



Tuesday, 10 October 2023

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AUDIT AND GOVERNANCE COMMITTEE

A meeting of the Audit and Governance Committee will be held at Council Chamber - Trinity Road on **Wednesday, 18 October 2023 at 5.00 pm.**

Rob Weaver
Chief Executive

To: Members of the Audit and Governance Committee;
(Councillors Nigel Robbins, Clare Muir, Helene Mansilla, Patrick Coleman, Jeremy Theyer, Chris Twells, Len Wilkins and Independent Members; Christopher Bass and John Chesshire)

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**
To receive any apologies from members
2. **Substitute Members**
To note details of any substitution arrangements in place for the meeting.
3. **Declarations of Interest**
To receive any declarations of interest from Members and Officers, relating to items to be considered at the meeting.
4. **Minutes (Pages 5 - 12)**
To confirm the minutes of the meeting of the Committee held on 25th July 2023.
5. **Public Questions**
A maximum of 15 minutes is allocated for an “open forum” of public questions at committee meetings. No person may ask more than two questions (including supplementary questions) and no more than two such questions may be asked on behalf of one organisation. The maximum length of oral questions or supplementary questions by the public will be two minutes. Questions must relate to the responsibilities of the Committee but questions in this section cannot relate to applications for determination at the meeting.

The response may take the form of:
 - a) A direct oral response (maximum length: 2 minutes);
 - 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 maximum period of fifteen minutes is allowed for Member questions. Questions must be directed to the Chair and must relate to the remit of the committee but may not relate to applications for determination at the meeting.

Questions will be asked in the order notice of them was received, except that the Chair may group together similar questions.

The deadline for submitting questions is 5.00pm on the working day before the day of the meeting unless the Chair agrees that the question relates to an urgent matter, in which case the deadline is 9.30am on the day of the meeting.

A member may submit no more than two questions. At the meeting the member may ask a supplementary question arising directly from the original question or the reply. The maximum length of a supplementary question is one minute.

The response to a question or supplementary question may take the form of:

- a) A direct oral response (maximum length: 2 minutes);
- 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. **2021/22 Audit Finding Report and Annual Audit Letter (Pages 13 - 60)**

Purpose

To receive the Audit Opinion on the 2021/22 Financial Statements and Value for Money arrangements agreed under delegated authority in September 2023.

Recommendation

That Audit and Governance Committee resolves to:

1. Note the Audit Findings Report for Cotswold District Council (Final) and the Annual Audit Letter.

8. **Internal Audit Progress Report (Pages 61 - 80)**

Purpose

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

Recommendation

That the Audit and Governance Committee resolves to:

- 1) Note the reports at Annexes A and B

9. **Draft 2022/23 Statement of Accounts (Pages 81 - 214)**

Purpose

The Statement of Accounts for 2022/23 shows the financial position of the Council as of 31 March 2023 as well as the performance during the year.

Under the Council's Constitution, the Audit and Governance Committee is charged with the responsibility of the approval of the accounts.

This report presents to the Committee for consideration the published (unaudited) draft Statement of Accounts for the year ended 31 March 2023.

Recommendations

That the Audit and Governance Committee resolves to note:

1. The draft unaudited Statement of Accounts 2022/23 (as attached at Annex A).
2. Key highlights from the Statement of Accounts 2022/23 as set out within this report.
3. The position on Local Audit delays as set out in Annex B and Annex C

10. **2023/2024 Treasury Management Indicators - Quarter One (Pages 215 - 220)**

Purpose

To report to the Audit and Governance Committee the quarter one Treasury Management Indicators as required by the CIPFA Treasury Management Code.

Recommendation

That the Audit and Governance Committee resolves to:

- I) Note the 2023/24 Treasury Management Indicators (Q1).

11. **Cotswold District Council Local Code of Corporate Governance** (Pages 221 - 236)

Purpose

To present the latest version of the Local Code of Corporate Governance for Cotswold District Council for adoption.

Recommendation

That the Audit and Governance Committee resolves to:

- I) Review and adopt the latest version of the Local Code of Corporate Governance.

