

Public Document Pack



COTSWOLD
DISTRICT COUNCIL

Wednesday, 19 April 2023

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AUDIT COMMITTEE

A meeting of the Audit Committee will be held at Council Chamber - Trinity Road on **Thursday, 27 April 2023 at 4.00 pm.**

Rob Weaver
Chief Executive

To: Members of the Audit Committee
(Councillors Nigel Robbins, Nick Maunder, Tony Berry, Patrick Coleman, Gary Selwyn and Tom Stowe)

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 7 - 14)**

To confirm the minutes of the meeting of the Committee held on 26th January 2023.

5. **Public Questions**

To deal with questions from the public within the open forum question and answer session of fifteen minutes in total. Questions from each member of the public should be no longer than one minute each and relate to issues under the Council's remit. At any one meeting no person may submit more than two questions and no more than two such questions may be asked on behalf of one organisation.

The Chair will ask whether any members of the public present at the meeting wish to ask a question and will decide on the order of questioners.

The response may take the form of:

- a) a direct oral answer;
- b) where the desired information is in a publication of the Council or other published work, a reference to that publication; or
- c) where the reply cannot conveniently be given orally, a written answer circulated later to the questioner.

6. **Member Questions**

A Member of the Council may ask the Committee a question on any matter in relation within its remit. A maximum period of fifteen minutes shall be allowed at any such meeting for Member questions.

An answer may take the form of:

- a) a direct oral answer;
- b) where the desired information is in a publication of the Council or other published work, a reference to that publication; or
- c) where the reply cannot conveniently be given orally, a written answer circulated later to the questioner.

7. **Annual Governance Statement - Action Plan Update (Pages 15 - 26)**

Purpose

This report presents to the Audit Committee an update on the 2022/23 Annual Governance Statement (AGS) Action Plan

Recommendation

To receive and discuss the 2022/23 Annual Governance Statement Action Plan update

8. **2021/2022 Statement of Accounts and Audit Opinion (Pages 27 - 182)**

Summary

To update the committee on the findings of the external audit of the 2021/22 financial year as the audit is concluded. The Committee is advised that the deadline for issuing a final set of audited Statements of Accounts and Audit Opinion of 30 November 2022 was not met.

The accounts are not yet ready to sign but this report allows the committee the opportunity to review the findings of the audit work.

Recommendations

That the Committee:

1. Notes the Statement of Accounts Update Report, the Draft Audit Findings Report (Annex A) and the revised 2021/22 Statement of Accounts (Annex B)
2. Notes the indicative timetable for finalising the audit of the 2021/22 Financial Statements, receiving the Value for Money opinion, and receiving the final Auditor's Annual Report.
3. Delegates authority to the Deputy Chief Executive and Section 151 Officer and Chair of the Audit Committee and/or Leader of the Council to receive the Auditor's Annual Report and approve the final 2021/22 accounts.
4. Notes the deadline for the draft accounts, public inspection period, and publication of accounts as set out in paragraph 4.2 of the report.

9. **Accounting Policies (Pages 183 - 208)**

Purpose

This report presents the accounting policies to be included in the 2022/23 Statement of Accounts. This provides Members with the opportunity to review and approve the policies in advance of the preparation of the Statement of Accounts 2022/23. Approving the accounting policies in advance of the preparation of the accounts represents best practice.

Recommendation

It is recommended that:

1. The Audit Committee considers and approves the draft accounting policies for 2022/23 included at Annex A;
2. Further necessary amendments to the policies set out at Annex A (occurring subsequent to this meeting) are included within the draft (unaudited) and/or final (audited) Statement of Accounts when presented to this Committee.

10. **CFEU Update Report (RIPA and IPA annual update) (Pages 209 - 218)**

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.

The report also provides the annual update in relation to the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA) and the Council's existing authorisation arrangements.

Recommendation

That the Committee considers the report and work plan at Annex A.

11. **Internal Audit Progress Report (Pages 219 - 238)**

Purpose

To present a summary of the audit work concluded since the last meeting of this Committee.

Recommendation

1. That the Committee considers the reports at Annexes A and B and comments as necessary

12. **Internal Audit Plan and Charter (Pages 239 - 262)**

Purpose

To present to the Audit Committee the Internal Audit Plan 2023/24 for consideration and approval and to present the updated Internal Audit Charter for consideration and approval.

Recommendation

That the Audit Committee resolves to:

1. Approve the proposed Internal Audit Plan 2023/24 and Internal Audit Charter 2023/24

13. **Member Training relating to Gloucestershire Wide Code of Conduct (Pages 263 - 266)**

Purpose

To update the Committee on the recommendations of Full Council relating to Code of Conduct training for elected members

Recommendation

That Audit Committee resolves to:

1. Agree that training on the Members' Code of Conduct is made mandatory for all councillors and should be undertaken at least once in a councillor's term of office, within six months of their election.
2. Agree to receive annual reports on member training courses undertaken.
3. Recommend any other training courses which should be made mandatory for all councillors.
4. Request that the Constitution Working Group considers recommending to Council amendments to the Constitution to reflect the requirements for councillors to attend mandatory training.

14. **Work Plan (Pages 267 - 270)**

Purpose

To consider and recommend the work plan to the incoming committee in July.

(END)

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Audit Committee
26/January2023



COTSWOLD
DISTRICT COUNCIL

Minutes of a meeting of Audit Committee held on Thursday, 26 January 2023.

Councillors present:

Nigel Robbins - Chair

Stephen Andrews

Tony Berry

Patrick Coleman

Tom Stowe

Officers present:

David Stanley – Deputy Chief Executive and Chief Finance Officer

Angela Claridge – Director of Governance and Development and Monitoring Officer

Lucy Cater – Head of Internal Audit

Caleb Harris – Senior Democratic Services Officer

Ana Prelici – Democratic Services Officer

Wayne Smith – Democratic Services Offices

Observers:

Councillor Mike Evemy, Deputy Leader of the Council and Cabinet Member for Finance

175 Apologies

Apologies were received from Councillors Nick Maunder, Gary Selwyn and Ray Theodoulou,

176 Substitute Members

Councillor Stephen Andrews was substitute for Councillor Ray Theodoulou.

177 Declarations of Interest

There were no Declarations of Interest from Members

There were no Declarations of Interest from Officers

178 Minutes

Councillor Tony Berry requested that minutes from Committee Meetings were sent to Members as soon as possible after being checked for accuracy.

Audit Committee considered the minutes and made a number of minor corrections

RESOLVED: Audit Committee **AGREED** that with the inclusions of the corrections, the minutes were a correct record of Audit Committee from 29 September 2022.

Voting Record – For 3, Against 0, Abstentions 2, Absent 2,

There were no Public Questions

180 Member Questions

There were no Member Questions

181 Referral from Council - Time limit for Audit Committee

The Chair stated that they had agreed for this item to be considered at the meeting by reason of special circumstances. The reason was because the Committee had received a request to provide feedback to the Constitution Working Group on a proposal that the maximum duration of Audit Committee meetings be reduced from 4 hours to 3 hours. The next meeting of the Audit Committee would be take place after the Working Group's consideration of this matter.

Audit Committee discussed the impact of moving the start time of meetings to 17.00pm, including the difficulties it caused for those required to attend Town and Parish Council meetings held on the same day.

Audit Committee noted that the recommendation to change Committee start times to 5.00pm had been made to make it easier for those with daytime employment commitments to attend or access meetings.

Audit Committee stated that the Council decision that the Committee will start at 5.00pm in 2023/24 had been somewhat imposed on the Committee, but if this was required, a meeting duration limit of two and a half hours would be acceptable, with a Chair's expectation that the business of the Committee would normally be concluded within two hours.

RESOLVED: Audit Committee **AGREED** to feedback to the Constitution Working Group that for future meetings a limited duration of two and a half hours would be acceptable, with a Chair's expectation that the business of the Committee would normally be concluded within two hours

182 2021/22 Statement of Accounts and Audit Opinion- Update

The purpose of this report was to inform Members of audit progress for the Council's Statement of Accounts for 2021/22 and provision of the audit opinion. The Committee is advised that the deadline for issuing a final set of audited Statements of Accounts and Audit Opinion of 30 November 2022 was not met.

The Deputy Chief Executive and Chief Finance Officer introduced the report stating there had been a marked reduction in the number of Audit opinion being available to public sector bodies on their required publishing date. These delays were partly due to difficulties attracting and retaining suitably qualified auditors and partly due the increased complexity of Public Sector finances.

Audit Committee noted that Grant Thornton (Auditor) had undertaken a significant amount of work in October, November and December 2022 and more work would be completed in February 2023 to reduce the delays.

Audit Committee

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Audit Committee noted that, that having stayed relatively stable for some time, Audit charges were likely to increase by up to 150%

Audit Committee asked if the 12% of public bodies that had received their Audit Opinions within the statutory timescales fell into a particular category. The Chief Finance Officer stated that he would provide these details to members, but more generally these tended to be large Unitary authorities or County Councils, and these may have been prioritized because they managed pension funds for their own staff and other Councils.

RESOLVED: Audit Committee **AGREED** to Note: the Statement of Accounts Update Report, the indicative timetable for approval of the 2021/22 Statement of Accounts and receiving the Audit opinion, the outcome from the PSAA tender exercise, and the appointment of Bishop Fleming for a 5-year period commencing for the 2023/24 audit year

183 Annual Ombudsman Report

The purpose of the report was to inform Audit Committee about the annual Local Government & Social Care Ombudsman's (LGO's) letter 2022

The Director for Governance and Monitoring Officer introduced the report stating this was the second annual Ombudsman's Letter that had been presented to Audit Committee and covered the period ending March 2022.

Audit Committee noted that during the year 14 complaints had been reported to the Ombudsman, which was an increase from 8 during 2021 (pandemic year) and 6 during 2020..

Audit Committee noted that the Ombudsman had upheld 2 complaints during the previous year, including one that the Ombudsman determined had caused an 'injustice'.

Audit Committee noted that the CDC complaints procedure had been reviewed and a number of learning points had been implemented including Publica having complaints under a single Business Manager, and the procedure is now as it should be.

Audit Committee asked what proof existed showing that improvements to the complaints procedure had been adopted by CDC services (specifically Planning and Development). The Director for Governance agreed to investigate this and bring back details.

RESOLVED: Audit Committee **AGREED** to Note the Ombudsman's Letter.

184 Elected Member Code of Conduct

The purpose of the report was to provide Audit Committee with details the proposed Member Code of Conduct

The Director for Governance and Monitoring Officer introduced the report that presented both the CDC Elected Member Code of Conduct and the Gloucestershire County Wide Elected Member Code Of Conduct. Audit was invited to review both documents and consider whether they could be synchronised with the same content.

Audit Committee noted that the CDC Code of Conduct had been based on LGA guidance that contained more context and explanation than the County Council Code of Conduct.

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Audit Committee noted that the Gloucestershire County Wide Code Of Conduct had been compiled with input from County, District and Town and Parish Councillors and was not simply a Gloucestershire County Council document.

Audit Committee noted that standard functions that had been agreed by Council and included in the Constitution would not need to be voted upon again.

RESOLVED: Audit Committee **AGREED** to recommend the Draft Gloucestershire Wide Code of Members' Conduct (as annexed to this report) for onward approval by Full Council, and an Annex providing context and further explanation of its content should be drafted and made available to Members during their induction

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

185 Feedback from the Peer Review- Governance Arrangements

The purpose of the report was to consider the Local Government Association's Feedback Report, and, to review the Action Plan that details how the recommendations relating to the responsibilities of this Committee will be implemented.

The Chair introduced the report that provided details of the recommendations of the recent Peer Review, particularly those specifically referring to Audit Committee.

Audit Committee noted there that the recommendations covered six areas and the committee should:

- Be provided with confirmation of the current governance and control framework for their review, identification of any gaps or weaknesses, and comments.
- Introduce two independent members to the Committee
- Implement a programme of regular training for all Audit Committee Members
- Revisit the Committee's terms and of reference and consider renaming the Committee to Audit and Governance Committee to reflect the breadth of its responsibility an ensure governance was a focal part of the committee's function
- Deliver Democratic Services Action Plan to ensure the smooth and efficient management of decisions making processes.
- Ensure the Constitution continues to reflect robust governance processes and arrangement via timely updates.

Audit Committee discussed changing the committee's name and Committee Members considered a number of options.

Audit Committee noted that the governance of the Council was an important, but not exclusive part of Audit Committee's work in the same way that overseeing and scrutinising the Council was an important, but not exclusive part of Overview and Scrutiny Committee's work.

Audit Committee noted that the Director of Governance and Development and the Deputy Chief Executive & Chief Finance Officer would recruit and appoint the two independent members of Audit Committee should this be required, and they would be expected to attend all future Audit Committee meetings.

Audit Committee
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Audit Committee noted that the Capital Investment Board primarily advised Cabinet and Council on the viability of Capital strategies and projects to enable their consideration. This was not the role of Audit Committee, although consideration of subsequent management and performance of the projects would be scrutinised by the Committee.

Audit Committee noted that training for Members of the committee could still take place before the election and further training would take place after the election for newly elected members of the Committee

RESOLVED: Audit Committee NOTED the feedback from the Peer Review

RESOLVED: Audit Committee **APPROVED** and supported the recommendations and the Committee's activity over the last year and did not identify any gaps in the governance framework.

186 Internal Audit Progress Report

The purpose of the report was to present a summary of the audit work concluded since the last meeting of this Committee.

The Head of Internal Audit introduced the report that included 2 final audit reports and updates on a number of ongoing audits.

Audit Committee was invited to recommend future audits to be included in the Audit Plan for the forthcoming year that was being drafted.

Audit Committee noted that the Operational Audits: SI06 Agreements and Funds, Planning Validation Process and Climate Change (Strategic) would be presented at the next Audit Committee.

RESOLVED: Audit Committee considered the reports at Annexes A and B and Provided comments.

187 Treasury Management Half Year Report 2022-23

The purpose of the report was to receive and discuss details of the Council's Treasury Management performance for the period 01 April to 30 September 2022.

The Deputy Chief Executive and Chief Finance officer introduced the mid-year report for 2022.

Audit Committee noted that investments were made on a priority basis considering Security, Liquidity and Yield (in that order).

Audit Committee noted that the previous performance had been good (compared to peers) but the future prospects were likely to be challenging.

RESOLVED: Audit Committee considered the Council's Treasury Management performance for the period April 2022 to 30 September 2022 and **AGREED** to recommended it to Council for approval

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

Audit Committee

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188 Annual Capital Strategy 2023/24

The purpose of the report was to present Audit Committee with the draft Capital Strategy for 2023/24 that needs to be agreed before 01 April 2023. The Capital Strategy 2023/24 (Appendix 1) is in accordance with CIPFA's "Prudential Code" and the "Treasury Management Code of Practice" 2021, and the former Ministry of Housing, Communities and Local Government (MHCLG) guidance on Local Government Investments.

The Deputy Chief Executive and Chief Finance officer introduced the report that provided details of the draft Capital Strategy for 2023/24. The strategy requires that investments must be both affordable and prudent over the short and medium term and how these are funded.

Audit Committee noted the report as important work in progress.

RESOLVED: Audit Committee considered the draft Capital Strategy for 2023/24 and provided feedback to the Cabinet and Council for consideration as part of the Council's budget setting process

189 Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy 2023-24

The purpose of the report was to present Audit Committee with the Treasury Management Strategy and Non-Treasury Investment Strategy (Investment Strategy) for 2022/23 that needs to be approved before 01 April 2023. The attached Treasury Management Strategy Statement (TMSS) for 2022/23 (Appendix 1) and Non-Treasury Investment Strategy (Appendix 2) is prepared in accordance with the "Prudential Code" and the "Treasury Management Code of Practice" (2021 Editions), and the former Ministry of Housing, Communities and Local Government (MHCLG) revised guidance on Local Government Investments

The Deputy Chief Executive and Chief Finance officer introduced the report that provided details of how the Council would manage its cash and cash flow, including internal and external borrowing, over the following 12 months, given certain reasonable assumptions and predictions.

Audit Committee asked if a range of upper and lower range measures are used in forecasts but not carried into reports.

Audit committee noted that no derivative trading had been included in the investments.

RESOLVED: Audit Committee considered the draft Treasury Management and Non Treasury Investment Strategy for 2023/24 and provided feedback to the Cabinet and Council for consideration as part of the Council's budget setting process

190 Work Plan

Audit Committee reviewed the Work Plan for 2023 and discussed a number of items and report delivery dates.

The Meeting commenced at 4.00 pm and closed at 6.27 pm

Audit Committee
26/January2023
Chair

(END)

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Agenda Item 7



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 27 APRIL 2023
Subject	2022/23 ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE
Wards affected	All
Accountable member	Cllr Joe Harris, Leader of the Council Email: joe.harris@cotswold.gov.uk
Accountable officer	Robert Weaver, Chief Executive Email: robert.weaver@cotswold.gov.uk
Report author	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Summary/Purpose	This report presents to the Audit Committee an update on the 2022/23 Annual Governance Statement (AGS) Action Plan
Annexes	Annex A – 2022/23 Action Plan
Recommendation(s)	To receive and discuss the 2022/23 Annual Governance Statement Action Plan update
Corporate priorities	ALL
Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A



I 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, and facilitating the effective exercise of its functions 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) presented to the committee in September 2022 set out how the Council complied with the Local Code and met the requirements of the relevant Accounts and Audit Regulations.

2 AGS ACTION PLAN 2022/23

- 2.1 The AGS for 2021/2022 identified six areas for focused improvement in 2022/23 which formed the Action Plan provided at Annex A. These centred 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
- 2.2 An update on progress (the Action Plan) is set out in Annex A and paragraph 5.1 of this report.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising from this report.



4 LEGAL IMPLICATIONS

- 4.1 There are no legal implications arising from this report

5 RISK ASSESSMENT

- 5.1 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 were identified in the Action Plan providing a clear set of priorities for the continual improvement of governance and mitigation of risk.

6 EQUALITIES IMPACT

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

7 CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 7.1 None

8 ALTERNATIVE OPTIONS

- 8.1 None

(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:

Green	On target
Amber	Off target but action being taken to ensure delivery (where this results in a reviewed target date, this is made clear in the table)
Red	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 2021/22 which are coordinated and monitored by the Local Management Team.

