of lease agreements which the Council has entered into. Categorising leases as either operating or finance leases does result in different accounting treatment. In each case, a lease is classified based upon criteria contained within the Code and an assessment of the nature of the leasing arrangement in place.

The Council has such an agreement whereby it provides environmental services vehicles to Ubico Ltd. Ubico Ltd pay a market-rate for the use of the vehicles and are responsible for insuring and maintaining the vehicles and determining their deployment (including use across other Ubico Ltd. contracts where necessary). Ubico Ltd. pay for the vehicles over a period of 7-years for new vehicles, which is deemed to be the useful economic life of the assets. The transaction has been accounted for on the basis that the agreement is a finance lease, because: i) the sum of the lease payments equal the cost of purchasing the asset; ii) the length of the term represents 'substantially all' of the useful life of the asset; and iii) the rights and responsibilities of ownership (maintenance, insurance, deployment) in relation to the vehicle assets sit primarily with Ubico Ltd. A formal lease has been agreed on this basis.

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

### E7. Assumptions and Other Major Sources of Estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Significant assumptions affecting the statement of accounts include the following. Where other assumptions have been made these will be disclosed in the appropriate note to the accounts.

Item	Uncertainties	Effect if actual result differs from assumptions
Property, Plant & Equipment – Operational Property	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</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>In the context of the Council's property portfolio the Valuer has assessed the impairment risk by sector and individual asset. Due to the material nature of the Council offices, Museum and Leisure Centres it has been considered prudent to revalue all assets within these sectors.</p> <p>The Council's car parks were reviewed by the in house valuers and three car parks were identified as requiring revaluation in 2021/22 resulting in an increase in value of £1.339m. The valuations were based on assumptions around average income received which had fallen during the pandemic period and recovered during 2021/22 partly due to increased visitor numbers and partly due to increased charges.</p> <p>The remainder of the portfolio unvalued in 2021/22 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 2022 for the Council's investment property portfolio and approximately 70% of its operational portfolio.</p> <p>With regards to Depreciated Replacement Cost (DRC) method valuations of operational properties and the residual valuations of the surplus properties, the valuers have conducted a high level sensitivity analysis looking at the build cost growth over a period, 12 months prior to valuation and at the current levels. The valuers consider that of all the valuation elements in a DRC the</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 £36m.</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>It is estimated that an increase of average car park income of £10,000 would result in an increase of value of £133,077.</p> <p>An increase in the BCIS index (build cost) of 5% is estimated to result in an increase in the value of Leisure Centres of 4.37% (£861,000) and the Museum of 4.87% (£266,000).</p>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Item	Uncertainties	Effect if actual result differs from assumptions
	<p>build costings are the most volatile assumption and most susceptible to change through inflation and rising material/labour costings, among other things.</p> <p>Operational assets are depreciated over the best estimate of an assets useful economic life. These asset lives are based upon assumed repairs and maintenance being carried out to maintain an asset. Asset lives are based upon information provided by the Council's valuer.</p>	<p>With regards to the surplus sites valued on a residual basis the valuers have conducted sensitivity analysis for two of the Council's Surplus Assets. If the build cost were to change by steps of £2.50 per ft2 this would affect Surplus assets 'The Sunground Avening' by approximately £7k and 'Broadleaze' football club Land Value (MV) by approximately £19,000.</p> <p>If the useful economic life of an asset is reduced, depreciation increases and the carrying value of an asset will fall.</p> <p>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>It is estimated that the annual depreciation charge for buildings would increase by approximately £34,000 for every year that useful lives had to be reduced.</p>
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>The investment properties' main assumptions for change are yield and rent. When valuing the investment properties, the valuers have run a number of valuations adjusting yields typically by 25 basis points each time to encapsulate and understand how current and future risk within the yield affects values. Whether this is further potential for rental growth, unknown covenant strength or letting void.</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>It is not possible to quantify the level of variance that may arise if assumptions used differ from actual asset values. The Council is confident, however, that the risk of any variance will not affect the Council's financial strategy.</p> <p>In the run up to and in the immediate aftermath of the current valuation date investment yields have not been overly volatile and have not shifted in excess of 25 basis points within the Industrial, Office and Retail asset classes over the last twelve months.</p>

## ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Item	Uncertainties	Effect if actual result differs from assumptions
		An increase of 5% in the overall valuation would result in an increase in value of £297,000
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>
Going Concern	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>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 2022/23 code are limited to:

- IFRS 1 First-time adoption will be amended in relation to foreign operations. The council does not have foreign operations so will not be impacted.
- IAS 37 Onerous contracts will be amended to clarify the intention but will not have a material impact.
- IAS 41 Agriculture will be amended but not expected to impact this local authority
- IAS 16 Property, Plant and Equipment will be altered to require sales proceeds to be recognised as income before one of these assets are in use rather than deducted from cost.

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.

- Twelve Cabinet Members have declared an interest as a Town or Parish Councillor where precepts, grants and contributions (£18,535) were awarded during 2021/22.
- One Cabinet Member was nominated by the Council to sit on the board of Cotswold Conservation Board, who received grants of £24,556 from the Council during 2021/22.

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 2022 three of the Council's Members are also Members of Gloucestershire County Council (four as at 31 March 2021). Cotswold District Council made

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

payments of £149,925 to the County Council and received grants, fees and contributions of £2,317,872 during 2021/22.

### 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.

### 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 2022 the Council owed Publica £290,835 (creditors and receipts in advance) (31 March 2021, £402,672) and was owed £68,358 (debtors and payments in advance) (31 March 2021, £214,113). The financial statements

### 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 2022, Ubico Ltd owed the Council £522,994 (debtors and credit note) (2020/21, £402,462) and the Council owed Ubico Ltd £123,247 (creditors and receipts in advance) (2020/21, 103,688).

### 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*.

## ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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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 25 August 2022.

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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Council purchased 'Ridgeway House' on the 5 August 2022 for £1.144m (including stamp duty). This property was previously leased by the Council and will continue to be used as temporary emergency accommodation for homeless individuals. This is a non-adjusting event and has no impact on the figures and notes in the 2021/22 financial statements.





# NOTES TO THE CASH FLOW STATEMENT

## Notes to the Cash Flow Statement

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

	2020/21 £	2021/22 £
Depreciation, amortisation and impairment	1,433,532	1,457,668
Increase / (decrease) in creditors	924,317	5,637,478
(Increase) / decrease in debtors	(550,411)	779,344
Increase / (decrease) in provision for bad debts	51,259	(122,578)
(Increase) / decrease in inventories	(11,290)	10,774
Pensions' liability	(3,472,000)	2,602,000
Carrying amount of non current assets sold	1,828,507	182,172
Increase / (decrease) in provisions	65,906	181,649
Movements in the fair value of investment properties	353,500	217,500
Movements in the fair value of financial instruments	(891,511)	(422,705)
Other non cash items charged to Surplus/Deficit on Provision of Services	(1,345)	(21,398)
	<b>(269,536)</b>	<b>10,501,904</b>

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

	2020/21 £	2021/22 £
Capital grants applied to the financing of capital expenditure	772,342	(2,628,163)
Proceeds from the sale of non current assets	598,516	(834,467)
Unattached capital receipts	30,142	(989,455)
	<b>1,401,000</b>	<b>(4,452,085)</b>

### F3. Investing Activities

	2020/21 £	2021/22 £
Purchase of property, plant & equipment and other capital investment	(2,348,398)	(1,805,214)
Purchase of short term and long term investments	(45,000,000)	(91,450,000)
Proceeds from the sale of non current assets	720,674	1,845,318
Proceeds from disposal of short term and long term investments	53,000,000	85,950,000
Other (receipts) / payments from investing activities	655,518	2,665,866
	<b>7,027,794</b>	<b>(2,794,030)</b>

## NOTES TO THE CASH FLOW STATEMENT

### F4. Financing Activities

	2020/21 £	2021/22 £
Finance Lease repayments	23,585	(47,169)
Other payments from financing activities	0	0
	<b>23,585</b>	<b>(47,169)</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).

2020/21				Note	2021/22		
Business Rates £	Council Tax £	Total £			Business Rates £	Council Tax £	Total £
0	(75,460,412)	(75,460,412)	Council Tax receivable	G1		(79,477,395)	(79,477,395)
(15,382,274)	0	(15,382,274)	Business Rates Receivable	G2	(24,572,099)		(24,572,099)
(144,841)	0	(144,841)	Transitional Protection Payments		(68,440)		(68,440)
201,355	0	201,355	Contribution to previous year's deficit		(18,802,709)		(18,802,709)
<b>(15,325,760)</b>	<b>(75,460,412)</b>	<b>(90,786,172)</b>	<b>Total Income</b>		<b>(43,443,248)</b>	<b>(79,477,395)</b>	<b>(122,920,643)</b>
			<u>Apportionment of previous year's deficit</u>				
0	(49,328)	(49,328)	Cotswold District Council		0	(417,056)	(417,056)
0	(311,207)	(311,207)	Gloucestershire County Council		0	(79,749)	(79,749)
0	(60,257)	(60,257)	Gloucestershire Police & Crime Commissioner		0	(66,536)	(66,536)
0	(420,792)	(420,792)			0	(563,341)	(563,341)
			<u>Precepts, Demands and Shares</u>				
16,545,141	0	16,545,141	Central Government		16,984,751		16,984,751
13,236,113	8,975,225	22,211,338	Cotswold District Council		13,587,800	9,334,783	22,922,583
3,309,028	56,258,107	59,567,135	Gloucestershire County Council		3,396,950	58,973,303	62,370,253
0	10,757,588	10,757,588	Gloucestershire Police & Crime Commissioner			11,302,348	11,302,348
33,090,282	75,990,920	109,081,202			33,969,501	79,610,434	113,579,935
			<u>Charges on the Collection Fund</u>				
5,891	60,273	66,164	Write-offs of uncollectable amounts		13,450	81,437	94,887
915,493	1,075,624	1,991,117	Increase / (decrease) in Bad Debt / Appeals Provisions	G3	752,207	(1,117,567)	(365,360)
181,565	0	181,565	Cost of Collection		184,555		184,555
82,532	0	82,532	Disregarded Amounts	G4	67,245		67,245
1,185,481	1,135,897	2,321,378			1,017,457	(1,036,130)	(18,673)
<b>34,275,763</b>	<b>76,706,025</b>	<b>110,981,788</b>	<b>Total Expenditure</b>		<b>34,986,958</b>	<b>78,010,963</b>	<b>112,997,921</b>
<b>18,950,003</b>	<b>1,245,613</b>	<b>20,195,616</b>	<b>(Surplus) / Deficit for the Year</b>		<b>(8,456,290)</b>	<b>(1,466,432)</b>	<b>(9,922,722)</b>
1,039,280	623,553	1,662,833	(Surplus) / Deficit brought forward		19,989,283	1,869,166	21,858,449
<b>19,989,283</b>	<b>1,869,166</b>	<b>21,858,449</b>	<b>(Surplus) / Deficit carried forward</b>	G5	<b>11,532,993</b>	<b>402,734</b>	<b>11,935,727</b>

# NOTES TO THE COLLECTION FUND

## 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 2021/22.

Valuation Bands		Estimated number of taxable dwellings*	Ratio	Equivalent number of Band D dwellings
A-	Band A - entitled to disabled relief reduction	4.25	5/9	2.36
A	up to £40,000	2,929.00	6/9	1,952.67
B	£40,001 - £52,000	4,445.00	7/9	3,457.22
C	£52,001 - £68,000	9,851.00	8/9	8,756.44
D	£68,001 - £88,000	6,243.09	1	6,243.09
E	£88,001 - £120,000	5,757.25	11/9	7,036.64
F	£120,001 - £160,000	4,484.75	13/9	6,477.97
G	£160,001 - £320,000	4,159.00	15/9	6,931.67
H	over £320,001	633.25	18/9	1,266.50
	Contributions in lieu (South Cerney Barracks)	-	-	204.55
				42,329.11
	Adjustments for collection rates and anticipated changes during the year			-480.96
				<b>41,848.15</b>
	<i>* adjusted for discounts and exemptions</i>			

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 £1,818.23 per dwelling for 2021/22 (2020/21 - £1,736.50). 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 2021/22 the Authority benefited from a Pool distribution of £350,000 (£407,409 in 2020/21).

	2020/21 £	2021/22 £
Total Non Domestic Rateable Value at 31 March	£89,279,193	£89,870,364
National Non-domestic Rate Multiplier - Higher	51.2	51.2
National Non-domestic Rate Multiplier - Lower [Small Business]	49.9	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:

	2020/21 £	2021/22 £	% of arrears
Council Tax	(1,217,567)	(100,010)	1.9%
National Non Domestic Rates	(863,110)	(789,900)	18.9%
	<b>(2,080,677)</b>	<b>(889,910)</b>	

## G4. Business Rates – Disregarded Amounts

From April 2013 the Council was allowed to retain 100% of the growth from the business rates associated with renewable energy sites. All such growth is transferred to the Council's General Fund.

## 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 2022:

	Cotswold District Council £	Gloucs. County Council £	Central Govt. £	Gloucs. P&CC £
<b>Council Tax</b>				
Debtors	619,394	3,911,744	n/a	749,821
Bad Debt Provision	(11,730)	(74,080)	n/a	(14,200)
Prepayments and Overpayments	(182,037)	(1,149,645)	n/a	(220,369)
(Surplus) / Deficit at 31 March	47,241	298,345	n/a	57,188
<b>Business Rates</b>				
Debtors	1,668,191	417,018	2,085,238	n/a
Bad Debt Provision - Tax Payers	(315,960)	(78,990)	(394,950)	n/a
Bad Debt Provision - Appeals	(1,299,869)	(324,967)	(1,624,835)	n/a
Prepayments and Overpayments	(208,030)	(52,007)	(260,037)	n/a
(Surplus) / Deficit at 31 March				n/a

The apportionment of the balances on the Collection Fund as at 31 March 2021 is as follows:

	Cotswold District Council £	Gloucs. County Council £	Central Govt. £	Gloucs. P&CC £
<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

## ANNUAL GOVERNANCE STATEMENT 2021/2022

### 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 2022 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:

- 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, the Director of Governance and Development (Monitoring Officer) 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. The next peer review process has been scheduled for the autumn of 2022.

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 continued to be adapted during 2021/2022 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);

# ANNUAL GOVERNANCE STATEMENT

- 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 the Corporate Responsibility team and is considered by the Governance Group every quarter.
- The Monitoring Officer and Section 151 Officer report directly to the 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.
- The Whistleblowing policy was last updated in January 2022 and was agreed by the Audit Committee in March 2022.
- 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.
- During 2020/2021 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 were in

<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.

line with national Emergency Management protocols and involved working with Partner Councils and its main service providers including Publica. It was necessary to extend many of these measures into 2021/2022.

- 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 continued providing regular updates to Members and Officers through the use of video conferencing call platforms, portals as well as emails.
- The Communications service provided communications through all channels to support public health advice / information / messaging, Council service and support information to reach audiences externally and internally. A bespoke Communications strategy was put in place to help key audiences feel 'informed, reassured, safe and inspired', and this has been evaluated and adapted throughout the pandemic situation.

### **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 2020-2022 (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. Further work is ongoing and Council will be considering a proposed and comprehensive Scheme of Delegation for officers 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 period from 2020 to 2024. Publica and Ubico deliver the majority of the Council's services and both produce an annual Business Plan which is approved by the Council.
- 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 the business planning process 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 pandemic has had a significant impact and continues to 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 pandemic.
- 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 numerous grant funding schemes; and additional relief on Business Rates. Local authorities were responsible for administering these schemes, and the Government funded the payments.
- A Recovery and 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. The Strategy will be refreshed in May 2022 reflecting the latest Medium Term Financial Strategy which was updated in February 2022.

### **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 one of the Council's most significant contractors. 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;
    - Inviting Publica senior officers to attend monthly Informal Cabinet meetings 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; progress against Corporate Plan
    - Creation of quarterly CDC retained officers/Publica Executives meetings where performance and progress against Corporate Plan priorities is a key agenda item.
    - 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.
  - The Strategic risk register is reviewed regularly by the Local Leadership Team and reported to the Audit Committee.
  - Projects and services maintain their own risk registers and elevate any high/red risks to the Local Leadership Team and Publica as appropriate for consideration. A Risk Group reviews risk registers each quarter, escalating any emerging risks to the strategic register.
  - Key Performance Indicators are identified and 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 work with residents to help them protect themselves and others as well as recover from the Covid-19 pandemic and the new cost of living crisis.

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

<ul style="list-style-type: none"> <li>• Developing the entity's capacity</li> <li>• Developing the capability of the entity's leadership and other individuals</li> </ul>
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Financial rules are in place and are reviewed and revised as required.</li> <li>• Induction programmes are 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.</li> <li>• 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.</li> <li>• The 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.</li> <li>• Training is also provided for officers on an on-going basis as appropriate and necessary.</li> <li>• A Leadership Development Programme has been established and is available to Managers at all levels within Publica and the Council.</li> </ul>

<b>F. Managing risks and performance through robust internal control and strong public financial management</b> <ul style="list-style-type: none"> <li>• Managing risk</li> <li>• Managing performance</li> <li>• Robust internal control</li> <li>• Managing data</li> <li>• Strong public financial management</li> </ul>
<ul style="list-style-type: none"> <li>• A Risk Management Group has been established to undertake quarterly reviews of risk registers, escalating any emerging risks to a strategic level. The Local Leadership Team reviews the Strategic Risk Register on a quarterly basis. The Strategic Risk Register is reported to the Audit Committee on a regular basis.</li> <li>• Risks are identified when undertaking Internal Audit reviews and reported when necessary.</li> <li>• 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 and continued to be reviewed until after the height of the pandemic.</li> </ul>



- 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 and 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 provides the internal audit service to both the Council and Publica Group (Support) Ltd which strengthens the Council's oversight of Publica as one of its most significant contractors.
- 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 2021/22 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 2021/22.
- 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 performs the role 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, 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**

- Transparency data is published on the Council's website.
- The Council's Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of the Annual Governance Statement which identifies how the Council has met its governance reporting obligations
- External Audit recommendations are reported to Audit Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported
- Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed-up and reported to the Audit Committee, further follow-up is planned if recommendations 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 Chief Executive, Section 151 Officer, the Monitoring Officer and the Publica Locality Director) review the Corporate Risk Register on a quarterly basis. Service and Project Risk Registers are maintained by the relevant Publica Group or Business Manager.
- A Governance Group meets quarterly to discuss and action matters such as staff declarations of interests, gifts and hospitality, action taken on audit recommendations, cyber security, the register of data protection breaches and counter fraud updates.
- 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 and appointed officers.
- 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.



# ANNUAL GOVERNANCE STATEMENT

- The Annual Internal Audit Opinion for 2021/22, in respect of the areas reviewed during the year, was “high reasonable”.
- 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 2020/2021 statement, the Council identified a number of areas which required focus and attention. Progress by the end of March 2022 is detailed in the table below:

	Key Area of Focus	Proposed Actions	Progress
1.	Audit recommendations:	<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.	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>	<p>IN PROGRESS C/F to 2022/23</p> <p>Revised Procurement and Contract Management Strategy presented at Commissioning Board on the 3rd February 2022 followed by Audit Committees at all Councils. Cabinet asked for further development of the Strategy in relation to addressing the climate emergency.</p> <p>Training will be provided to ensure compliance.</p> <p>C/F TO 2022/2023</p> <p>A training plan is currently being developed internally.</p> <p>COMPLETE</p> <ul style="list-style-type: none"> <li>• Financial management guidance included in 2022/2023 budget packs</li> </ul>
3.	Constitution schemes and 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> </ul>	<p>COMPLETE</p> <p>Non-Exec Officer Scheme of delegation, Responsibility for Functions, Finance Rules and Planning Protocol updated and approved.</p> <p>COMPLETE</p> <p>No longer required</p>

# ANNUAL GOVERNANCE STATEMENT

		<ul style="list-style-type: none"> <li>A training programme for Members to be developed.</li> </ul>	<p>C/F TO 2022/2023</p> <p>Outstanding - training programme being developed in conjunction with West Oxfordshire and the Forest of Dean District Councils.</p> <ul style="list-style-type: none"> <li></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>	<p>COMPLETE</p> <p>The Governance Group reviewed operational risk registers in January and a separate Risk Group has been established to review and share risk registers across Publica and the Councils.</p> <ul style="list-style-type: none"> <li></li> </ul>
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>	<p>COMPLETE</p> <p>The Local Leadership Team includes Lead Director for Publica.</p> <p>COMPLETE</p> <ul style="list-style-type: none"> <li>Councillor Contact Guide included on the Member Portal. Commissioning structure chart and Publica management structure chart updated to reaffirm the different roles between Commissioning and Delivery.</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>	<p>C/F TO 2022/2023</p> <p>Included as part of a bigger review on Business World</p> <p>COMPLETE</p> <ul style="list-style-type: none"> <li>Financial management guidance included in 2022/2023 budget packs</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 the Strategic/Corporate register.</li> </ul>	<p>COMPLETE</p> <p>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 was rolled in in October 2021.</p> <p>COMPLETE</p> <p>Monthly project updates on the project register provide a mechanism to flag that there is a new/increased project risk to raise.</p>

## ANNUAL GOVERNANCE STATEMENT

			<ul style="list-style-type: none"> <li>The new Risk Group reviews Project Risk Registers to ensure a consistent approach is maintained.</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>	<p>COMPLETE</p> <p>COMPLETE</p> <p>New evacuation process developed, communicated and tested.</p>

The Annual Internal Audit Opinion, as drafted by the SWAP Assistant Director (Head of Internal Audit), lists pieces of audit work being conducted during 2021/22, which includes consultancy and advisory services. 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 or 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.	Raising awareness of the contract procedure rules	<ul style="list-style-type: none"> <li>New Contract and Procurement Strategy to be approved and published to all officers, linking to the Contract Procedure Rules.</li> <li>Planned audit of contract and procurement by SWAP will cover officer awareness of the contract procedure rules.</li> </ul>
2.	A training programme for Members to be developed.	<ul style="list-style-type: none"> <li>A training programme is to be developed in conjunction with West Oxfordshire and the Forest of Dean District Councils.</li> </ul>
3.	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>
4.	Risk management training	<ul style="list-style-type: none"> <li>Training package to be finalised and rolled out.</li> <li>Full training package and other material covering the risk and opportunity guidance to be published on the Publica portal.</li> <li>Planned audit of risk and opportunity management by SWAP will cover officer awareness of guidance.</li> </ul>
5.	Compliance with audit recommendations	<ul style="list-style-type: none"> <li>Improved reporting of outstanding audit recommendations to Local Management Team, Audit Committee and Publica's Audit Risk and Compliance Committee.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

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6.	Business Continuity Plans, development and testing	<ul style="list-style-type: none"><li>• Completion of Business Impact Analysis.</li><li>• Revised strategic and tactical plans to be developed.</li><li>• Review of all operational plans prior to a complete desktop exercise.</li><li>• New programme and plans to be approved.</li></ul>
7.	Raising awareness of the contract procedure rules	<ul style="list-style-type: none"><li>• New Contract and Procurement Strategy to be approved and published to all officers, linking to the Contract Procedure Rules.</li><li>• Planned audit of contract and procurement by SWAP will cover officer awareness of the contract procedure rules.</li></ul>
8.	A training programme for Members to be developed.	<ul style="list-style-type: none"><li>• A training programme is to be developed in conjunction with West Oxfordshire and the Forest of Dean District Councils.</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

[To be included in final version]

INDEPENDENT AUDITOR’S REPORT

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[To be included in final version]

## 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.

**DLUHC (Department for Levelling Up, Housing and Communities)**

The Department for Levelling Up, Housing and Communities (formerly the Ministry for Housing, Communities and Local Government) is the UK Government Department responsible for housing, communities, local government and the levelling up policy.