12. **Annual Governance Statement Action Plan** (Pages 237 - 246)

Purpose

This report provides the Audit and Governance Committee with an update on progress against the Annual Governance Statement action plan for 2023/24

Recommendation

That the Audit and Governance Committee resolves to:

- I) Note the action plan and associated progress updates

13. **Annual Summary of Complaints Statistics From The Local Government And Social Care Ombudsman - Year Ending 31 March 2023** (Pages 247 - 260)

Purpose

This report presents the Annual Complaints statistics as provided by the Local Government and Social Care Ombudsman for the year 1st April 2022 – 31st March 2023.

Recommendation

That the Audit and Governance Committee resolves to:

- I) Note the content of the report and the Annual Review Letter 2022 – 2023.

14. **Appointment of Standards Hearings Sub-Committee** (Pages 261 - 266)

Purpose

To invite the Committee to appoint members to the Standards Hearings Sub-Committee.

Recommendations

That the Audit and Governance Committee resolves to:

1. Agree to establish the Standards Hearings Sub-Committee.
2. Appoint the three members of the Audit and Governance Committee named in Annex A to the Standards Hearings Sub-Committee for the remainder of the current municipal year, in accordance with political proportionality (2 Liberal Democrat, 1 Conservative).
3. Delegate authority to the Director of Governance and Development to

determine who will be the Independent Person at a Standards Hearings Sub-Committee meeting and, where relevant, who will be the Town and Parish Council representative attending in an advisory capacity.

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

Purpose

To review the work plan.

Recommendation

That the Audit and Governance Committee resolves to:

- I) Note the work plan

(END)

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Audit and Governance Committee
25/July2023



COTSWOLD
DISTRICT COUNCIL

Minutes of a meeting of Audit and Governance Committee held on Tuesday, 25 July 2023.

Councillors present:

Nigel Robbins – Chair
Helene Mansilla
Patrick Coleman

Clare Muir – Vice-Chair
Chris Twells
Len Wilkins

Officers present:

David Stanley, Deputy Chief Executive and
Chief Finance Officer
Caleb Harris, Senior Democratic Services
Officer
Pete Barber, Grant Thornton LLP

Michelle Burge, Chief Accountant
Lucy Cater, Assistant Director (SWAP)

Observers:

Councillors Mike Evemy and Angus Jenkinson

205 Apologies

The meeting began at 17:15

There were no apologies received.

206 Substitute Members

There were none.

207 Declarations of Interest

There were no declarations of interest from Councillors or Officers present.

208 Minutes

The Senior Democratic Services Officer noted that Councillor Evemy was missing as an observer for the meeting, and would therefore be added.

The minutes were taken as read.

RESOLVED: That the minutes of 27th April 2023 be considered as a correct and accurate record.

209 Public Questions

There were no public questions.

210 Member Questions

There were no Member Questions

211 Internal Audit Annual Opinion

The Chair invited the Assistant Director of SWAP Internal Audit , Lucy Cater, to introduce.

The Assistant Director of SWAP introduced the 22/23 Annual Opinion and the following points were highlighted:

- The report highlighted on page 16 the comparison with the 21/22 report.
- It was noted on page 22 the significant corporate risks that require action, which come to the Committee on a regular basis and to the Deputy Chief Executive.
- It was highlighted on page 28, which was a summary of the audit plan, the audits conducted and the number of agreed actions.

It was noted that page 35 mentioned the recovery of housing benefit payments and invoices not being raised. It was noted by Mandy Fathers that recovery stopped during Covid-19 in addition to the Civica system and that other areas did take priority. It was further noted that technical delays had caused problems, but there was assurance given that recovery had started. It was noted that out of 458 accounts 308 (67%) of these had been invoiced. £283,000 of the total debt had been invoiced and this was work should be completed by September. It was noted that any new debt had been invoiced.

The Deputy Chief Executive highlighted that that the lack of invoicing was not acceptable. It was outlined that a lessons learnt exercise was being undertaken by the Internal Audit team following this issue. It was outlined that all councils did stop recovery due to Court Procedures being halted, but the recommencement of debt recovery wasn't as timely as it should have been.