Key to officers

Responsible Officer (Job Title)	Responsible Officer (Name)	Accountable Officer (Job Title)	Accountable Officer (Name)
Business Manager – Business Continuity, Governance and Risk	Cheryl Sloan	Director of Governance and Development (Monitoring Officer)	Angela Claridge
Business Manager – Finance	Debra Goodall	Chief Executive	Rob Weaver
Senior Procurement Business Partner	Ciaran O'Kane	Deputy Chief Executive and Section 151 Officer	David Stanley
Business Manager – Democratic Services	Andrew Brown		

ANNEX A

	Key Area of Focus	Actions	Responsible Officer	Accountable Officer	Completion due by	Progress
1. GREEN Page 20	Raising awareness of the contract procedure rules	<ul style="list-style-type: none"> • New Contract and Procurement Strategy to be approved and published to all officers, linking to the Contract Procedure Rules • Planned audit of contract and procurement by SWAP will cover officer awareness of the contract procedure rules 	Publica Senior Procurement Business Partner	S.151 Officer	November 2022	<p>September 2022 Contract and Procurement Strategy to be presented to Cabinet for approval in the Autumn.</p> <p>April 2023 Update Audit Committee endorsed the Contract and Procurement Strategy in April 2022. This will be considered by Cabinet in June 2023</p>
2. GREEN	Member development	<p>A training programme for Members to be developed</p> <ul style="list-style-type: none"> • A training programme is to be developed in conjunction with West Oxfordshire and the Forest of Dean District Councils. 	Publica Business Manager for Democratic Services	Monitoring Officer		<p>April 2023 Update Training Programme for Members has been developed and discussed at Council as part of Peer Review Action Plan. Members Development Steering Group (Cllrs Cunningham, Ind & Spivey) supported by officers in place. Training programme to be delivered from May 2023</p>

ANNEX A

3. GREEN	Budget management	<ul style="list-style-type: none"> 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	Section 151 Officer		<p>Included as part of a bigger review on Business World</p> <p>April 2023 Update C/F to 2023/24 s151 Officer will review appropriateness of the current controls.</p>
4. GREEN Page 21	Risk management training	<ul style="list-style-type: none"> Training package to be finalised and rolled out. Full training package and other material covering the risk and opportunity guidance to be published on the Publica portal. Planned audit of risk and opportunity management by SWAP will cover officer awareness of guidance. 	Publica Strategic Support Officer - Risk and Compliance SWAP Audit	S.151 Officer S.151 Officer	October 2022 October 2022	<p>Following the appointment of the new Learning and Development Manager work on developing a training package is now underway.</p> <p>April 2023 Update C/F to 2023/24 There is a Google classroom on risk management. This will be reviewed and updated in-line with any change we make to the Risk management process</p>
5. GREEN	Compliance with audit recommendations	<ul style="list-style-type: none"> Improved reporting of outstanding audit recommendations to Local Management Team, Audit Committee and Publica's Audit Risk and Compliance Committee (ARAC). 	Publica Executive Director/ SWAP Audit	Chief Executive	December 2022	<p>Outstanding recommendations are a regular feature on the local management team agenda.</p> <p>April 2023 Update Standing item on LMT Agenda with outstanding actions reviewed by SWAP Audit and s151 on a monthly basis</p>

<p>6.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">GREEN</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 22</p>	<p>Business Continuity Plans development and testing</p>	<ul style="list-style-type: none"> ● Completion of Business Impact Analysis ● Revised strategic and tactical plans to be developed ● Review of all operational plans prior to a complete desktop exercise ● New programme and plans to be approved 	<p>Publica Business Manager for Corporate Responsibility</p>	<p>Chief Executive</p>	<p>October 2022</p>	<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> <p>April 2023 Update C/F to 2023/24 A BCP desktop exercise was carried out in October 2022 and lesson learnt have been implemented. BCPs have been updated in March 2023 and now include power outage. Work is being undertaken with GCC to identify the key BCP risks and to test / challenge these. This is planned for circa Sept 2023.</p>
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ACTIONS BROUGHT FORWARD FROM 2021/2022

	Key Area of Focus	Actions	Responsible Officer	Accountable Officer	Completion due by	Progress
I. A M B E R Page 23	Procurement and contract management.	Ensure all contract conditions are being monitored and fulfilled.	Publica Senior Business Manager for Procurement	Chief Executive	March 2002	<p>A training plan is currently being developed internally.</p> <p>April 2023 Update Mandatory Commissioning and Procurement Training has been rolled out to service areas. This will be refreshed once the Procurement and Contract Management Strategy has been approved by Cabinet in Q1 2023/24. It should be noted that Publica provided Procurement and Contract Management training to specific Business areas such as Planning in February this year</p>
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	<p>Outstanding - training programme being developed in conjunction with WODC & FoDDC.</p> <p>This has been closed as this is now item 2 in the 2022/23 action plan</p>

ANNEX A

<p>3. A M B E R</p>	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	<p>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.</p> <p>April 2023 Update Risk Management arrangements in relation to project and programme management for the Council and Publica have been discussed as part of the quarterly Risk Management meeting and at the newly established Local Project Board. The s151 Officer is updating the Strategic Risk Register and will include reference to aligning project risk reporting update to the committee at their next meeting in July 2023.</p>
<p>4. C L O</p>	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

ANNEX A

S E						This has been closed as this is now item 3 in the 2022/23 action plan
5. A M B E R Page 25	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	<p>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.</p> <p>April 2023 Update Risk Management arrangements for the Council and Publica have been discussed as part of the quarterly Risk Management meeting. The s151 Officer is updating the Strategic Risk Register and will update the committee at their next meeting in July 2023.</p>

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Agenda Item 8



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 27 APRIL 2023
Subject	2021/22 STATEMENT OF ACCOUNTS AND AUDIT OPINION – UPDATE #2
Wards affected	All
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Summary/Purpose	<p>To update the committee on the findings of the external audit of the 2021/22 financial year as the audit is concluded. The Committee is advised that the deadline for issuing a final set of audited Statements of Accounts and Audit Opinion of 30 November 2022 was not met.</p> <p>The accounts are not yet ready to sign but this report allows the committee the opportunity to review the findings of the audit work.</p>
Annexes	Annex A – Audit Findings Report Annex B – 2021/22 Statement of Accounts (Revised)
Recommendation(s)	<ul style="list-style-type: none"> <i>i) Notes the Statement of Accounts Update Report, the Draft Audit Findings Report (Annex A) and the revised 2021/22 Statement of Accounts (Annex B)</i> <i>ii) Notes the indicative timetable for finalising the audit of the 2021/22 Financial Statements, receiving the Value for Money opinion, and receiving the final Auditor’s Annual Report.</i> <i>iii) Delegates authority to the Deputy Chief Executive and Section 151 Officer and Chair of the Audit Committee and/or Leader of the Council to receive the Auditor’s Annual Report and approve the final 2021/22 accounts.</i> <i>iv) Notes the deadline for the draft accounts, public inspection period, and publication of accounts as set out in paragraph 4.2 of the report.</i>
Corporate priorities	<ul style="list-style-type: none"> • Delivering our services to the highest standards



Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A

1 BACKGROUND

- 1.1 This report updates members on the status of the 2021/22 Statement of Accounts and Audit Opinion.

2 INTRODUCTION

- 2.1 Owing to the impact of Covid-19 deadlines and the wider public audit issues; completion and publication of the Local Authority Statement of Accounts since 2019/20 have been amended with more time being given to complete draft accounts and receive the audit opinion.
- 2.2 However, local audit performance has continued to be concerning, as shown in the tables below

Year of Accounts	Publishing Date	Opinions given at publishing date	Opinions still outstanding at 31 December 2022
2021/22	30 November 2022	12%	398
2020/21	30 September 2021	9%	161
2019/20	30 November 2020	45%	44
2018/19	31 July 2019	57%	10

Firm	Total Audits	Outstanding 30 November 2022		Outstanding 31 December 2022	
BDO	25	25	100%	25	100%
DL	26	25	96%	25	96%
EY	149	141	95%	140	94%
GT	180	144	80%	134	75%
Mazars	87	76	87%	74	85%
TOTAL	467	411	88%	398	85%

Source: Audit Opinion Data 2021/22 (PSAA Quarter 3 Quality Monitoring report)



CURRENT STATUS OF THE AUDIT

- 2.3 The Council has received the Draft Audit Results Report which is attached in Annex A. This sets out the key findings and other matters arising from the statutory audit of Cotswold District Council and the preparation of the Council's financial statements for the year ended 31 March 2022.

Page 3 of the draft report includes a summary of the key findings of the audit to date:

- Grant Thornton's work to date has not identified any material errors or adjustment to the financial statements
 - A small number of audit adjustments are recommended to improve the presentation of the financial statements
 - There are 3 recommendations included in Appendix A of the draft report (1 High, 2 Low) with the most significant issue being the capacity of the finance team. Grant Thornton recommend that the Council strengthens its finance capacity to enable it to commit sufficient time to all aspects of internal and external financial reporting.
 - The Value for Money conclusion is not provided in the draft report. This is expected to be finalised and issued in the Auditor's Annual Report by the end of May 2023.
- 2.4 As indicated in the draft audit findings report, the final report is due to be issued by the end of May 2023. It is proposed that delegation is given to the Deputy Chief Executive & Section 151 Officer and the Chair of the Committee and/or Leader of the Council to receive the final report and sign the accounts prior to the next planned meeting of the committee in July 2023.
- 2.5 Annex B presents the revised Statement of Accounts for 2021/22 and presentational changes and audit adjustments included in the draft audit findings report. For ease of reference, these changes are highlighted in yellow.

3 2022/23 STATEMENT OF ACCOUNTS AND AUDIT TIMINGS

- 3.1 Deadlines for the completion and publication 2021/22 and subsequent accounts were amended as part of the Government's response to the recommendations contained in the independent Redmond Review into the effectiveness of external audit and transparency of financial reporting in local authorities. The Redmond review reported on 08 September 2020 with the Government responding in December 2021.
- 3.2 The regulations amended the draft and final accounts publication deadlines for relevant bodies as set out in the table below. The regulations come into force on 22 July 2022.



Action	Deadline as set out in Accounts and Audit Regulations 2015	For Financial Year 2021/22	For Financial Years 2022/23 to 2027/28
Draft Accounts completion	31 May	31 July	31 May
Public Inspection period	First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates	First 10 working days of August of the financial year immediately following the end of the financial year to which the statement relates	First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates
Publication of Accounts	31 July	30 November	30 September

- 3.3 The Government have now confirmed by email that the deadline for the completion of the draft accounts, public inspection period and publication deadline would remain as per the table above.

In February the Government asked for your views on the deadline for category 1 authorities to make draft accounts available for public inspection (31st May), following the Accounts and Audit (Amendment) Regulations 2021, which extended the deadline for the 20/21 and 21/22 accounts to 31st July.

We have taken a wide range of feedback into consideration. The Government believes it is important that all local authorities endeavour to return to a normal financial reporting timetable as soon as possible.

Consequently, the Government has decided not to extend the deadline and expects local authorities to continue to meet the existing 31st May deadline in line with their statutory requirements. The deadline will be kept under review going forward.

- 3.4 The deadline of 31 May for local authorities to produce draft accounts will clearly be challenging given the impact from backlog of prior year audits. Consideration will be given to the Closure of Accounts timetable including the timing of when key financial information will be available to support the production of the core financial statement (e.g. Provision of actuarial valuations of the Council's share of Gloucestershire County Council Pension Fund, RICS-compliant valuations of the Council land and property assets).



- 3.5 The Council is required under regulation to obtain an independent external audit opinion on the true and fair nature of the statement of accounts. Following provision of the external audit opinion the relevant Council Committee (being Audit Committee) is required to approve the accounts and publish both the approved set of account and the audit opinion by the statutory deadline.
- 3.6 Where this has not been possible and authorities are required to place a notice on their webpage to this effect.
- 3.7 The audit of the 2022/23 financial statements will commence once the 2021/22 Audit has completed and there may be other resourcing issues for Grant Thornton to consider. At this early planning stage it is anticipated that the 2022/23 audit work will be completed by the statutory deadline. Further discussions will need to take place over the coming weeks with Grant Thornton to schedule the 2022/23 audit work.

4 CONCLUSIONS

- 4.1 The Council will continue to engage with Grant Thornton to ensure the Auditor's Annual Report and Audit Opinion can be provided within the timescales provided by Grant Thornton as set out in this report.
- 4.2 It is worth reassuring members that the additional time taken is not due to errors, omissions or matters concerning the quality of the final accounts.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report.

6 LEGAL IMPLICATIONS

- 6.1 There are no legal implications arising from this report

7 CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 7.1 None

8 ALTERNATIVE OPTIONS

- 8.1 None

(END)



COTSWOLD
DISTRICT COUNCIL

The Audit Findings for Cotswold District Council

Year ended 31 March 2022

Cotswold District Council
31 March 2023
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1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
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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.

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

**Name : Peter Barber
For Grant Thornton UK LLP
31 March 2023**

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cotswold District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

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Financial Statements

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

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

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

We commenced our post-statements audit in mid October 2022, followed by an additional visit in February 2023. As at 31 March 2023 our audit is substantially complete. This year we adopted a hybrid approach involving a combination of on-site and remote working. Our findings are summarised on pages 5 to 18.

Our work to date has not identified any material errors or adjustments to the financial statements. We've noted an adjustment of £649K to the Revaluation Reserve and Balance Sheet (please see Appendix C Audit Adjustments). However we have not noted any adjustments to the reported outturn position for 2021-22.

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

The draft financial statements were submitted for audit in line with the agreed timetable, along with supporting working papers.

The time taken to complete this opinion audit work for 2021/22 reflects the decision taken in December 2022 to halt the audit to allow finance officers to prioritise internal financial reporting tasks including preparation for the 2023/24 budget. It was agreed to recommence work in February 2023 after the budget had been agreed by Council. The resulting queries as well as audit and finance staff pressures have delayed completion and involved further input on both sides.

In our view capacity within the finance team remains a significant issue. Specifically, there is not sufficient skilled finance expertise below the S151 officer and Chief Accountant to support the multiple responsibilities of a LG finance team. Specifically, the reliance on the Chief Accountant, who has taken on almost sole responsibility for supporting the external audit process, means that timely audit completion is compromised.

We recommend that the Council strengthen its finance capacity to enable it to commit sufficient time to all aspects of internal and external financial reporting.

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

Subject to completing our remaining audit procedures set out on page 5, receiving responses to any outstanding queries and having regard to any further national guidance, we anticipate issuing an unqualified audit opinion.

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

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to finalise and issue our Auditor's Annual Report by the end of May 2023 following the outcome of the elections. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of Financial Sustainability.

Statutory duties

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

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

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

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in May 2023.

Significant Matters

As set out on the previous page resourcing constraints within the finance team have impacted on the efficiency and timeliness of the delivery of our audit.

This, combined with the raising of the bar and the application of increased challenge and scepticism within this year's audit has resulted in additional audit time being required to complete the audit. We also recognise that this further impacts on your own finance officers who continue to respond to audit queries throughout the duration of the audit.

The additional time spent by the audit team in gaining assurance over all elements of the financial statements will be considered alongside our VFM work in arriving at a final fee for the audit for 2021/22.

Acknowledgements

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

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

We have not had to alter our audit plan, as communicated to you in September 2022.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Committee meeting on 27 April 2023, as detailed in [Appendix E]. These outstanding items include:

- Completion of our work on Property, Plant and Equipment valuations;
- Completion of our work on Financial instruments;
- Final review by the Manager and Engagement Lead on outstanding and recently completed work;
- Receipt of management representation letter;
- Review of the final set of financial statements;
- Completion of our subsequent events review

2. Financial Statements



Our approach to materiality

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

We have not changed our materiality, performance materiality and our level of triviality set out within our Audit Plan.

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

	Planning	Final
Materiality for the financial statements	£0.820m	£0.820m
Performance materiality	£0.610m	£0.610m
Trivial matters	£0.040m	£0.040m
Materiality for Senior Officer Remuneration	£5,000	£5,000



2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan

Commentary

Management override of controls

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

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

As part of our work we:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determine the criteria for selecting high risk unusual journals;
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.
- Tested high value and unusual journals processed during the year and at the accounts production stage for appropriateness and corroboration.

Our audit work, including our review of journal entries and the related control environment, has not identified any significant issues with regards to management override of controls. For all the journals reviewed we concluded that they were appropriate transactions.

There were a number of back-posted journals (30) in the ledger. We would note that this is a high number compared to other Councils with the expectation being this is not a common occurrence however our review indicated that proper procedures were followed. We also noted two recommendations (detailed in Appendix A) to further strengthen control arrangements in this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

The revenue cycle includes fraudulent transactions (rebutted)

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

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

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

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

We re-considered this assessment on receipt of the draft financial statement and have not identified any reasons to change this assessment.

The expenditure cycle includes fraudulent transactions (rebutted)

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

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

In our Audit Plan we set out that we had rebutted this presumed risk for Cotswold District Council because:

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

We re-considered this assessment on receipt of the draft financial statement and have not identified any reasons to change this assessment.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability and the key assumptions that underpin this significant estimate

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

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£35m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

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

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

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

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Gloucestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We have received the assurances from the auditor of Gloucestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. No material issues were raised.

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

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Investment Property [Annual Revaluation]

The Council revalue its investment property on an annual basis to ensure that the carrying value is not material different from the fair value as at the balance sheet date. 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.

We have therefore identified the appropriateness of the specific inputs and assumptions that drive the valuation of investment property as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our work we have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; and
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register.
- evaluated the assumptions made by the valuer for those assets revalued at 31 March 2022. For the assets not formally revalued in year we have assessed how management has satisfied themselves that these assets are not materially different to the current value at the year end.