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 29 SEPTEMBER 2022
Report Number	AGENDA ITEM 11
Subject	COUNTER FRAUD AND ANTI-CORRUPTION POLICY
Wards affected	All indirectly
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance Email: <a href="mailto:Mike.Every@cotswold.gov.uk">Mike.Every@cotswold.gov.uk</a>
Accountable officer	Emma Cathcart, Head of Service, Counter Fraud and Enforcement Unit Email: <a href="mailto:Emma.Cathcart@cotswold.gov.uk">Emma.Cathcart@cotswold.gov.uk</a>
Summary/Purpose	<p>To present the Audit Committee an updated Counter Fraud and Anti-Corruption Policy for comment and recommends to Cabinet that it be approved.</p> <p>The Policy has been reviewed to ensure the content reflects current legislation and the Council's Policies and Procedures. The Policy will replace the existing Counter Fraud and Anti-Corruption Policy.</p>
Annexes	Annex A – Counter Fraud and Anti-Corruption Policy.
Recommendation(s)	<i>That the Committee considers the draft Counter Fraud and Anti-Corruption Policy to comment thereon to Cabinet, to aid its deliberations and decision making.</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 and Enforcement Unit have been reviewed by Legal Services and have been issued to the relevant Senior Officers, Governance Group and the Council's leadership team for comment.



## **1. BACKGROUND**

- 1.1. The Counter Fraud and Enforcement Unit is tasked with reviewing the Council's Counter Fraud and Anti-Corruption Policy. It is recommended good practice that the Policy is updated and reviewed at least every three years or more frequently in line with any legislative changes.
- 1.2. 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.
- 1.3. 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.

## **2. MAIN POINTS**

- 2.1. The Policy, attached at Annex A, has been updated in accordance with the review period. Review frequency is as required by legislative changes or every three years. This has been slightly delayed due to events over the last two years.
- 2.2. The Council's existing Counter Fraud and Anti-Corruption Policy was developed to reflect (i) latest legislation and (ii) the changes from the creation of the Single Fraud Investigation Services (operated by the Department for Work and Pensions) which subsumed the Council's responsibilities for investigating Housing Benefit Fraud.
- 2.3. The Policy was last reviewed following the changes brought about by data protection legislation / regulations.
- 2.4. The Policy highlights the key legislation and roles and responsibilities of Members, Officers and other parties.
- 2.5. The Audit Committee last considered the Policy in January 2016 when it replaced the existing Policy.
- 2.6. The changes are relatively minor and can be seen as red text within the Policy at Annex A.
- 2.7. A section has been inserted relating to Money Laundering and Proceeds of Crime and relating to Modern Slavery, detailing the Council's responsibilities.
- 2.8. The Policy has also been refreshed to reflect the growth of the Counter Fraud and Enforcement Unit work streams and responsibilities relating to risk.
- 2.9. As part of the consultation process, the Policy has been reviewed by Legal Services and the Deputy Chief Executive.
- 2.10. Awareness will be raised with all staff following the approval of the Policy. Online refresher training will be issued to staff following approval of the Policy.

## **3. FINANCIAL IMPLICATIONS**

- 3.1. There are no direct financial implications as a result of this report.



- 3.2. The support of the Counter Fraud and Anti-Corruption Policy will help to support the prevention and detection of misuse of public funds and fraud therefore reducing potential financial loss to the Council.

#### **4. LEGAL IMPLICATIONS**

- 4.1. In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.
- 4.2. The legislation utilised by the Counter Fraud and Enforcement Unit and other service areas within the Council is identified within the Policy and the Council must comply with all legislative requirements.
- 4.3. The Council must also ensure that authorisations obtained under the Regulation of Investigatory Powers Act 2000 or the Investigatory Powers Act 2016 are appropriately logged, maintained and updated on the central register.

#### **5. RISK ASSESSMENT**

- 5.1. The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds.
- 5.2. Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption. If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.

#### **6. EQUALITIES IMPACT**

- 6.1. The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.

#### **7. ALTERNATIVE OPTIONS**

- 7.1. None.

#### **8. BACKGROUND PAPERS**

- 8.1. 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:
- Audit Committee Report January 2016 – Counter Fraud and Anti-Corruption Policy.
- 8.2. These documents will be available for inspection at the Council Offices at Trinity Road, Cirencester, GL7 1PX 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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# Counter Fraud and Anti-Corruption Policy



Version Control:	
Document Name:	Counter Fraud and Anti-Corruption Policy
Version:	2
Responsible Officer:	Emma Cathcart, Counter Fraud and Enforcement Unit
Approved by:	Executive / Cabinet
Next Review Date	May 2025
Retention Period:	N/A

## Revision History

Revision date	Version	Description
August 2019	1.1	Update following changes to data protection legislation
May 2022	2	Review and Update

## Consultees

Internal	External
CFEU Lead	
One Legal / Legal Services	

## Distribution

Name	
All Staff	

# Counter Fraud and Anti-Corruption Policy

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# Counter Fraud and Anti-Corruption Policy

## 1. INTRODUCTION AND PURPOSE OF THE POLICY

- 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 Member. The Council is committed to an effective Counter Fraud and Anti-Corruption culture, by promoting high ethical standards and encouraging the prevention, detection and investigation of fraudulent activities.
- 1.2. The Section 151 Officer has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council's financial affairs to include the development of financial codes of practice and accounting instructions. Through delegation of duties, the Officer ensures appropriate controls are in place.
- 1.3. The Monitoring Officer has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council's actions do not give rise to illegality or maladministration. It is therefore essential for employees to follow the Council's policies and procedures to demonstrate that the Council is acting in an open and transparent manner.
- 1.4. The Council has a statutory duty to undertake an adequate and effective internal audit of its accounting records and its system of internal controls. The Council's Financial Rules state that 'whenever a matter arises which involves, or is thought to involve irregularities concerning cash, stores or other property of the Council, or any suspected irregularity in the exercise of the functions of the Council, the Director, Head of Service or equivalent Senior Officer has a duty to immediately notify the Section 151 Officer and the Monitoring Officer, who shall take steps as they consider necessary by way of investigation and report'. Furthermore the Financial Rules also state that each Director, Head of Service or equivalent Senior Officer is responsible for 'notifying the Section 151 Officer and the Chief Audit Executive immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources.
- 1.5. The Council has a zero tolerance approach to fraud committed or attempted by any person against the organisation or any of its partner agencies. The Council will thoroughly investigate all suggestions of fraud, corruption or theft, from within the Council and from external sources which it recognises can:
  - Undermine the standards of public service that the Council is attempting to achieve by diverting resources from legitimate activities.
  - Reduce the level of resources and services available for the residents of the borough, district or county as a whole.
  - Result in consequences which damage public confidence in the Council and / or adversely affect staff morale.
- 1.6. Any proven fraud will be dealt with in a consistent and proportionate manner. Appropriate sanctions and redress for losses will be pursued, to include criminal proceedings against anyone perpetrating, or seeking to perpetrate, fraud, corruption or theft against the Council.
- 1.7. The Council is committed to the highest possible standards of openness, probity, honesty, integrity and accountability. The Council expects all Officers, Members and partner organisations to observe these standards and values, which are defined within the Code of Conduct for Employees and the Members Code of Conduct, to help achieve the Council's over-arching priority for the continued delivery of outcomes and value for money for local tax-payers.

# Counter Fraud and Anti-Corruption Policy

## 2. DEFINITIONS

### 2.1. FRAUD

The term “fraud” is usually used to describe depriving someone of something by deceit, which might either be misuse of funds or other resources, or more complicated crimes like false accounting or the supply of false information. In legal terms, all of these activities are the same crime, theft, examples of which include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

2.2 Fraud was introduced as a general offence and is defined within The Fraud Act 2006. The Act details that a person is guilty of fraud if he commits any of the following:

- Fraud by false representation; that is if a person:
  - (a) dishonestly makes a false representation, and
  - (b) intends, by making the representation:
    - (i) to make a gain for himself or another, or
    - (ii) to cause loss to another or to expose another to a risk of loss.
- Fraud by failing to disclose information; that is if a person:
  - (a) dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
  - (b) intends, by failing to disclose the information:
    - (i) to make a gain for himself or another, or
    - (ii) to cause loss to another or to expose another to a risk of loss.
- Fraud by abuse of position; that is if a person:
  - (a) occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person,
  - (b) dishonestly abuses that position, and
  - (c) intends, by means of the abuse of that position:
    - (i) to make a gain for himself or another, or
    - (ii) to cause loss to another or to expose another to a risk of loss.

2.3 In addition the Act introduced new offences in relation to obtaining services dishonestly, possessing, making, and supplying articles for the use in frauds and fraudulent trading applicable to non-corporate traders.

### 2.4. CORRUPTION

Is the deliberate use of one's position for direct or indirect personal gain. “Corruption” covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately and against the interests of the organisation.

### 2.5. THEFT

Is the physical misappropriation of cash or other tangible assets. A person is guilty of “theft” if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

### 2.6. MONEY LAUNDERING

Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership whilst retaining use of the funds.

2.7 The burden of identifying and reporting acts of money laundering rests within the organisation. Any service that receives money from an external person or body is

# Counter Fraud and Anti-Corruption Policy

potentially vulnerable to a money laundering operation. The need for vigilance is vital and any suspicion concerning the appropriateness of a transaction should be reported and advice sought from the Monitoring Officer, Section 151 Officer or Chief Audit Executive. A failure to report a suspicion could compromise an individual and they could be caught by the money laundering provisions. All employees are therefore instructed to be aware of the increasing possibility of receiving requests that are not genuine and are in fact for the purpose of money laundering.

- 2.8 **The Council recognises its responsibilities under Money Laundering and Proceeds of Crime Legislation. These responsibilities are adhered to in line with the Council's Proceeds of Crime and Anti-Money Laundering Policy and the related Procedures. The Council is required to have a designated Officer for money laundering reporting purposes.**
- 2.9 Both Financial and Legal Officers working for the Council also have their own professional guidance in relation to money laundering which places a duty on them to report any suspicions. These suspicions may override their legal professional privilege and confidentiality.

## 2.10 **BRIBERY**

The Bribery Act 2010 introduced four main offences, simplified below. Please note, a 'financial' or 'other advantage' may include money, assets, gifts or services within the following:

- Bribing another person: a person is guilty of an offence if he offers, promises or gives a financial or other advantage to another person. Further if he intends the advantage to induce a person to perform improperly a function or activity or if he knows or believes the acceptance of the advantage offered constitutes improper activity.
- Offences relating to being bribed: a person is guilty of an offence if he requests, agrees to receive, or accepts a financial or other advantage intending that as a consequence an improper activity or function will be performed improperly or if he knows or believes the acceptance of the advantage offered constitutes improper activity. Where a person agrees to receive or accepts an advantage as a reward for improper activity or function that has been performed. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.
- Bribery of a foreign public official: a person who bribes a foreign public official is guilty of an offence if the person's intention is to influence the foreign public official in their capacity, duty or role as a foreign public official. A person must also intend to obtain or retain business or an advantage in the conduct of business and must offer, promise or give any financial or other advantage.
- Failure of commercial organisations to prevent bribery: organisations, which include the Council, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business associated with the business itself.

- 2.11 The Council is committed to ensuring the prevention of corruption and bribery and sets out its policy in relation to the acceptance of gifts and hospitality within the Code of Conduct for Employees (or equivalent) and the Members Code of Conduct. **Offers of or the receipt of any gifts or hospitality** should be recorded by Officers and Members in the appropriate register. Officers and Members are also required to declare any outside interests that they have which may result in a conflict of interest in respect of transactions and dealings with the Council. Again, any such interests will be recorded in an appropriate register.

# Counter Fraud and Anti-Corruption Policy

- 2.12 Prior to entering into any business arrangements, all Council Officers and/or business units should ensure that they have taken all reasonable steps to identify any potential areas of risk relating to bribery or corruption. If an Officer has any concerns they must raise them with The Chief Audit Executive.

## 2.13. MODERN SLAVERY

Modern Slavery takes a number of forms but all relate to the illegal exploitation of people for personal or commercial gain. The Council recognises its responsibilities as outlined within the legislation and is committed to promoting transparency in supply chains to prevent modern slavery and to take appropriate action to identify and address those risks.

## 3. SCOPE

- 3.1 In relation to any of the above mentioned offences, this policy applies to:

- All employees, including shared service employees, casual workers and agency staff.
- Members.
- Committee Members of Council funded voluntary organisations.
- Partner organisations, where the Council has a financial or statutory responsibility.
- Council Suppliers, Contractors and Consultants.
- The general public.

## 4. AIMS AND OBJECTIVES

- 4.1 The aims and objectives of the Counter Fraud and Anti-Corruption Policy are to:

- Ensure that the Council has measures in place to guard against fraud and loss and that the Council maximises revenue recovery.
- Safeguard the Council's valuable resources by ensuring they are not lost through fraud but are used for providing services to the community as a whole.
- Create a 'counter fraud' culture which highlights the Council's zero tolerance to fraud, corruption, bribery and theft, which defines roles and responsibilities and actively engages everyone (the public, Members, Officers, managers and policy makers).

- 4.2 The Council aims to:

- Proactively deter, prevent and detect fraud, corruption, bribery and theft.
- Investigate any suspicions of, or detected instances of fraud, corruption, bribery and theft.
- Enable the Council to apply appropriate sanctions, to include prosecution, and recovery of losses.
- Provide recommendations to inform policy, system and control improvements, thereby reducing the Council's exposure to fraudulent activity.

## 5. PRINCIPLES

- 5.1 The Council will not tolerate abuse of its services or resources and has high expectations of propriety, integrity and accountability from all parties identified within this policy. Maintaining this policy supports this vision.
- 5.2 The Council has a documented Constitution, Scheme of Delegated Powers and Financial Regulations to give Members and Officers clear instructions or guidance for

# Counter Fraud and Anti-Corruption Policy

carrying out the Council's functions and responsibilities. Responsibility for ensuring compliance with these documents rests with management with adherence being periodically monitored by Internal Audit Services; where breaches are identified these will be investigated in accordance with this policy and the Council's Financial Rules.

- 5.3 The Council expects that Members and Officers will lead by example in ensuring adherence to rules, procedures and recommended practices. A culture will be maintained that is conducive to ensuring probity. Members and Officers should adopt the standards in public life as set out by the Nolan Committee, known as the Nolan Principles:
- Selflessness – to take decisions solely in terms of the public interest and not in order to gain for themselves.
  - Integrity – not to place themselves under any obligation to outside individuals or organisations that may influence the undertaking of their official duties.
  - Objectivity – when carrying out any aspect of their public duties, to make decisions and choices on merit.
  - Accountability – to be accountable, to the public, for their decisions and actions and must submit themselves to the appropriate scrutiny.
  - Openness – to be as open as possible about the decisions and actions they take and the reasons for those decisions and actions. The dissemination of information should only be restricted when the wider public interest clearly demands it.
  - Honesty – to declare any private interests which relate to their public duties and take steps to resolve any conflicts arising in a manner which protects the public interest.
  - Leadership – to promote and support these principles by leadership and example.
- 5.4 The Council will ensure that the resources dedicated to counter fraud activity are appropriate and any officers involved in delivering these services are trained to deliver a professional counter fraud service to the correct standards ensuring consistency, fairness and objectivity.
- 5.5 All fraudulent activity is unacceptable, and may result in consideration of legal action being taken against the individual(s) concerned. In addition, the Council has in place disciplinary procedures which must be followed whenever Officers are suspected of committing a fraudulent or corrupt act. These procedures are monitored and managed by the Human Resources Team and may be utilised where the outcome of an investigation indicates fraudulent or corrupt acts have occurred.
- 5.6 The Council may pursue the repayment of any financial gain from individuals involved in fraud, malpractice and wrongdoing. The Council may also pursue compensation for any costs it has incurred when investigating fraudulent or corrupt acts.
- 5.7 This policy encourages those detailed within this document to report any genuine suspicions of fraudulent activity. However, malicious allegations or those motivated by personal gain will not be tolerated and, if proven, disciplinary or legal action may be taken. Reporting arrangements in relation to incidents of fraud or irregularity are detailed below.
- 5.8 The Council will work both internally across different departments and with external organisations such as the Police, HM Revenue and Customs and other Councils to strengthen and continuously improve its arrangements to prevent fraud and corruption. The Council is committed to assisting the Police in fighting Serious and Organised



# Counter Fraud and Anti-Corruption Policy

crime and will implement measures and share data to ensure the Council is not engaging with organised crime gangs when procuring goods and services.

- 5.9 The Council collects and stores data within multiple departments to enable data cleansing, data sharing and data matching. This process can be utilised for the prevention and detection of fraud and the Council will pursue this where appropriate. The Council applies fair processing practices and these are reflected within data collection documents, stationery and other data collection processes such as those required for the National Fraud Initiative.