The Committee commented on the cash flow monitoring and whether monthly meetings were better than quarterly. The Deputy Chief Executive highlighted the detailed model that Publica provides. The quarterly meetings were more strategic with Arlingclose to examine longer term options, and there were daily officer meetings to ensure the Council met cash requirements.

The Chair asked about recommendation 4 from 2021/22 report and the need for a liquidity indicator. The Deputy Chief Executive noted that the Council had not set what the minimum level of liquid cash is on a daily basis as picked up in this report and in the external auditors' report. It was noted that with the Council's finances tightening in the medium term, it would be desirable to set a realistic indicator for minimum cash requirements. This would be followed up in subsequent reports.

Councillor Angus Jenkinson as an observer member noted that a system map was not available for the technical and operational systems and a process map. The Deputy Chief Executive

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noted the performance indicators in the quarterly service performance reports demonstrated how well services were being delivered. It was noted that regularity audits were being done to build up a process map where there were gaps.

The Committee asked about the communication of billing for Council Tax and how this can be done to avoid anxiety amongst residents. The Business Manager for Environmental, Welfare and Revenue Services reiterated that the calculations would be provided in the invoices. It was also noted that support was available such as payment schedules and Council Tax support which residents could use to facilitate the payment.

In response to a supplementary question regarding the amounts, it was also outlined by the Business Manager that some of the amounts could be quite high, but the average amount tended to be in hundreds of pounds but it depended on the individual circumstances.

The Chair invited the Assistant Director of SWAP to comment on the Wellbeing Support report in the light of the public reaction to the 'Diddly Squat' Farm application involving Publica colleagues. The Assistant Director of SWAP noted that there would be implications for Publica officers across all of the partner councils. It was noted that the report was created to see how the Council responded to events like this and how officers were supported.

The Chair thanked officers for their contributions to this item.

RESOLVED: The Committee NOTED the report.

212 External Auditors Annual Report 2021/22

The Chair invited Pete Barber as the External Auditor from Grant Thornton to introduce the report.

It was outlined how various factors had impacted all councils such as the inflationary increases. It was noted how financial sustainability was crucial for the council when it operates in an uncertain environment.

It was also noted how the governance arrangements are also considered by Grant Thornton. This examined how decisions are made in the Council and any risks are managed.

The Committee noted in Appendix C how the different types of recommendations can arise from Value for Money work.

It was highlighted how statutory recommendations issued to other councils due to concerns over service delivery did not apply to this Council.

It was noted that the Council does have arrangements to ensure Value For Money and there were no key recommendations noted for this.

It was noted that 2021/22 was a year where the Council did deliver against its targets, but that this was a year that had government grants which assisted.

The withdrawal of the Recovery Investment Strategy in 2022 was mentioned as a good governance decision in light of the worsening financial situation. The establishment of the

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Cabinet Transformation Working Group was also key to ensuring financial sustainability. However further officer and member challenge was needed to maintain financial sustainability.

In regards to governance, the capacity of the financial team was mentioned as a concern in the report. It was noted that in 2021/22, the team was under pressure to deliver the financial audits.

The Peer Review exercise in 2022 was crucial as a way of providing a direction for oversight of areas of improvement. It was highlighted that communication with Publica and other stakeholders was important to build upon this work.

The Committee asked about the Code of Conduct between Publica staff and those retained staff by the Council and any differences. The Deputy Chief Executive highlighted that there were some minor differences but there was a recommendation that the Code of Conduct needed to be updated for retained staff.

Councillor Jenkinson as an observer member asked about the term Value for Money and how it was used, and the extent to which information flows through the organisation to manage risk. Pete Barber said that the Value for Money definition is outlined by the Audit Office's guidance. In terms of risk and performance management, it was noted that Grant Thornton's report examines how the Council manages risks through the information to decision makers.