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

Valuation of land and buildings and the key assumptions and judgements that underpin this significant estimate

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

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

As part of our work we have:

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

At the time of writing this report we have not identified any significant issues that we need to bring to your attention, however, our work on this risk remains in progress. We are currently:

- evaluating the assumptions made by the valuer for those assets revalued at 31 March 2022

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																																							
Net pension liability – £35.5m	<p>The Council's net pension liability at 31 March 2022 is £35.5m (PY £46.3m) comprising the Gloucestershire Local Government and unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £10.8m decrease in the liability during 2021/22.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> Assessed management's expert to ensure suitably qualified and independent, Assessed the actuary's roll forward approach taken, We have used PwC as auditors expert to assess actuary and assumptions made by actuary. The table below summarises where Cotswold District Council fall in the acceptable ranges set by PwC: <table border="1"> <thead> <tr> <th>Assumption</th> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>Discount rate</td> <td>2.70%</td> <td>2.70% - 2.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>Pension increase rate</td> <td>3.20%</td> <td>3.15%-3.30%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>Salary growth</td> <td>3.50%</td> <td>3.20%-4.20%</td> <td>●</td> </tr> <tr> <td>Duration of liabilities</td> <td>Duration of liabilities</td> <td>19 years</td> <td>15-22 years</td> <td>●</td> </tr> <tr> <td rowspan="2">Life expectancy - Males currently ages 45 / 65</td> <td rowspan="2">Life expectancy - Males currently ages 45 / 65</td> <td>Current 21.7</td> <td>Current 20.1 - 22.7</td> <td rowspan="2">●</td> </tr> <tr> <td>Future 22.6</td> <td>Future 21.4 - 24.3</td> </tr> <tr> <td rowspan="2">Life expectancy - Females currently ages 45 / 65</td> <td rowspan="2">Life expectancy - Females currently ages 45 / 65</td> <td>Current 24.1</td> <td>Current 22.9 - 24.9</td> <td rowspan="2">●</td> </tr> <tr> <td>Future 25.8</td> <td>Future 24.8 - 26.7</td> </tr> </tbody> </table> <ul style="list-style-type: none"> We have gained assurance over the completeness and accuracy of the underlying information used to determine the estimate, We have gained assurance over the reasonableness of the Council's share of LGPS pension assets, and We have reviewed the adequacy of disclosure of the estimate in the financial statements. 	Assumption	Assumption	Actuary Value	PwC range	Assessment	Discount rate	Discount rate	2.70%	2.70% - 2.75%	●	Pension increase rate	Pension increase rate	3.20%	3.15%-3.30%	●	Salary growth	Salary growth	3.50%	3.20%-4.20%	●	Duration of liabilities	Duration of liabilities	19 years	15-22 years	●	Life expectancy - Males currently ages 45 / 65	Life expectancy - Males currently ages 45 / 65	Current 21.7	Current 20.1 - 22.7	●	Future 22.6	Future 21.4 - 24.3	Life expectancy - Females currently ages 45 / 65	Life expectancy - Females currently ages 45 / 65	Current 24.1	Current 22.9 - 24.9	●	Future 25.8	Future 24.8 - 26.7	Light purple
Assumption	Assumption	Actuary Value	PwC range	Assessment																																						
Discount rate	Discount rate	2.70%	2.70% - 2.75%	●																																						
Pension increase rate	Pension increase rate	3.20%	3.15%-3.30%	●																																						
Salary growth	Salary growth	3.50%	3.20%-4.20%	●																																						
Duration of liabilities	Duration of liabilities	19 years	15-22 years	●																																						
Life expectancy - Males currently ages 45 / 65	Life expectancy - Males currently ages 45 / 65	Current 21.7	Current 20.1 - 22.7	●																																						
		Future 22.6	Future 21.4 - 24.3																																							
Life expectancy - Females currently ages 45 / 65	Life expectancy - Females currently ages 45 / 65	Current 24.1	Current 22.9 - 24.9	●																																						
		Future 25.8	Future 24.8 - 26.7																																							

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Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £5.9m	<p>The Investment properties comprises £5.9m of assets, which are required to be valued at fair value.</p> <p>The Council has used an external valuer (Carter Jonas) to complete the valuation of properties as at 31 March 2022. In line with the CIPFA Code, all investment properties were revalued during 2021/22.</p> <p>The total year end valuation of investment properties was £5.9m, this is a net decrease of £0.3m from 2020/21 (£6.2m).</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> Assessed management's expert to ensure suitably qualified and independent, Assessed the completeness and accuracy of the underlying information used to determine the estimate, Confirmed there were no changes to valuation method, Assessed the consistency of the estimate against near neighbours and using the Gerald Eve report, and Assessed the adequacy of disclosure of the estimate in the financial statements. <p>We concur with the Council's categorisation of these assets as investment properties.</p>	Light purple

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Assessment

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

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £63.3m	<p>Other land and buildings comprises £63.3m of assets which are required to be valued at either current market value or depreciated replacement cost (DRC) at year end reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The Council used an external valuer and its in house valuer to complete the valuation of properties as at 31/03/22 on a three yearly cyclical basis. 60% of total assets were revalued during 2021/22.</p> <p>For the remaining assets not formally revalued an exercise is undertaken to ensure that the carrying value is not materially different to the current value. Management applied indices to the values of those assets that have not been formally revalued in year to determine whether there has been a material change in the total value of these assets. Management's assessment of assets not revalued has identified no material change to the values.</p> <p>The total year end valuation of land and buildings was £63.3m, a net increase of £1.6m from 2020/21 (£61.7m PY).</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> Assessed management's expert to ensure suitably qualified and independent, Assessed the completeness and accuracy of the underlying information used to determine the estimate, Confirmed there were no changes to valuation method, Assessed the consistency of the estimate against near neighbours and using the Gerald Eve report, and Assessed the adequacy of disclosure of the estimate in the financial statements. 	Light purple

Assessment

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

2. Financial Statements - other communication requirements

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

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. We are awaiting three investment confirmations from the banks at the current stage.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



Our responsibility

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

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>We have nothing significant to report on these matters. A small number of minor changes were made to the draft statements.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>

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2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>No detailed work is required in this area as the Council is below the thresholds set by the NAO.</p>
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of Cotswold District Council in the audit report, as detailed in Appendix E, due to incomplete VFM work.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its 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 the three specified reporting criteria.

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Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report in May 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of Financial Sustainability.

4. Independence and ethics

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

In this context, we disclose to you that during the early part of the 2019/20 financial year, the previous audit manager, applied for a job with Publica. Following the application process, she was successful and has now take up her new role. The role involves the 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 2021/22 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. This is the last year these safeguarding procedures are required to be in place.

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

Audit and non-audit services

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

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

Details of fees charged are detailed in Appendix D

Transparency

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

Appendices

A. Action plan – Audit of Financial Statements

We have identified three recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. Management have agreed with our recommendations.

Assessment	Issue and risk	Recommendations
High	The S151 office recognises that capacity within the finance team remains a significant issue. We are of the view that there is not sufficient skilled finance expertise below the S151 officer and Chief Accountant to support the multiple responsibilities of a LG finance team. Specifically, the reliance on the Chief Accountant, who has taken on almost sole responsibility for supporting the external audit process, means that timely audit completion is compromised.	We recommend that the Council strengthen its finance capacity to enable it to commit sufficient time to all aspects of internal and external financial reporting.
Low	The journal authorisation process in place involves the Chief accountant reviewing all journals, with any journals posted by the latter subject to a separate review by the Finance Business Manager. The second review did not consistently include a date.	We recommend that all levels of review be properly documented with the date the review took place.
Low	As part of our review of the ledger we noted one journal had a blank description. Journal line descriptions are not mandated in the Agresso system. It is best practise within the Council that this be filled in.	We would recommend that journal line description be a mandatory field in the Agresso system.

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Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Cotswold District Council's 2020/21 financial statements, which resulted in two recommendations being reported in our 2020/21 Audit findings report. We have followed up on the implementation of our recommendations and note these have been addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Disclosures relating to both critical judgements and estimation uncertainty lack the level of detail envisaged by IAS 540 and as described in the most recent FRC thematic review.	More detail has been added to note F8 compared to 2020/21 in the estimation uncertainties around the value of PPE & Investment Property.
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 on the accounts, it does suggest that officers need to review the UEL and determine whether they remain appropriate for the assets that are still recorded in the asset register	Review of the closing Fixed Asset Register as at 31/3/22 confirms there are still a number of assets at nil net book value. These assets and their useful lives are being reviewed as part of the 22/23 final accounts process.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments



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Impact of unadjusted misstatements

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

Impact of adjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Revaluation reserve £'000	Balance Sheet £'000	Impact on total net expenditure £'000
A car park valuation was included in the accounts at the incorrect value as a result of the wrong valuation sheet being provided to the finance team. This has resulted in an overstatement of PPE.	378,700	(378,700)	0
We've noted an additional car park valuation had the wrong income value for 2020 – this resulted in an overstated valuation of the asset.	270,650	(270,650)	0
Overall impact	649,350	(649,350)	0

C. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure omission	Adjusted?
There are a number of balances on page 7 of the Narrative report which do not agree to the accounts.	✓
Audit fees in Note B7 did not agree to the balance disclosed in the audit plan and agreed with management. This resulted from the exclusion of additional fees.	✓
Our testing noted an error in the value of the Covid Outbreak Management Fund of £44,600. This has resulted in the Grant balance being understated in the Grants disclosure note.	✓
We noted a discrepancy in supporting workings resulting in the Debtors and Creditors notes being understated by £169,551.78.	✓
During the course of the audit a number of small disclosure amendments including typos or syntax improvements were made to the financial statements, Annual Governance Statement and Narrative Report. These have not been reported separately due to their insignificant nature.	✓

D. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£62,658	TBC
Total audit fees (excluding VAT)	£62,658	TBC

E. Draft Audit opinion

Our draft audit opinion is included below. We anticipate we will provide the Council with an unmodified audit report.

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Cotswold District Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements: give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;

- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

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

E. Audit opinion (continued)

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer.

E. Audit opinion (continued)

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer's determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

E. Audit opinion (continued)

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- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, accounting estimates and critical judgements made by management.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on management override of controls;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

E. Audit opinion (continued)

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

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

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

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

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

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Cotswold District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

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

Peter Barber, Key Audit Partner

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

F. Management Letter of Representation

X X 2022

Dear Sirs

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

This representation letter is provided in connection with the audit of the financial statements of Cotswold District Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

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

Financial Statements

We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

Except as disclosed in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the Council has been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

F. Management Letter of Representation (continued)

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

The financial statements are free of material misstatements, including omissions.

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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

We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

- a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

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

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

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

F. Management Letter of Representation (continued)

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

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

Annual Governance Statement

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

Narrative Report

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

Signed on behalf of the Council

Date

G. Delivering audit quality – proven success in regulatory inspections

The Financial Reporting Council (FRC) published the findings of its annual Quality Inspection of our firm, alongside the six other ‘Tier One’ auditing firms in the UK, on 20 July 2022.

Our results

- We’re the first firm to ever be awarded the highest quality grading for 100% of files reviewed

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For the second consecutive year, we have the highest proportion of audits with the top-quality grades out of the seven major firms

[Click here](#) to see FRC’s latest inspection report into our firm. The graph to the right shows Grant Thornton is the only firm to have all files reviewed in the highest quality grading bracket awarded (“Good or limited improvements required”).

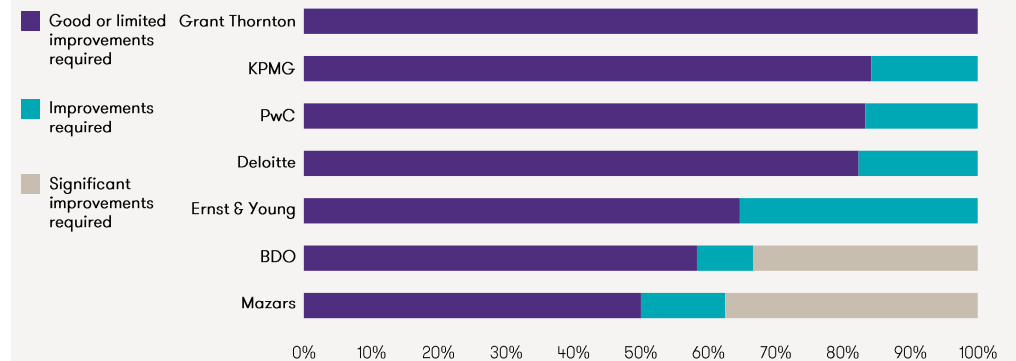
Continued commitment to audit quality

We continuously evolve our audit practice, so we deliver quality against the backdrop of continually evolving scrutiny and challenge, whilst ensuring we exceed client stakeholder expectations. The past two FRC inspection results are evidence of this.

Our commitment to quality, includes us continuing to:

- hold ourselves accountable.** It’s what our Audit Quality Board, with external audit experts, does
- challenge management.** It’s part of our approach – to robustly explore areas that are complex, significant or highly judgmental, for example, certain accounting estimates, going concern evaluations, revenue recognition and other such areas
- challenge ourselves.** It’s why we have a continuous improvement approach focussed on how we can be even better year on year, in technical skills, project management skills, digital, culture, and working as effectively as possible with you
- invest, significantly.** It’s why we have centres of excellence and an Audit Quality Academy, and have grown and developed our IT audit and Digital Audit Technology practices

FRC’s Audit Quality Inspection and Supervision Report Findings 2021-22 (%), July 2022



What has the FRC said about us?

Our firm is immensely proud of the “good practice” areas highlighted by the FRC:

- Detailed reporting and effective communication with Audit Committees
- Robust challenge and scepticism to Management’s accounting around complex areas, particularly around impairment and journals
- Discussions with those outside of the finance team to provide broader audit evidence and insight

In our recent reports, our internal use of specialists and approach to use of data analytics has also been highlighted by the regulator; both of which remain integral to the success of our results and approach to quality.

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COTSWOLD
DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2021/2022

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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
Total	£15,821,406

- 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)
Budgeted (Surplus)/Deficit	(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

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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; and
- 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's Medium Term Financial Strategy approved in February 2022 included £75 million of capital investment (known as the Recovery Investment Strategy) to reflect the desire to invest to deliver against the Council Priorities and Corporate Plan to generate additional income replacing anticipated reductions to Government funding. This was to be financed through prudential borrowing with the revenue implications included in the Medium Term Financial Strategy.

In light of the level of economic uncertainty, the increased cost of short-term and long-term borrowing, and the tightening of the capital finance environment, Council made the decision to it is appropriate to rescind Recovery Investment Strategy. This decision was reflected in Medium Term Financial Strategy and Capital Programme approved in by Council February 2023

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

NARRATIVE REPORT

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 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.

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:

	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)
TOTAL	(17,158,639)	(1,407,942)

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 Lease Depot – Flood Prevention Works	67
	2,629

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.

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.

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- 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 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

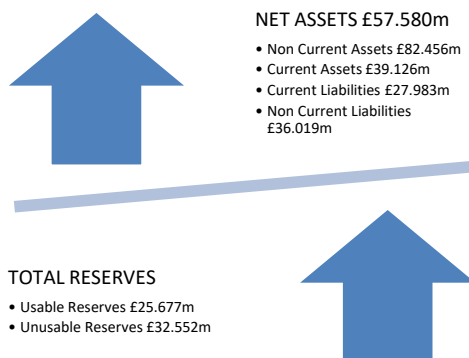
At the year-end usable reserves stood at £25.677 million, a decrease of £0.226 million during the year.

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:

- **£1.082m upward valuation of Property, Plant & Equipment**
- **£5.498m increase in current investments**
- **£3.982m decrease in debtors**
- **£3.477m increase in cash and cash equivalent**

£1.557m 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

NARRATIVE REPORT

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 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

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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.



Jo Moore, FCCA
Interim Chief Finance Officer

NARRATIVE REPORT

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 31st 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				2021/22			
Gross Expenditure £	Gross Income £	Net Expenditure £		Note	Gross Expenditure £	Gross Income £	Net Expenditure £
			<u>Joint Committee/ Shared Services</u>				
1,095,422	(474,611)	620,811	Environmental and Regulatory Services		1,208,756	(597,985)	610,771
2,240,015	(1,135,547)	1,104,468	Business Support Services		2,416,056	(1,103,014)	1,313,042
2,016,349	(87,879)	1,928,470	ICT, Change and Customer Services		2,184,333	(110,466)	2,073,867
1,609,021	(842,309)	766,712	Land, Legal and Property Services		1,785,039	(783,520)	1,001,519
210,264	0	210,264	Chief Executive and Modernisation Costs		185,335	0	185,335
15,736,064	(14,975,290)	760,774	Revenues and Housing Support Services		14,827,328	(13,882,621)	944,707
5,119,036	(5,494,822)	(375,786)	Revenues - Covid Grants		1,764,434	(1,324,941)	439,493
			<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
46,571,889	(30,219,305)	16,352,584	Cost of Services		43,127,839	(26,640,224)	16,487,615
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)
51,340,889	(51,739,222)	(398,333)	(Surplus) / Deficit on Provision of Services	B1/B2	47,950,934	(48,353,784)	(402,850)
		8,391,474	(Surplus) / deficit on revaluation of non current assets				(1,082,432)
		(50,000)	(Gains)/ losses on financial instruments designated at Fair Value through Other Comprehensive Income				0
		188,550	Reclassification of Asset under construction to REFUS				0
		9,683,000	Remeasurement of the net defined benefit liability				(13,344,000)
		18,213,024	Other Comprehensive Income and Expenditure				(14,426,432)
		17,814,691	Total Comprehensive Income and Expenditure				(14,829,282)

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement

	Note	Usable Reserves				Total Usable Reserves £	Unusable Reserves £	TOTAL RESERVES £
		General Fund - Unallocated £	General Fund - Earmarked £	Capital Receipts Reserve £	Capital Grants Unapplied £			
Balance at 31 March 2020		(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
(Increase) / Decrease in Reserves 2020/21		3,580,645	(8,740,224)	1,752,368	(187,082)	(3,594,293)	21,408,984	17,814,691
Balance at 31 March 2021		(894,613)	(16,551,802)	(8,196,328)	(260,761)	(25,903,504)	(16,868,956)	(42,772,460)
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)	(14,426,432)	(14,829,282)
Adjustments between accounting basis & funding basis under regulations	C1	2,613,542	43,900	(1,477,748)	(550,175)	629,519	(629,519)	0
(Increase) / Decrease in Reserves 2021/22		(1,658,097)	3,912,689	(1,477,748)	(550,175)	226,669	(15,033,944)	(14,807,275)
Balance at 31 March 2022		(2,552,710)	(12,639,113)	(9,674,076)	(810,936)	(25,676,835)	(31,902,900)	(57,579,735)

BALANCE SHEET

Balance Sheet

31 March 2021 £		Note	31 March 2022 £
59,780,480	Property, Plant & Equipment	D1	60,739,023
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
82,078,623	Non-Current Assets		82,456,874
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	17,319,294
11,370,358	Cash and Cash Equivalents	E2	14,847,840
33,842,918	Current Assets		39,125,532
(133,990)	Cash and Cash Equivalents	E2	0
(23,184,280)	Creditors	D6	(24,741,668)
(1,773,391)	Creditors - s.106 balances	D6	(1,941,457)
(1,118,220)	Provisions	D7	(1,299,869)
(26,209,881)	Current Liabilities		(27,982,994)
(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)
(46,939,200)	Non-Current Liabilities		(36,019,673)
42,772,460	Net Assets		57,579,739
(25,903,505)	Usable reserves	C2	(25,676,835)
(16,868,955)	Unusable Reserves	C3	(31,902,900)
(42,772,460)	Total Reserves		(57,579,735)

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)
Net cash flows from Operating Activities		(1,272,203)	6,452,671
Investing Activities	F3	7,027,794	(2,794,030)
Financing Activities	F4	23,585	(47,169)
Net increase or (decrease) in cash and cash equivalents		5,779,176	3,611,472
Cash and cash equivalents at 1 April		5,457,192	11,236,368
Cash and cash equivalents at 31 March		11,236,368	14,847,840
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
		11,236,368	14,847,840