## 6. RESPONSIBILITIES

OFFICER / DEPARTMENT	SPECIFIC RESPONSIBILITIES
<b>Head of Paid Service / Chief Executive</b>	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.
<b>Chief Finance Officer (Section 151 Officer)</b>	To ensure the Council has adopted an appropriate Counter Fraud and Anti-Corruption Policy. That there is an effective internal control environment in place and resources to investigate allegations of fraud and corruption.
<b>Monitoring Officer</b>	To advise Members and Officers on ethical issues, conduct and powers to ensure that the Council operates within the law and statutory Codes of Practice.
<b>Audit Committee/ Audit and General Purposes Committee / Audit and Governance Committee</b>	<p>To receive formal assurance from an appropriate representative at meetings and an annual opinion report in relation to the Council's control measures and counter fraud activity.</p> <p>The Audit Committee also receives assurance from external audit on the Council's Annual Accounts and Annual Governance Statement.</p>
<b>Councillors / Members</b>	<p>To comply with the Members Code of Conduct and related Council policies and procedures.</p> <p>To be aware of the possibility of fraud, corruption, bribery and theft and to report any genuine concerns to the Chief Audit Executive.</p>
<b>External Audit / Internal Audit</b>	<p>Has a duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption, bribery and theft.</p> <p>Has powers to investigate fraud and the Council may invoke this service.</p>



# Counter Fraud and Anti-Corruption Policy

OFFICER / DEPARTMENT	SPECIFIC RESPONSIBILITIES
<p><b>Counter Fraud and Enforcement Unit</b></p>	<p>Responsible for assisting the development and implementation of the Counter Fraud and Anti-Corruption Policy. The Counter Fraud Unit have a duty to monitor the investigation of any reported issues of irregularity.</p> <p>To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this policy.</p> <p>That action is identified to improve controls and reduce means, opportunity and the risk of recurrence.</p> <p>Reporting to the appropriate Senior Officer(s) (Section 151 Officer, Monitoring Officer, Chief Audit Executive) with regard to the progress and results of investigations.</p> <p>Reporting annually to the Audit Committee on proven frauds.</p>
<p><b>Counter Fraud Provision / Services</b></p>	<p>To proactively deter, prevent and detect fraud, corruption, bribery and theft within or against the Council.</p> <p><b>To work on behalf of charities, Social Housing Providers and other organisations to proactively deter, prevent and detect fraud, bribery, corruption and theft for the benefit of local residents and the public purse.</b></p> <p>To investigate all suspicions of fraud, corruption, bribery or theft, within or against the Council, in accordance with the Criminal Procedures and Investigations Act 1996 (CPIA).</p> <p>To consider reputational damage and the public interest test when investigating any instances of fraud, corruption, bribery or theft.</p> <p>To conduct interviews under caution when appropriate in accordance with the Police and Criminal Evidence Act 1984 (PACE).</p> <p>To undertake any surveillance operation or obtaining any communications data, adhering to the Regulation of Investigatory Powers Act 2000 (RIPA) <b>and the Investigatory Powers Act 2016</b> – this is applicable when undertaking criminal investigations only.</p> <p>To comply with Data Protection Legislation (and the General Data Protection Regulations) when obtaining or processing personal data.</p>

# Counter Fraud and Anti-Corruption Policy

OFFICER / DEPARTMENT	SPECIFIC RESPONSIBILITIES
	<p>To report to the appropriate Senior Officer(s) for decisions in relation to further action.</p> <p>To enable the Council to apply appropriate sanctions, to include criminal proceedings, and to assist in the recovery of losses in accordance with the Council's <b>Corporate Enforcement Policy. To include prosecutions on behalf of Social Housing Providers, Charities, and other organisations where it is in the public interest and for the benefit of the local residents.</b></p> <p>To prepare Witness Statements and prosecution paperwork for the Council's Legal Department.</p> <p>To attend and present evidence in the Magistrates Court, the Crown Court and Employment Tribunals.</p> <p>To provide recommendations to inform policy, system and control improvements.</p> <p>To provide fraud awareness training and updates for Members and Officers.</p> <p>To publicise successes where appropriate.</p>
<b>Human Resources</b>	<p>To report any suspicions of fraud, corruption, bribery or theft to the Section 151 Officer, Monitoring Officer or Counter Fraud representative if reported directly to HR or if identified during any disciplinary or internal procedures.</p> <p>To ensure recruitment procedures provide for the obtainment and verification of significant information supplied by applicants <b>in accordance with the HR Vetting and Recruitment Fraud Risk Report.</b></p>
<b>Strategic Directors, Heads of Service, Service Managers or equivalent Senior Officers</b>	<p>The primary responsibility for maintaining sound arrangements to prevent and detect fraud and corruption rests with management.</p> <p>To promote awareness and ensure that all suspected or reported irregularities are immediately referred to the appropriate Senior Officer.</p> <p>To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption, bribery and theft. To reduce these risks by implementing internal controls, monitoring of these controls by spot checks and to rectify weaknesses if they occur.</p>

# Counter Fraud and Anti-Corruption Policy

OFFICER / DEPARTMENT	SPECIFIC RESPONSIBILITIES
<b>Staff / Employees / Officers</b>	<p>To comply with Council policies and procedures when conducting their public duties.</p> <p>To be aware of the possibility of fraud, corruption, bribery and theft and to report any genuine concerns. Officers may report suspicions as detailed below.</p> <p>Referrals can also be made in confidence in accordance with the Council's Whistleblowing Policy.</p>
<b>Public, Partners, Suppliers, Contractors and Consultants</b>	<p>To be aware of the possibility of fraud and corruption within or against the Council and to report any genuine concerns or suspicions as detailed below.</p>

## 7. APPROACH TO COUNTERING FRAUD

7.1 The Council has a responsibility to reduce fraud and protect its resources by enabling counter fraud services to complete work in each of the following key areas:

### 7.2 DETERRENCE

The best deterrent is the existence of clear procedures and responsibilities making fraud and corruption difficult to perpetrate and easy to detect. As detailed already within this policy, the Council has a number of measures in place to minimise risk:

- Clear codes of conduct for Officers and Members.
- Register for declarations of interest / gifts and hospitality for Members and Officers.
- Clear roles and responsibilities for the prevention and detection of fraud, corruption, bribery and theft including an Audit Committee, an appointed Monitoring Officer, Section 151 Officer and trained Counter Fraud Officers.
- Effective ICT security standards and usage policies.
- The application of appropriate sanctions and fines as detailed below.

7.3 The existence of an effective Counter Fraud Team is a prime deterrent for fraud and corruption. Counter Fraud Officers and the Internal Audit Team analyse and identify potential areas at risk of fraudulent abuse with the assistance of the Council's Corporate Management, efficient and effective audits of principal risk areas can then be conducted.

7.4 The Council will promote and develop a strong counter fraud culture, raise awareness and provide information on all aspects of its counter fraud work. This may include advice on the intranet, fraud e-learning tools, publicising the results of proactive work, investigating fraud referrals and seeking the recovery of any losses.

### 7.5 PREVENTION

The Council will strengthen measures to prevent fraud **ensuring consideration of the Fraud Risk Strategy, associated documents and fraud risk register**. Counter Fraud Officers will work with management and policy makers to ensure new and existing systems, procedures and policy initiatives consider any possible fraud risks. Any

# Counter Fraud and Anti-Corruption Policy

internal audit conducted will also consider fraud risks as part of each review and ensure that internal controls are in place and maintained to combat this.

- 7.6 Important preventative measures include effective recruitment to establish the propriety and integrity of all potential employees **as set out within the HR Vetting and Recruitment Fraud Risk Report**. Recruitment is carried out in accordance with the Council's Recruitment and Selection Policy and provides for the obtainment and verification of significant information supplied by applicants.

- 7.7 The Council will undertake any internal remedial measures identified by any investigation to prevent future recurrence at the first opportunity.

7.8 **DETECTION**

A record of fraud referrals received will be maintained by Counter Fraud Officers (and other departments as applicable). This record helps to establish those areas within the Council most vulnerable to the risk of fraud. In addition, a consistent treatment of information and independent investigation is ensured. A Council wide fraud profile is created which then informs any detailed proactive work.

- 7.9 The Council is legislatively required to participate in a national data matching exercise; the National Fraud Initiative (NFI). Particular sets of data are provided and matched against other records held by the Council or external organisations. Where a 'match' is found it may indicate an irregularity which requires further investigation to establish whether fraud has been committed or an error made. An officer within the authority is designated as the 'Key Contact' for this process. The initiative also assists in highlighting areas which require more proactive investigation. The Council may engage in other data matching/sharing for the purposes of fraud prevention and detection, and for the recovery of monies owed.

- 7.10 Safeguarding and deterrent internal controls and monitoring procedures are established for financial and other systems within the Council, for example those set out within the Council's Financial Rules / Contract Rules.

- 7.11 The Council relies on employees, Members and the public to be alert and to report any suspicions of fraud and corruption which may have been committed or that are allegedly in progress. Managers should be vigilant and refer any matters which may require additional monitoring to a senior representative within the Human Resources Department for guidance and further action.

7.12 **INVESTIGATION**

The Council will investigate all reported incidents of fraud or irregularity using its counter fraud resources. The Council will ensure the correct gathering and presentation of evidence in accordance with the Criminal Procedures and Investigations Act 1996.

- 7.13 Investigations will make due reference to Employment Law as necessary and be conducted within a reasonable time in accordance with the Human Rights Act 1998. Investigations will also adhere to and comply with other applicable legislation such as the Police and Criminal Evidence Act 1984, Data Protection Legislation and the Freedom of Information Act 2000 as appropriate.
- 7.14 Officers may utilise investigative tools and gain intelligence utilising a number of legal gateways and data sharing agreements. This may include membership to third party organisations such as the National Anti-Fraud Network (NAFN).
- 7.15 When investigating allegations of fraud and corruption, the Council may be required to conduct surveillance. The Council must comply with the Regulation of Investigatory Powers Act 2000 which ensures that investigatory powers are used in accordance with human rights. To ensure compliance the Council has a written procedure detailing

# Counter Fraud and Anti-Corruption Policy

who may authorise covert surveillance and the use of covert human intelligence sources. Standard documentation has been adopted which must be used by an Officer when seeking such authorisation.

- 7.16 Officers may also need to acquire communications data when conducting an investigation. This is permissible however; the Council must adhere to the Investigatory Powers Act 2016 when applying for this information and the correct nominated single point of contact must be used. As above, specific details are set out within the written procedures.

- 7.17 **The Counter Fraud and Enforcement Unit Officers adhere to the appropriate legislation when investigating irregularities and allegations of fraud. This includes the need to:**

- Deal promptly with the matter.
- Record all evidence received.
- Ensure that evidence is sound and adequately supported.
- Conduct interviews under caution when necessary.
- Ensure security of all evidence collected.
- Contact other agencies if necessary e.g. Police, Trading Standards, HM Revenue and Customs.
- Notify the Council's insurers.
- Implement Council disciplinary procedures where appropriate.
- Attend court and present evidence.

## 7.18 **SANCTIONS**

The Council will apply considered sanctions to individuals or organisations where an investigation reveals fraudulent activity. This may include:

- Appropriate disciplinary action in line with the Disciplinary Policy.
- Fines and penalties.
- Criminal proceedings.
- Civil proceedings to recover loss.

## 7.19 **REDRESS**

A crucial element of the Council's response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an important part of the Council's strategy and will be pursued in line with internal debt recovery processes and legal redress i.e. Confiscation Orders and the application of the Proceeds of Crime Act 2002.

## 7.20 **CONTROL FAILURE RESOLUTION**

In addition to the above, Internal Audit also prepares a risk based annual Audit Plan that details the key objectives and areas of work for the year. Within these work areas indicators for fraud are considered. Internal Audit will also respond to requests from management and Counter Fraud Officers where there may be concerns over the effectiveness of internal controls. The work plan is agreed and monitored by the Audit Committee and Section 151 Officer.

## **8. REPORTING, ADVICE AND SUPPORT**

- 8.1 The Council's expectation is that Members and managers will lead by example and that employees at all levels will comply with the Constitution, Council Policies, Financial Regulations, Procurement Regulations, Financial and Contract Procedure Rules, codes of conduct and directorate procedures.
- 8.2 The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report

# Counter Fraud and Anti-Corruption Policy

any irregularities, or suspected irregularities to their Line Manager and if this is not appropriate then to a Counter Fraud representative.

- 8.3 The Council must create the right environment so that anyone can raise concerns in respect of irregularities with the knowledge that they will be treated seriously and confidentially. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, as confirmed in the Council's Whistle-Blowing Policy.
- 8.4 If the informant is a member of the public or external contractor, they can contact a Counter Fraud Officer at the Council to report the suspicion. This can be done anonymously. A hotline number for reporting suspicions may also be established and if so, can be found on the Council's website. The Council's complaint procedure may also be utilised but may not be the most appropriate channel.
- 8.5 The above process does not relate to reporting Housing Benefit Fraud allegations (which are now dealt with by the Department for Work and Pensions) or to Council Tax Reduction Scheme offences. The informant should contact the Officer nominated to deal with this; details can be found on the Council's website within the Revenues and Benefit Section information.
- 8.6 The Officer who receives the allegation (whether from a Member or a Council employee) must refer the matter to a Counter Fraud representative within the Council, to determine how the potential irregularity will be investigated and to whom the allegation should be discussed within the Council. This is to ensure correct investigative procedures are adhered to and that any potential fraud enquiry is not compromised.
- 8.7 As appropriate, reports will be issued to the Monitoring Officer, Head of Paid Service, Section 151 Officer, Senior Officers, and Cabinet Members etc. where the irregularity is material and/or could affect the reputation of the Council. Decisions will then be made with regard to the most appropriate course of action. Communications and publicity will also be managed if the matter is likely to be communicated externally.
- 8.8 If the investigation relates to an employee then Human Resources will be engaged and the Council's Disciplinary Procedure will also be considered however this will be managed carefully to ensure any criminal investigation is not compromised.
- 8.9 The Council will also work in co-operation with the following bodies (and others as appropriate) that will assist in scrutinising our systems and defences against fraud, bribery and corruption:
  - Local Government and Social Care Ombudsman.
  - External Audit.
  - The National Fraud Initiative.
  - Central Government Departments.
  - HM Revenue and Customs.
  - The Police.
  - Trading Standards.
  - The Department for Work and Pensions.
  - Immigration Services.
  - The Chartered Institute of Public Finance and Accountancy (CIPFA).
  - The Institute of Revenues Rating and Valuation (IRRV).
  - **Social Housing Providers and Charitable Bodies**
- 8.10 **As detailed within this document and the Council's Whistle Blowing Policy, any concerns or suspicions reported will be treated with discretion and in confidence. Referrals can be made in confidence to the Counter Fraud and Enforcement Unit at [fraud.referrals@cotswold.gov.uk](mailto:fraud.referrals@cotswold.gov.uk) who work on behalf of Cheltenham and Tewkesbury**



# Counter Fraud and Anti-Corruption Policy

Borough Councils and Cotswold, Forest of Dean and West Oxfordshire District Councils. Concerns can also be raised via Internal Audit.

## 9. FURTHER INFORMATION

9.1 Further information on Council policy can be found in the following documents (or equivalent documentation / codes):

- The Constitution.
- Code of Conduct for Employees and the Members Code of Conduct which include information in relation to gifts and hospitality and declaring and registering interests.
- Whistleblowing Policy.
- Corporate Enforcement (Prosecution) Policy.
- **Proceeds of Crime and Anti-Money Laundering Policy.**
- Recruitment and Selection Processes.
- **RIPA / IPA Policies, Procedures and Guidance.**
- Financial Rules.
- Contract Rules or equivalent.
- Fair Processing Statement.
- Disciplinary Procedure.

## 10. POLICY REVIEW

- 10.1. The appropriate department will review and amend this policy as necessary to ensure that it continues to remain compliant and meets legislative requirements and the vision of the Council in consultation with the Council's Chief Finance Officer, the Legal Department and Members.
- 10.2. Review frequency as required by legislative changes / every three years.

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 29 SEPTEMBER 2022
Report Number	AGENDA ITEM 12
Subject	COUNTER FRAUD AND ENFORCEMENT UNIT FRAUD RISK STRATEGY
Wards affected	All indirectly
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance Email: <a href="mailto:Mike.Every@cotswold.gov.uk">Mike.Every@cotswold.gov.uk</a>
Accountable officer	Emma Cathcart, Head of Service, Counter Fraud and Enforcement Unit Email: <a href="mailto:Emma.Cathcart@cotswold.gov.uk">Emma.Cathcart@cotswold.gov.uk</a>
Summary/Purpose	To present the Audit Committee with a Fraud Risk Strategy, so that they may consider the approach taken by the Counter Fraud Partnership. To provide assurance to the Audit Committee that the risks of fraud committed against the Council are recognised, managed and mitigated for in accordance with Council priorities, and changing fraud trends.
Annexes	Annex A – Fraud Risk Strategy Annex B – Fighting Fraud and Corruption Locally Checklist (blank) Annex C – Government Functional Standard – GovS 013: Counter Fraud Checklist (blank)
Recommendation(s)	<i>That the Committee considers the Counter Fraud and Enforcement Unit Fraud Risk Strategy and associated work streams.</i>
Corporate priorities	Delivering our services to the highest standards.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	The Strategy has been shared with Governance Group and the Deputy Chief Executive.



## **1. BACKGROUND**

- 1.1. Risk Management is used to identify, evaluate and manage the range of risks facing an organisation. This includes consideration relating to the risk of fraud.
- 1.2. Fraud is the most common crime in the UK and costs many billions of pounds to private companies, individuals and the public sector. Within Local Government this is estimated to be in the region of £2.1 billion per year. Local Authorities have a responsibility to promote and develop high standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

## **2. MAIN POINTS**

- 2.1. The Counter Fraud and Enforcement Unit (CFEU) has developed a Fraud Risk Strategy for implementation across the Counter Fraud Partnership, which includes Cotswold District Council. The Strategy, attached at Annex A, has been developed to comply with Government Functional Standards relating to counter fraud activities.
- 2.2. The Strategy sets out the definitions and motivations for fraud and the principles of risk management. Risk management and being 'risk aware' are vital to ensure the effective operation of the Council. The risk of fraud is ever present and it is impossible to identify or mitigate against all risks, however by being risk aware the Council is in a better position to avoid threats, develop processes that reduce the loss or impact, and increase its ability to recover.
- 2.3. The Strategy identifies the high risk areas that Local Government is susceptible to, both internally and externally. It also details the types of response methods and refers to the specific fraud response recommended for Local Government. These principles underpin the Council's plan.
- 2.4. As set out within the Strategy, the CFEU work with SWAP (Internal Audit) to provide resilience and resource in prevention, detection, response and review of detected fraud and fraud risks.
- 2.5. Annexed to the Strategy, and attached to this report as Annex B and C, are the Fighting Fraud and Corruption Locally Checklist and the Government Functional Standard GovS 013 Checklist. These set out best practice recommendations. The CFEU will complete these in consultation with SWAP to inform areas for improvement or for inclusion on the work plan.
- 2.6. In addition to the completion of the checklists, the CFEU will implement a series of service area reviews with the Deputy Chief Executive approval to identify specific fraud risks within each Council service area or department. This will include considering national and local emerging fraud risks, good practice in processes and procedure, and possible areas of risk mitigation.
- 2.7. A Service Specific Risk Register will then be developed with overall risks score that can be assessed, monitored and reviewed. This element of the CFEU annual work plan will be developed according to priority – high risk service areas will be addressed first.



- 2.8. The CFEU have reviewed and completed the Serious and Organised Crime Checklist as part of the annual work plan. Elements of this checklist are no longer applicable to the Council, and awareness relating to the risks posed by Serious and Organised Crime is now embedded within the organisation.
- 2.9. It is therefore proposed that the service specific Serious and Organised Crime risks will be transferred to the relevant service or departmental risk registers and the overarching principles will be considered within the Fraud Risk Strategy. The Serious and Organised Crime checklist will be discontinued as it is no longer required.

### **3. FINANCIAL IMPLICATIONS**

- 3.1. The strategy itself does not have any direct financial implications as a result of this report. However the implementation of the work streams associated with the Fraud Risk Strategy will help identify loss avoidance measures and any costs associated with implementation will be contained within existing budgets.

### **4. LEGAL IMPLICATIONS**

- 4.1. The Fraud Risk Strategy aids the application of an effective fraud risk management regime and assists the Council in effective financial governance which is less susceptible to legal challenge.

### **5. RISK ASSESSMENT**

- 5.1. The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds. The CFEU provides assurance in this area.
- 5.2. Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption. If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.

### **6. EQUALITIES IMPACT**

- 6.1. The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.

### **7. ALTERNATIVE OPTIONS**

- 7.1. None.

### **8. BACKGROUND PAPERS**

- 8.1. None.  
(END)

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# Fraud Risk Strategy

## FRAUD RISK STRATEGY

### COUNTER FRAUD AND ENFORCEMENT UNIT

Working in partnership with Councils and organisations across Gloucestershire and West Oxfordshire to prevent fraud and loss



**PUBLICA**

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### Counter Fraud and Enforcement Unit

Cotswold District Council | Trinity Road | Cirencester | Gloucestershire | GL7 1PX

Cheltenham Borough Council | Municipal Offices | Promenade | Cheltenham | Gloucestershire | GL50 9SA

Forest of Dean District Council | High Street | Coleford | Gloucestershire | GL16 8HG

E-mail – [fraud.referrals@cotswold.gov.uk](mailto:fraud.referrals@cotswold.gov.uk)

Tel – 01242 264215

Working in partnership with Councils, Social Housing Providers and organisations to detect crime and prevent fraud and loss

# Introduction

Fraud is now the most common crime in the UK and costs many billions of pounds every year to private companies, individuals and to the public purse. The impact of fraud and related offences can be devastating. Impact ranges from unaffordable personal losses, suffered by vulnerable victims, to the ability of organisations to stay in business.

Although fraud is not an issue that any organisation wants to deal with, or possibly admit to, the reality is that most organisations will experience fraud to one degree or another; within Local Government it is widespread and pervasive. Surveys worldwide relating to fraud have found that the government and public administration sector was the second most represented sector, after banking and financial services within the private sector.

The Government estimates that fraud costs the public sector between £31bn and £53bn per year. Fraud in Local Government is estimated to account for around £2.1bn of this sum per year; this is money that could be better spent on the provision of services. The Councils and Publica, which make up the Counter Fraud and Enforcement Unit Partnership, have a duty to ensure they protect public money from the risk of fraud and whilst it is impossible to eliminate all fraud, must have a sufficiently robust control framework in place to reduce these risks.

Local Authorities have a responsibility to promote and develop high standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management. Local Authorities face significant challenges in relation to fraud mitigation whilst providing front line services and protecting large vulnerable groups with ever decreasing resources and income streams.

In compliance with the *Government Functional Standard GovS013: Counter Fraud* this strategy sets the direction and desired outcomes for the partnership.

An important part of this approach is the anti-fraud culture and practices which are adopted to advise and guide members and staff on the approach to the serious issues of fraud and corruption. This document provides an overview of our policy in this matter and links to the Counter Fraud and Enforcement Unit response which works to prevent, detect and deter fraud and corruption.

## Key Definitions

### **Bribery**

Bribery is defined as offering, promising, agreeing to receive or giving of a financial or other advantage to induce or reward improper functions or activities and/or the request or receipt of such an advantage.