It was noted that some of the actions were completed, but that some of them like the workforce strategy were perhaps a bit more difficult to deliver. It was asked if there was a timeline for completion. The Deputy Chief Executive noted the AGRESSO Business World recommendation is in regards to optimising the system so that the Council's data and Publica's data could be more streamlined. On workforce planning, Publica was developing a workforce strategy to pick up succession planning and future needs.

The Deputy Leader and Cabinet Member for Finance commented that expectation is that retained officers have an action plan to follow-through with Publica. On the report's recommendations around financial sustainability, it was noted that resourcing for the finance team was being looked at. The Deputy Leader also highlighted that the Cabinet Transformation Working Group was focussed on the 2023/24 budget and delivering the savings against the projections.

It was also noted by the Deputy Leader that the immediate focus was around the financial sustainability of the Council, and delivering the savings required.

Pete Barber noted an update that all areas bar one have been concluded and that an update on trianvaultation had been undertaken.

It was estimated that the 21/22 accounts could be signed in the next 2 weeks.

The Deputy Chief Executive noted that the circulation of the adjustments to the 2021/22 statement would be published online. It was also noted that there was a delegation from April's meeting to the Deputy Chief Executive and the Chair to approve the final accounts for 2021/22. This would then enable work to commence on the 2022/23 accounts.

The Committee re-confirmed the delegated authority given at April's meeting.

RESOLVED: That the Committee note the report and confirm receipt of the pension liabilities update circulated within the meeting.

213 Draft Annual Governance Statement

The draft governance statement was introduced by the Deputy Chief Executive.

It was highlighted this was a draft statement looking to the year 2022/23

It was highlighted that the report sets out good practices of governance and how the Council is demonstrating compliance against these principles.

The following points were highlighted:

- Pages 105 to 110 were noted with the 2022/23 Action Plan statement and how the Council has scored against it. There was an Action Plan on page 109 against current issues and showing action taken.
- There was also a follow up on the contract procedure rules update endorsed by Cabinet and Council.

It was noted that there were some suggested corrections including references to the now 'Audit and Governance Committee' instead of 'Audit Committee' and there was also reference to page 99 and the need for clarity on the protocol regarding the Planning and Licensing Committee's Review Panel. This was in light of a review which was being undertaken. The Director of Governance and Development noted that the paragraph would be expanded upon to show this. The Deputy Chief Executive noted that a line in the front of the document explaining the name change may be more appropriate given this was looking at the year 2022/23.

There were questions by the Committee on Emergency Planning and how this is prioritised. The Director of Governance and Development noted that these were topical to what the Council would be facing at the time but these are kept under review. The example of cyber-attacks or significant power outages were examined.

There were questions around Member Training and how courses that were deemed as mandatory could be enforced. The Director of Governance and Development responded that the Audit and Governance Committee had previously recommended certain training like Code of Conduct training become mandatory. It was stated that it was preferable that Members came to training on their own accord but that the Audit and Governance Committee would have oversight of this within the Committee's responsibility for standards.

RESOLVED: That the Committee NOTED the report.

214 Treasury Management Outturn

The Deputy Chief Executive introduced the item as the performance of the Council against the Treasury Management Strategy and compliance for financial year ending 31 March 2023.

The following points were highlighted:

- It was noted on page 113 the closing balances for 31 March 2022 of £32.917 million, a reduction of cash balances of 5.402 million with a closing balance of 27.515 million on

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31st March 2023. It was noted that the removal of central government support during the Covid pandemic and the delay of receipt of income of business rates.

- It was noted that pooled funds had provided a dividend, but the value of the investments realised had reduced to £11,528,250. However pooled funds were a longer term investment and switching them would come at a cost.
- It was noted at Section 8 of the report that the Council had complied with the indicators with the CIPFA Code of Practice.

It was noted that under the section of the report on corporate priorities. It was noted by the Deputy Leader that this section was part of all reports, which shows reports are in line with the Corporate Plan approved by Full Council.

It was noted that page 117 about investment in banks and building societies and there were queries about the security of these investments. It was noted by the Deputy Chief Executive that Arlingclose provides advice on the credit-worthiness on these investments as well as officer advice.