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
Cost of Services	16,487,615	(3,208,375)	0	13,279,240	244,784	13,524,024
Other Income and Expenditure	(16,890,465)	5,820,775	(3,868,789)	(14,938,479)	(244,784)	(15,183,263)
(Surplus) / Deficit on Provision of Services	(402,850)	2,612,400	(3,868,789)	(1,659,239)	0	(1,659,239)
Budgeted Transfer to General Fund						1,640,257
Surplus reported to Management						(18,982)
Opening General Fund Balance (Unallocated) at 1 April				(894,613)		
(Surplus) / Deficit for the year				(1,659,239)		
Closing General Fund Balance (Unallocated) at 31 March				(2,553,852)		

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
Cost of Services	16,352,584	2,538,290	0	18,890,874	310,099	19,200,973
Other Income and Expenditure	(16,750,917)	(7,299,537)	8,740,224	(15,310,230)	(310,099)	(15,620,329)
(Surplus) / Deficit on Provision of Services	(398,333)	(4,761,247)	8,740,224	3,580,644	0	3,580,644
Budgeted transfer from General Fund - Contribution to Glos LGPS						(3,601,000)
Surplus reported to Management						(20,356)
Opening General Fund Balance (Unallocated) at 1 April				(4,475,258)		
(Surplus) / Deficit for the year				3,580,644		
Closing General Fund Balance (Unallocated) at 31 March				(894,614)		

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)			Total adjs between funding and accounting £	Adjustments between amounts chargeable to the General Fund and Management Reporting		Total Management Reporting Adjustments £
	Capital Adjs £	Pension Adjs £	Other Adjs £		Depreciation & Amortisation £	Other Segment Adjs. £	
<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
Cost of Services	(1,547,376)	(1,660,999)	0	(3,208,375)	1,442,634	(1,197,850)	244,784
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
Cost of Services	(1,803,710)	4,342,000	0	2,538,290	1,417,172	(1,107,073)	310,099
Other Income and Expenditure	189,036	(870,000)	(6,618,573)	(7,299,537)	(1,417,172)	1,107,073	(310,099)
(Surplus) / Deficit on Provision of Services	(1,614,674)	3,472,000	(6,618,573)	(4,761,247)	0	0	0

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 £
Expenditure		
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
Total Expenditure	51,340,887	47,950,934
Income		
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)
Total Income	(51,739,221)	(48,353,784)
(Surplus) / Deficit on Provision of Services	(398,334)	(402,850)

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
	3,344,557	2,531,365

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
	(745,042)	(481,598)

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
	6,324,848	2,627,344
Council Tax income	(8,900,806)	(9,451,842)
Non-ringfenced government grants	(16,774,473)	(12,137,355)
	(19,350,431)	(18,961,853)

B6. Members' Allowances

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

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 £
Fees payable to external auditor with regard to external audit services carried out by the appointed auditor for the year:		
Scale Fee	34,557	37,557
Increases to Scale Fee	22,750	25,101
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
	79,925	105,508

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

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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 LLP 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)	(324,400)
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)
	(19,238,298)	(14,553,358)
<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)
	(16,774,473)	(12,137,355)
<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
	(1,642,599)	(922,763)

* £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)
	(618,264)	(487,901)

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 ¹	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
	223,285	43,055	0	0	266,340
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 ¹	82,142	16,593	0	0	98,735
Monitoring Officer ² (until 31 July 2020)	37,865	5,888	64,412	93,015	201,180
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) ³	25,852	4,334	62,840	139,763	232,789
	222,795	31,702	127,252	232,778	614,527

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

¹ 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.

² 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.

³ 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'	
£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	0	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	1 ¹	0
£225,000 to £229,999	1 ¹	0
Total	3	4

¹ 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
		359,634		0

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	157,031	0
£201,001 - £250,000	0	0	1	0	1	0	202,603	0
Total	0	0	2	0	2	0	359,634	0

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
	£	£	£	£
Capital Adjustments				
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)			
Adjustments between Capital & Revenue Resources				
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)	
Adjustments to Capital Resources				
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)	
Financial Instrument Adjustments				
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			
Pension Adjustments				
Pension costs transferred to / (from) the Pensions Reserve	(2,602,000)			
Other Adjustments				
Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account	3,555,418			
	2,613,542	43,900	(1,477,748)	(550,175)

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

	2020/21			
	General Fund - Unallocated	General Fund - Earmarked	Capital Receipts Reserve	Capital Grants Unapplied
	£	£	£	£
Capital Adjustments				
<u>Reversal of entries included in the CI&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 & 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	
Financial Instrument Adjustments				
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			
Pension Adjustments				
Pension costs transferred to / (from) the Pensions Reserve	3,472,000			
Other Adjustments				
Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account	(7,540,225)			
	(4,761,246)	0	1,752,368	(187,082)

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)	(4,861,274)
Community-Led Housing	(827,564)	0	21,230	0	(806,334)
Business Rates Smoothing reserve	(7,626,162)	0	7,425,000	(3,919,000)	(4,120,162)
New Burdens Grant	(475,300)	90,000	90,011	(115,389)	(410,678)
Additional Restrictions Grant	(398,306)	0	398,306	0	0
Covid related	(493,711)	0	317,852	0	(175,859)
Other earmarked reserves	(1,783,727)	11,172	394,807	(887,058)	(2,264,806)
	(16,551,803)	0	9,184,137	(5,271,447)	(12,639,113)

C3. Unusable Reserves

Summary of Unusable Reserves

	31 March 2021 £	31 March 2022 £
Revaluation Reserve	(35,269,701)	(35,786,417)
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)
	(16,869,355)	(31,902,900)

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 1st 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)	(4,506,315)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	9,269,529	3,423,881
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	(1,082,434)
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
Closing Balance - 31 March	(35,269,701)	(35,786,417)

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 1st 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 & Revenue Resources</u>		
Capital Grants Repaid	0	0
Net written out amount of the cost of non current assets consumed in year	3,621,084	2,029,554
<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
Closing Balance - 31 March	(30,846,273)	(31,318,676)

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)
Closing Balance - 31 March	46,258,000	35,516,000

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)
	(5,624,685)	(4,970,995)

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
	8,192,819	22,006	(7,692,957)	4,137,538	4,659,406

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
Closing Balance - 31 March	450,485	27,780

The pooled investment fund adjustment account was created on 1st 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
Closing Balance - 31 March	(30,000)	(30,000)

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 £
Asset Cost or Valuation						
Asset values at 1 April 2021	54,396,697	2,448,266	201	4,513,879	0	61,359,043
Additions	113,322	1,618,156	0	0	0	1,731,478
Revaluation increases / (decreases)	488,840	0	0	(473,560)	0	15,280
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
Asset values at 31 March 2022	54,998,859	3,789,539	201	4,040,319	0	62,828,918
Depreciation						
Accumulated depreciation at 1 April 2021	(114,987)	(1,463,575)	0	0	0	(1,578,562)
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
Accumulated depreciation at 31 March 2022	(328,673)	(1,761,222)	0	0	0	(2,089,895)
Net Book Value of Assets						
1 April 2021	54,281,710	984,691	201	4,513,879	0	59,780,481
31 March 2022	54,670,186	2,028,317	201	4,040,319	0	60,739,023

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 £
Asset Cost or Valuation						
Asset values at 1 April 2020	62,234,027	2,311,061	201	4,712,913	1,609,749	70,867,951
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)
Asset values at 31 March 2021	54,396,697	2,448,266	201	4,513,879	1	61,359,044
Depreciation						
Accumulated depreciation at 1 April 2020	(362,159)	(1,250,551)	0	0	0	(1,612,710)
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	0
Accumulated depreciation at 31 March 2021	(114,987)	(1,463,575)	0	0	0	(1,578,562)
Net Book Value of Assets						
1 April 2020	61,871,868	1,060,510	201	4,712,913	1,609,749	69,255,241
31 March 2021	54,281,710	984,691	201	4,513,879	1	59,780,482

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
	55,319,532	2,028,317	201	4,040,320	0	61,388,370

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
	(235,677)	(410,447)

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)
Closing Balance - 31 March	6,217,500	5,947,000

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 £
<u>Asset Cost or Valuation</u>		
Asset values at 1 April	295,631	170,512
Additions	9,534	5,779
Derecognition	(134,652)	0
Asset values at 31 March	170,513	176,291
<u>Amortisation</u>		
Accumulated Amortisation at 1 April	(219,699)	(114,133)
Amortisation charge for the year	(29,087)	(31,470)
Derecognition	134,652	0
Accumulated Amortisation at 31 March	(114,134)	(145,603)
Net carrying amount at 31 March	56,379	30,688

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
	4,944,976	4,238,469

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	761,470
Other Debtors	758,406	656,297
Prepayments	403,815	387,000
	22,615,421	18,351,562
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)
	21,301,423	17,319,294

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)	(1,378,850)
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)	(24,741,668)
S106 Balances	(1,773,391)	(1,941,457)
	(24,957,671)	(26,683,125)

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)
	(1,118,220)	(330,167)	148,518	0	(1,299,869)

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 £
Opening Capital Financing Requirement	86,523	63,187
Capital investment in the year		
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
Sources of finance		
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
Net increase / (decrease) in Capital Financing Requirement	(23,336)	(47,170)
Closing Capital Financing Requirement	63,187	16,017

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
Closing Balance - 31 March	0	300,000

Current Assets	2020/21 £	2021/22 £

NOTES TO THE BALANCE SHEET

Opening Balance - 1 April	0	0
Assets classified as/(transferred from) held for sale during the year:		
- Property, Plant & Equipment	0	300,000
Closing Balance - 31 March	0	300,000

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 1st 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 £
Comprehensive Income & Expenditure Statement		
<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 & Expenditure:</i>		
Net Interest Expense	870,000	941,000
Net Charge to Surplus or Deficit on Provision of Services	3,005,000	3,864,000
<i>Other post employment benefit charged to Comprehensive Income & 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)
Total post employment benefits charged to the Comprehensive Income & Expenditure Statement	12,688,000	(9,480,000)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(3,005,000)	(3,864,000)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	6,477,000	1,262,000

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Pension Assets and Liabilities recognised in the Balance Sheet

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

	31 March 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
Net liability arising from defined benefit obligation	(46,258,000)	(35,516,000)

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)
Closing Balance 31 March	90,252,000	94,472,000

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
Closing Balance 31 March	(136,510,000)	(129,988,000)
	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	%
Debt Securities								
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%
Private Equity								
All	-	460.8	460.8	1%	-	1,030.2	1,030.2	1%
Real Estate								
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%
Investment Funds and Unit Trusts								
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%
Derivatives								
Foreign Exchange	22.2	-	22.2	0%	-	-	0.0	0%
Other	6.4	-	6.4	0%	-	-	0.0	0%
Cash and Cash Equivalents								
All	2,507.4	-	2,507.4	3%	1,258.5	-	1,258.5	1%
	25,382	64,870	90,252	100%	11,226	83,246	94,472	100%

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:

Mortality Assumptions (average future life expectancy at age 65 - years)	Males	Females
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		
Financial Assumptions	31 March 2021	31 March 2022
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:

	Approx. increase in liability	
	%	£
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 31st 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
£	£		£	£
		Financial Assets at Amortised Cost		
0	0	Investments	0	5,500,083
1	0	Ubico Shareholding	1	0
0	9,778,348	Cash and cash equivalents	0	6,143,613
577,815	18,910,431	Debtors	540,642	2,952,170
4,367,161	826,878	Finance Leases	3,697,827	852,955
4,944,977	29,515,657		4,238,470	15,448,821
		Fair Value through Profit or Loss		
10,032,287	1,139,649	Investments	10,454,693	1,136,850
0	1,590,001	Cash and cash equivalents	0	8,703,827
10,032,287	2,729,650		10,454,693	9,840,677
		Fair Value through Other Comprehensive Income		
1,030,000	5,000	Designated Equity Instruments	1,030,000	5,750
16,007,264	32,250,307	Total Financial Assets	15,723,163	25,295,248
		Financial Liabilities at Amortised Cost		
0	(133,990)	Cash and cash equivalents	0	0
0	(9,128,050)	Creditors	0	(4,994,707)
(62,936)	(23,585)	Finance Leases	(15,767)	(23,585)
(62,936)	(9,285,625)	Total Financial Liabilities	(15,767)	(5,018,292)

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	17,319,294	(24,741,668)
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
Total Debtors / Creditors (as above)	540,642	2,952,170	(4,994,707)

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

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	8,703,827
Pooled Investment Funds	Level 1	11,591,543
		20,295,370

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 £
Financial Assets at Amortised Cost				
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
	14,723,325	14,723,325	15,882,166	15,882,166
Financial Liabilities at Amortised Cost				
Borrowing	(133,990)	(133,990)	0	0
Non-Current Finance Leases	(62,936)	(62,936)	(15,767)	(15,767)
	(196,926)	(196,926)	(15,767)	(15,767)

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
	1,030,000	1,030,000	21,500	23,500

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:

	Investment Balance
<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:

	Investment values - maturing within:			
	0-3 mths	3-6 mths	6-12 mths	1 year +
<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

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
	372,156	293,753

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
	62,937	39,352

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
Minimum Lease Payments	71,906	44,960

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
	71,905	44,960	62,937	39,352

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
	8,146,780	7,407,550

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
	8,146,780	7,407,550	5,194,028	4,549,321

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:

	31 March 2021 £	31 March 2022 £
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
	3,732,308	2,989,724

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

E5. Accounting Policies

i) General Principles

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

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

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

ii) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption they are carried as inventories [stock] on the Balance Sheet, where the value is material.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument ("what is due") rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. For all debts outstanding at the balance sheet date, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The council has set a de-minimis level for accruals of creditors and debtors that are calculated manually in order to avoid additional time and cost in estimating and recording accruals. This level is set at £1,000 with the exception of any grant where applying the de-minimis level would affect the claim and accruals calculated using system automated reports.

iii) Cash and cash equivalents

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

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

iv) Exceptional items

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 it is classified as held for sale.

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

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

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

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
<p>Property, Plant & Equipment – Operational Property</p>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>The Valuer has stated that valuations have been prepared in accordance with the RICS Valuation standard and recommendations contained within the RICS Red Book.</p> <p>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 Councils 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	<p>The Council set its budgets and Medium Term Financial Strategy (MTFP) based upon its best estimate of plans and funding. Sources of income, grant funding and savings plans are all liable to change the further into the future one moves.</p>	<p>If estimates on income, funding or savings plans differ (and all move adversely), the Council will be able to draw upon revenue reserves to smooth fluctuations in funding until alternative savings plans are developed.</p> <p>The provisions in the CIPFA code in respect of going concern accounting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that local authorities have no ability to cease being a going concern as described by IAS 1 Presentation of Financial Statements (i.e. management deciding to liquidate the entity or cease trading). As authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for local Authority financial statements to be prepared on anything other than a going concern basis.</p> <p>It is therefore assumed that the Council will remain a going concern with the assumption that the Council's services will continue for the foreseeable future. There is no material uncertainty in relation to going concern.</p>

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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 1/7th 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 1/7th 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

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)
	(269,536)	10,501,904

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)
	1,401,000	(4,452,085)

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
	7,027,794	(2,794,030)

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
	23,585	(47,169)

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					2021/22		
Business Rates	Council Tax	Total		Note	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)
(15,325,760)	(75,460,412)	(90,786,172)	Total Income		(43,443,248)	(79,477,395)	(122,920,643)
			<u>Apportionment of previous year's deficit</u>				
0	(49,328)	(49,328)	Cotswold District Council		0	(79,749)	(79,749)
0	(311,207)	(311,207)	Gloucestershire County Council		0	(417,056)	(417,056)
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)
34,275,763	76,706,025	110,981,788	Total Expenditure		34,986,958	78,010,963	112,997,921
18,950,003	1,245,613	20,195,616	(Surplus) / Deficit for the Year		(8,456,290)	(1,466,432)	(9,922,722)
1,039,280	623,553	1,662,833	(Surplus) / Deficit brought forward		19,989,283	1,869,166	21,858,449
19,989,283	1,869,166	21,858,449	(Surplus) / Deficit carried forward	G5	11,532,993	402,734	11,935,727

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
			41,848.15

* adjusted for discounts and exemptions

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.

NOTES TO THE COLLECTION FUND

G2. National Non Domestic Rates

Under the Business Rates Retention Scheme the Council acts as both principal and agent, in that it is able to retain 40% of the net standard business rates collected within the local area as income within its own budget, net of tariff payable to central government, as well as 100% of net rates from properties relating to renewable energy schemes (Disregarded Amounts). The Council distributes the remaining net balance of standard business rate income to Central Government, who are allocated 50%, with the final 10% to Gloucestershire County Council.

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	£89,870,364	£90,025,907
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%
	(2,080,677)	(889,910)	

G4. Business Rates – Disregarded Amounts

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

NOTES TO THE COLLECTION FUND

G5. Collection Fund Balance Sheet Apportionment

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

The respective authorities' share of the balance is as follows at 31 March 2022:

	Cotswold District Council £	Gloucs. County Council £	Central Govt. £	Gloucs. P&CC £
Council Tax				
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
Business Rates				
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 £
Council Tax				
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
Business Rates				
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

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1. SCOPE OF RESPONSIBILITY

Cotswold District Council is responsible for ensuring that:

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

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

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

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

In addition to this, CIPFA issued its “Statement on the Role of the Chief Finance Officer in Local Government (2015)”. The Annual Governance Statement (AGS) reflects compliance 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 31st 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.

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- 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);

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- 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's¹ 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

¹ 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

- 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.

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- 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.