## FRAUD RISK STRATEGY

### **Corruption**

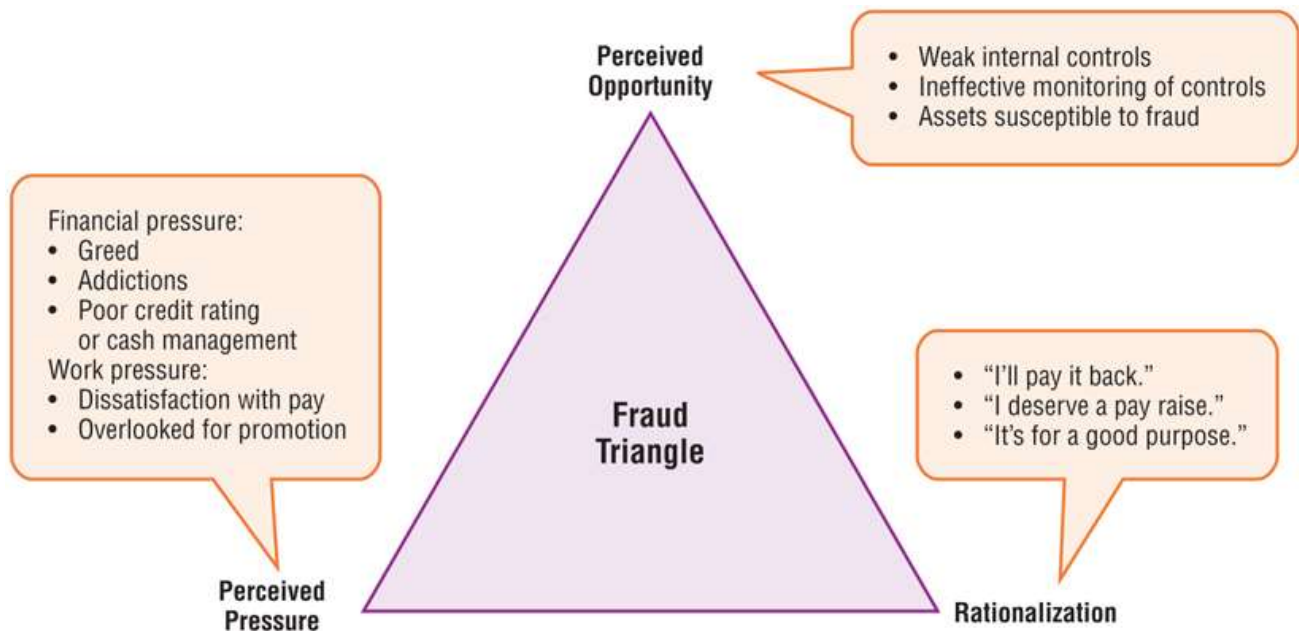
For the purposes of this document, corruption in the public sector including Central and Local Government can be defined as the abuse of power by an official (or any employee entrusted to carry out the functions of government, including contractors) for personal gain.

### **Fraud**

The term 'Fraud' is used to define offences contrary to the Fraud Act 2006 based on false representation, dishonesty, financial gain or loss and associated offences, which include bribery and money laundering. Fraud essentially involves using deception to dishonestly make a personal gain for oneself and/or create a loss for another.

### Why do people commit fraud?

The appeal of fraud is the perceived 'low risk / high reward' opportunities it presents. The offence can be committed with relative ease and at a distance from the victim and the authorities. Within the public sector, the lack of an identifiable victim only aids the fraudster further. Fraud may also be committed by serious organised crime groups who are capable of orchestrating large scale fraud across international boundaries, but also by otherwise law abiding individuals looking to make an opportunistic gain.





## FRAUD RISK STRATEGY

The fraud triangle is the framework commonly used to explain the reason behind an individual's decision to commit fraud. This outlines three components that contribute to increasing the risk of fraud – opportunity, incentive and rationalization. These apply equally to any sector organisation and can form part of the risk management approach but there should be recognition that the opportunities and the incentives to commit fraud are wide ranging within Local Government.

### Pressure/Motivation

In simple terms, motivation is typically based on either greed or need. Other causes cited include problems and pressures caused by debts and gambling. Many people are faced with the opportunity to commit fraud, and only a minority of the greedy and needy do so. Personality and temperament, including how frightened people are about the consequences of taking risks, play a role. Some people with good objective principles can be influenced or coerced by others or develop unaffordable habits, which tempts them to fraudulent activities. Others are tempted only when faced with financial ruin.

### Opportunity

In terms of opportunity, fraud is more likely in organisations where there is a weak internal control system, poor security, little fear of exposure and likelihood of detection, or unclear policies with regard to acceptable behaviour. Research has shown that some employees are totally honest, some are totally dishonest, but that many are swayed by opportunity.

### Rationalisation

Many people obey the law because they believe in it and/or they are afraid of being shamed or rejected by people they care about if they are caught. However, some people may be able to rationalise fraudulent actions as:

- Necessary – especially when done for the business
- Harmless – because the victim is large enough to absorb the impact, or is a faceless organisation
- Justified – because 'the victim deserved it' or 'because I was mistreated.'

### Risk Management



**Risk Management Cycle**

#### Identifying the risk - Local Government fraud risk areas

The threat of fraud not only comes from the general public (external) for whom Local Authorities provide and administer many different services, but also employees and contractors (internal), employed in a wide range of roles across a breadth of service areas. Tax is synonymous with Local Authorities and it is therefore unsurprising that losses to tax fraud in this area are significantly higher than from fraud in other areas. The below list details some of the types of fraud/corruption that Local Authorities are susceptible to:

##### External High-Risk Areas

- Social Housing Tenancy Fraud (false applications, sub-letting for profit, right to buy fraud, abandonment, allocations)
- Council Tax Fraud (Discounts & Exemptions i.e. Council Tax Reduction Scheme (CTRS), Single persons discount)
- Business Rates (NNDR) Fraud (Fraudulent applications for exemptions & relief)
- Procurement, Purchasing and Contract Management Fraud (constantly changing environment and fraud can occur at any point throughout the cycle)

## FRAUD RISK STRATEGY

- Adult Social Care (care workers claiming money for time they have not worked, payments not being used to pay for care)
- Identity Fraud
- Blue Badge Scheme Abuse
- Grant Fraud
- Cyber Crime - Phishing Emails, Viruses, Payment Fraud (managed by ICT)
- Serious and Organised Crime (Licensing, contracts, Housing Right to buys, Cuckooing, online payment/payment card fraud)

### Internal Fraud Risks

- Payroll Fraud
- Fraudulent claims for expenses and allowances
- Bribery, Corruption and Abuse of Position
- Failure to declare conflicts of interest
- Pre-employment fraud – provision of false information
- Misallocation of social housing to friends/family
- Procurement Fraud
- Theft
- Manipulation of Benefits systems, Grants or Council Tax accounts for personal gain
- Asset Misappropriation
- Misuse/Manipulation of Systems

Understandably, 'external' fraud poses a much greater risk to Local Authorities with Business Rates fraud identified as the largest growing fraud type in recent years. Other areas perceived to be of the greatest fraud risk to Local Authorities are in Procurement, Council Tax (CTax) 'Single Occupancy Discount' and adult social care (CIPFA – The Local Government Counter Fraud and Corruption Strategy).

### Understanding and assessing the risk

Once risks have been identified, an assessment of possible impact and corresponding likelihood of occurrence should be made using consistent parameters that will enable the development of a prioritised risk analysis. The assessment of the impact of the risk should not simply take account of the financial impact but should also consider the organisation's viability and reputation, and recognise the political sensitivities involved.

## FRAUD RISK STRATEGY

LIKELIHOOD (B)	Almost Certain / Very Likely 5	5	10	15	20	25
	Likely 4	4	8	12	16	20
	Possible / Feasible 3	3	6	9	12	15
	Unlikely / Slight 2	2	4	6	8	10
	Rare / Very Unlikely 1	1	2	3	4	5
		Negligible / Insignificant 1	Minor 2	Moderate / Significant 3	Major 4	Critical 5
	IMPACT RISKS (A)					

### Risk Response Strategy

Strategies for responding to risk generally fall into one of the following categories:

- Risk Retention (e.g. choosing to accept small risks).
- Risk Avoidance (e.g. stopping use of certain products to avoid the risk to occurring).
- Risk Reduction (e.g. through implementing controls and procedures).
- Risk Transfer (e.g. contractual transfer of risk; transferring risks to insurers).

There is good assurance that the Partnership has an appropriate control framework in place to mitigate the risk of fraud. It is impossible to eliminate the risk completely and there are areas where continuous monitoring is required.

# Anti-Fraud Strategy

## Approach

The changing context in which Local Government services are delivered, the increasing risk of fraud by motivated offenders, reduced Local Authority resources and associated changes to existing local control frameworks together create a pressing need for a new approach to tackling fraud perpetrated against Local Government. Given the substantial financial losses to Local Authorities it was imperative a plan was put in place to combat fraud. In 2011, the first counter fraud strategy for Local Authorities was produced in the form of the 'Fighting Fraud and Corruption Locally' strategy (FFCL). The strategy was based on the following three principles:

- **Acknowledge** – Acknowledge and understand fraud risk.
- **Prevent** – Prevent and detect more fraud.
- **Pursue** – More robust in punishing fraud and the recovery of losses.



More recently a further two principles have been introduced:

- **Govern** – Setting the tone from the top and ensuring robust arrangements to ensure counter fraud and anti-corruption activities are embedded within the organisation.
- **Protect** – Protecting against serious and organised crime, protecting individuals from becoming victims and protecting against the harm fraud can do to the community. For Local Government, this includes protecting public funds, protecting the Local Authority against fraud and cyber-crime and itself from future frauds.

## FRAUD RISK STRATEGY

These principles are underpinned by the following:



The strategy was a collaborative effort between Local Authorities and key stakeholders from across the fraud arena and was designed to assist Local Authorities understand their fraud risk, assist in developing and maintaining a culture in which fraud and corruption are understood to be unacceptable, and to provide a blueprint for a tougher response (CIPFA – The Local Government Counter Fraud and Corruption Strategy).

The framework for the Council’s fraud and corruption control plan includes:

- Planning and resourcing
- Prevention
- Detection
- Response

The strategy has been designed to recognise the evolving and changing risks within the public sector. Unexpected events alter the service delivery landscape and also the type and level of associated fraud risks to both public sector finances and structures. For example, the Covid-19 pandemic led Local Authorities to implement wide scale home and remote working practices swiftly. For many these service delivery changes will be permanent and the associated risks relating to cyber security or staff work integrity must be addressed. Other risks identified during the pandemic – such as the increased requirement for urgent decision making and the financial risks associated with the Business Grant payments for example – may be time limited, but can still influence and inform ongoing systems and procedures meaning there is a continued need to ensure internal controls remain effective.

### Planning and Resourcing

The Counter Fraud and Enforcement Unit (CFEU) is a corporate resource with annual work plans designed to promote awareness and deploy resource according to identified areas of weakness.

## FRAUD RISK STRATEGY

This also allows the department to provide capacity for proactive and reactive investigations in the areas that have been highlighted as high-risk.

Service specific fraud risk reviews are to be completed and reviewed annually to help identify new and emerging risks and high risk areas that require more resource. This in turn informs the CFEU annual work plans, which together comprise the CFEU fraud response plan.

The levels of fraud, statistics and reliable information available informs risk management approaches. It can provide evidence for necessary internal controls in particular areas known to be high risk, support a change in culture and inform best practice. The CFEU provide quarterly reports to Corporate Management and bi-annual reports direct to Audit Committees detailing work streams and outcomes. This ensures Councillors are briefed in relation to fraud risk. By having a dedicated team collecting and recording this data, the partnership is ensuring a well-rounded risk management approach which is working to continuously review and improve internal controls.

The CFEU works closely with Internal Audit to identify internal control weaknesses and to ensure review and implementation of any necessary follow-up action.

### Prevention

The CFEU is responsible for developing, reviewing, and updating the Counter Fraud and Anti-Corruption, Whistleblowing and Money Laundering Policies and for any procedures linked to counter fraud or criminal investigation.

The CFEU has targeted raising awareness and changing the culture of the organisations through online training and in person awareness sessions. In basic terms, public sector staff are more concerned about the provision of frontline services to the general public and less about financial losses and fraud. The team have worked hard to inform staff so that they have a better understanding of fraud risks and how best to mitigate them. Significantly, though with public bodies and the large scale diverse nature of them, it is important that any awareness training is relatable to the audience or individual staff member to gain maximum benefit.

The CFEU also introduced a revised and updated Whistle-Blowing Policy to support the fraud awareness session and ensure staff were confident in referring allegations of wrong doing to the team who specialise in protecting the identity of referral sources.

Work plans are developed annually in consultation with Internal Audit to include proactive fraud drives in high risk areas, deterrent activity and the resource for reactive case investigation work.

As Local Government continues its use of outsourcing, management should ensure that the contractors employed are aware to the principles of the Whistleblowing, Money Laundering and Counter Fraud and Anti-Corruption Policies.

## FRAUD RISK STRATEGY

The partnership is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its activities.

### Detection

The CFEU provide trained and dedicated resource for departments in the following high risk areas:-

Council Tax Discounts: – Assistance with processing National Fraud Initiative data matching, specific fraud drives and reviews, sanctions and penalty application.

Council Tax Reduction Scheme: – Authorised Officers under the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 to investigate cases of fraud and apply criminal sanctions, and work jointly with the DWP.

National Non Domestic Rates: – Assistance with reviews on specific exemptions and reliefs, visiting high-risk properties and business types, assistance with tracing and cross-checking data.

Procurement: – Fraud drives relating to high risk areas, review of processes and paperwork to mitigate risk and improve control mechanisms; fraud awareness training for specific officers; advice on the impact of Serious and Organised Crime and how to develop controls.

Housing Allocation, Housing and Tenancy Frauds: – Regular reviews of housing waiting lists, dedicated Housing Investigation Officers, work with Registered Social Landlords / Housing Providers, Authorised Officers under the Prevention of Social Housing Fraud Act, the ability to prepare cases for both criminal and civil action.

Internal Reactive Cases: – Undertaking disciplinary investigations involving allegations of staff or member corruption, fraud or other serious misconduct.

Annual Work Plans: - focussing on high risk areas nationally, or locally identified areas of risk according to the local demographic.

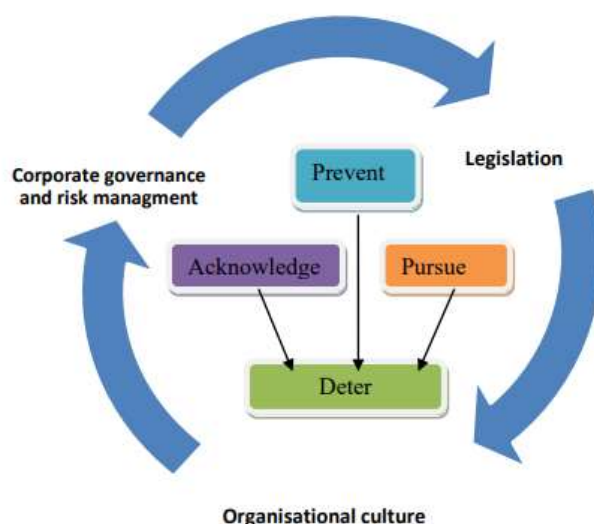
Fraud Risk Registers: – Development of risk registers for the Councils / Publica as a whole and for individual service areas. These are to be continually reviewed and updated.

### Response

To provide both detection and an appropriate response, the Council's dedicated Counter Fraud and Enforcement Unit is staffed by qualified Investigation & Intelligence Support Officers with a commitment to undertaking criminal prosecutions.



## FRAUD RISK STRATEGY



The Council websites have a dedicated counter fraud page with information on how to make referrals and a summary of the work the Unit undertakes. This includes links to the relevant Policies which the individual Councils adhere to.

Internally departments can refer direct to the CFEU, and where necessary can make referrals in confidence. The CFEU works directly for the Chief Finance Officer and can liaise with any staff necessary without alerting specific individuals. In relation to sensitive whistleblowing referrals the CFEU can undertake fully confidential operations with limited notification.

The CFEU works across its partners and the wider criminal enforcement community to share good practice, develop knowledge and improve detection and prevention. Where appropriate the CFEU will refer matters to the Police or body with relevant jurisdiction.

The CFEU work to ensure that fraud awareness is maintained through regular training for staff and Members, reporting successful court cases in the media, and communicating positive outcomes with staff.

### Review

Following any proactive drive or fraud investigation, the work is subject to review and management oversight. Local Authorities have both Internal and External Audit functions and their activities, especially in key control areas, mean that they are more adaptive to the changing risk environment and are able to continuously monitor and improve any deficiencies. The CFEU and Internal Audit meet quarterly to discuss any low assurance areas and/or emerging fraud risk areas which can then be added to the work plans. Where an investigation has taken place, any areas of risk or poor control identified will be reported to the appropriate manager with recommendations for remedial action. In addition, where fraud is found during any audit work a referral is issued to the CFEU, and conversely where the CFEU has identified concerns, a report is issued to inform the Internal Audit Plan. The CFEU will also provide a report to the appropriate manager with recommendations when areas of weakness or risk are recognised, Internal Audit can also consider these recommendations and whether a follow-up Audit is required.

## FRAUD RISK STRATEGY

Policies are reviewed regularly to ensure they are relevant, in line with current good practice and legislatively up to date. Any update training this necessitates is then provided.

Service specific risk registers are reviewed regularly with the service area manager, and CFEU annual work plans are overseen by Corporate Management.

**ANNEX 1 - Fighting Fraud and Corruption Locally Checklist**

**ANNEX 2 - Government Functional Standard – GovS 013: Counter Fraud Checklist**

## **Annex B Fighting Fraud and Corruption Locally**

What should Senior Stakeholders do?
The Chief Executive
<ul style="list-style-type: none"> <li>• Ensure that your authority is measuring itself against the checklist for FFCL.</li> </ul>
<ul style="list-style-type: none"> <li>• Is there a trained counter fraud resource in your organisation or do you have access to one?</li> </ul>
<ul style="list-style-type: none"> <li>• Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?</li> </ul>
The S.151 Officer.
<ul style="list-style-type: none"> <li>• Is there a portfolio holder who has fraud within their remit?</li> </ul>
<ul style="list-style-type: none"> <li>• Is the head of internal audit or counter fraud assessing resources and capability?</li> </ul>
<ul style="list-style-type: none"> <li>• Do they have sufficient internal unfettered access?</li> </ul>
<ul style="list-style-type: none"> <li>• Do they produce a report on activity, success and future plans and are they measured on this?</li> </ul>
The Monitoring Officer
<ul style="list-style-type: none"> <li>• Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?</li> </ul>
<ul style="list-style-type: none"> <li>• Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?</li> </ul>
The Audit Committee
<ul style="list-style-type: none"> <li>• Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work.</li> </ul>
<ul style="list-style-type: none"> <li>• Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured.</li> </ul>
<ul style="list-style-type: none"> <li>• Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud.</li> </ul>
<ul style="list-style-type: none"> <li>• Should support proactive counter fraud activity.</li> </ul>
<ul style="list-style-type: none"> <li>• Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.</li> </ul>
The Portfolio Lead
<ul style="list-style-type: none"> <li>• Receives a Regular report that includes information, progress and barriers on the assessment against the FFCL checklist Fraud risk assessment and horizon scanning.</li> </ul>

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### **Counter Fraud and Enforcement Unit**

Cotswold District Council | Trinity Road | Cirencester | Gloucestershire | GL7 1PX  
 Cheltenham Borough Council | Municipal Offices | Promenade | Cheltenham | Gloucestershire | GL50 9SA  
 Forest of Dean District Council | High Street | Coleford | Gloucestershire | GL16 8HG

E-mail – [fraud.referrals@cotswold.gov.uk](mailto:fraud.referrals@cotswold.gov.uk)

Tel – 01242 264215

Working in partnership with Councils, Social Housing Providers and organisations to detect crime and prevent fraud and loss

Checklist
<ul style="list-style-type: none"> <li>The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior board and its members.</li> </ul>
<ul style="list-style-type: none"> <li>The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.</li> </ul>
<ul style="list-style-type: none"> <li>There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.</li> </ul>
<ul style="list-style-type: none"> <li>The relevant portfolio holder has been briefed on the fraud risks and mitigation.</li> </ul>
<ul style="list-style-type: none"> <li>The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources.</li> </ul>
<ul style="list-style-type: none"> <li>There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.</li> </ul>
<ul style="list-style-type: none"> <li>The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</li> </ul>
<ul style="list-style-type: none"> <li>The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.</li> </ul>
<ul style="list-style-type: none"> <li>Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.</li> </ul>
<ul style="list-style-type: none"> <li>Successful cases of proven fraud/corruption are routinely publicised to raise awareness.</li> </ul>
<ul style="list-style-type: none"> <li>The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.</li> </ul>
<ul style="list-style-type: none"> <li>The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: <ul style="list-style-type: none"> <li>codes of conduct including behaviour for counter fraud, anti-bribery and corruption.</li> <li>register of interests.</li> <li>register of gifts and hospitality</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.</li> </ul>

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<ul style="list-style-type: none"> <li>Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.</li> </ul>
<ul style="list-style-type: none"> <li>There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.</li> </ul>
<ul style="list-style-type: none"> <li>There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.</li> </ul>
<ul style="list-style-type: none"> <li>Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.</li> </ul>
<ul style="list-style-type: none"> <li>Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.</li> </ul>
<ul style="list-style-type: none"> <li>There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.</li> </ul>
<ul style="list-style-type: none"> <li>Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.</li> </ul>
<ul style="list-style-type: none"> <li>Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.</li> </ul>
<ul style="list-style-type: none"> <li>There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team.</li> </ul>
<ul style="list-style-type: none"> <li>All allegations of fraud and corruption are risk assessed.</li> </ul>
<ul style="list-style-type: none"> <li>The fraud and corruption response plan covers all areas of counter fraud work: prevention, detection, investigation, sanctions and redress.</li> </ul>
<ul style="list-style-type: none"> <li>The fraud response plan is linked to the audit plan and is communicated to senior management and members.</li> </ul>
<ul style="list-style-type: none"> <li>Asset recovery and civil recovery are considered in all cases.</li> </ul>
<ul style="list-style-type: none"> <li>There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.</li> </ul>
<ul style="list-style-type: none"> <li>There is a programme of proactive counter fraud work which covers risks identified in assessment.</li> </ul>
<ul style="list-style-type: none"> <li>The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.</li> </ul>
<ul style="list-style-type: none"> <li>The local authority shares data across its own departments and between other enforcement agencies.</li> </ul>

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<ul style="list-style-type: none"> <li>• Prevention measures and projects are undertaken using data analytics where possible.</li> </ul>
<ul style="list-style-type: none"> <li>• The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.</li> </ul>
<ul style="list-style-type: none"> <li>• The counter fraud team has access to the FFCL regional network.</li> </ul>
<ul style="list-style-type: none"> <li>• There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.</li> </ul>
<ul style="list-style-type: none"> <li>• The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.</li> </ul>
<ul style="list-style-type: none"> <li>• The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for surveillance, computer forensics, asset recovery and financial investigations.</li> </ul>
<ul style="list-style-type: none"> <li>• Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.</li> </ul>

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## **Annex C Government functional Standard GovS 013**

<ul style="list-style-type: none"><li>• Do we have an accountable individual at Member/Senior exec level who is responsible for counter fraud, bribery and corruption?</li></ul>
<ul style="list-style-type: none"><li>• Do we have a counter fraud, bribery and corruption strategy that is submitted to the centre?</li></ul>
<ul style="list-style-type: none"><li>• Do we have a fraud, bribery and corruption risk assessment that is submitted to the centre?</li></ul>
<ul style="list-style-type: none"><li>• Do we have a policy and response plan for dealing with potential instances of fraud, bribery and corruption?</li></ul>
<ul style="list-style-type: none"><li>• Do we have an annual action plan that summarises key actions to improve capability, activity and resilience in that year?</li></ul>
<ul style="list-style-type: none"><li>• Do we have outcome based metrics summarising what outcomes we are seeking to achieve each year? (For organisations with 'significant investment' in counter fraud or 'significant estimated' fraud loss, these will include metrics with a financial impact.</li></ul>
<ul style="list-style-type: none"><li>• Do we have well established and documented reporting routes for staff, contractors and members of the public to report suspicions of fraud, bribery and corruption and a mechanism for recording these referrals and allegations?</li></ul>
<ul style="list-style-type: none"><li>• Do we report identified loss from fraud, bribery, corruption and error, and associated recoveries, to the centre in line with the agreed government definitions?</li></ul>
<ul style="list-style-type: none"><li>• Do we have access to trained investigators that meet the agreed public sector skill standard?</li></ul>
<ul style="list-style-type: none"><li>• Do we undertake activity to try and detect fraud in high-risk areas where little or nothing is known of fraud, bribery and corruption levels, including loss measurement activity where suitable?</li></ul>
<ul style="list-style-type: none"><li>• Do we ensure all staff have access to and undertake fraud awareness, bribery and corruption training as appropriate to their role?</li></ul>
<ul style="list-style-type: none"><li>• Do we have policies and registers for gifts and hospitality and conflicts of interest?</li></ul>

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 29 SEPTEMBER 2022
Report Number	AGENDA ITEM 13
Subject	COUNTER FRAUD AND ENFORCEMENT UNIT UPDATE REPORT
Wards affected	All indirectly
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance Email: <a href="mailto:Mike.Every@cotswold.gov.uk">Mike.Every@cotswold.gov.uk</a>
Accountable officer	Emma Cathcart, Head of Service, Counter Fraud and Enforcement Unit Email: <a href="mailto:Emma.Cathcart@cotswold.gov.uk">Emma.Cathcart@cotswold.gov.uk</a>
Summary/Purpose	<p>To provide the Committee with assurance over the counter fraud activities of the Council. Direct updates will continue to be provided biannually.</p> <p>Work plans are presented to the Committee detailing progress and results for consideration and comment as the body charged with governance in this area.</p>
Annexes	Annex A – Work Plan 2022/2023
Recommendation(s)	<i>That the Audit Committee considers and comments on the report and the work plan at Annex A.</i>
Corporate priorities	Delivering our services to the highest standards.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	<p>Work plans are agreed and reviewed regularly with the Deputy Chief Executive.</p> <p>Any Policies drafted or revised by the Counter Fraud and Enforcement Unit have been reviewed by Legal Services and have been issued to the relevant Senior Officers, Management and Governance Officers for comment.</p>



## **1. BACKGROUND**

- 1.1** In administering its responsibilities, the 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 Audit Committee oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to counter fraud activity.
- 1.4** Work plans have been agreed with the Deputy Chief Executive and the Council's Management. The Audit Committee, as the body charged with governance in this area, is presented with a copy of the work plan for information.
- 1.5** Attached at Annex A is a copy of the work plan for 2022/2023.

## **2. MAIN POINTS**

### **2.1 Counter Fraud and Enforcement Unit Update**

- 2.2** The CFEU continues to support work streams relating to the Post Payment Assurance Activities directed by the Department for Business, Energy and Industrial Strategy and the Cabinet Office's National Fraud Initiative matches.
- 2.3** The CFEU have reviewed 316 cases pre and post payment for Cotswold District Council. In relation to pre-payment, the CFEU identified £516,041 of loss prevention in that the grant monies were not paid. Regarding post payment recovery, invoices totalling £856,273 have been raised and of this figure, £384,186 has been recovered and £152,472 credited after review. £319,614 remains outstanding. Examples of these cases relate to payments made to businesses that were not trading at the appropriate date, where premises were in fact empty or where duplicate payments have been made.
- 2.4** All Local Authorities participate in the Cabinet Office's National Fraud Initiative, which is a data matching exercise to help prevent and detect fraud nationwide. The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under Data Protection Legislation.
  - 204 matches have been received via the Cabinet Office's National Fraud Initiative which has collated and compared business grant data nationwide in relation to the original schemes paid during the first lockdown. These matches have been reviewed by the CFEU: 79 have been processed to date. 4 errors and 1 fraudulent application have been identified totalling £33,528 and this figure is included at 2.3 above.
  - The team have received 1322 matches relating to single person discount anomalies. The matches have been reviewed and enquiry letters will be issued shortly to residents where anomalies have been identified.



- 266 matches relating to Council Tax Reduction Scheme and Housing Benefit claims have been received. 200 have been processed to date with 1 referral being made to the Department for Work and Pensions.
- All 82 matches relating to the Housing Waiting List have been reviewed. 74 resulted in no action, 8 recommendations have been made to the Housing Team. Results are pending.

**2.5** A significant project since 1 April 2022 relates to supporting the Revenues Team with verification activities for the payment of the £150 Energy Rebate. During quarter one, the CFEU received 3,297 cases of which 788 required further checks and information.

**2.6** A review of the Test and Trace Payments is ongoing. Since 1 April 2022, 4 payments have been reviewed resulting in 3 cases of recovery totalling £1,500. Overall, 155 payments which represents 25% of payments made have been reviewed resulting in 40 cases of recovery totalling £20,000.

**2.7** The team are working with ERS in relation to the Private Rental Sector Minimum Energy Efficiency Standards (MEES) Project. As part of a national drive, the Council is working with landlords to ensure their properties comply with these standards. Where landlords continue to fail to meet the minimum standards, they may be subject to a penalty of £5,000 for each breach, enforceable by the Council. The team have assisted with the initial review of 636 properties across the district and the related data held regarding the landlord.

**2.8** In addition to the work carried under the annual work plan attached at Annex A, as a dedicated investigatory support service, the CFEU undertakes a wide range of enforcement and investigation work according to the requirements of each Council. This includes criminal investigation and prosecution support for enforcement teams, investigations into staff/member fraud and corruption, or tenancy and housing fraud investigation work.

**2.9** Since 1 April 2022:

- The team has received 14 referrals from across the Council and closed 10 cases. This excludes any Council Tax Reduction Scheme referrals.
- The CFEU undertakes the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support) and act as the single point of contact for Department for Work and Pensions (DWP) Housing Benefit investigations. 11 referrals were received and 7 cases were closed.
- The team undertakes disciplinary investigations for Publica across the partnership. 5 cases were referred and 3 cases have since been concluded. A Final Written Warning was issued due to gross/serious misconduct.

### **3. FINANCIAL IMPLICATIONS**

**3.1** The report details financial savings generated by the Counter Fraud Unit. To summarise:

- Debt - £319,614 (outstanding Business Grants).
- Additional Income - £20,000 (Test and Trace)
- Loss Avoidance £516,041 (Business Grants)



**4. LEGAL IMPLICATIONS**

- 4.1 In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.

**5. RISK ASSESSMENT**

- 5.1 The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds. The CFEU provides assurance in this area.
- 5.2 Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption.
- 5.3 If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.).

**6. EQUALITIES IMPACT**

- 6.1 The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.

**7. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS**

- 7.1 None.

**8. ALTERNATIVE OPTIONS**

- 8.1 The Council is the lead authority for the Gloucestershire Counter Fraud Unit. This Unit is working with all of the Gloucestershire Local Authorities, West Oxfordshire District Council and other public sector bodies such as housing associations.
- 8.2 The service is a shared one across the County and as such overheads and management costs are also shared equally meaning there is increased value for money.

**9. BACKGROUND PAPERS**

- 9.1 None.

Area of Work	Task
Bribery and Corruption	Assessment Template Review
Bribery and Corruption	Gifts and Hospitality Policy and Procedure Rollout / Awareness
Governance	Delivery of two reports for Audit / and Risk / and General Purposes Committee
Governance	Fighting Fraud & Corruption Locally - Checklist Compliance
Governance	Government Functional Standard 013: Counter Fraud - Compliance
Governance	Development of Service Specific Fraud Risk Register (High Risk Service Areas - TBC)
Governance	Development / Review of Fraud Risk Strategy / Response Plan
Policy	Counter Fraud and Anti-Corruption Policy
Policy	Corporate Enforcement Policy
Policy	CTAX, CTRS & HB Penalty and Prosecution Policy
Policy	Proceeds of Crime & Anti-Money Laundering Policy
Policy	Whistle-Blowing Policy
Policy	RIPA (Surveillance & CHIS)
Policy	IPA (Acquisition of Communications Data)
Policy	Use of the Internet and Social Media in Investigations and Enforcement
Procedure	Development and roll out of Proceeds of Crime and Anti-Money Laundering Procedure
Procedure	Development and roll out of Use of the Internet and Social Media in Investigations and Enforcement Procedure
Serious and Organised Crime	Checklist Review
Serious and Organised Crime	Proactive Fraud Drive - transient / cash businesses
Statutory / Regulatory	Collation and Publication of Fraud Transparency Data

Department / Contact	Task
Statutory / Regulatory	RIPA / IPA - Annual Report to Members / Advisory / Inspection SPoC
Strategy : Detection	Housing Waiting List review
Strategy : Detection	National Fraud Initiative Match Reviews - Revenues / Benefits / Housing
Strategy : Detection	Business Rates Review Self Catering Accommodation - Assurance and Enforcement Activities
Strategy : Detection	SMI Review (sample 20)
Strategy : Detection	Procurement - Supplier Payment Review
Strategy : Detection	Council Tax £150 Rebate - Assurance and Enforcement Activities
Strategy : Detection	Test and Trace - Assurance and Enforcement Activities
Strategy : Detection	Business Grants - Assurance and Enforcement Activities
Strategy : Detection	Waterpark Review
Strategy : Prevention	Development of Fraud Awareness Literature (staff)
Strategy : Prevention	Development of Right to Buy Debt Recovery Process
Strategy : Prevention	Training Members / Staff - Fraud Awareness / RIPA & IPA / CPIA, PACE, Disclosure Training
Strategy : Prevention	Private Rental Sector Minimum Energy Efficiency Standard (MEES) Compliance and Enforcement

RIPA = Regulation of Investigatory Powers Act 2000

IPA = Investigatory Powers Act 2016

CPIA = Criminal Procedure and Investigations Act 1996

PACE = Police and Criminal Evidence Act 1984



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 29 SEPTEMBER 2022
Report Number	AGENDA ITEM 14
Subject	STRATEGIC RISK REGISTER UPDATE
Wards affected	All
Accountable member	Cllr Joe Harris, Leader Email: <a href="mailto:joe.harris@cotswold.gov.uk">joe.harris@cotswold.gov.uk</a>
Accountable officer	Robert Weaver, Chief Executive Email: <a href="mailto:robert.weaver@cotswold.gov.uk">robert.weaver@cotswold.gov.uk</a>
Summary/Purpose	This report brings to members the current version of the Strategic Risk Register for information and assurance that risks to the Council are being managed and appropriate actions are being taken to mitigate risk.
Annexes	Annex A – Strategic Risk Register
Recommendation(s)	<i>That the strategic risk register be noted</i>
Corporate priorities	All
Key Decision	No
Exempt	No
Consultees/ Consultation	N/A



## 1. BACKGROUND

- 1.1 The strategic risk register is presented to each meeting of the Audit Committee to provide assurance that risks to the Council are being managed and appropriate actions are being taken to mitigate risk.
- 1.2 Presentation of the risk register also provides an opportunity for members of the Audit Committee to raise questions and highlight any risks which they feel should be referenced and mitigated.

## 2. RISK REGISTER

- 2.1 In accordance with the recommendation from the External Auditor Grant Thornton the format of the risk register has been updated so that risks are aligned to the priorities set out with the Council Plan.
- 2.2 The main changes to the risks are:
  - 2.2.1 **CRR-034 Waste and Recycling:** Diesel costs are having a significant impact on the budget as a result of the steep increases at the pump to near £2/litre. Fixed Pay Award has increased staffing costs significantly compared to previously budgeted 2% pay award. Staffing challenges are resulting in an increased reliance on agency of which the cost has increased due to labour cost increases.
  - 2.2.2 **CRR-035 2022/2023 Pay Award:** This risk has increased as the employers organisation has made an offer that is beyond the base budget for 22/23. Unions have put the offer to their members.

## 3. FINANCIAL IMPLICATIONS

- 3.1 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.

## 4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising from this report.

## 5. RISK ASSESSMENT

- 5.1 This report relates to the Council's management of risk and identifies the current strategic risks, as such no separate risk assessment has been completed.

## 6. EQUALITIES IMPACT

- 6.1 An equalities impact assessment is not required for this report





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

- 7.1 There are no climate or ecological emergency implications arising directly from this report

## **8. ALTERNATIVE OPTIONS**

- 8.1 This report is for noting and therefore no alternative options have been presented.

## **9. BACKGROUND PAPERS**

- 9.1 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:

- Risk Management Strategy approved by Audit Committee on 23 November 2021:  
<https://meetings.cotswold.gov.uk/ieListDocuments.aspx?Cld=1167&Mid=1915&Ver=4>

These documents will be available for inspection at the Council Offices at Trinity Road, Cirencester, GL7 1PX during normal office hours for a period of up to 4 years from the date of the meeting. Please contact democratic services via [democratic@cotswold.gov.uk](mailto:democratic@cotswold.gov.uk)

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Cotswold District Council - Corporate Risk Register

CORPORATE PRIORITY: DELIVER HIGHEST STANDARDS OF SERVICE														
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Overall Change	Direction of Travel	Risk Response & Further Action
		Impact	likelihood	score		Impact	likelihood	score	Impact	likelihood	score			
CRR-019	<p>If there are insufficient resources to deliver the objectives of the Corporate Strategy and Plan then the expectations of our communities may not be met resulting in lower satisfaction and reputational damage.</p> <p>Risk logged: August 2014</p> <p>Risk Owner: S.151 Officer Responsible Officer: Publica Managing Director</p>	3	3	9	Medium Term Financial Strategy	3	3	9	3	3	9	0	→	<p>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 2022 and includes funding for resources to support the Council's priorities which were identified in 2020. The Council has also approved a Recovery Investment Strategy which 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-028 regarding the Local Government Funding Settlement over the Medium Term.</p>
CRR-028 Page 279	<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 logged: July 2015</p> <p>Risk Owner: S.151 Officer Responsible Officer: S.151 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	0	→	<p>The updated MTFS was approved in Feb 2022. The LG Settlement for 2022/23 is essentially a roll over of funding for 2021/22. The significant changes to LG Funding from Business Rate Retention and the Fairer Funding Review were delayed. The Secretary of State has recently announced a two-year funding settlement for 2023/24 and 2024/25. The MTFS will be refreshed to reflect this announcement. The 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. A refresh of the Recovery Investment Strategy will be considered by Council in July 2022.</p> <p>An Environmental Services Improvement Programme has been established to develop options for reducing the cost of the waste and recycling services.</p>

CRR-018	Budget Pressure: if unavoidable budget pressures exceed provision within the MTFS, such as not making expected savings or failing to meet income targets, the Council may have to consider unplanned use of revenue reserves, raise Council Tax, find further savings and/or cut services.  Risk logged: May 2010  Risk Owner: S.151 Officer Responsible Officer: S.151 Officer	4	4	16	<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	4	4	16	7	↑	<p>The 2022/23 budget has been set following engagement with key service providers (Publica and Ubico) and reflected expected service costs at that point in time.</p> <p>Inflation is now far higher than when the budget was set, making in-year budget monitoring and management vital. Should the Council not be able to take mitigating action to avoid the full impact of raising costs, there may be a requirement to use some of the General Fund balance to manage the in-year cost pressure.</p> <p>The MTFS refresh has commenced and will incorporate the impact of higher inflation.</p>
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.  Risk logged: January 2021  Risk Owner: S.151 Officer Responsible Officer: Publica Executive Director	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> <li>Commissioning and Procurement User Guide produced.</li> <li>Training on commissioning and procurement being rolled out to all staff.</li> <li>Commissioning &amp; Procurement Board meeting monthly, attended by Chief Finance Officer</li> </ul>	3	2	6	3	2	6	0	→	September 2022 - Procurement and Contract Management Strategy will be presented to Cabinet for approval in the autumn.
CRR-003	In light of an extremely tight labour market and increasing inflationary pressures 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 could be reduced which would impact on residents/communities.  Risk logged: April 2022  Risk Owner: Chief Executive Responsible Officer: Publica Executive 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> <li>Review of pay and benefits package.</li> <li>Introduction of career grade structures in Planning and Project Management</li> </ul>	3	3	9	3	3	9	0	→	<p>September 2022 - No change in rating. Quarterly performance reports enable any necessary mitigation to maintain service delivery levels to be discussed.</p> <p>A recruitment improvement plan is underway to help ensure the service meets users' needs and is both flexible and modern going forward.</p> <p>Career-graded posts have been introduced into some services, including Development Management and Project Management, to assist with retention and development of staff.</p> <p>A new training offer has been promoted to staff as another retention measure with over 40 employees now undertaking professional development training.</p> <p>A discussion on recruitment and retention has taken place at the Publica Shareholder Forum. Staff turnover reduced in the first quarter of 2022-23 and is back to or slightly below the pre-pandemic level.</p>
CRR-009	The move to permanent agile working arrangements presents a risk that the well being of our staff is not properly monitored and reviewed.  Risk logged: April 2022  Risk Owner: Chief Executive Responsible Officer: Publica Executive Director	4	5	20	<ul style="list-style-type: none"> <li>Regular reviews of change process</li> <li>Impact of change measured via Staff forum and staff sickness</li> <li>Comprehensive consultation and engagement process</li> <li>Change management training</li> <li>Joint Liaison Forum</li> </ul>	3	2	9	2	2	4	-5	↓	<p>September 2022 Publica achieved its Investors in People accreditation in July 2022. The liP framework will be used to support further improvements in staff wellbeing and support. The Healthy Workplace accreditation was gained in December 2021 and work is underway to achieve the higher level award this year. A further round of staff lunch get togethers was held in June/July to help staff reconnect with colleagues face to face. The Staff Forum continues to meet monthly and addresses wellbeing matters. New mental health first aiders have been trained and are offering employees support and signposting to help and advice. The sickness absence figures for the first quarter of 2022-23 show a marked reduction in both home and work related stress and anxiety.</p>

CRR-001	<p>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.</p> <p>Risk logged: March 2008</p> <p>Risk Owner: Responsible Officer: Publica Group Manager for Commercial Development</p>	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	0	→	<p>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 Publica services. Prototyping is in progress in relation to a live data assurance framework for Publica Services.</p>
CRR-011	<p>Cyber Security: 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.</p> <p>Risk logged: May 2013</p> <p>Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Business Support</p>	5	4	20	<ul style="list-style-type: none"><li>Blocking of USB and other devices</li><li>PSN compliance</li><li>Revised policies</li><li>Staff awareness training</li><li>BCP in place, reviewed and tested</li><li>Enhanced encryption software and other specialist cyber tools</li><li>Investment in cyber training for the ICT Team</li><li>All Councils have PSN accreditation</li></ul>	4	3	12	4	3	12	0	→	<p>September 2022 - Level of risk remains at amber as work continues on our approach to cyber security. The Council has recently agreed to an increase in investment in this area which will enable the work previously identified to be taken forward.</p> <p>New dedicated Cyber Team being created within ICT.</p> <p>Although protection measures are already well established, these are reviewed and updated to ensure they remain effective against new risks</p> <p>Progress on the Cyber Security updates and Action Plan is being reported to the Council and Publica on a regular basis.</p> <p>Continual update of Information Asset Register</p> <p>Ongoing Password Audits across our network to evaluate weak passwords</p> <p>Detailed review of Business Continuity &amp; Disaster Recovery Plans in light of the GC situation, coupled with an active test of business continuity plans taking place in September.</p> <p>Security systems updated to monitor and specifically block attacks related to identified vulnerability</p> <p>All emails received from at risk location are quarantined and inspected by ICT staff before being released. New AI/ML solution monitoring all emails</p>
CRR-012	<p>Data Security: 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..</p> <p>Risk logged: May 2013</p> <p>Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Business Support</p>	4	4	16	<ul style="list-style-type: none"><li>Blocking of USB and other devices</li><li>PSN compliance</li><li>Revised policies</li><li>Staff awareness training</li><li>BCP in place, reviewed and tested</li><li>Enhanced encryption software and other specialist cyber tools</li><li>Investment in cyber training for the ICT Team</li><li>All Councils have PSN accreditation, which compliments the Cyber Essential Plus.</li></ul>	3	3	9	3	3	9	0	□	<p>September 2022 - Level of risk remains static whilst work continues in this area.</p> <p>Although protection measures are already well established, these are reviewed and updated to ensure they remain effective against new risks.</p> <p>Additional online training to reinforce the need for staff to be aware of their responsibilities with regards to data security, passwords and GDPR is being rolled out and will be incorporated into the relaunch of ihasco in October.</p> <p>Additional Phishing awareness training to educates employees on how to spot and report suspected phishing attempts has been rolled out.</p> <p>All emails received from at risk location are quarantined and inspected by ICT staff before being released</p> <p>Immutable Storage, Network segmentation, Backup &amp; DR processes in place (these are scheduled to be reviewed).</p>