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- 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"> • Develop Corporate Plan, to underpin Corporate Strategy • Development of new performance management framework, including Service Delivery Plan and Key Performance Indicators linked to new Corporate Plan. 	<ul style="list-style-type: none"> • Complete, approved by Council September 2020 • A revised set of performance indicators with a new style of performance report has been established
2.	Procurement and contract management.	<ul style="list-style-type: none"> • Compliance with new strategy for procurement and contract management. • Ensure all contract conditions are being monitored and fulfilled. • Financial management training to cover procurement and commissioning. 	<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"> • Financial management guidance included in 2022/2023 budget packs
3.	Constitution and of schemes delegation.	<ul style="list-style-type: none"> • Schemes of delegation to be updated. • Training to be provided where appropriate for Officers given delegated authority. 	<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>

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		<ul style="list-style-type: none"> A training programme for Members to be developed. 	<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">
4.	Operational Risks.	<ul style="list-style-type: none"> Operational risk registers to be reviewed quarterly with emerging high level risks escalated to strategic/corporate register. 	<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">
5.	Responsibility and accountability of the Council's Senior Leadership Team and Publica Management Team	<ul style="list-style-type: none"> Clarify and embed responsibility and accountability between the Council's Senior Leadership Team and Publica's Management Team. Clarify responsibility and accountability of Publica Officers. 	<p>COMPLETE</p> <p>The Local Leadership Team includes Lead Director for Publica.</p> <p>COMPLETE</p> <ul style="list-style-type: none"> 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.
6.	Budget management	<ul style="list-style-type: none"> Review of approvers on 'Business World' to ensure only the approved budget holder (or line manager) is able to approve spending. Financial management training to cover budget management. 	<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"> Financial management guidance included in 2022/2023 budget packs
7.	Project and programme management.	<ul style="list-style-type: none"> New framework for project and programme management to be rolled out. High level project risks to be escalated to the Strategic/Corporate register. 	<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"> The new Risk Group reviews Project Risk Registers to ensure a consistent approach is maintained.
8	Health and safety.	<ul style="list-style-type: none"> Health and safety audits to be refreshed as we come out of 'lockdown' and staff return to office working. Fire Risk Assessments to be refreshed as we come out of 'lockdown' and staff return to office working. 	<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"> New Contract and Procurement Strategy to be approved and published to all officers, linking to the Contract Procedure Rules. Planned audit of contract and procurement by SWAP will cover officer awareness of the contract procedure rules.
2.	A training programme for Members to be developed.	<ul style="list-style-type: none"> A training programme is to be developed in conjunction with West Oxfordshire and the Forest of Dean District Councils.
3.	Budget management	<ul style="list-style-type: none"> Review of approvers on 'Business World' to ensure only the approved budget holder (or line manager) is able to approve spending.
4.	Risk management training	<ul style="list-style-type: none"> Training package to be finalised and rolled out. Full training package and other material covering the risk and opportunity guidance to be published on the Publica portal. Planned audit of risk and opportunity management by SWAP will cover officer awareness of guidance.
5.	Compliance with audit recommendations	<ul style="list-style-type: none"> Improved reporting of outstanding audit recommendations to Local Management Team, Audit Committee and Publica's Audit Risk and Compliance Committee.

ANNUAL GOVERNANCE STATEMENT

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

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

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

[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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Agenda Item 9



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 27 APRIL 2023
Subject	STATEMENT OF ACCOUNTING POLICIES 2022/23
Wards affected	ALL
Accountable member	Cllr Mike Evemy, Deputy Leader and Cabinet Member for Finance Email: mike.evemy@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Report author	Andrew Moran, Finance Business Partner Email: Andrew.Moran@publicagroup.uk
Summary/Purpose	This report presents the accounting policies to be included in the 2022/23 Statement of Accounts. This provides Members with the opportunity to review and approve the policies in advance of the preparation of the Statement of Accounts 2022/23. Approving the accounting policies in advance of the preparation of the accounts represents best practice.
Annexes	Annex A – Draft Statement of Accounting Policies – 2022/23
Recommendation(s)	<i>It is recommended that:</i> <ol style="list-style-type: none"> 1. <i>The Audit Committee considers and approves the draft accounting policies for 2022/23 included at Annex A;</i> 2. <i>Further necessary amendments to the policies set out at Annex A (occurring subsequent to this meeting) are included within the draft (unaudited) and/or final (audited) Statement of Accounts when presented to this Committee.</i>
Corporate priorities	Deliver the highest standard of service
Key Decision	NO
Exempt	NO



Consultees/ Consultation	None. The draft policies presented in this report have been prepared in accordance with latest CIPFA Code of Practice on Local Authority Accounting.
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1. EXECUTIVE SUMMARY

- 1.1 This report presents for approval, the draft Statement of Accounting Policies to be applied in closing the Council's accounts for 2022/23. The policies are included at Annex A.
- 1.2 The policies outline the relevant accounting principles, bases, conventions, rules and practices applied by the authority in preparing and presenting its financial statements.
- 1.3 The policies have been reviewed and updated to align with the latest CIPFA Code of Practice on Local Authority Accounting (The Code) supported by International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs).

2. BACKGROUND

- 2.1 The Council's External Auditor, Grant Thornton LLP recommend that Members formally approve the draft Statement of Accounting Policies to be included in the Statement of Accounts before the closedown process is undertaken.
- 2.2 Such approval demonstrates that those charged with governance have had the opportunity to consider and review the draft policies and are aware of the policies to be applied in closing the Council's accounts for 2022/23 in advance of the process.
- 2.3 The Committee will approve the Statement of Accounts, receive the Audit Findings Report, and sign the letter of Representation as those charged with governance at a future Audit Committee meeting.

3. MAIN POINTS

- 3.1 The 2022/23 financial year ended on 31 March 2023. Finance colleagues are currently preparing the draft Statement of Accounts, subject to audit for 2022/23. It is considered best practice for those charged with governance to review and approve the accounting policies prior to the meeting at which the Statement of Accounts will be approved.
- 3.2 The draft Statement of Accounting Policies are included at Annex A. They are prepared largely from the CIPFA guidance, adjusted as appropriate to be suitable for the Council. There may be certain matters arising during preparation of the Statement of Accounts which will require the draft accounting policies to be updated. For example, CIPFA may



issue updates to the guidance. Further necessary amendments to the policies set out at Annex A (occurring subsequent to this meeting) will be included within the draft (unaudited) and/or final (audited) Statement of Accounts when presented to this Committee.

- 3.3** The Council prepares its Statement of Accounts in accordance with proper accounting practices and regulations in accordance with The Code supported by International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs).
- 3.4** The Statement of Accounting Policies outlines the relevant accounting principles, bases, conventions, rules and practices applied by the Council in preparing and presenting its financial statements. They aid understanding of the Statements and facilitate comparison with other organisations. Proposed amendments to the accounting policies for 2022/23 are summarised in section 4 of this report. These changes align the policies to The Code guidance notes and do not represent material changes to previous Accounting Policies.

4. SUMMARY OF CHANGES

- 4.1** The following sections within the draft Statement of Accounting Policies shown at Annex A have been aligned with the guidance notes supporting the latest version of The Code. These changes do not alter the principles, bases, conventions, rules or practices previously applied by the Council:
- ii. Accruals of Income and Expenditure (first bullet point)
 - iv. Charges to revenue for non-current assets (first paragraph)
 - vii. Employee Termination benefits (first paragraph)
 - xiv. Inventories and long-term contracts (second paragraph)
 - xv. Investment property (second paragraph)
 - xvii. Property, plant and equipment (minor amendments throughout this section)
- 4.2** Annex A also reflects other minor amendments (e.g. individual words or phrases, punctuation and formatting) to fully align with the latest version of The Code guidance notes.
- 4.3** The following sections within the draft Statement of Accounting Policies have either been deleted or added to fully align with The Code guidance notes:
- Exceptional Items – This section (one paragraph) is no longer included. However, material ‘exceptional’ items of income or expense will continue to be disclosed separately within the accounts.



- ix. Events after the reporting period – This is an additional section which clarifies how to disclose events that become known between the Balance Sheet date and the date when the statement of accounts is authorised for issue.
- xxii. Fair value measurement of non-financial assets - This is an additional section which clarifies how to approach the fair value measurement of these assets.

4.4 The following changes have also been included to fully align with the latest version of The Code guidance notes.

x. Financial Instruments

Additional paragraphs have been included to clarify the primary purpose of holding investments (to collect contractual cashflows) and to explain how gains and losses on assets measured at amortised cost are accounted for. In addition, the statutory override which enables the impact of fair value movements on Pooled Investment Funds to be excluded from the General Fund has been extended to 31 March 2025.

xi. Government grants and contributions

In addition to minor amendments to the third and final paragraphs within this section, the paragraph covering Section 106 contributions has been updated to clarify the source and purpose of this income.

xvi. Leases

Several amendments have been included to align with The Code guidance notes including:

- For Finance Leases (Council as Lessee), clarifying that contingent rents (for example, resulting from periodic rent reviews) are charged as expenses in the periods in which they are incurred;
- For Operating Leases (Council as Lessee), clarifying that charges 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 rent-free period at the commencement of the lease);
- For Finance Leases (Council as Lessor), clarifying the accounting entries required at the outset of a new leasing arrangement.

xviii. Provisions, contingent liabilities and contingent assets



In addition to minor amendments throughout this section, an additional paragraph has been included to clarify how to determine whether a provision should be made if it is not clear whether a relevant event has taken place on or before the Balance Sheet date.

5. ALTERNATIVE OPTIONS

- 5.1 The draft policies presented in this report have been prepared in accordance with latest version of The Code. Consequently, no alternative options have been prepared.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no direct financial implications arising from this report.

7. LEGAL IMPLICATIONS

- 7.1 There are no direct legal implications arising from this report, except to the extent that compliance with the latest Accounting Code of Practice under which the accounts are prepared is mandatory.

8. RISK ASSESSMENT

- 8.1 If the Council's accounting policies are not followed during preparation of the Statement of Accounts, external audit may decide that the Statement of Accounts is misstated. Officer training in advance of preparation of the Statement of Accounts and an associated Annual review of these policies mitigates the risk.

9. EQUALITIES IMPACT

- 9.1 None.

10. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 10.1 None.

11. BACKGROUND PAPERS

- 11.1 None.

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Draft Statement of Accounting Policies – 2022/23

E5. Accounting Policies**i) General principles**

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the 31st March year-end. The Council 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) and statutory guidance.

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 basis that the Council is a going concern.

ii) Accruals of income and expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge

made to the Comprehensive Income and Expenditure Statement for the income that might not be collected (doubtful debts).

- 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 a grant claim and any accruals included therein.

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 Council's cash management.

iv) 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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless not material or 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.

v) Charges to revenue for non-current assets

Services, support services and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

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

- amortisation of intangible assets attributable to the service

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

vi) Council tax and non-domestic rates

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 (for NDR) 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 Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council'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 Council'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.

vii) Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, 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 Council.

An accrual 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 is not provided for in the accounts. This is because the Council TUPE-transferred the majority of its staff to Publica Group (Support) Limited in 2017/18. Due to the vastly reduced number of staff employed by the Council, a balance is no longer maintained for the cost of untaken annual leave, as the amount involved is not material to the accounts.

Termination benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council 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 enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

viii) Post-employment benefits

Employees of the Council 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 who 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 projected 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 Council are included in the balance sheet at their fair value.
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

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

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost- the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement
 - net interest on the net defined benefit liability, i.e. net interest expense for the Council – 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 Council 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.

ix) Events after the reporting period

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

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

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

x) Financial instruments

Financial liabilities 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 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 Council 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 classification and measurement approach that reflects the business model for holding the financial assets (i.e. why we are holding the asset) and their cash flow characteristics. There are three main classifications:

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

The Council primarily holds investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial assets measured 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.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Expected credit loss model

The Council recognises material expected credit losses on all of 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. Credit risk plays a crucial part in assessing losses. Where 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 measured 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 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 arise in other comprehensive income.

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets that are 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 arise in the Surplus or Deficit on the Provision of Services within 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) subsequently amended by SI 2023/241. 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 2025.

Fair value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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.

xi) 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 Council when there is reasonable assurance that:

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced

revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Section 106 funding contributions are payable by developers to the Council to discharge specific planning obligations associated with residential or commercial development. Section 106 funding contributions are held on the balance sheet as creditors as they may have to be returned to the developer if conditions associated with the funding are not met. 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 Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Council) 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.

The CIL is recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement as a contribution without outstanding conditions. CIL charges will be largely used to fund capital expenditure. However a proportion of the charges may be used to fund revenue expenditure. A share of the charges which are due to be payable to the County, Town or Parish Councils will remain in creditors (receipts in advance) until due.

xii) 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 Council 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.

xiii) Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. 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 or (for any sale proceeds greater than £10,000) the capital receipts reserve.

xiv) 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 consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

xv) 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 is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and 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.

xvi) Leases

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

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

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

The council as lessee

Finance leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating leases

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

The council as lessor

Finance leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating leases

Where the Council 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.

xvii) Property, plant and equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council 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 attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non-property assets have short useful lives or low values (or both) depreciated historical cost basis is used 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 surplus or deficit on the provision of services within 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 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 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 valuer.

Where decreases in value are identified, they are accounted for as follows:

- 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 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 as follows:

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- 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 fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously 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, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the capital receipts reserve, and can then only be

used for new capital investment or set aside to reduce the Council'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.

xviii) Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place on or before the balance sheet date:

- that gives the Council a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

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

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (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 Council settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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 with sufficient reliability.

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

Contingent assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

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

xix) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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 transferred back into the General Fund Balance 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, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xx) Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the 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 then reverses out the amounts charged so that there is no impact on the level of council tax.

xxi) 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.

xxii) Fair value measurement of non-financial assets

The Council's accounting policy for fair value measurement of financial assets is set out in the 'Financial Instruments' section (above). The Council also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings (other financial instruments as applicable) at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

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

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

When measuring the fair value of a non-financial asset, the Council 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 Council 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 for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

Agenda Item 10



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT AND GOVERNANCE COMMITTEE – 27 APRIL 2023
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: Mike.Every@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Chief Finance Officer Email: David.Stanley@cotswold.gov.uk
Report author	Emma Cathcart, Head of Service, Counter Fraud and Enforcement Unit Email: Emma.Cathcart@cotswold.gov.uk
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> <p>The report also provides the annual update in relation to the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA) and the Council's existing authorisation arrangements.</p>
Annexes	Annex A – Work Plan 2022/2023.
Recommendation(s)	That the Committee considers the report and work plan at Annex A.
Corporate priorities	<ul style="list-style-type: none"> • Deliver the highest standard of service.
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 Governance Group and Corporate Management for comment.</p>
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1. EXECUTIVE SUMMARY

- 1.1 The Audit and Governance 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.
- 1.2 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.
- 1.3 Attached at Annex A is a copy of the work plan for 2022/2023.
- 1.4 The work plan for 2023/2024 is being finalised but will include the following additions:
 - Proactive work in relation to the Council Tax Reduction Scheme (Council Tax Support);
 - Proactive work in relation to small business rates relief;
 - A review of the Homelessness Rent Deposit Scheme;
 - Development of service area fraud risk registers commencing with the higher risk areas;
 - Proactive work within procurement to include a review of small suppliers.

2. BACKGROUND

- 2.1 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.
- 2.2 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.



3. MAIN POINTS

3.1 Counter Fraud and Enforcement Unit Update

- 3.2** The CFEU Head of Service forms part of the core Multi-Agency Approach to Fraud (MAAF) group. The core group consists of attendees from Gloucestershire Constabulary Economic Crime Team, Trading Standards, Victim Support, NHS and colleagues from Gloucester City and County Councils. The MAAF has been set up to discuss fraud trends, victim care and communication of fraud scams across Gloucestershire. Through collaborative working the main purpose is to raise awareness to minimise and disrupt fraud across the County.
- 3.3** The CFEU will be facilitating and assisting in getting targeted information on current scams, or guidance, to identified vulnerable groups through our Communications Teams, but also via our staff that are out in the community or within our customer contact points / reception areas. We are working with Gloucestershire Constabulary's Fraud PROTECT Officer whose role is to provide fraud-safeguarding advice to individuals and groups within our communities. We will be attending the Council Offices to deliver her presentation to Borough Councillors to raise awareness of the MAAF Group so that they may share information with their constituents. In addition, we have discussed cascading the same presentation to Town and Parish Councillors via the appropriate forum. The sessions would help to safeguard local communities against the fraud threats currently targeting individuals in Gloucestershire. The presentation equips people with information to stay safe online, teaching them how to spot phishing messages and how to report them. I would also take the opportunity to talk about the CFEU Partnership, fraud risks to the public purse and how to report concerns.
- 3.4** As part of the fraud risk strategy work stream, the Government Functional Standard and the Local Government FFCL checklists have been completed. These will be summarised and presented to the Deputy Chief Executive with suggested areas of improvement or future work streams. In addition, work will also commence with the Public Business Manager, Governance in relation to integrating the checklist standards within the Annual Governance Statements. A summary of this will be presented to Audit and Governance Committee in due course with an update in relation to the service specific fraud risk registers.
- 3.5** The CFEU has developed a fraud awareness leaflet and whistle-blowing flowchart to be issued to all staff for information and with an update confirming that the Counter Fraud and Anti-Corruption and Whistle-Blowing Policies have recently been updated. The leaflet will also form part of the induction pack for new starters. A copy can be issued to the Committee if requested.



- 3.6** The CFEU have been heavily supporting work streams created as a consequence of the pandemic by providing advice relating to fraud risk and abuse, most significantly in relation to the Business Grant and Energy Rebate Schemes.
- 3.7** All post payment assurance activities have now been completed by the CFEU in relation to the Business Grant Schemes. Our focus has now moved to debt; recovery, reconciliation and transfer to BEIS.
- 3.8** As previously reported as part of the post payment review, invoices totalling £1,315,810 have been raised and of this figure, £525,150 has been recovered. Following the receipt of further evidence and reconsideration of decisions, £203,005 has been credited after review. £587,655 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.
- 3.9** Work has commenced regarding the new Energy Bills Support Scheme Alternative Funding and the Alternative Fuel Payment Alternative Funding Scheme.
- 3.10** A significant project in early 2022 related to supporting the Revenues Team with verification activities for the payment of the £150 Energy Rebate. The CFEU received 4,433 cases of which 1,243 required further checks and information
- 3.11** 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.
- The team have reviewed the 1322 Council Tax Single Person Discount matches relating to the 2020/2021 and 2021/2022 data sets. 303 enquiry letters were issued to residents. 103 accounts have been referred to the Revenues Team requiring account amendments. An update relating to increased Council Tax revenue and Penalty administration will be provided within the next CFEU report to the Audit and Governance Committee.
 - Results have been received in relation to the Housing Waiting List matches. 8 recommendations were made to the Housing Team resulting in 7 applications being removed. Each cancelled housing application represents a property which can be reallocated to another eligible family. The National Fraud Initiative applies a figure of £3,240 for each application removed, to represent the value of future losses prevented as a result of removing an applicant. This represents a saving on the cost of temporary accommodation. In addition, the result of the band re-prioritisation is that those families who are correctly banded have a greater chance of being housed



and housed more speedily. The loss avoidance figure for this area of work is therefore £22,680.

- 3.12** The Test and Trace assurance work is complete with 25% of all successful applications having been reviewed. 155 payments have been reassessed resulting in 39 cases of recovery totalling £19,500.
- 3.13** The team continue to work 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. Following the initial review, the team have proactively reviewed 67 properties across the district in relation to landlords who failed to engage.
- 3.14** In addition to the work carried out 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.
- 3.15** 2022 / 2023:
- The team received 66 referrals from across the Council and closed 61 cases. This excludes any Council Tax Reduction Scheme referrals.
 - The CFEU supports Enforcement Teams across the Council. Work undertaken with the ERS Team resulted in 2 successful prosecutions. An individual pleaded guilty to environmental offences and received a Fine of £480. A second individual pleaded guilty to licensing and animal welfare offences and received a Fine of £2,000. In both cases, costs were awarded totalling £3,470. In addition, 2 Fixed Penalty Notices, totalling £400, were issued in relation to environmental crime. A case referred by the Housing Team resulted in the refusal of a housing application representing £3,240 in loss avoidance.
 - The CFEU undertakes the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support) and acts as the single point of contact for Department for Work and Pensions (DWP) Housing Benefit investigations. 28 referrals were received and 28 cases were closed. Increased Council Tax revenue of £3,121 has been raised.
- 3.16** Between 1 April 2022 and 31 March 2023, the team received 8 referrals relating to disciplinary matters and closed 9 cases. Of the cases that have been closed, results as follows:



- 2 cases relating to offensive / abusive conduct – resulted in no further action.
- 2 cases relating to offensive / abusive conduct. One individual received a final written warning and the other a written warning.
- 1 case relating to falsifying of timesheets. The individual received a written warning.
- 2 cases relating to unauthorised leave / failure to undertake duties. Both individuals resigned whilst under investigation.
- 2 cases were referred to HR, the CFEU were not further instructed.

3.17 Regulation of Investigatory Powers Act 2000 (RIPA) / Investigatory Powers Act 2016

3.18 The Council's policies are based on the legislative requirements of these Acts and the Codes of Practice relating to directed surveillance and the acquisition of communications data.

3.19 The Polices were reviewed and presented to the Audit and Governance (then Audit) Committee in November; these were adopted by Cabinet in December 2019.

3.20 As reported in April 2022, the RIPA Surveillance and Covert Human Intelligence Source Policy was updated to reflect the new Covert Human Intelligence Sources (Criminal Conduct) Act 2021 which makes provision for those acting as covert agents to commit crime whilst undertaking their duties does not apply to the Council. There have been no subsequent amendments to date.

3.21 The Use of the Internet and Social Media in Investigations and Enforcement Policy, presented to Audit and Governance (Audit) Committee in November 2021 and adopted by Cabinet in January 2022. The roll out of this Policy and associated Procedure across the CFEU Partnership has begun.

3.22 The Council must have a Senior Responsible Officer and Authorising Officers to approve any applications for surveillance or the use of a Covert Human Intelligence Source, before the Court is approached. The Senior Responsible Officer is the Chief Executive, Robert Weaver and the Authorising Officers are the Deputy Chief Executive, David Stanley and the Interim Head of Legal Services, Helen Blundell.

3.23 All applications for communications data are made online via the National Anti-Fraud Network (NAFN) which acts as the single point of contact for Councils. There is a requirement for the Council to nominate a Designated Senior Officer who will confirm to NAFN that the Council is aware of any request and approves its submission. This role is undertaken by the Counter Fraud and Enforcement Unit.

3.24 The CFEU delivered refresher training to all enforcement staff and the Authorising Officers in 2021.



3.25 There have been no RIPA applications made by the Council during 2022/2023 and no applications for communications data were submitted. There has been 1 Non-RIPA application made during 2022/2023 relating to overt activity.

3.26 The Council takes responsibility for ensuring its procedures relating to surveillance and the acquisition of communications data are continuously improved and all activity is recorded.

4. ALTERNATIVE OPTIONS

4.1 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.

4.2 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.

5. FINANCIAL IMPLICATIONS

5.1 The report details financial savings generated by the Counter Fraud and Enforcement Unit.

6. LEGAL IMPLICATIONS

6.1 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.

6.2 The Authority is also required to ensure that it complies with the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016 and any other relevant/statutory legislation regarding investigations. Any authorisations for directed/covert surveillance or the acquisition of communications data undertaken should be recorded appropriately in the Central Register.

7. RISK ASSESSMENT

7.1 The Council is required proactively to tackle fraudulent activity in relation to the abuse of public funds. The CFEU provides assurance in this area.

7.2 Failure to undertake such activity would accordingly not be compliant and expose the Authority to greater risk of fraud and/or corruption.

7.3 If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.

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



govern surveillance and the obtaining of personal communications data, minimises the risk that an individual's human rights will be breached. Furthermore it protects the Council from allegations of the same.

8. EQUALITIES IMPACT

- 8.1.** The CFEU seeks to ensure that public authorities' actions are consistent with the Human Rights Act 1998 (HRA). It balances safeguarding the rights of the individual against the needs of society as a whole to be protected from crime and other public safety risks.
- 8.2.** The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.

9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 9.1** Not applicable.

10. BACKGROUND PAPERS

- 10.1** None.

(END)

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

Agenda Item 11



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 27 APRIL 2023
Subject	INTERNAL AUDIT PROGRESS REPORT
Wards affected	N/A
Accountable member	Cllr Mike Evely, Cabinet Member for Finance Email: mike.evely@cotswold.gov.uk
Accountable officer	David Stanley, Chief Finance Officer Email: david.stanley@cotswold.gov.uk
Report author	Lucy Cater, Head of Internal Audit Email: lucy.cater@swapaudit.co.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>1. That the Committee considers the reports at Annexes A and B and comments as necessary</i>
Corporate priorities	Delivering our services to the highest standards
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 3 audits since the last meeting of this committee
 - Planning Validation Process – Position Statement
 - Climate Change (Strategic) – Low Reasonable
 - Accounts Payable – Quarterly Review – Substantial

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. EQUALITIES IMPACT

- 6.1 Under equality legislation, the Council has a legal duty to pay 'due regard' to the need to eliminate discrimination and promote equality in relation to:
- Race
 - Disability
 - Gender, including gender reassignment
 - Age
 - Sexual Orientation
 - Pregnancy and maternity
 - Religion or belief

The Council also has a duty to foster good relations, and to consider the impact of its decisions on human rights. The law requires that this duty to pay 'due regard' is demonstrated in the decision making process. Therefore your report should contain a statement as to whether the recommendation has a particular impact on any of the above groups

Any reports which relate to new policies, procedures or services or changes to policies, procedures or services must be accompanied by an appropriate equalities impact assessment (EIA). You can access further guidance and the EIA template [via the portal](#) and the Council's Equality Policy [on the website](#).

7. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 7.1 Include details of any climate change implications

8. ALTERNATIVE OPTIONS

- 8.1 This section must be completed and include details of why identified alternative options are not preferred.

11. BACKGROUND PAPERS

- 11.1 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 Progress Reports

These documents will be available for inspection online at www.cotswold.gov.uk or by contacting democratic services democratic@cotswold.gov.uk for a period of up to 4 years from the date of the meeting.

(END)

Cotswold District Council

Proposed Internal Audit Plan 2023/24

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The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2023/24 financial year.

Introduction and Objective of the Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Senior Management Team and Audit Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

Internal Audit Planning 2023/24

The proposed 2023/24 plan presented in Appendix 1 provides coverage of the Authority's key corporate objectives and risks as well as core areas of recommended coverage.

Internal audit is only one source of assurance and should be considered as such.

Update to Approach

Due to the pace of change within Local Authorities, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to internal audit planning recognises this through a strategic 12 month rolling plan, whereby we have prepared an agile, risk assessed work plan containing key areas of coverage. This approach will ensure we are auditing the right areas, with the correct scope, at the right time.

We will revisit and adjust our programme of work on at least a quarterly basis to ensure alignment with the changing risk profile of the organisation's operations, systems and controls and with regard to sector risks. The regular input of Senior Management and review of the Authority's risk register will be considered in this process. Our 2023/24 audit plan will contain an element of contingency in order that the plan can remain flexible and respond to new and emerging risks as and when they are identified and may include unannounced activity.

The proposed audit plan at Appendix 1 provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit activity.

Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. Internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

Our documented risk assessment helps to ensure that sufficient and appropriate areas are identified for consideration in our internal audit programme of work.

As above, it is the responsibility of the Authority's Senior Leadership Team, and the Audit Committee to ensure that, with consideration of our risk assessment, the overall programme of work throughout the year contains sufficient and appropriate coverage.

Internal Audit Risk Assessment (updated)

Our 2023/24 internal audit programme of work is based on a documented risk assessment, which SWAP will revisit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register has been considered in this process.

Below we have set out a summary of the outcomes of the risk assessment for Cotswold District Council



It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific Terms of Engagement for the piece of work, which includes the objective and scope for the review.

Core Audit Areas – Areas of Coverage and Brief Scope	Responsible Officer
<p>Core Financials – Publica Controls and Transactional Testing A review of the controls operating within Publica in respect of the Core Financial systems:</p> <ul style="list-style-type: none"> • Accounts Payable (Creditors) – to include regular check of potential duplicate payments and reporting to AP service for investigation. Approvals on BW • Accounts Receivable (Debtors) • Treasury Management • Bank Reconciliation • Main Accounting • Procurement – suggested area to be agreed with BM based on highest risk to organisations <ul style="list-style-type: none"> - Process for appointing consultants - Waivers - Audit to assess if contract waivers are being requested and approved in accordance with strategy / policy 	<p style="text-align: center;">Group Finance Director</p> <p style="text-align: center;">Assistant Director – Business Services</p> <p style="text-align: center;">Business Manager - Finance</p>
<p>Human Resources</p> <ul style="list-style-type: none"> • Payroll – suggested area to be agreed with BM based on highest risk to organisations. <ul style="list-style-type: none"> - Accuracy and timeliness of data for mileage / overtime, approvals, self-serve. • Human Resources – suggested area to be agreed with BM based on highest risk to organisations. <ul style="list-style-type: none"> - Input into Business World – Accuracy and timeliness of data for sickness, leave, approvals, self serve 	<p style="text-align: center;">Assistant Director – Organisational Effectiveness</p>
<p>Revenues and Benefits A review of the controls operating in respect of:</p> <ul style="list-style-type: none"> • Council Tax • National Non-Domestic Rates • Housing Benefit and Council Tax Support <p>Scope to be confirmed</p>	<p style="text-align: center;">Assistant Director – Residents’ Services</p>
<p>ICT Audits Audits to be discussed and confirmed with the Chief Technology Officer and ICT Audit and Compliance Manager</p>	<p style="text-align: center;">Assistant Director – Business Services</p>
<p>Regulatory Services A review of either Licensing / Building Control / Environmental Health – suggested area to be reviewed is Licensing. A review of an element of Planning e.g. application processing, appeals, income allocation. Area and scope to be confirmed</p>	<p style="text-align: center;">Assistant Director – Residents’ Services</p>

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Internal Audit Planning 2023/24

Planning Validation <i>Review to follow non-opinion audit undertaken in 2022/23. This review is to be undertaken to offer an assurance opinion over the new process.</i>	Assistant Director – Planning and Sustainability
Business Continuity Planning <i>Business Continuity Planning arrangements to be assessed for two Service Areas</i>	Assistant Director – Organisational Effectiveness
Proposed Audit Areas – Areas of Coverage and Brief Scope	Responsible Officer
Business Grant Post Payment <i>Head of IA working with CFEU Manager re. recovery of overpayment of grants, Bad Debt information to BEIS</i>	
Counter Fraud and Enforcement Unit <i>Review to include processes operated by CFEU, access to data, reporting and governance</i>	
Freedom of Information Requests (Fol) <i>Audit to include Framework, Processes, Training and Quality Control</i>	
Data Protection <i>Security of Data, training provision, reporting arrangements</i>	
Transparency Data <i>Review to ensure all data is published in accordance with the Transparency Agenda</i>	
Climate Change - Operational <i>Review to assess what business areas are doing to support the Council’s commitment to the Climate Emergency</i>	
Carbon Reduction <i>Review to assess how carbon data is measured ensuring the Council continues to meet its commitment to carbon reduction.</i>	
Environment Legislation <i>Review to ensure procedure / systems have been updated to ensure compliance with Environment Act</i>	
Funding Provided by Government <i>Review to ensure processes are in place to support outcomes of funding provided by Central Government e.g. Levelling Up, Shared Prosperity</i>	
Section 106s <i>Review to follow up audit undertaken in 2022/23. This review is to include timelines, triggers and procedure</i>	
Section 106s <i>Review to assess pre-application consultation, request and allocation of funds</i>	

Internal Audit Planning 2023/24

<p>Community Infrastructure Levy (CIL) Governance <i>Review of the governance of CIL, as adopted by the Council, review to include benchmarking to similar councils and recommendations for improvements</i></p>	
<p>Grant Income <i>Audit to assess the effectiveness of the management of grant income by Business Managers. To include communications with the Finance Service and the allocation of income.</i></p>	
<p>Homelessness Rent Deposit Guarantee (RDG) Scheme <i>Review to include procedure / process, agreements, recovery of funds, write offs</i></p>	
<p>Community Grants (Mandatory and Discretionary) <i>How is the Council performing and is VFM considered, review to include benchmarking</i></p>	
<p>Escalating Operational / Strategic Risks <i>Review to assess how high scoring operational / strategic risks are included on the Council's Corporate Risk Register, to ensure Statutory Officers are aware of any potential risks to the Council and can suggest measures for mitigation</i></p>	
<p>Governance around decision making processes and reporting to the Council (and Dual Contracts) <i>Review of the governance for decisions made on behalf of the Council and inclusion of Dual Contracts</i></p>	
<p>Staff Welfare <i>Assessment of the support in place for staff welfare, during world, national and local issues which may impact staff wellbeing. To Include training for members and officers, data collated from leaver exit interviews and how actioned, issues raised in one to ones (collated and actioned)</i></p>	
<p>Procurement Strategy <i>Review to ensure procurement of new contracts is in accordance with the updated, and approved, strategy</i></p>	
<p>Risk and / or Performance Management <i>To review a specific element of the Council's Risk or Performance Management Process Scope to be confirmed</i></p>	
<p>Governance of Programmes and Projects <i>Accuracy of information included in monthly updates</i></p>	
<p>Leisure and Culture Facilities <i>Review to determine how the Council ensures the leisure service provider(s) are adhering to statutory Health and Safety regulations. Review to include the examination of tests such as fixed wire testing, fire alarm systems and emergency lighting tests.</i></p>	

Internal Audit Planning 2023/24

<p>Property and Estates (Compliance and Health and Safety) <i>Review to assess property related Health and Safety arrangements at the Council's properties, ensuring compliance with legislation e.g. legionella, lifts, risk assessments.</i> <i>Review of Estates processes to include lease / rent reviews, inspections, landlord responsibilities, complaints</i></p>	
<p>Preparedness for the switch from Analogue to Digital in 2025 <i>Ensure preparedness of the Council for services the switch from analogue to digital will affect e.g. lifeline / careline service, lift telephones, fax machines etc</i></p>	
<p>Proposed audits will be considered, during the year, and discussed with Business Managers, Assistant Directors, CFOs and / or CEOs to confirm scope, timing and if it remains appropriate to undertake the audit. Liaison meetings will also identify any further areas (not included above) that would benefit from an Internal Audit Review. The Audit Plan will be updated, and agreed with CFOs as necessary</p>	
<p>Further requested assurance / advisory / support work</p>	
<p>Other Audit Involvement</p>	
<p>Management <i>Preparation of IA Monitoring Reports and preparation and attendance at Audit Committee. Annual Audit Planning. Attendance at Governance and Risk Groups. High level programme monitoring. Liaison meetings with CFOs and Management Teams. IA Team Liaison Meetings with Assistant Directors and Business Managers.</i></p> <p>Follow-Up Audits <i>Follow-Up of Previous Year's Agreed Actions</i> <i>Follow-Up audit of all High Priority Agreed Actions</i></p> <p>Programmes and Projects <i>IA support to programmes and projects as appropriate (to include Environmental Services Improvement Programme ESIP)</i></p> <p>Specialist Groups <i>IA attendance at specialist groups e.g. Health and Safety Working Group, Procurement and Commissioning</i></p> <p>Grant Certification <i>Review (income and expenditure) and certification of Grants received by the Council ensuring funding requirements have been met (to include Disabled Facilities Grants)</i></p>	

Working with the Counter Fraud and Enforcement Unit

Provision to ensure collaborative working with the CFEU and to ensure control weaknesses, identified during CFEU activity, are being actioned. Regular liaison meetings

Contingency

Provision for new work based on emerging risks and Investigations.

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Cotswold District Council

Internal Audit Charter 2023/24

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The Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Cotswold District Council (CDC), and to outline the scope of internal audit work.

Provision of Internal Audit Services

Internal Audit is provided by SWAP Internal Audit Services (SWAP). This Charter forms part of the legal agreement between SWAP partners and should be read in conjunction with the Service Agreement and other key documents including the Data Sharing Protocol.

The budget for the provision of the internal audit service is determined by CDC, in conjunction with the SWAP Members Meeting. General financial provisions are laid down in the legal agreement, including the level of financial contribution, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment which is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations, state that: *“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.”*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Organisation’s operations. It helps CDC accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management, the Audit Committee and of Internal Audit

Management¹

Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council’s Chief Executive and the Audit Committee.

Management is responsible for establishing (including the tracking and implementation of Internal Audit recommendations) and maintaining internal controls, including proper accounting records and other management information and is also responsible for the appropriate and effective management of risk.

¹ In this instance Management refers to the Senior Management Team

Audit Committee²

The Audit Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director (as Chief Audit Executive³) on the progress and outcomes of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Internal Audit

The SWAP Assistant Director is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending action to be taken on the outcome of, or findings from, their work designed to provide assurance and add value.

Internal audit is responsible for operating under policies established by management in line with good practice. A range of SWAP policies exist to underpin staff and service development, including to seek out and implement new innovative audit techniques and increase technological solutions to ensure provision of an efficient and effective service and consolidate the role of Trusted Advisor.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to conform with the Standards.

Internal Audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. Members of SWAP who have transferred in to the department from other areas in Cotswold District Council and / or Publica Group (Support) Ltd will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

*The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP and Assistant Director also report to the Section 151 Officer, and to the Audit Committee as set out below.

The Assistant Director is the first and primary contact point for the organisation on matters relating to the Audit Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for design, development and delivery of audit plans, subject to agreement of CDC.

² In this instance Audit Committee relates to "The Board" referred to in the PSIAS.

³ PSIAS refers to the 'chief audit executive'.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of the organisation.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls regarding the objectives of the organisation and its services;
- reviewing systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation complies;
- reviewing, as appropriate, the means of safeguarding and verifying assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether they are being carried out as planned, with performance and accountabilities established;
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy (and investigating where necessary), ethical expectations and corporate, social and environmental values and responsibilities; and
- at the request of management, internal audit may provide consultancy services (e.g. data analytics, benchmarking, strategic/project reviews/investigations etc) provided that:
 - independence is not compromised;
 - necessary skills exist to conduct the assignment, or which can be obtained without undue cost or delay;
 - the assignment scope is clearly defined and management can resource the work; and
 - there is clarity that the activity being undertaken is not internal audit work although the outcomes may contribute to the annual opinion.