CRR-034	If 'Waste' contractor does not meet their obligations under key contracts then it could lead to a fall in service standards, reduced customer service, a failure to meet legal requirements or an increase in costs to the Council.  Risk logged: January 2022  Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Commercial Development	5	5	25	• Regular meetings with Ubico to identify any major issues that may affect service delivery, agree contingency measures and feedback to the Council • Significant increases in cost of fuel and employment costs has led to a forecasted variance of £638k	5	4	20	5	5	25	5	→	12.9.22 Diesel costs are expected to drive a significant budget variance of £309k as a result of the steep increases at the pump to near £2/litre. Diesel costs have recently started to reduce slowly. Fixed Pay Award has increased staffing costs by £263k compared to previously budgeted 2% pay award. Staffing challenges are resulting in an increased reliance on agency of which the cost has increased due to labour cost increases.	
CRR-036	2022/2023 Pay Award: The annual pay award for Local Government Employees is agreed by the National Joint Council (NJC), comprising Local Authority Employers and the recognised Trade Unions. Whilst Publica is not represented on the NJC, it has previously confirmed it would accept the agreed annual pay award for its staff. The impact of the agreed pay award will increase the cost of service provision to the Council.  Risk Logged: June 2022  Risk Owner: S.151 Officer Responsible Officer: Publica Group Finance Director	4	3	12	Employers' side of the NJC will negotiate any agreed pay increase or changes in terms (e.g. reduction in working hours) within budgeted limits set by its Councils.	3	2	6	4	5	20	14	↑	Sept 2022 - the Councils budget includes an allowance for 2.5% pay growth. The offer from local government employers to unions is an across the board flat cash offer of £1,925 per annum. This is likely to cost in the order of 6% of the paybill and as such is significantly outside the current budget and more than government funding in the 2022/23 finance settlement allowed for.	
CRR-037	Inflation: Drivers of inflation are expected to continue for the foreseeable future (building, fuel and wage costs). If there is insufficient budget funding or contingencies built in, this will impact on service delivery and the completion of major projects.  Risk Logged: July 2022  Risk Owner: S.151 Officer Responsible Officer: Publica Group Finance Director	4	5	20	Inflation is being actively monitored as part of our in-year financial management and project management processes. Latest forecasts of inflation are being used in the refresh of our medium term financial strategy and scenario testing will be undertaken. Officers will also be proactively lobbying relevant bodies seeking funding for inflation in the next spending review.	4	5	20	4	5	20	0	→		

CORPORATE PRIORITY: RESPOND TO THE CLIMATE CRISIS														
ID		Assessment							Assessment			Change	of Travel	
		Impact	likelihood	score		impact	likelihood	score	impact	likelihood	score			
	No risks currently identified													

CORPORATE PRIORITY: PROVIDE SOCIALLY RENTED HOMES														
ID		Assessment							Assessment			Change	of Travel	
		Impact	likelihood	score		impact	likelihood	score	impact	likelihood	score			



CRR-037	<p>Housing Needs: The Council will be expected to identify sites capable of delivering an estimated 1,400 additional homes by 2031. Emerging evidence indicates that the Council will struggle to meet this target. Failure to demonstrate a 5 year housing land supply (5YHLS) or to pass the Housing Delivery Test (HDT) by delivering 75% of its housing requirements over the preceding 3 year period may result in an increase in speculative applications for housing development and an increase in the number of planning appeals on sites the Council had previously refused permission for.</p> <p>Risk logged: August 2022</p> <p>Risk Owner: Chief Executive Responsible Officer: Publica Business Manager for Localities</p>	4	4	16	To maintain a 5YHLS and pass the HDT, the Council may need to grant planning permission for sites outside the local plan allocation, although this will prove politically unpopular.	4	4	16	4	4	16	0	→	<p>Options to consider include:</p> <ul style="list-style-type: none"><li>-allocate additional sites within the local plan</li><li>-seek support from a neighbouring authority to deliver some of the additional need</li><li>-seek to reduce the housing requirement target within the local plan</li></ul>
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CORPORATE PRIORITY: MAKE OUR LOCAL PLAN GREEN TO THE CORE														
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Overall Change	Direction of Travel	Risk Response & Further Action
Page 36		Impact	likelihood	score		Impact	likelihood	score	Impact	likelihood	score			
CRR-036	<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 Logged: April 2008</p> <p>Risk Owner: Chief Executive Responsible Officer: Publica Business Manager for Localities</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>	4	4	16	4	4	16	0	→	<p>06-July-2022. Government has published its Levelling Up and Regeneration Bill which seeks to significantly alter the planning system, technical details are deferred to secondary legislation and consultations on updated policy and guidance (expected within the next 12 months).</p> <p>08-June-2021 (remains relevant at Jan 2022) 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>

CORPORATE PRIORITY: SUPPORT HEALTH AND WELLBEING														
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Overall Change	Direction of Travel	Risk Response & Further Action
		Impact	likelihood	score		Impact	likelihood	score	Impact	likelihood	score			

CRR-033	<p>Leisure Services: It is unclear if numbers of users for Council's Leisure Centres will return to pre-covid lockdown levels. With reduced numbers and a fall in income, the 'Leisure' contractor may struggle to meet their obligations leading to a fall in service standards and reduced customer service..</p> <p>Risk logged: January 2022</p> <p>Risk Owner: S.151 Officer Responsible Officer: Publica Group Manager for Commercial Development</p>	4	4	16	<p>Regular meetings with the Leisure Provider will identify any major issues that may affect service delivery, agree contingency measures and feedback to the Council</p> <p>The impact of Covid 19 on our leisure provider has been very significant and fully reported elsewhere within the Council</p> <p>The Council has been partially recompensed by the government for the loss of income during lockdown but there is still an ongoing financial risk to the council</p>	4	4	16	5	4	20	4	→	<p>14.01.22 Lower usage was seen in December as is traditionally the case, but usage recovery is comparable to the current national trend. It is unclear what affect further waves of the pandemic will have on the leisure service, but the effective cleansing and control measures implemented at the centres will remain in place. 17.03.22 Usage numbers are continuing to improve as consumer confidence builds within the industry and the provider is seeing a welcome boost in income. 06.06.22 Usage still below pre-pandemic levels but cost of living crisis may also be having an affect. 12.9.22. Usage still below pre-pandemic levels but cost of living crisis may also be having an affect. The contractors is showing a month on month deficit and has not paid the contract management fee owing to the council</p>
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CORPORATE PRIORITY: ENABLE A VIBRANT ECONOMY														
Risk ID	Description of Risk/Opportunity	Initial Risk Assessment			Existing Control, Mitigation or Contingency	Previous Residual Risk Score			Residual Risk Assessment			Overall Change	Direction of Travel	Risk Response & Further Action
		Impact	likelihood	score		Impact	likelihood	score	Impact	likelihood	score			
P a b l e CRR-035	<p>Business Grants and Council Tax Rebates: The Council is expected to undertake a further round of Business Grant Payments and Council Rebates. This will be quite extensive ensuring grant payments and rebates are applied correctly and verified. If there is a failure in how the applications are processed, this could result in a significant overpayment which may not be recovered from central government, creating a financial loss and reputational damage.</p> <p>Risk logged: January 2022</p> <p>Risk Owner: S.151 Officer Responsible Officer: Publica Group Business Manager for Environmental, Welfare and Revenue Services</p>	5	3	15	<p>Experience in payment of previous Covid Grants Verification process in place, including input from Counter Fraud Team</p> <p>Guidance expected from the NFI and Spotlight Comms to be published to manage expectations</p>	4	1	4	4	1	4	0	→	<p>Working with Civica to get validated system for processing applications in respect of the Council Tax Rebate scheme.</p> <p>Although the likelihood is extremely low, with the extensive controls and scrutiny of payments, the significant sums involved means there will always be an element of risk to the Council.</p>

Key to Officers

Risk Owner

S.151 Officer: Jo Moore  
Monitoring Officer: Angela Claridge  
Chief Executive: Robert Weaver

Responsible Officer

Publica Group Finance Director: Frank Wilson  
Publica Executive Director: Sue Pangbourne  
Publica Group Manager for Business Services: Phil Martin  
Publica Group Manager for Property and Regeneration: Claire Locke  
Publica Group Manager for Communities: Andy Barge  
Publica Group Manager for Commercial Development: Bill Oddy  
Publica Group Manager for Organisational Effectiveness: Zoe Campbell  
Publica Group Manager for Residents' Services: Jon Dearing  
Head of Legal Services: Susan Gargett  
Publica Business Manager for Data and Growth: Stuart Rawlinson



Publica Data Protection Officer: Tony Oladejo  
Publica Business Manager for Development Management: Phil Shaw

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 29 SEPTEMBER 2022
Report Number	AGENDA ITEM 15
Subject	ANNUAL GOVERNANCE STATEMENT 2021/2022
Wards affected	All
Accountable member	Cllr Joe Harris, Leader of the Council Email: <a href="mailto:joe.harris@cotswold.gov.uk">joe.harris@cotswold.gov.uk</a>
Accountable officer	Robert Weaver, Chief Executive Email: <a href="mailto:rob.weaver@cotswold.gov.uk">rob.weaver@cotswold.gov.uk</a>
Summary/Purpose	This report presents to the Audit Committee the draft Annual Governance Statement (AGS) for the financial year 2021/2022 and action plan for 2022/2023
Annexes	Annex A – Draft Annual Governance Statement 2021/2022 Annex B – Draft Action Plan for 2022/2023
Recommendation(s)	<i>For Members to receive and discuss the draft Annual Governance Statement for 2021/2022 and action plan for 2022/2023</i>
Corporate priorities	All
Key Decision	No
Exempt	No
Consultees/ Consultation	N/A



## **1. BACKGROUND**

- 1.1** The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy efficiency and effectiveness.
- 1.2** In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk. As part of that progress the Council has adopted a Local Code of Corporate Governance (the Local Code) which is consistent with the principles of the CIPFA/SOLACE Guidance.
- 1.3** The Annual Governance Statement (AGS) details how the Council has complied with the Local Code and also meets the requirements of Regulation 4(4) of the Accounts and Audit Regulations 2011 in relation to the publication of an AGS and, from 1<sup>st</sup> April 2015 the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Annual Governance.

## **2. THE ANNUAL GOVERNANCE STATEMENT**

- 2.1** The AGS for the financial year 2021/2022 has been developed, and subsequently reviewed, by the Council's Local Management Team and Public Directors. It details the Governance Framework and the Review of Effectiveness that has been used to measure the Council's existing governance arrangements and includes improvements which have been identified to strengthen the Governance Framework.
- 2.2** A copy of the draft AGS is attached at Annex A.
- 2.3** The draft version of the AGS for 2021/2022 which forms part of the draft accounts as published on the Council's website is now brought to this Committee for consideration and comment. Amendments will be made where appropriate, and the final version will form part of the audited Statement of Accounts.

## **3. AGS ACTION PLAN 2022/2023**

- 3.1** The AGS for 2021/2022 identified six areas for focused improvement in 2022/2023. These centre around
  - Raising awareness of the contract procedure rules
  - Development of a training programme for members
  - Budget management
  - Risk management training
  - Compliance with audit recommendations
  - Business continuity plan development and testing



**3.2** These areas have been developed into an action plan which identifies the specific actions and timescales for their completion. A copy of the action plan is attached to this report at Annex B.

**3.3** In addition to the new areas of focus the plan also identifies actions which have been carried forward from the 2021/2022 AGS action plan.

#### **4. FINANCIAL IMPLICATIONS**

**4.1** There are no direct financial implications arising from this report.

#### **5. LEGAL IMPLICATIONS**

**5.1** There are no direct legal implications arising from this report.

#### **6. RISK ASSESSMENT**

**6.1** If the Council's governance arrangements are weak then Council is at risk of failing to safeguard the use of public funds. In turn this would lead to poor external assessments, damaging the reputation of the Council. The areas of focus for the 2022/23 financial year identified in the AGS provide a clear set of priorities for the continual improvement of governance and mitigation of risk.

#### **7. EQUALITIES IMPACT**

**7.1** An equalities impact assessment is not required for this report

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

**8.1** There are no climate or ecological emergency implications arising directly from this report

#### **9. ALTERNATIVE OPTIONS**

**9.1** No alternative options have been identified

#### **10. BACKGROUND PAPERS**

**10.1** None

(END)

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## **ANNUAL GOVERNANCE STATEMENT 2021/2022**

### **I. 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 2022 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:

- 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, the Director of Governance and Development (Monitoring Officer) 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. The next peer review process has been scheduled for the autumn of 2022.



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 continued to be adapted during 2021/2022 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 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• An employee declaration is completed annually by all staff. A register of gifts and hospitality is maintained by the Corporate Responsibility team and is considered by the Governance Group every quarter.</li> <li>• The Monitoring Officer and Section 151 Officer report directly to the Chief Executive and are members of the Corporate Leadership Team.</li> <li>• 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.</li> <li>• The Whistleblowing policy was last updated in January 2022 and was agreed by the Audit Committee in March 2022.</li> <li>• 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.</li> <li>• During 2020/2021 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 were in line with national Emergency Management</li> </ul>

<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.

protocols and involved working with Partner Councils and its main service providers including Publica. It was necessary to extend many of these measures into 2021/2022.

- 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 continued providing regular updates to Members and Officers through the use of video conferencing call platforms, portals as well as emails.
- The Communications service provided communications through all channels to support public health advice / information / messaging, Council service and support information to reach audiences externally and internally. A bespoke Communications strategy was put in place to help key audiences feel ‘informed, reassured, safe and inspired’, and this has been evaluated and adapted throughout the pandemic situation.

#### **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 2020-2024 was refreshed in May 2022 and is available 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 was carried out throughout some of the year on the telephone service provided, with the Council receiving high satisfaction scores.
- The Council maintains clear channels of communication with all sections of the Community and other Stakeholders. .
- Members of the public may ask questions at all meetings 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 achievements towards 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 provided the necessary facilities to allow decisions to be made by the Chief Executive, the S.151 Officer or the Monitoring Officer. From 7 May 2021, regulations allowing council/committee meetings to be held remotely ended.

#### **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 period from 2020 to 2024. Publica and Ubico deliver the majority of the Council's services and both produce an annual Business Plan which is approved by the Council.
- 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 the business planning process 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 pandemic has had a significant impact and continues to 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 pandemic.

- 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 numerous grant funding schemes; and additional relief on Business Rates. Local authorities were responsible for administering these schemes, and the Government funded the payments.
- A Recovery and 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. The Strategy will be refreshed in May 2022 reflecting the latest Medium Term Financial Strategy which was updated in February 2022.

#### **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 one of the Council's most significant contractors. 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;
    - Inviting Publica senior officers to attend monthly Informal Cabinet meetings 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; progress against Corporate Plan
    - Creation of quarterly CDC retained officers/Publica Executives meetings where performance and progress against Corporate Plan priorities is a key agenda item.
    - 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.

- The Strategic risk register is reviewed regularly by the Local Leadership Team and reported to the Audit Committee.
- Projects and services maintain their own risk registers and elevate any high/red risks to the Local Leadership Team and Publica as appropriate for consideration. A Risk Group reviews risk registers each quarter, escalating any emerging risks to the strategic register.
- Key Performance Indicators are identified and 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 work with residents to help them protect themselves and others as well as recover from the Covid-19 pandemic and the new cost of living 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.
  - Induction programmes are 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 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.
- A Leadership Development Programme has been established and is available to Managers at all levels within Publica and the Council.

#### **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
- A Risk Management Group has been established to undertake quarterly reviews of risk registers, escalating any emerging risks to a strategic level. The Local Leadership Team reviews the Strategic Risk Register on a quarterly basis. The Strategic Risk Register is reported to the Audit Committee 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 and continued to be reviewed until after the height of the pandemic.
  - 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 and 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 provides the internal audit service to both the Council and Publica Group (Support) Ltd which strengthens the Council's oversight of Publica as one of its most significant contractors.
- 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 2021/22 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 2021/22.
- 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 performs the role 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, 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

- Transparency data is published on the Council's website.
- The Council's Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of the Annual Governance Statement which identifies how the Council has met its governance reporting obligations



- External Audit recommendations are reported to Audit Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported
- Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed-up and reported to the Audit Committee, further follow-up is planned if recommendations 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 Chief Executive, Section 151 Officer, the Monitoring Officer and the Publica Locality Director) review the Corporate Risk Register on a quarterly basis. Service and Project Risk Registers are maintained by the relevant Publica Group or Business Manager.
- A Governance Group meets quarterly to discuss and action matters such as staff declarations of interests, gifts and hospitality, action taken on audit recommendations, cyber security, the register of data protection breaches and counter fraud updates.
- 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 and appointed officers.
- 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 2021/22, in respect of the areas reviewed during the year, was "high reasonable".
- 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 2020/2021 statement, the Council identified a number of areas which required focus and attention. Progress by the end of March 2022 is detailed in the table below:

	Key Area of Focus	Proposed Actions	Progress
I.	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 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</li> </ul>	<p>COMPLETE</p> <p>Reported by Internal Audit at each Audit Committee</p> <p>Reporting began in October 2021</p>

		feedback where there has been an unacceptable delay.	
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>	<p>IN PROGRESS C/F to 2022/23</p> <p>Revised Procurement and Contract Management Strategy presented at Commissioning Board on the 3rd February 2022 followed by Audit Committees at all Councils. Cabinet asked for further development of the Strategy in relation to addressing the climate emergency.</p> <p>Training will be provided to ensure compliance.</p> <p>C/F TO 2022/2023</p> <p>A training plan is currently being developed internally.</p> <p>COMPLETE</p> <p>Financial management guidance included in 2022/2023 budget packs</p>
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>	<p>COMPLETE</p> <p>Non-Exec Officer Scheme of delegation, Responsibility for Functions, Finance Rules and Planning Protocol updated and approved.</p> <p>COMPLETE</p> <p>No longer required</p> <p>C/F TO 2022/2023</p> <p>Outstanding - training programme being developed in conjunction with West Oxfordshire and the Forest of Dean District Councils.</p>
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>	<p>COMPLETE</p> <p>The Governance Group reviewed operational risk registers in January and a separate Risk Group has been established to review and</p>

			share risk registers across Publica and the Councils.
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>	<p><b>COMPLETE</b> The Local Leadership Team includes Lead Director for Publica.</p> <p><b>COMPLETE</b> Councillor Contact Guide included on the Member Portal. Commissioning structure chart and Publica management structure chart updated to reaffirm the different roles between Commissioning and Delivery.</p>
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>	<p><b>C/F TO 2022/2023</b> Included as part of a bigger review on Business World</p> <p><b>COMPLETE</b> Financial management guidance included in 2022/2023 budget packs</p>
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 the Strategic/Corporate register.</li> </ul>	<p><b>COMPLETE</b> 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 was rolled in in October 2021.</p> <p><b>COMPLETE</b> Monthly project updates on the project register provide a mechanism to flag that there is a new/increased project risk to raise.</p> <p>The new Risk Group reviews Project Risk Registers to ensure a consistent approach is maintained.</p>

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>	<p>COMPLETE</p> <p>COMPLETE New evacuation process developed, communicated and tested.</p>
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The Annual Internal Audit Opinion, as drafted by the SWAP Assistant Director (Head of Internal Audit), lists pieces of audit work being conducted during 2021/22, which includes consultancy and advisory services. 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 or non-implementation of recommendations.

## 6. GOVERNANCE ACTION PLAN FOR 2022/2023

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.	Raising awareness of the contract procedure rules	<ul style="list-style-type: none"> <li>• New Contract and Procurement Strategy to be approved and published to all officers, linking to the Contract Procedure Rules.</li> <li>• Planned audit of contract and procurement by SWAP will cover officer awareness of the contract procedure rules.</li> </ul>
2.	A training programme for Members to be developed.	<ul style="list-style-type: none"> <li>• A training programme is to be developed in conjunction with West Oxfordshire and the Forest of Dean District Councils.</li> </ul>
3.	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>
4.	Risk management training	<ul style="list-style-type: none"> <li>• Training package to be finalised and rolled out.</li> <li>• Full training package and other material covering the risk and opportunity guidance to be published on the Publica portal.</li> <li>• Planned audit of risk and opportunity management by SWAP will cover officer awareness of guidance.</li> </ul>
5.	Compliance with audit recommendations	<ul style="list-style-type: none"> <li>• Improved reporting of outstanding audit recommendations to Local Management Team, Audit Committee and Publica's Audit Risk and Compliance Committee.</li> </ul>
6.	Business Continuity Plans, development and testing	<ul style="list-style-type: none"> <li>• Completion of Business Impact Analysis.</li> <li>• Revised strategic and tactical plans to be developed.</li> <li>• Review of all operational plans prior to a complete desktop exercise.</li> <li>• New programme and plans to be approved.</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)

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## ANNUAL GOVERNANCE ACTION PLAN 2022/2023

**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 2021/2022 which are coordinated and monitored by the Local Management Team.