Planning and Reporting

SWAP will submit an internal audit plan to Management and the Audit Committee for approval, setting out the recommended scope of work and which will be developed with reference to current and emerging risks. The plan will be reviewed quarterly to ensure it remains relevant and adequately resourced.

SWAP will carry out the work as agreed, report the outcomes and findings both during and on completion of reviews, and make recommendations on action to be taken to the appropriate officers and copied to the S151 Officer. SWAP will present a regular summary of their work to Management and the Audit Committee, including assessing the organisation's implementation of previous recommendations along with any significant, persistent and outstanding issues.

Internal audit reporting will normally comprise a brief presentation to relevant officers and accompanied by an appropriately detailed written report, with the format tailored as necessary to the nature of the work.

The Assistant Director will submit an annual report to Management and the Audit Committee providing an overall opinion of the status of risk and internal control within CDC based upon, and limited to, internal audit activity conducted during the year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and Assistant Director (Chief Audit Executive) have the unreserved right to report directly to the Leader of the Council, the Chair of the Audit Committee, the Chief Executive Officer and the External Audit Manager.

Revised, March 2023

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Agenda Item 12



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 27 APRIL 2023
Subject	INTERNAL AUDIT PLAN 2023/24 AND INTERNAL AUDIT CHARTER
Wards affected	N/A
Accountable member	<p>Cllr Mike Evely, Cabinet Member for Finance</p> <p>Email: mike.evely@cotswold.gov.uk</p>
Accountable officer	<p>David Stanley, Chief Finance Officer</p> <p>Email: david.stanley@cotswold.gov.uk</p>
Report author	<p>Lucy Cater, Head of Internal Audit</p> <p>Email: lucy.cater@swapaudit.co.uk</p>
Summary/Purpose	<p>To present to the Audit Committee the Internal Audit Plan 2023/24 for consideration and approval.</p> <p>To present the updated Internal Audit Charter for consideration and approval..</p>
Annexes	<p>Annex A – PROPOSED INTERNAL AUDIT PLAN 2023/24</p> <p>Annex B – INTERNAL AUDIT CHARTER 2023/24</p>
Recommendation(s)	<p><i>That the Audit Committee resolves to:</i></p> <p><i>1. Approve the proposed Internal Audit Plan 2023/24 and Internal Audit Charter 2023/24</i></p>
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

I. BACKGROUND



Internal Audit Plan

The primary role of Internal Audit is to provide assurance that the Council's systems provide for a proper administration of its affairs. To this end, Internal Audit carries out a programme of audits that is agreed annually with the Council's Management Team and the Audit Committee. The Internal Audit service is provided to the Council by SWAP Internal Audit Services (SWAP).

In order to satisfy the requirements of the Public Sector Internal Audit Standards (PSIAS) and to reflect changes within the Council, SWAP needs to focus upon areas where the organisation now requires assurance. This reinforces the requirement for Internal Audit to follow a more flexible and risk-based plan.

The core financial systems delivered to the Council by Publica are covered within the Core Financials section of the Audit Plan. The scope of audits will include both Publica and client-side activities providing;

- Assurance to the client (Cotswold District Council) over the controls, and system controls, operated by Publica Officers, for each financial module
- Periodic assurance over the other services provided by Publica.
- The required support to the External Auditor.

Internal Audit Charter

The Internal Audit Charter is a requirement of the arrangement between Cotswold District Council and SWAP. The charter ensures compliance with good practice as set out in the International Professional Practices Framework of the Institute of Internal Auditors and the Public Sector Internal Audit Standards (PSIAS).

The Charter demonstrates how the Internal Audit service will operate, and forms part of the requirements of the Public Sector Internal Audit Standards.

The Charter provides guidance on authority, accountability, customer care (quality control), independence, reporting, responsibility and audit standards.

2. MAIN POINTS

Internal Audit Plan

A summary of the Proposed Internal Audit Plan for 2023/24 is included in the Annex 'A'. This lists the risk-based assurance and consultancy work planned for the year. Counter fraud related audit work has not been included in this audit plan.

The Plan outlines a programme of work for 2023/24 as developed throughout January and February 2023 but due to the pace of change within Local Authorities, it is becoming



increasingly difficult to accurately predict longer-term key organisational risks. Our approach to internal audit planning recognises this through a strategic 12 month rolling plan, whereby we have prepared an agile, risk assessed work plan containing key areas of coverage. This approach will ensure we are auditing the right areas, with the correct scope, at the right time.

We will revisit and adjust our programme of work on at least a quarterly basis to ensure alignment with the changing risk profile of the organisation's operations, systems and controls and with regard to sector risks. The regular input of Senior Management, and the Chief Financial Officer and review of the Authority's risk register will be considered in this process.

The audit plan contains an element of contingency in order that the plan can remain flexible and respond to new and emerging risks as and when they are identified and may include unannounced activity.

Internal Audit Charter

Without an approved charter there is a risk that SWAP will not have:

- The support of management and the Council
- Direct access and freedom to support senior management including the Head of Paid Service and the Audit Committee
- Access to any records, personnel or physical property of the Council for audit work.

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. EQUALITIES IMPACT

6.1 Under equality legislation, the Council has a legal duty to pay 'due regard' to the need to eliminate discrimination and promote equality in relation to:

- Race
- Disability



- Gender, including gender reassignment
- Age
- Sexual Orientation
- Pregnancy and maternity
- Religion or belief

The Council also has a duty to foster good relations, and to consider the impact of its decisions on human rights. The law requires that this duty to pay 'due regard' is demonstrated in the decision making process. Therefore your report should contain a statement as to whether the recommendation has a particular impact on any of the above groups

Any reports which relate to new policies, procedures or services or changes to policies, procedures or services must be accompanied by an appropriate equalities impact assessment (EIA). You can access further guidance and the EIA template [via the portal](#) and the Council's Equality Policy [on the website](#).

7. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

7.1 Include details of any climate change implications

8. ALTERNATIVE OPTIONS

8.1 This section must be completed and include details of why identified alternative options are not preferred.

11. BACKGROUND PAPERS

11.1 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 Progress Reports

These documents will be available for inspection online at www.cotswold.gov.uk or by contacting democratic services democratic@cotswold.gov.uk for a period of up to 4 years from the date of the meeting.

(END)

Cotswold District Council

Report of Internal Audit Activity

April 2023

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Contents

The contacts at SWAP in connection with this report are:

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Principal Auditor

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- 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

No	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.
Limited	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.
Reasonable	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.
Substantial	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.



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.

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 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	-	Reported in September
ICT	Vulnerability Management	Final Report	High Reasonable	1	-	1	-	Reported in September
Operational	Business Grant Funding – Post Payment Assurance	Final Report	High Substantial	0	-	-	-	Reported in September
Operational	Election Expenses – Treatment of VAT	Final Report	Medium Substantial	1	-	-	-	Reported in September
Operational	Accounts Payable (Qtly review)	Continuous						See Appendix C
Operational	Business Grant Funding Omicron Schemes – Post Payment Assurance	Final Report	High Substantial					Reported in January
Operational	Planning Validation Process	Final Position Statement	N/A					See Appendix C
Operational	Climate Change (Strategic)	Final Report	Low Reasonable	3	-	1	2	See Appendix C
Operational	S106 Agreements and Funds	Draft Report						
Key Financial Control	Council Tax and NNDR	Draft Report						
Key Financial Control	Housing Benefit and Council Tax Support	Draft Report						
Key Financial Control	Treasury Management	Draft Report						
Key Financial Control	Accounts Receivable	Draft Report						

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Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Key Financial Control	Bank Reconciliations	In Progress						
Operational	Taxi Licensing Safeguarding	In Progress						
Operational	Business Continuity Management	In Progress						
Operational	Property and Estates Services	In Progress						
Operational	Human Resources	In Progress						
Operational	Publica Performance Information	In Progress						
Operational	Business World – Workflow and Approvals	In Progress						
Follow-Up	Asset Management and Commercial Property	In Progress						To be included in new audit – Property and Estates
Operational	Management and Monitoring of Contracts							Time to be allocated to new Procurement Audit
Operational	Mechanism for Charging Council							Commenced but deferred as piece of work being undertaken by Publica Officers
Support	Business Grant Funding – Post Payment Review	Complete	N/A	-				Head of IA working with Head of Service, Counter Fraud and Enforcement Unit to conduct post payment review

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Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Support	Business Grant Funding – Aged Debt	On-Going						Quarterly review of Business Grant Overpayment Aged Debts with Head of Service, Counter Fraud and Enforcement Unit for reporting to BEIS
Advisory	Support to the Agile Working Project	Complete						
Advisory	Environmental Services Improvement Programme	On-Going						
Advisory	Procurement and Commissioning Group	On-Going						
Advisory	Health and Safety Working Group	On-Going						
Advisory	Publica Improvement Programme	On-Going						
Grant Certification	Test and Trace Payment Scheme	Complete	N/A					
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							

The following are the Internal Audit reports, of each audit review finalised, since the last Committee update

Planning Validation Process – Final Position Statement – December 2022

Introduction / Background

The Planning Validation team was recently created, the goal being for each member of the team to be able to validate planning applications across the 3 partner Councils. We were requested to undertake an audit to provide assurance that effective procedures are in place and that planning applications are validated in accordance with legislation.

Discussions were held with the service area, which identified that processes were still being updated, and that not all Officers are currently able to work flexibly across the 3 Councils. Due to this it was agreed that an assurance opinion would not add value at this current stage. Instead, we have sought evidence to support statements made, and based our conclusion on analysis of planning validation data, control testing where applicable, publicly available information, and observations during our review.

We will revisit this area with a view to providing an assurance opinion once ongoing work has been completed.

Findings

1. Staff Training

Validation Support Team Leader advised that staff training is underway but will not be complete until September 2023. We found up to date procedures are not in place. Without these there is an increased risk of errors, as well as a risk of validations not being completed within agreed timescales.

Validation Checklists

At the start of the audit, all checklists were due for review. We have been informed that checklists were sent to Portfolio Holders, Members, and Senior Management to view before going live with the documents. Although it has been reported that positive feedback has been received, the “go live” date has been delayed from the end of the year until 1st February 2023. This is due to a predicted backlog of invalid claims throughout the Christmas period. Prior to this date, we have been informed that communication with agents, consultants, and residents is planned, as well as updating the websites and planning portals.

3. Uniform Templates

At present, Officers do not have access to complete autogenerated templates within Uniform – the reasons for invalid applications are being updated, which is planned to come into effect when the new checklists go live in February 2023.

4. Performance, KPIs, and Monitoring

There is a disconnect between KPI reporting by the Business Information Lead, and the Validation Team. The Business Manager is not involved in the current KPI reporting process, which sees information collated by the Business Information Lead in the form of a Development Manager Dashboard. There is also a dashboard which is sent to Members, which contains a Validation KPI within. The Business Manager was unaware of which KPIs are being reported in these dashboards, and to whom they are being reported.

The Business Manager collates and uses their own KPIs, however, the disconnect detailed above suggests silo working is in place. Silo working needs to be resolved as soon as possible to ensure consistent information is being reported, and that thorough oversight is maintained.

Customer satisfaction is not monitored at service level, however the Business Manager wants to introduce the monitoring of informal complaints. This will feed into KPI reporting, and help obtain a sense of how the team are performing. Whilst it is encouraging to see the use of management data, it should be noted, that each Council has a formal complaint process in place which should be made available to an applicant.

Benchmarking is not undertaken outside of the Publica environment. We suggest that the team regularly benchmark against other district Councils (other than CDC, WODC, and FODDC) to compare processing times, fees and charges, and information available to customers.

5. Data Analysis

High level data analytics (DA) were performed using the Validation Tracker on applications received between 1st January and 21st September 2022.

From the DA performed, we can see that:

- On average it takes FODDC almost twice as long to validate an application compared to WODC, despite receiving only approximately half of the applications as WODC.
- The Validation team have a target of 7 days to validate an application. The average amount of days to validation for each Council between January – September 2022 was:
WODC: 5 days
FODDC: 9 days
CDC: 7 days
- In June 2022, each Council validated the following percentages of applications received:
WODC: 85% (234 applications received)
FODDC: 90% (124 applications received)
CDC: 95% (262 applications received)

Conclusion

We recognise that the team are still working on processes, and discussions have confirmed that some developments are not planned to be delivered until well into the new financial year. Based on our findings it is unlikely that robust and consistent processes for flexible working across all Councils will be in place soon.

The areas that lead to this conclusion are as follows:

- Time to develop fully trained Officers – The current estimated date for all Officers to be fully trained is September 2023, but this may be longer if there is staff turnover. The need for current up to date procedures is even more important in the current circumstances.
- Delays in publishing validation guidance (checklists) on each of the Council’s websites - The final versions of the checklists provided to us are dated June 2022. Waiting until February 2023 will mean the service will have had more than six months to consult and engage with all interested parties. We would not assess this as being an effective process. Up to date accurate information must be available to both the Officers and the public, and the go live date must not be delayed further (currently planned to be February 2023).
- Expected backlogs during the Christmas period - We would suggest that service demand is likely to decrease during the festive season, therefore predicting a backlog does not give confidence that the service can deliver its goals.

Accounts Payable Continuous Auditing Analysis – Final Report – March 2023

Audit Objective

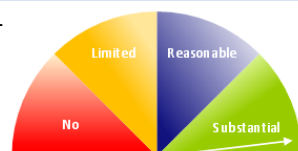
The objective of the continuous review is to identify potential duplicate payments, summarise, and present to the AP team for remedial action.

Audit Scope

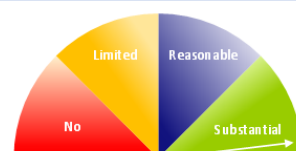
Our review covers a period of 2 years, checking for potential duplicate payments at CDC, and between CDC and/or Publica, CBH or another Council. Findings have been summarised and reported to the Accounts Payable team for further review and remedial action where necessary. Findings have been followed-up during the subsequent review.

Assurance Opinion

Quarter 1



Quarter 2



Quarter 3



Quarter 4

The assurance provided above relates only to the controls and processes operated by the Publica Accounts Payable service.

CDC officers and Publica service area officers are responsible for approving invoices for payment and therefore must ensure robust checks are undertaken prior to authorising a payment. This will help to limit the risk of duplicate payments being processed.

Testing / Findings

	Q1 (July 22)	Q2 (Nov 22)	Q3 (Feb 23)	Q4
Total number of payments made	1095	908	1701	
Number of potential duplicate payments identified (paid twice by CDC)	0	2	0	
Potential duplicate payments as a % of the total number of payments made for the quarter	-	0.2%	-	
Value of potential duplicate payments	£0	£1,784	£0	
Total value of outstanding payments to be recovered	£0	£0	£0	
Number of potential duplicate payments identified (paid by CDC and another organisation)	1	0	1	
Potential duplicate payments as a % of the total number of payments made for the quarter	0.1%	-	0.06%	
Value of potential duplicate payments	£1,194	0	£143	
Total value of outstanding payments to be recovered	£600	£1,194	£1,337	


For Information

This continuous report will be included within the annual AP audit report and will support the annual assurance score.

Climate Change Strategy – Final Report – January 2023

Audit Objective




To ensure effective governance arrangements are in place to support and challenge the delivery of the Councils' corporate priority(ies) for Climate Change and the actions set out within Environment and Climate Strategy(ies).

Assurance Opinion	Number of Actions	
	Priority	Number
 <p>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.</p>	Priority 1	0
	Priority 2	1
	Priority 3	2
	Total	3

Risks Reviewed	Assessment
The Council experiences reputational damage, and potential financial loss, through failing to deliver on one of its corporate priorities, and take appropriate action to mitigate the threat of climate change and its associated impacts.	Medium

Key Findings

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	A Climate Emergency was declared by Full Council in July 2019 and commitments were made by the Council. Full Council approved the Climate Strategy in September 2020 and the Corporate Plan (approved by Full Council May 2022) includes a 'Responding to the Climate Crisis' table with SMART actions. Quarterly priority reports to Cabinet and Overview and Scrutiny Committee include Climate Crisis updates. Cabinet has a dedicated Member with Climate Change portfolio responsibilities including oversight of the Council Plan's climate actions and participating in Climate Leadership Gloucestershire meetings on behalf of the Council.
	Climate Change KPIs have not been defined. CDC's Climate Strategy suggests annual emission reports will be published, but these are not available. O&S Committee have created a Task & Finish group to review KPIs. Publica will work with this group to support the implementation and reporting of agreed KPIs which will include climate.
	Risk Registers presented to Audit Committee indicate 'No risks currently identified' within the 'Respond to the climate crisis' section. Risk Registers will be updated to reflect the associated risks of CDC failing to deliver corporate priorities and climate targets.

Audit Scope

Our review focussed on the following areas:

- A Corporate Plan and Environment and Climate Strategy have been developed and received Member approval to support the delivery of the Authority's Climate Agenda.
- Oversight and co-ordination of the delivery of the Environment and Climate action plan and the Climate Change corporate priority(s).
- Climate Change Objectives are SMART (Specific, Measurable, Attainable, Relevant and Timely).
- Performance monitoring and reporting.

Discussions were held with the Business Manager – Assets & Council Priorities, CDC's Head of Climate Action and relevant Publica Climate Officers



Environmental Impact Assessments are designed to support decision making by indicating how actions could impact the environment. Publica have created a Climate Impact Assessment Tool (CIAT) which includes environmental, climatic and social impact considerations. Their use is due to be trialled with a planned phased roll-out subject to review and Cabinet approval. Officers will be required to complete a CIAT to ensure projects and policies are meeting the Council's commitments to climate. Once the CIAT criteria has been completed, a dashboard and report will indicate any positive and negative impacts on a range of environmental and social considerations, and whether further review or changes are required.

Scope Limitations: Climate Change Operations and Carbon Reduction was not included in this review as separate audits focusing on these areas have been planned.

Additional Information

CDC's Corporate Plan has 2022 'responding to the climate crisis' actions to be delivered by April 2024. CDC's Climate Strategy 2020-2030 references a likely necessity for a thorough review at the mid-point in 2025, if not sooner. The Head of Climate Action is aware of these requirements but recognises this will be challenging with current resources and other climate work taking priority. He also advised that Gloucestershire County Council are due to publish a climate risk assessment which could be used to help develop CDC's strategy.

CDC committee report templates are updated to ensure specific implications are considered as priorities evolve. For example, templates now include a 'climate and ecological emergencies implications' heading. However, updates have not been communicated to all template users. A process should be implemented to rectify this.

CDC submit data to the internationally recognised Climate Disclosure Project (CDP). Public authorities from around the world, including many from the UK, use this platform to disclose climate relevant information. We were advised that there is a two-year delay with BEIS emission data, therefore the 2022 submission included district-wide emission data from 2020.

Partner Council's issue climate action newsletters to keep residents informed on work undertaken to address the climate emergency. Consideration could be given to implementing this at CDC or adding a climate section to the Leaders newsletters that are issued.

To ensure CDC can continue to meet their ambitious climate agenda, it is important that Cabinet, Council and Committees support the climate team's key role in reducing carbon emissions through allocating sufficient resources.

Agreed Actions - Cotswold DC

Report Date: 4th April 2023

Issue ID	Audit	Issue Title	Issue Status	Responsible Owner	Priority Score	Action Plan Status	Timescale	Revised Timescale	Revised Timescale 2	Action Plan Remediation Date
OPEN / OUSTANDING AGREED ACTIONS										
393	PUB - Revenues and Benefits - 2020/21	CDC / WODC - Housing Benefit not reconciled during 2020 (Pentana 44592)	Pending Remediation	Publica Business Partner Accountant	2	In Progress	31/01/2021	30/11/2022		
392	PUB - Revenues and Benefits - 2020/21	CDC and WODC - Officer system access is not revoked when it is no longer required. (Pentana 44540)	Pending Remediation	Business Manager - Operational Services	3	In Progress	31/03/2021	31/03/2023		
402	PUB - Payroll - 2021/22	Outstanding balances accumulating in suspense accounts (Pentana 46799)	Pending Remediation	Payroll Team Leader	3	In Progress	30/06/22	31/12/22	31/08/23	
396	PUB - Revenues and Benefits - 2021/22	Regular Financial Reconciliations (HB) are not completed (CDC and WODC) (Pentana 46965)	Pending Remediation	Head of Revenues and Benefits / Head of Finance	2	In Progress	30/06/2022	30/11/2022		
395	PUB - Revenues and Benefits - 2021/22	Backlogs exist in processing Housing Benefits claims (CDC, FoDDC and WODC) (Pentana 46966)	Pending Remediation	Head of Revenues and Benefits	3	In Progress	30/11/2022	30/11/2022	30/06/2023	
397	PUB - Revenues and Benefits - 2021/22	Regular Financial Reconciliations (CT and NNDR) are not completed (CDC and WODC) (Pentana 46965)	Pending Remediation	Head of Revenues and Benefits / Head of Finance	2	In Progress	30/11/2022			
394	PUB - Revenues and Benefits - 2021/22	Revenues: Inconsistent practices are operating across the service (Pentana 46628)	Pending Remediation	Head of Revenues and Benefits / Head of Finance	3	In Progress	31/12/2022			
404	PUB - Accounts Receivable - 2021/22	Debt Management, recovery and write off guidance. (Pentana 47096)	Pending Remediation	Business Manager - Finance	2	In Progress	31/10/2022	31/03/2023		
305	PUB - Vulnerability Management (Shell) - Apr 2022	Device Security Status Checks (Pentana 47107)	Pending Remediation	Chief Technological Officer	2	In Progress	31/03/2023	31/03/2023		
282	CDC - Procurement Cards - Aug 2022	Key Finding 1 – Non-Compliance with Council Policy (Pentana 47405)	Pending Remediation	Business Manager - Finance	1	In Progress	30/09/2022	31/03/2023		
283	CDC - Procurement Cards - Aug 2022	Key Finding 2 – Card Security and Unused Cards (Pentana 47406)	Pending Remediation	Business Manager - Finance	1	In Progress	30/09/2022	31/03/2023		
284	CDC - Procurement Cards - Aug 2022	Key Finding 3 – Recharge of Card Spend (Pentana 47407)	Pending Remediation	Business Manager - Finance	2	In Progress	31/12/2022	31/03/2023		
285	CDC - Procurement Cards - Aug 2022	Key Finding 4 – Policy Updates (Pentana 47408)	Pending Remediation	Business Manager - Finance	2	In Progress	31/12/2022	31/03/2023		
286	CDC - Procurement Cards - Aug 2022	Key Finding 5 – Cardholder Agreements (Pentana 47409)	Pending Remediation	Business Manager - Finance	2	In Progress	31/12/2022	31/03/2023		
287	CDC - Procurement Cards - Aug 2022	Key Finding 6 – Transparency Reports (Pentana 47410)	Pending Remediation	Business Manager - Finance	2	In Progress	31/12/2022	31/03/2023		
758	CDC - Climate Change Strategy - September 2022	Climate Change KPIs Not Defined	Pending Remediation	Business Manager - Finance	2	In Progress	30/06/2023			
763	CDC - Climate Change Strategy - September 2022	Risk Register Climate Risks	Pending Remediation	Business Manager - Assets and Council Priorities	3	In Progress	30/09/2023			
764	CDC - Climate Change Strategy - September 2022	Impact Assessments	Pending Remediation	Head of Climate Action (CDC)	3	In Progress	30/09/2023			

Issue ID	Audit	Issue Title	Issue Status	Responsible Owner	Priority Score	Action Plan Status	Timescale	Revised Timescale	Revised Timescale 2	Action Plan Remediation Date
COMPLETED / CLOSED AGREED ACTIONS										
44563	Cyber Security - Incident Management	Tracking mechanism for ongoing and recurring vulnerabilities.	Closed		3	Complete	31/12/21	30/06/22		11/07/22
45223	Human Resources (Learning & Development)	There is no Learning Management System in place	Closed		3	Complete	31/03/22			06/07/22
45249	Human Resources (Learning & Development)	Third parties and/or temporary staff working for or on behalf of the Council are not required to carry out mandatory training modules	Closed		2	Complete	31/03/22			06/07/22
45287	Human Resources (Learning & Development)	The Public Learning and Development Guidance and associated forms (Training Brief form and Learning Contract) have not been fully approved by relevant Employee Trade Unions.	Closed		2	Complete	30/09/21	30/11/21		06/07/22
45266	Human Resources (Learning & Development)	Course completion data extracted from iHasco is unreliable and incomplete, meaning it cannot be used for reliable reporting and training monitoring	Closed		3	Complete	31/10/21			06/07/22
45452	ICT Audit Deployment of Anti-Malware Devices	Process to check for anti-malware status and coverage.	Closed		3	Complete	31/10/21	30/04/22		11/07/22
44560	Cyber Security - Incident Management	The Incident Management Policy, along with the Information Security Framework of policies, were last updated in 2017.	Closed		2	Complete	30/04/21	30/09/22		13/10/22
44561	Cyber Security - Incident Management	Incident Response plans are not fully documented.	Closed		3	Complete	31/12/21	30/09/22		15/09/22
44562	Cyber Security - Incident Management	Incident Management and investigation procedures are not documented.	Closed		2	Complete	31/12/21	30/09/22		15/09/22
45973	Risk Management (CDC, FoDDC, WODC, Pub)	Universal Risk Register Templates are to be issued, with consideration of dedicated Risk Management Tooling.	Closed		2	Closed - Recommendation Complete	31/10/21	31/12/22		23/09/22
45115	Systems Administration	Privileged user accounts activity	Closed		2	Closed - Recommendation Complete	31/01/22	30/06/22		17/05/22
45236	Systems Administration	A lack of control surrounds the Business World SYSTEM account.	Closed		2	Closed - Recommendation Complete	31/01/22	30/06/22		12/04/22
45747	ICT Audit Data Recovery Capabilities	A Data Recovery Test Schedule was not available.	Closed		3	Closed - Recommendation Complete	31/12/21			08/06/22
45890	H&S - Fire Risk Assessments	Fire Risk Assessments Work Schedule is not current and incomplete	Closed		2	Closed - Recommendation Complete	31/12/21	31/03/22		04/05/22
46080	Emergency Planning (CDC, FoDDC, WODC)	Gold Commanders have not undertaken training in the last 3 years.	Closed		2	Closed - Recommendation Complete	31/12/21			04/05/22
46712	Monitoring the Performance of Strategic Commi	SWAP Risk is not included in Risk Register	Closed		2	Closed - Recommendation Complete	30/06/22			03/08/22

Issue ID	Audit	Issue Title	Issue Status	Responsible Owner	Priority Score	Action Plan Status	Timescale	Revised Timescale	Revised Timescale 2	Action Plan Remediation Date
46119	Emergency Planning (CDC, FoDDC, WODC)	No guidance for the use of Emergency Response WhatsApp groups.	Closed		2	Closed - Recommendation Complete	31/12/21	30/06/22		26/07/22
46168	Emergency Planning (CDC, FoDDC, WODC)	Statutory roles and responsibilities are not clearly defined	Closed		2	Closed - Recommendation Complete	31/12/21	31/12/22		17/10/22
46851	ICT - Control of Accounts with Administrative Privileges	Privelege Account Access	Closed		3	Complete	30/11/22			13/10/22
47032	ICT - Control of Accounts with Administrative Privileges	Administrator Rights	Closed		3	Closed - Recommendation Complete	30/11/22			05/01/23
47089	ICT - Control of Accounts with Administrative Privileges	Last (current) Logged on user	Closed		3	Complete (Client Self Assessment P3)	30/11/22			13/10/22
46807	Governance of Programmes and Projects	Inconsistencies with the quality of key milestones.	Closed		2	Complete	30/09/22			03/11/22
46746	Monitoring the Performance of Strategic Commissioned Services	S151 Officer is not receiving SWAP Board Papers	Closed		2	Complete	30/06/22			30/09/22
46565	Governance of Programmes and Projects	Statutory Officers not consulted on project/programme governance decisions; Framework requires updating	Closed		2	Complete	30/09/22			11/01/23
403	PUB - Accounts Receivable - 2021/22	Write off Separation of duties. (Pentana 47056)	Closed		2	Closed - Recommendation Complete	31/10/2022			30/03/23

IA Comment

Followed Up during Annual Audit. Work in Progress.

Followed Up during Annual Audit. Work in Progress.

Followed Up during Annual Audit. Work in Progress.

Followed Up during Annual Audit. Work in Progress.

Followed Up during Annual Audit. Work in Progress.

Followed Up during Annual Audit. Work in Progress.

Followed Up during Annual Audit. Work in Progress.

Followed Up during Annual Audit. Work in Progress.

Followed Up during Annual Audit. Work in Progress.

Policy has been drafted. With CFO for review and comment.

Policy has been drafted. With CFO for review and comment.

Policy has been drafted. With CFO for review and comment.

Policy has been drafted. With CFO for review and comment.

Policy has been drafted. With CFO for review and comment.

Policy has been drafted. With CFO for review and comment.

Unrestricted

Agenda Item 13



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 27 APRIL 2023
Subject	MEMBER TRAINING
Wards affected	All
Accountable member	Cllr Nigel Robbins, Chair of Audit Committee.
Accountable officer	Angela Claridge, Director of Governance & Development Email: angela.claridge@cotswold.gov.uk
Report author	Angela Claridge, Director of Governance & Development Email: angela.claridge@cotswold.gov.uk
Summary/Purpose	To update the Committee on the recommendations of Full Council relating to Code of Conduct training for elected members
Annexes	None
Recommendation(s)	<p><i>That Audit Committee resolves to:</i></p> <ol style="list-style-type: none"> <i>1. Agree that training on the Members' Code of Conduct is made mandatory for all councillors and should be undertaken at least once in a councillor's term of office, within six months of their election.</i> <i>2. Agree to receive annual reports on member training courses undertaken.</i> <i>3. Recommend any other training courses which should be made mandatory for all councillors.</i> <i>4. Request that the Constitution Working Group considers recommending to Council amendments to the Constitution to reflect the requirements for councillors to attend mandatory training.</i>
Corporate priorities	Deliver the highest standard of service
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Cabinet Member for Corporate Services Members Development Strategic Steering Group (Cllrs Cunningham, Ind



	& Spivey), supported by officers.
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1. BACKGROUND

- 1.1 This Committee has a responsibility to promote, maintain and assist the achievement of high standards of conduct by councillors and co-opted members in accordance with the Council's Code of Conduct for Members. This includes a responsibility to secure adequate and appropriate training of councillors and co-opted members on the Code.
- 1.2 Council at its meeting on 15 March 2023 agreed to adopt the Gloucestershire wide Code of Conduct for Members. The new Code will be coming into effect from the new municipal year.
- 1.3 The draft minutes from Council on 15 March 2023 state; "*There was a query to the Monitoring Officer about requests to make the training mandatory and how this might be possible to enforce. It was noted that the Audit Committee had responsibility for standards and this would be discussed at the next Audit Committee on 27 April 2023*". With this in mind this Committee's views are sought.

2. MEMBER TRAINING AND INDUCTION PROGRAMME

- 2.1 At the local elections on 4 May 2023, all seats on the Council will be up for election. In preparation for supporting councillors post-election, both in consultation with the Cabinet Member for Corporate Services, and the Member Development Strategic Steering Group, officers have drawn up a member training and induction programme. The programme includes some planned induction and training sessions which are specifically aimed at new councillors, as well as sessions that are aimed at all councillors, or councillors with certain responsibilities (e.g. members of planning and licensing committees who must attend the relevant training prior to determining any application).
- 2.2 New councillors will be invited to attend a choice of two welcome sessions to be held at different times of day on 9 and 10 May. Returning councillors will also be welcome to attend these sessions. These welcome sessions will include, amongst other agenda items, a light touch training session on the Code of Conduct for Members. This would be followed with more in-depth Code of Conduct training planned for later in the month.
- 2.3 In addition to training provided by the Council, either directly or indirectly, councillors will be signposted to other training resources such as training sessions and webinars hosted by the Local Government Association and other external providers across a number of subject areas.



3. CODE OF CONDUCT TRAINING

3.1 There was significant support at Full Council on 15 March 2023 to make training on the Code of Conduct mandatory for all councillors.

3.2 In summary, the purpose of Code of Conduct training is three-fold:

- To assist councillors in modelling expected behaviour commensurate with the Nolan Principles;
- To set out the type of conduct that could lead to action being taken against a councillor;
- Protect the councillor, public, fellow councillors and officers and the reputation of local government.

3.3 It is not currently mandatory under the Council's Constitution for councillors to undertake training on the Code of Conduct, although this has been strongly encouraged. This Committee, in view of its role in encouraging high standards for Members, is recommended to consider making Code of Conduct training mandatory for all councillors.

3.4 The Committee may wish to form a view on how regularly councillors should attend Code of Conduct training. Options could be for such training to be delivered – annually, biennially or once in a members' term of office (i.e. every 4 years), which is recommended as a minimum.

3.5 Consideration should be given to what making councillor attendance at mandatory would mean in practice.

3.6 It is recommended that the Committee receives regular reports on member training and that such reports name any members who have not undertaken mandatory training. If the committee agrees to the frequency of mandatory training being once in a councillor's term of office within six months of their election then such reports would be presented to the Committee in election years after the six months have passed.

4. FINANCIAL IMPLICATIONS

4.1 The Council budget availability of £5,800 for member training for 2023/24, which should be sufficient to meet anticipated training and development needs during the year.

5. LEGAL IMPLICATIONS

5.1 There is no legal requirement for the Council to make member training mandatory but doing so is considered good corporate governance and supportive to members.

6. RISK ASSESSMENT

6.1 If members are not trained on the Code of Conduct there is a risk of an increase in the number of complaints against members.



7. EQUALITIES IMPACT

- 7.1 All newly elected councillors will be invited to declare any special requirements relating to the provision of training and Democratic Services will work with the individual to ensure that any such needs are met.

8. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 8.1 There are no climate and ecological emergencies implications arising from this report.

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:

- Full Council draft minutes – 15 March 2023
- Council's Constitution

- 9.2 These documents will be available for inspection online at www.cotswold.gov.uk or by contacting democratic services democratic@cotswold.gov.uk for a period of up to 4 years from the date of the meeting.

(END)

WORK PLAN

COMMITTEE DATE	ITEMS	Author	Responsible Officer
26th January 2023			
	Internal Audit Progress Report	Lucy Cater	David Stanley
	Elected Member Code of Conduct		Angela Claridge
	Work Plan		
	Feedback from the Peer Review- Governance Arrangements		Angela Claridge/ David Stanley
	Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy 2023/24	Michelle Burge	David Stanley
	Annual Capital Strategy 2023/24		
	Annual Ombudsman Report	Mary-Ann Forrest	Angela Claridge
	Time Limits for O&S and Audit	Ana Prelici	Angela Claridge
27th April 2023			
	Annual Governance Statement – Action Plan Update	David Stanley	
	2021/22 Statement of Accounts and Audit Opinion – Update #2	David Stanley	
	Accounting Policies	Michelle Burge	David Stanley
	Corporate Enforcement Policy	Emma Cathcart	
	CFEU Update Report (RIPA and IPA annual update)	Emma Cathcart	David Stanley
	Internal Audit Progress Report	Lucy Cater	David Stanley
	Internal Audit Plan and Charter	Lucy Cater	David Stanley
	Member Training Relating to Gloucestershire Wide code of Conduct	Angela Claridge	
25th July 2023			
	Corporate Risk Register	Cheryl Sloan	
	Internal Audit Annual Opinion	Lucy Cater	David Stanley
	Annual Governance Statement	David Stanley	
	Annual Statement of Accounts		David Stanley
	Informing the Audit Risk Assessment	David Stanley	
	Treasury Management Outturn		David Stanley

	Corporate Risk Register	Cheryl Sloan	
18th October 2023			
	Corporate Risk Register	Cheryl Sloan	
	CFEU Update Report (RIPA and IPA annual update)	Emma Cathcart	David Stanley
	Internal Audit Progress Report	Lucy Cater	David Stanley
	Annual Standards Sub-Committee update		Angela Claridge

Other Officer Reports				
CyberSecurity Update	Report / Verbal Update	John Chorlton / Tony Oladejo		January – For Information / to Note
Annual Governance Statement Action Plan	Report / Verbal Update		David Stanley	Quarterly / Half Yearly?
Risk Management Policy		Zoe Campbell's Team		Approval
Fraud Risk Strategy Update		Emma Cathcart		Annual
RIPA / IPA (Policies x3)		Emma Cathcart		Next due 2023
Proceeds of Crime and Anti Money Laundering Policy		Emma Cathcart		Next due 2024
Counter Fraud and Anti Corruption Policy		Emma Cathcart		Next due 2025
Minutes of Licensing Sub-Committee				Annual - April

External Audit Reports

Audit Progress Report and Sector Update				Quarterly
Audit Plan				Annual
Audit Findings Post Audit Final Letter of Representation	Presented with Statement of Accounts			Annual
Fee Letter				Annual
Housing Benefit Subsidy Certification (KPMG)		Mandy Fathers		

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