**Key to officers**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 Business Manager for Democratic Services: Andrew Brown

Accountable officer

Monitoring Officer: Angela Claridge  
 Chief Executive: Rob Weaver  
 S.151 Officer: Jo Moore

	Key Area of Focus	Actions	Responsible Officer	Accountable Officer	Completion due by	Progress
1. GREEN	Raising awareness of the contract procedure rules	<ul style="list-style-type: none"> <li>New Contract and Procurement Strategy to be approved and published to all officers, linking to the Contract Procedure Rules</li> <li>Planned audit of contract and procurement by SWAP will cover officer awareness of the contract procedure rules</li> </ul>	Publica Senior Procurement Business Partner  SWAP Audit	S.151 Officer  S.151 Officer	November 2022	Contract and Procurement Strategy to be presented to Cabinet for approval in the Autumn.
2. GREEN	Member development	<p>A training programme for Members to be developed</p> <ul style="list-style-type: none"> <li>A training programme is to be developed in conjunction with West Oxfordshire and the Forest of Dean District Councils.</li> </ul>	Publica Business Manager for Democratic Services	Monitoring Officer	May 2023	<p>Commitment from political and managerial leadership to member development, with the member champion continuing to work with lead officers for councillor development (Director of Governance &amp; Development and Business Manager, Democratic Services) in championing development opportunities.</p> <p>Delivery of a range of learning &amp; development events linked to corporate objectives, topical subject areas and functions to meet various needs, across a range of communication methods.</p>

						<p>Designated budget for Member development.</p> <p>Regular discussions with political groups to establish training needs and promote events.</p> <p>Member survey planned to inform the work programme</p>
3.	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 2023	Included as part of a bigger review on Business World
4.	Risk management training	<ul style="list-style-type: none"> <li>Training package to be finalised and rolled out.</li> <li>Full training package and other material covering the risk and opportunity guidance to be published on the Publica portal.</li> <li>Planned audit of risk and opportunity management by SWAP will cover officer awareness of guidance.</li> </ul>	<p>Publica Strategic Support Officer - Risk and Compliance</p> <p>SWAP Audit</p>	<p>S.151 Officer</p> <p>S.151 Officer</p>	<p>October 2022</p> <p>October 2022</p>	Following the appointment of the new Learning and Development Manager work on developing a training package is now underway.

5. GREEN	Compliance with audit recommendations	<ul style="list-style-type: none"> <li>Improved reporting of outstanding audit recommendations to Local Management Team, Audit Committee and Publica's Audit Risk and Compliance Committee (ARAC).</li> </ul>	Publica Executive Director/ SWAP Audit	Chief Executive	December 2022	Outstanding recommendations are a regular feature on the local management team agenda.
6. GREEN Page 312	Business Continuity Plans development and testing	<ul style="list-style-type: none"> <li>Completion of Business Impact Analysis</li> <li>Revised strategic and tactical plans to be developed</li> <li>Review of all operational plans prior to a complete desktop exercise</li> <li>New programme and plans to be approved</li> </ul>	Publica Business Manager for Corporate Responsibility	Chief Executive	October 2022	<p>Business Impact Analysis is almost complete and revised plans are being developed.</p> <p>Operational plans are being updated.</p> <p>Testing of the plans is scheduled for 3 October 2022</p> <p>SWAP is currently undertaking a Business Continuity Audit.</p>

#### ACTIONS BROUGHT FORWARD FROM 2021/2022

	Key Area of Focus	Actions	Responsible Officer	Accountable Officer	Completion due by	Progress
I. AMBER	Procurement and contract management.	Ensure all contract conditions are being monitored and fulfilled.	Publica Senior Business Manager for Procurement	Chief Executive	March 2002	A training plan is currently being developed internally.

2. C L O S E	Constitution and officer schemes of delegation.	A training programme for Members to be developed.	Monitoring Officer	Monitoring Officer	C/F TO 2022/2023	Outstanding - training programme being developed in conjunction with WODC & FoDDC.  <b>This has been closed as this is now item 2 in the 2022/23 action plan</b>
3. A M B E R	Operational Risks.	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.	Publica Business Manager for Corporate Responsibility	Chief Executive	C/F TO 2022/2023	Although a new policy and guidance has been put in place, there is still a need to improve the processes of escalating and monitoring risks and opportunities. Therefore, risk and opportunity management will remain as an area of focus for improvement in the 2022/2023 AGS Action Plan.
4. C L O S E	Budget management	Review of approvers on 'Business World' to ensure only the approved budget holder (or line manager) is able to approve spending.	Publica Business Manager for Finance	S.151 Officer	C/F TO 2022/2023	Included as part of a bigger review on Business World  <b>This has been closed as this is now item 3 in the 2022/23 action plan</b>

5. A M B E R	Project and programme management.	High level project risks to be escalated to Strategic/Corporate register.	Publica Strategic Support Officer - Risk and Compliance	Chief Executive	C/F TO 2022/2023	Much progress has been made but there is a recognition that there is still work to be done in order to ensure that project risks are identified and escalated, that project reporting is timely, complete and the depth of underlying project information is consistent across all projects.
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## ANNUAL GOVERNANCE STATEMENT 2021/2022

### I. 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 2022 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:

- 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, the Director of Governance and Development (Monitoring Officer) 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. The next peer review process has been scheduled for the autumn of 2022.



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 continued to be adapted during 2021/2022 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 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• An employee declaration is completed annually by all staff. A register of gifts and hospitality is maintained by the Corporate Responsibility team and is considered by the Governance Group every quarter.</li> <li>• The Monitoring Officer and Section 151 Officer report directly to the Chief Executive and are members of the Corporate Leadership Team.</li> <li>• 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.</li> <li>• The Whistleblowing policy was last updated in January 2022 and was agreed by the Audit Committee in March 2022.</li> <li>• 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.</li> <li>• During 2020/2021 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 were in line with national Emergency Management</li> </ul>

<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.

protocols and involved working with Partner Councils and its main service providers including Publica. It was necessary to extend many of these measures into 2021/2022.

- 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 continued providing regular updates to Members and Officers through the use of video conferencing call platforms, portals as well as emails.
- The Communications service provided communications through all channels to support public health advice / information / messaging, Council service and support information to reach audiences externally and internally. A bespoke Communications strategy was put in place to help key audiences feel ‘informed, reassured, safe and inspired’, and this has been evaluated and adapted throughout the pandemic situation.

#### **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 2020-2024 was refreshed in May 2022 and is available 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 was carried out throughout some of the year on the telephone service provided, with the Council receiving high satisfaction scores.
- The Council maintains clear channels of communication with all sections of the Community and other Stakeholders. .
- Members of the public may ask questions at all meetings 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 achievements towards 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 provided the necessary facilities to allow decisions to be made by the Chief Executive, the S.151 Officer or the Monitoring Officer. From 7 May 2021, regulations allowing council/committee meetings to be held remotely ended.

### **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 period from 2020 to 2024. Publica and Ubico deliver the majority of the Council's services and both produce an annual Business Plan which is approved by the Council.
- 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 the business planning process 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 pandemic has had a significant impact and continues to 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 pandemic.

- 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 numerous grant funding schemes; and additional relief on Business Rates. Local authorities were responsible for administering these schemes, and the Government funded the payments.
- A Recovery and 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. The Strategy will be refreshed in May 2022 reflecting the latest Medium Term Financial Strategy which was updated in February 2022.

#### **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 one of the Council's most significant contractors. 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;
    - Inviting Publica senior officers to attend monthly Informal Cabinet meetings 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; progress against Corporate Plan
    - Creation of quarterly CDC retained officers/Publica Executives meetings where performance and progress against Corporate Plan priorities is a key agenda item.
    - 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.

- The Strategic risk register is reviewed regularly by the Local Leadership Team and reported to the Audit Committee.
- Projects and services maintain their own risk registers and elevate any high/red risks to the Local Leadership Team and Publica as appropriate for consideration. A Risk Group reviews risk registers each quarter, escalating any emerging risks to the strategic register.
- Key Performance Indicators are identified and 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 work with residents to help them protect themselves and others as well as recover from the Covid-19 pandemic and the new cost of living 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.
  - Induction programmes are 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 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.
- A Leadership Development Programme has been established and is available to Managers at all levels within Publica and the Council.

#### **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
- A Risk Management Group has been established to undertake quarterly reviews of risk registers, escalating any emerging risks to a strategic level. The Local Leadership Team reviews the Strategic Risk Register on a quarterly basis. The Strategic Risk Register is reported to the Audit Committee 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 and continued to be reviewed until after the height of the pandemic.
  - 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 and 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 provides the internal audit service to both the Council and Publica Group (Support) Ltd which strengthens the Council's oversight of Publica as one of its most significant contractors.
- 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 2021/22 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 2021/22.
- 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 performs the role 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, 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

- Transparency data is published on the Council's website.
- The Council's Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of the Annual Governance Statement which identifies how the Council has met its governance reporting obligations



- External Audit recommendations are reported to Audit Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported
- Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed-up and reported to the Audit Committee, further follow-up is planned if recommendations 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 Chief Executive, Section 151 Officer, the Monitoring Officer and the Publica Locality Director) review the Corporate Risk Register on a quarterly basis. Service and Project Risk Registers are maintained by the relevant Publica Group or Business Manager.
- A Governance Group meets quarterly to discuss and action matters such as staff declarations of interests, gifts and hospitality, action taken on audit recommendations, cyber security, the register of data protection breaches and counter fraud updates.
- 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 and appointed officers.
- 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 2021/22, in respect of the areas reviewed during the year, was "high reasonable".
- 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 2020/2021 statement, the Council identified a number of areas which required focus and attention. Progress by the end of March 2022 is detailed in the table below:

	Key Area of Focus	Proposed Actions	Progress
I.	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 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</li> </ul>	<p>COMPLETE</p> <p>Reported by Internal Audit at each Audit Committee</p> <p>Reporting began in October 2021</p>

		feedback where there has been an unacceptable delay.	
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>	<p>IN PROGRESS C/F to 2022/23</p> <p>Revised Procurement and Contract Management Strategy presented at Commissioning Board on the 3rd February 2022 followed by Audit Committees at all Councils. Cabinet asked for further development of the Strategy in relation to addressing the climate emergency.</p> <p>Training will be provided to ensure compliance.</p> <p>C/F TO 2022/2023</p> <p>A training plan is currently being developed internally.</p> <p>COMPLETE</p> <p>Financial management guidance included in 2022/2023 budget packs</p>
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>	<p>COMPLETE</p> <p>Non-Exec Officer Scheme of delegation, Responsibility for Functions, Finance Rules and Planning Protocol updated and approved.</p> <p>COMPLETE</p> <p>No longer required</p> <p>C/F TO 2022/2023</p> <p>Outstanding - training programme being developed in conjunction with West Oxfordshire and the Forest of Dean District Councils.</p>
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>	<p>COMPLETE</p> <p>The Governance Group reviewed operational risk registers in January and a separate Risk Group has been established to review and</p>

			share risk registers across Publica and the Councils.
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>	<p><b>COMPLETE</b></p> <p>The Local Leadership Team includes Lead Director for Publica.</p> <p><b>COMPLETE</b></p> <p>Councillor Contact Guide included on the Member Portal. Commissioning structure chart and Publica management structure chart updated to reaffirm the different roles between Commissioning and Delivery.</p>
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>	<p><b>C/F TO 2022/2023</b></p> <p>Included as part of a bigger review on Business World</p> <p><b>COMPLETE</b></p> <p>Financial management guidance included in 2022/2023 budget packs</p>
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 the Strategic/Corporate register.</li> </ul>	<p><b>COMPLETE</b></p> <p>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 was rolled in in October 2021.</p> <p><b>COMPLETE</b></p> <p>Monthly project updates on the project register provide a mechanism to flag that there is a new/increased project risk to raise.</p> <p>The new Risk Group reviews Project Risk Registers to ensure a consistent approach is maintained.</p>

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>	<p>COMPLETE</p> <p>COMPLETE New evacuation process developed, communicated and tested.</p>
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The Annual Internal Audit Opinion, as drafted by the SWAP Assistant Director (Head of Internal Audit), lists pieces of audit work being conducted during 2021/22, which includes consultancy and advisory services. 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 or non-implementation of recommendations.

## 6. GOVERNANCE ACTION PLAN FOR 2022/2023

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.	Raising awareness of the contract procedure rules	<ul style="list-style-type: none"> <li>• New Contract and Procurement Strategy to be approved and published to all officers, linking to the Contract Procedure Rules.</li> <li>• Planned audit of contract and procurement by SWAP will cover officer awareness of the contract procedure rules.</li> </ul>
2.	A training programme for Members to be developed.	<ul style="list-style-type: none"> <li>• A training programme is to be developed in conjunction with West Oxfordshire and the Forest of Dean District Councils.</li> </ul>
3.	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>
4.	Risk management training	<ul style="list-style-type: none"> <li>• Training package to be finalised and rolled out.</li> <li>• Full training package and other material covering the risk and opportunity guidance to be published on the Publica portal.</li> <li>• Planned audit of risk and opportunity management by SWAP will cover officer awareness of guidance.</li> </ul>
5.	Compliance with audit recommendations	<ul style="list-style-type: none"> <li>• Improved reporting of outstanding audit recommendations to Local Management Team, Audit Committee and Publica's Audit Risk and Compliance Committee.</li> </ul>
6.	Business Continuity Plans, development and testing	<ul style="list-style-type: none"> <li>• Completion of Business Impact Analysis.</li> <li>• Revised strategic and tactical plans to be developed.</li> <li>• Review of all operational plans prior to a complete desktop exercise.</li> <li>• New programme and plans to be approved.</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:

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 29 <sup>TH</sup> SEPTEMBER 2022
Report Number	AGENDA ITEM 16
Subject	INTERNAL AUDIT PROGRESS REPORT
Wards affected	N/A
Accountable member	Cllr Mike Every, Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	Jo Moore, Chief Finance Officer Email: jo.moore@cotswold.gov.uk
Summary/Purpose	To present a summary of the audit work concluded since the last meeting of this Committee.
Annexes	Annex A – Report of Internal Audit Activity 2022/23 Annex B – Agreed Actions
Recommendation(s)	<i>a) That the Committee considers the reports at Annexes A and B and comments as necessary</i>
Corporate priorities	Ensure that all services delivered by the Council are delivered to the highest standard.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A



## **1. BACKGROUND**

- 1.1** The Internal Audit Service is provided to this Council by SWAP Internal Audit Services (SWAP). SWAP is a local authority-controlled company.
- 1.2** The report attached at Annex A sets out the work undertaken by SWAP for the Council since the last meeting of this Committee. It follows the risk-based auditing principles and, therefore, this is an opportunity for the Committee to be aware of emerging issues which have resulted in SWAP involvement.
- 1.3** Officers from SWAP will be in attendance at the Committee meeting and will be available to address Members' questions.

## **2. MAIN POINTS**

- 2.1** The progress report enables the Audit Committee to monitor the work of the Internal Audit Service and ensure that it remains effective. It also provides the Committee with assurance opinions over areas reviewed within the reporting period, details of audit recommendations and the outcome of follow-up reviews conducted on previous audit recommendations.
- 2.2** We have finalised 4 audits since the last meeting of this committee
  - Procurement Cards – Low Limited
  - Vulnerability Management – High Reasonable
  - Business Grant Post Payment Assurance (Grants Nov 2020 – April 2021) – High Substantial
  - Election Expenses Treatment of VAT – Medium Substantial

The Procurement Cards audit has been assessed, as above, because the audit identified non-compliance with Council policy / procedure and controls in respect of card administration were not as robust as expected.

We continue to follow up all agreed actions. A report (Annex B) showing all open agreed actions and those that have been actioned during 2022/23 has been included for Members information.

## **3. FINANCIAL IMPLICATIONS**

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

## **4. LEGAL IMPLICATIONS**

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



## **5. RISK ASSESSMENT**

- 5.1** Any weaknesses in the control framework, identified by Internal Audit activity, continues to threaten organisational objectives until recommendations are implemented.

## **6. BACKGROUND PAPERS**

- 6.1** 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:

- Internal Audit Reports.

These documents will be available for inspection at the Council Offices at Trinity Road, Cirencester, GL7 1PX during normal office hours for a period of up to 4 years from the date of the meeting. Please contact democratic services via [democratic@cotswold.gov.uk](mailto:democratic@cotswold.gov.uk)

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# Cotswold District Council

## Report of Internal Audit Activity

September 2022

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## Contents

The contacts at SWAP in connection with this report are:

**Lucy Cater**

Assistant Director

Tel: 01285 623340

[lucy.cater@swapaudit.co.uk](mailto:lucy.cater@swapaudit.co.uk)

**Jaina Mistry**

Principal Auditor

Tel: 01285 623337

[jaina.mistry@swapaudit.co.uk](mailto:jaina.mistry@swapaudit.co.uk)

- Contents:

Internal Audit Definitions

Audit Plan Progress

Finalised Audit Assignments

## Internal Audit Definitions

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

- **No**
- **Limited**
- **Reasonable**
- **Substantial**

•

### Audit Framework Definitions

#### Control Assurance Definitions

<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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



Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

	Categorisation of Recommendations
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

Definitions of Risk

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.



## Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Operational	Procurement Cards	Final Report	Low Limited	6	2	4	-	See Appendix C
ICT	Vulnerability Management	Final Report	High Reasonable	1	-	1	-	See Appendix C
Operational	Business Grant Funding – Post Payment Assurance	Final Report	High Substantial	0	-	-	-	See Appendix C
Operational	Election Expenses – Treatment of VAT	Final Report	Medium Substantial	1	-	-	-	See Appendix C
Operational	S106 Agreements and Funds	Draft Report						
Operational	Publica Performance Information	In Progress						
Operational	Accounts Payable (Qtly review)	In Progress						
Follow-Up	Asset Management and Commercial Property	In Progress						
Operational	Climate Change (Strategic)	In Progress						
Operational	Business Continuity Management	In Progress						
Operational	Mechanism for Charging Council	Planned for Q3						
Key Financial Control	Treasury Management and Bank Reconciliation	Planned for Q3						
Support	Business Grant Funding – Post Payment Review	On-Going	N/A	-				Head of IA working with Head of Service, Counter Fraud and Enforcement Unit to conduct post payment review

## Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Advisory	Support to the Agile Working Project	On-Going						
Advisory	Environmental Services Improvement Programme	On-Going						
Advisory	Procurement and Commissioning Group	On-Going						
Advisory	Health and Safety Working Group	On-Going						
Advisory	Public Improvement Programme	On-Going						
Pragmatic Grant Certification	Test and Trace Payment Scheme	Complete	N/A					
Pragmatic Grant Certification	Contain Outbreak Management Fund	Complete	N/A					
Follow-Up	Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	On Going						
Other Audit Involvement	Management of the IA Function and Client Support	On Going						
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks							

## Summary of Audit Findings

The following are the Internal Audit reports, of each audit review finalised,  
since the last Committee update

## Procurement Cards – Final Report – August 2022

### Audit Objective

To review the use of Procurement and Credit Cards to ensure purchases are made in accordance with agreed policy/procedure.

Assurance Opinion	Number of Agreed Actions	
	Priority	Number
	Priority 1	2
	Priority 2	4
	Priority 3	-
	Total	6



Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Risks Reviewed	Assessment
The anticipated benefits of using procurement cards are not realised due to lack of guidance, resulting in card misuse, potential fraudulent transactions and ineffective processing and reconciliation of expenditure	High

Key Findings	
	<p>Audit identified non-compliance with policy / procedure in respect of submission of receipts, payments to council approved suppliers (when a PO should be used), timeliness of processing of transactions into the ledger.</p> <p>Security of cards was not as robust as we expected and at times in non-compliance with policy / procedure. Controls have been discussed and actions agreed.</p>
	<p>Card administration is not as robust as we would expect.</p> <p>Policy is dated 2015 and is need of a refresh.</p> <p>Policy update to enforce to cardholders their responsibilities and consequences of non-compliance with the policy. Policy to be reviewed and updated at least every 3 years.</p> <p>Procurement card data is not being published in accordance with the Government's Transparency Programme.</p>

Audit Scope
<p>Our review covered the following areas:</p> <ul style="list-style-type: none"> <li>• Procurement card policies/guidance.</li> <li>• Procurement/Business Card procedures.</li> <li>• Only authorised officers with a valid business use are issued procurement cards.</li> <li>• Purchases are in accordance with policy and include supporting documentation for payment. For emergency payments appropriate authorisation is in place.</li> <li>• Transactions posted to the ledger are accurate and timely.</li> </ul>

## Conclusion

Prior to the formation of Publica, the Council operated a procurement card scheme to make purchases where other payment methods are not available or not suitable. Publica joined a similar scheme after its incorporation. The global pandemic forced a change in the way the Council and Publica utilised, and managed, procurement cards. Due to the urgency, in some service areas, to procure goods / services, the use of procurement cards increased. Remote working has made reconciliation between receipts and statements challenging with the legacy systems that are in place.

Our findings have been discussed with Group Finance Director and Business Manager – Finance. We have been advised that the Business Manager – Finance has been engaging with the bank and advised that a new card scheme is being explored with the aim of utilising technology to streamline processes and help address the control weaknesses detailed within this report.

The Business Manager – Finance has committed to update Internal Audit with progress on the implementation of the new procurement card scheme, ensuring all findings from our report are incorporated.

### Spend Data

The following table has been included to show the percentage of Procurement Card spend to total Council Spend (as reported on the Council's website under the Transparency Page)

Financial Year	Transparency Data	Procurement Card Spend	Percentage (Procurement Card to Total)
2019/20	£29,598,314.79	£51,114.38	0.17%
2020/21	£25,819,792.73	£74,095.93	0.29%
2021/22	£24,351,962.46	£37,111.08	0.15%

## Vulnerability Management – Final Report – August 2022

### Audit Objective

To provide assurance that the controls in place to identify and mitigate vulnerabilities within the ICT environment are sufficient and working effectively.

### Assurance Opinion



There is a generally sound system of governance, risk management and control in place. Scope for improvement was identified which may help the achievement of objectives in the area audited.

### Number of Agreed Actions

Priority	Number
Priority 1	0
Priority 2	1
Priority 3	0
Total	1

### Risks Reviewed

A failure to effectively (i) 'Identify' (ii) 'Remediate' and/or (iii) 'Risk Manage/mitigate' vulnerabilities within the networked estate will increase exposure to successful attack and potentially significant financial, reputational and legal damage.

### Assessment

Medium

### Key Findings

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The disclosure of vendor hardware and software vulnerabilities presenting operational and security risk to organisations is inevitable within complex IT environments. Through discussion with the service area, we determined suitable tooling is deployed coupled with sound processes that identify, assess and enable remediation of vulnerabilities within the infrastructure. We can also take assurance processes are sufficient, by the continued attainment of PSN certification, which has been achieved for 2022-2023.

Occasionally, exploitable critical vulnerabilities requiring urgent assessment and action are disclosed. Recent incidences show that swift actions are taken in response to these.



Minor control improvements have been discussed with Management who will consider their implementation.

### Audit Scope

The areas reviewed as part of this audit included;

- The processes to identify, assess and risk manage vulnerabilities
- Management of the existing processes employed that enable the identification, reporting and remediation of vulnerabilities.
- Review and follow up of previous, related audit actions.

Discussions were held with the ICT Audit and Compliance Manager, Infrastructure Manager.

### Conclusion

The nature of Vulnerability Management is ever-changing and as such, it is important all ICT personnel continue to monitor risks surrounding emerging vulnerabilities, including the identification and review of any specific exceptions to the processes or technical standards, which may exist or arise. Failure to do so, will potentially leave gaps in controls and increased exposure to compromise.

Given the levels of threats and skill of attackers faced today, the amount of, and criticality of vulnerabilities disclosed are likely to increase in the future. Essential and increasing defence activity is in addition to delivering improving levels of service demanded by organisations. Therefore, organisations need to continually improve both their capability, capacity and resilience to be able to respond in line. It is therefore important that any risks faced in this area are discussed with stakeholders, enabling appropriate decisions to support resourcing requirements.

## Business Grant Funding Post Payment Assurance – Final Report – August 2022

### Audit Objective

To provide assurance that COVID-19 related business grants were paid to eligible businesses, in accordance with Government guidance and Council Policies

### Assurance Opinion



A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

### Number of Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	0
Total	0

### Risks Reviewed

If sufficient checks and controls are not in place, ineligible recipients may receive COVID-19 business grants resulting in potential financial, fraud and reputational risk to the Council.

### Assessment

Low

### Key Findings

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In May 2021 post payment assurance (PPA) checks were completed for a sample of business grants paid between March and April 2020, which resulted in a Substantial Assurance Opinion.

We have undertaken a post payment review on further Government grant schemes (November 2020 to April 2021). Work included;

- Verifying grant management system payments match the main financial system.
- Verifying rateable values (where applicable) agree with information held on Council systems.
- Checking relevant PPA reports for accuracy.

We can confirm there were no significant findings. All COVID-19 business grant payments reviewed were paid to eligible businesses and in accordance with Government guidance. The Counter Fraud and Enforcement Unit investigated and resolved any discrepancies identified by the grant assessors

The Counter Fraud and Enforcement Unit continue to undertake post payment checks to identify potential fraudulent claims and grants paid in error. Where these are identified, the team will take recovery action; we have also used this assurance to support our overall opinion.

### Audit Scope

We reviewed a sample of cases / applications that were awarded COVID-19 business grants through schemes introduced between November 2020 and April 2021, to ensure payments were made to eligible recipients and in line with Government guidance.

Grants included in the testing were:

LRSG Closed Addendum  
LRSG Closed Addendum (Tier 4)  
LRSG Closed Addendum (January)  
LRSG Closed Addendum (February)  
Closed Business Lockdown  
LRSG Closed  
LRSG Open  
ARG Schemes  
Restart Grants

Grant Assessors, supported by Head of Service, Counter Fraud and Enforcement Unit and Head of Internal Audit, completed checks and reports for all mandatory cases and a sample of discretionary cases;


### Further Comment





Conditions placed on the grant schemes were actioned by officers as appropriate e.g., regular data submission deadlines and reconciliations.

## Election Expenses Treatment of VAT – Final Report – August 2022

### Audit Objective

To provide assurance that the treatment of VAT on Election Expenses is in accordance with VAT regulations and the Financial Rules.

Assurance Opinion		Number of Agreed Actions		Risks Reviewed	Assessment
	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Priority	Number	Failure to deliver a sustainable Financial Strategy which meets priorities and failure of individual departments to meet budget	Low
		Priority 1	0		
		Priority 2	0		
		Priority 3	1		
		Total	1		

Key Findings		Audit Scope	
Page 348	 It is unclear if the application of VAT on some election related expenditure is in accordance with VATGPB8680. These anomalies have been reported so they can be investigated and actioned. A formal action has not been agreed on this occasion as this will be covered in the VAT audit.	<p>This review has been mainly completed as a desk top review of election expenditure in accordance with VAT legislation ref. VATGPB8680.</p> <p>Meetings were held with the Electoral Services Manager and Publica Finance Officers to determine processes undertaken.</p> <p>The areas reviewed were:</p> <ul style="list-style-type: none"> <li>• Policy /procedure documentation</li> <li>• Analysis and testing of election expenses during the period January 2020 – July 2021</li> </ul> <p><b>Scope limitations:</b> Salary related expenditure was not reviewed.</p>	
	 There is no guidance on the staff portal which officers can refer to to confirm the correct VAT code to be used. However, finance officers are on hand to offer advice when needed. A formal action has not been agreed on this occasion as this will be covered in the VAT audit.		
	 The Electoral Services Manager is an experienced officer and so the risk of incorrect application of VAT is mitigated. However, in the event of absence, a guidance document which identifies the type of expenditure and its VAT treatment would aid less experienced officers when processing payments.		
	 Recovery of expenditure incurred administering the County Council and the Police & Crime Commissioner elections is in accordance with the VAT regulation and the Council's Financial Rules.		

Summary
<p>In February 2021, the Government issued VAT guidance for election related expenditure. The guidance was subject to interpretation and was clarified in subsequent updates. Findings relating to VAT matters identified in this review have been reported to the Finance team, which we will follow up in a forthcoming VAT audit which is planned for this financial year (2022/23). Therefore, we have not included staff awareness or training relating to the application of VAT which was initially include in the scope for this review.</p> <p>To summarise, the Election Service operates sound controls for both processing and recovery of election expenditure. An action has been agreed which should help to strengthen the existing control environment.</p>





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Agreed Actions - Cotswold DC

Data revision date: 01/09/2022

		Unique	Issue					Target				
Audit Period	Audit Name	Reference		Status June 2022	Status Aug 2022	Priority	Created Date	Implementation	Date	End Date	Revised End	Closed Date
Date												
OPEN / OUTSTANDING AGREED ACTIONS												
Pre 2021/22 Audits		6										
July 2019	Cyber Security - Incident Management	44560	The Incident Management Policy, along with the Information Security Framework of policies, were last updated in 2017. Incident Response plans are not fully documented.	Outstanding	Outstanding	2	10/11/2020	30/04/2021	31/05/2021	30/09/2022		
July 2019	Cyber Security - Incident Management	44561		Agreed	Agreed	3	10/11/2020	31/12/2021	31/01/2022	30/09/2022		
July 2019	Cyber Security - Incident Management	44562	Incident Management and investigation procedures are not documented.	Agreed	Agreed	2	10/11/2020	31/12/2021	31/01/2022	30/09/2022		
October 2020	Revenues and Benefits (CDC, FoDDC, WODC)	44592	Housing Benefit not reconciled during 2020	Ongoing	Ongoing	2	18/11/2020	31/01/2021	01/02/2021	31/07/2022		
October 2020	Revenues and Benefits (CDC, FoDDC, WODC)	44540	Officer system access is not revoked when it is no longer required.	Ongoing	Ongoing	3	09/11/2020	31/03/2021	30/06/2021	30/11/2022		
January 2021	Risk Management (CDC, FoDDC, WODC, Pub)	45973	Universal Risk Register Templates are to be issued, with consideration of dedicated Risk Management Tooling.	Outstanding	Outstanding	2	09/09/2021	31/10/2021	30/11/2021	31/12/2022		
2021/22 Audits		22										
September 2021	Emergency Planning (CDC, FoDDC, WODC)	46168	Statutory roles and responsibilities are not clearly defined	Ongoing	Ongoing	2	26/10/2021	31/12/2021	31/01/2022	31/12/2022		
October 2021	Revenues and Benefits - Ctax and NNDR (CDC, FoDDC, WODC)	46965	Regular Financial Reconciliations are not completed	Agreed	Agreed	2	08/04/2022	31/07/2022	31/07/2022			
October 2021	Revenues and Benefits - Hsg Benefit and Ctax Support (CDC, FoDDC, WODC)	46965	Regular Financial Reconciliations are not completed	Agreed	Agreed	2	08/04/2022	31/07/2022	31/07/2022			
October 2021	Revenues and Benefits - Hsg Benefit and Ctax Support (CDC, FoDDC, WODC)	46966	Backlogs exist in processing Housing Benefits claims	Agreed	Agreed	3	08/04/2022	31/07/2022	31/08/2022			
October 2021	Revenues and Benefits - Ctax and NNDR (CDC, FoDDC, WODC)	46628	Revenues: Inconsistent practices are operating across the service	Agreed	Agreed	3	09/12/2021	30/11/2022	31/12/2022			
October 2021	Main Accounting and Accounts Receivable (CDC, FoDDC, WODC)	47056	Write off Separation of duties.	Agreed	Agreed	2	04/05/2022	30/09/2022	31/10/2022			
October 2021	Main Accounting and Accounts Receivable (CDC, FoDDC, WODC)	47096	Debt Management, recovery and write off guidance.	Agreed	Agreed	2	17/05/2022	30/09/2022	31/10/2022			
October 2021	Payroll (CDC, FoDDC, WODC)	46799	Outstanding balances accumulating in suspense accounts	Agreed	Agreed	3	25/02/2022	30/09/2022	30/09/2022	31/12/2022		
November 2021	ICT - Control of Accounts with Administrative Privileges	46851	Privelege Account Access	Agreed	Agreed	3	03/03/2022	30/11/2022	31/12/2022			
November 2021	ICT - Control of Accounts with Administrative Privileges	47032	Administrator Rights	Agreed	Agreed	3	11/04/2022	30/11/2022	31/12/2022			
November 2021	ICT - Control of Accounts with Administrative Privileges	47089	Last (current) Logged on user	Agreed	Agreed	3	13/05/2022	30/11/2022	31/12/2022			
January 2022	Governance of Programmes and Projects	46565	Statutory Officers not consulted on project/programme governance decisions; Framework requires updating	Agreed	Agreed	2	05/01/2022	30/09/2022	31/10/2022			
January 2022	Governance of Programmes and Projects	46807	Inconsistencies with the quality of key milestones.	Agreed	Agreed	2	01/03/2022	30/09/2022	31/10/2022			
September 2021	Election Expenses - Treatment of VAT	47324	Lack of a VAT code check list to aid invoice processing		Agreed	3	25/07/2022	31/03/2023	30/04/2023			
September 2021	ICT - Vulnerability Management	47107	Device Security Status Checks		Agreed	2	18/05/2022	31/12/2022	31/01/2023			
January 2022	Monitoring the Performance of Strategic Commissioned Services	46746	S151 Officer is not receiving SWAP Board Papers		Agreed	2	16/02/2022	30/06/2022	31/07/2022			
January 2022	Procurement Cards	47405	Non-Compliance with Council Policy		Agreed	1	28/07/2022	30/09/2022				
January 2022	Procurement Cards	47406	Card Sharing and Unused Cards		Agreed	1	28/07/2022	30/09/2022				
January 2022	Procurement Cards	47407	Recharge of Card Spend		Agreed	2	28/07/2022	30/12/2022				
January 2022	Procurement Cards	47408	Policy Updates		Agreed	2	28/07/2022	30/12/2022				
January 2022	Procurement Cards	47409	Cardholder Agreements		Agreed	2	28/07/2022	30/12/2022				

Audit Period	Audit Name	Unique Reference	Issue	Status June 2022	Status Aug 2022	Priority	Created Date	Target Implementation	End Date	Revised End Date	Closed Date
								Date			
January 2022	Procurement Cards	47410	Transparency Reports		Agreed	2	28/07/2022	30/12/2022			
<b>COMPLETED / CLOSED AGREED ACTIONS</b>											
<b>Pre 2021/22 Audits - Agreed Actions Completed</b>		<b>6</b>									
July 2019	Cyber Security - Incident Management	44563	Tracking mechanism for ongoing and recurring vulnerabilities.	Agreed	Closed - Recommendation Complete	3	10/11/2020	31/12/2021	31/01/2022	30/06/2022	11/07/2022
January 2021	Human Resources (Learning & Development)	45223	There is no Learning Management System in place	Agreed	Closed due to Time Limits	3	23/03/2021	31/03/2022	30/04/2022		06/07/2022
January 2021	Human Resources (Learning & Development)	45249	Third parties and/or temporary staff working for or on behalf of the Council are not required to carry out mandatory training modules	Agreed	Closed due to Time Limits	2	30/03/2021	31/03/2022	30/04/2022		06/07/2022
January 2021	Human Resources (Learning & Development)	45287	The Publica Learning and Development Guidance and associated forms (Training Brief form and Learning Contract) have not been fully approved by relevant Employee Trade Unions.	Agreed	Closed due to Time Limits	2	13/04/2021	30/09/2021	31/10/2021	30/11/2021	06/07/2022
January 2021	Human Resources (Learning & Development)	45266	Course completion data extracted from iHasco is unreliable and incomplete, meaning it cannot be used for reliable reporting and training monitoring	Agreed	Closed due to Time Limits	3	09/04/2021	31/10/2021	30/11/2021		06/07/2022
October 2020	ICT Audit Deployment of Anti-Malware Devices	45452	Process to check for anti-malware status and coverage.	Ongoing	Complete	3	17/05/2021	31/10/2021	30/11/2021	30/04/2022	11/07/2022
<b>2021/22 Audits - Agreed Action Completed</b>		<b>7</b>									
July 2020	Systems Administration	45115	Privileged user accounts activity	Closed - Recommendation Complete	Closed - Recommendation Complete	2	04/03/2021	31/01/2022	31/01/2022	30/06/2022	17/05/2022
July 2020	Systems Administration	45236	A lack of control surrounds the Business World SYSTEM account.	Complete	Complete	2	25/03/2021	31/01/2022	31/01/2022	30/06/2022	12/04/2022
January 2021	ICT Audit Data Recovery Capabilities	45747	A Data Recovery Test Schedule was not available.	Complete	Complete	3	22/07/2021	31/12/2021	31/01/2022		08/06/2022
June 2021	H&S - Fire Risk Assessments	45890	Fire Risk Assessments Work Schedule is not current and incomplete	Complete	Complete	2	18/08/2021	31/12/2021	31/01/2022	31/03/2022	04/05/2022
September 2021	Emergency Planning (CDC, FoDDC, WODC)	46080	Gold Commanders have not undertaken training in the last 3 years.	Complete	Complete	2	04/10/2021	31/12/2021	31/01/2022		04/05/2022
January 2022	Monitoring the Performance of Strate	46712	SWAP Risk is not included in Risk Register		Closed - Recommendation Complete	2	14/02/2022	30/06/2022	31/07/2022		03/08/2022
September 2021	Emergency Planning (CDC, FoDDC, WODC)	46119	No guidance for the use of Emergency Response WhatsApp groups.	Ongoing	Complete	2	13/10/2021	31/12/2021	31/01/2022	30/06/2022	26/07/2022

# Agenda Item 17



**COTSWOLD**  
DISTRICT COUNCIL

Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>AUDIT COMMITTEE 29 SEPTEMBER 2022</b>
Report Number	<b>AGENDA ITEM 17</b>
Subject	<b>MEMBER COMPLAINTS – ANNUAL REPORT</b>
Wards affected	ALL
Accountable member(s)	Cllr Joe Harris - Leader of the Council Email: <a href="mailto:joe.harris@cotswold.gov.uk">joe.harris@cotswold.gov.uk</a>
Accountable officer(s)	Angela Claridge, Director of Governance & Development Tel: 01282 623219 Email: <a href="mailto:angela.claridge@cotswold.gov.uk">angela.claridge@cotswold.gov.uk</a>
Summary/Purpose	This annual report is to advise the Committee of standards issues, including complaints against members for the year ending 31 March 2022
Annexes	None
Recommendation/s	The Audit Committee are recommended to note this report.
Corporate priorities	None
Key Decision	No
Exempt	No
Consultees/ Consultation	Chair of Audit Committee.

## 1. REPORT

1.1 As one of its functions, Audit Committee, is responsible for promoting and maintaining high standards of conduct and for determination of complaints regarding conduct of Members.



**COTSWOLD**  
DISTRICT COUNCIL

1.2 This is the first report Members have received in relation to activity and complaints that has occurred during the financial year ending 2021/22.

## 2. UPDATE ON COMPLAINTS.

2.1 The table, set out below sets out details of complaints received during 2021/22.

Town, Parish or District Councillor subject to complaint	Date of Complaint	Outcome
Town/Parish	30.04.2021	Informal resolution
Town/Parish	04.05.2021	Complaint withdrawn
Town/Parish	21.05.2021	Informal resolution
District	04.10.2021	No further action
Town/Parish	24.11.2021	Complaint ongoing
District	09.12.2021	No further action
District	25.03.2022	Complaint withdrawn

2.2 There have also been a further six enquiries relating to the conduct of town or parish councillors which the complainant, when asked for supporting information, have not responded.

2.3 On 17 March 2021, the Council adopted arrangements for assessing allegations under the Code of Conduct, which comply with the best practice recommendations made by the Committee for Standards in Public Life.

2.4 In arriving at her judgement on complaints received, the Monitoring Officer applied the following criteria:

- a. Was the individual acting as a councillor at the time of the alleged misconduct?
- b. Does the allegation reveal a prima facie breach of the code?
- c. Is there a reasonable prospect that the allegation would be upheld?
- d. Is the matter complained of trivial?
- e. Is the allegation merely an attempt to initiate an investigation to 'embarrass' the Councillor, for e.g. political purposes?
- f. Is the matter essentially a dispute or difference of opinion between Members?
- g. Is the use of the Code of Conduct the appropriate way to resolve concerns?
- h. Given the range of sanctions available to a council is an investigation likely to improve the good working of the Council; in particular is any finding and sanction likely to improve public confidence in the democratic process?
- i. Consideration of the case law and guidance.
- j. Any other substantial consideration particular to the allegation.



2.5 In all cases where the Monitoring Officer has been required to consider a Code of Conduct complaint she has consulted with the Independent Person, as required by the Localism Act 2011.

### **3. INDEPENDENT PERSONS**

3.1 The Council maintains a list of three Independent Persons whose appointments were approved by the Council in March 2022.

### **4. LOCAL GOVERNMENT ASSOCIATION CODE OF CONDUCT**

4.1 Cotswold District Council adopted the Local Government Association Model Code of Conduct on 20 January 2021, which in turn, has been adopted by most town and parish councils in the district.

4.2 Work is underway across Gloucestershire to refine the Code of Conduct further with a view to developing a code which is adopted by all parish, town, district and the county council. This will be the subject of a subsequent report to Audit Committee.

### **5. SOCIAL MEDIA GUIDANCE FOR ELECTED MEMBERS**

5.1 In recent years, there has been an increase in Code of Conduct complaints against Councillors in respect of their social media use. Many local authorities have sought to limit the amount of complaints by introducing guidance on social media and policies.

5.2 The Code of Conduct for Elected Members specifically states that the Code extends to; 'all forms of communication and interaction, including ... in electronic and social media communication, posts, statements and comments'.

5.3 When the LGA's Model Code of Conduct was being consulted on nationally during 2019/20, 69% of respondents believed that social media guidance should be integrated into the Model Code of Conduct. Despite the overwhelming support for the incorporation of social media guidance into the Model Code, this didn't happen. Therefore, the Council developed its own Social Media Guidance, as an annexe to the Code of Conduct for Elected Members, which was approved at Council on 20 July 2022.

### **6. LEGAL IMPLICATIONS**

The Council has a legal duty to respond to complaints made against councillors of allegations of a breach of the Code of Conduct. The Council has adopted procedures for handling complaints

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## WORK PLAN

COMMITTEE DATE	ITEMS
<b>21<sup>st</sup> July 2022</b>	
	KPMG LLP Reports – Housing Benefit Subsidy Certification – Mandy Fathers
	Annual Governance Statement Update – Mike Butler
	Corporate Risk Register Update – Mike Butler
	Draft Accounts 2021/22 – Michelle Burge
	Internal Audit Annual Opinion – Lucy Cater
	Value for Money Audit – Michelle Burge
	Work Plan
<b>29<sup>th</sup> September 2022</b>	
	CFEU update – Emma Cathcart
	Internal Audit Progress Report
	Updated Counter Fraud and Anti-Corruption Policy – Emma Cathcart
	CFEU Fraud Risk Strategy – Emma Cathcart
	Annual Governance Statement Update – Mike Butler
	Corporate Risk Register Update – Mike Butler
	Annual Standards Update – Angela Claridge
	2021/22 Treasury Management Outturn Report
	Work Plan
<b>26<sup>th</sup> January 2023</b>	
	Corporate Risk Register
	Annual Governance Statement
	Internal Audit Monitoring Report
	Elected Member Code of Conduct
	Work Plan

(END)

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