The Chair commented that it may be useful to have Arlingclose organise a training session with the Committee and other Members. It was noted by the Deputy Chief Executive that there were sessions planned on treasury management which would be organised soon.

It was asked whether there were any capital assets mentioned within the report. The Deputy Chief Executive noted that there were a number of non-treasury management investments within or outside of the district boundaries. There were also service loans and other investments that earn a return for the Council. The Chief Accountant noted that when the accounts were brought to the Committee this would be picked up.

RESOLVED: The Committee noted the report.

215 Audit Committee Effectiveness

The purpose of the report was to present to the Audit and Governance Committee CIPFA's Updated Audit Committee Guidance along with the self-assessment and evaluation toolkit to enable Committee Members to identify any training needs to ensure they meet the principles as set out in the CIPFA guidance

Cllr Coleman left the meeting at 19:03

The Chair noted that there was large amount of documentation with duplication and there was some encouragement for Committee Members to read the documentation.

It was noted at Appendix F that there is an opportunity for self-assessment to evaluate the effectiveness of the Audit and Governance Committee.

The Deputy Leader and Cabinet Member for Finance was invited to comment as a frequent observer member. It was mentioned that there were a number of new members on the Committee which may mean the review needs to be delayed. The Chair did comment that it was a commitment to the process rather than an immediate start to the review.

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The Committee commented about the need for challenge on the Committee of official advice given. The Director for Governance and Development noted the appointment process for two Independent Persons and that there had been respondents to the application. It was highlighted that these non-voting Members would have relevant expertise and would not be affiliated with officers .

It was noted that training was an important part of self-assessment and officers could provide support where necessary. It was noted by the Assistant Director of SWAP that a questionnaire would be used to help identify training needs of Committee Members.

RESOLVED: The Committee NOTED the report and AGREED with the principle of self-assessment.

216 Work Programme

The Chair introduced this item and outlined the items scheduled.

The Deputy Chief Executive noted that the following items were to be added to the plan for the 18 October meeting;

- 2022/23 External Audit planning
- Draft Accounts for 2022/23
- Updated Treasury Management Code

The Director of Governance also added the Annual Ombudsman Report to the 25 January 2024 meeting. The Chair agreed to this due to the Accounts being received at October's meeting.

RESOLVED: The Committee NOTED the Work Programme and the additions suggested.

The Meeting commenced at 5.15 pm and closed at 7.10 pm

Chair

(END)

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Agenda Item 7



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT AND GOVERNANCE COMMITTEE – 18 OCTOBER 2023
Subject	2021/22 AUDIT FINDING REPORT AND ANNUAL AUDIT LETTER
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
Report author	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Summary/Purpose	To receive the Audit Opinion on the 2021/22 Financial Statements and Value for Money arrangements agreed under delegated authority in September 2023.
Annexes	Annex A – The Audit Findings for Cotswold District Council 2021/22 (Final) Annex B – Independent auditor's report to the members of Cotswold District Council
Recommendation(s)	That Audit and Governance Committee resolves to: I. Note the Audit Findings Report for Cotswold District Council (Final) and the Annual Audit Letter.
Corporate priorities	<ul style="list-style-type: none"> Deliver the highest standard of service
Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A



1. EXECUTIVE SUMMARY

- 1.1 The Council's external auditors completed their work on the 2021/22 financial statements and Value for Money arrangements in September 2023.
- 1.2 The final Audit Finding Report and Independent auditor's report to the members of Cotswold District Council was received under delegated authority provided to the Chair of Audit and Governance committee and the Deputy Chief Executive and Section 151 Officer.

2. BACKGROUND

- 2.1 The draft Statement of Accounts for 2021/22 were published in August 2022 with the external audit of the financial statements commencing in October 2022.
- 2.2 Audit Committee received an update on the progress of the audit at the meetings in January 2023 and April 2023 outlining progress on receiving the audit opinion. Additional audit work was undertaken to provide adequate assurance around the valuation of the Council's fixed assets (Property, Plant and Equipment (PPE)), and updated valuations of the Council's element of the Gloucestershire Local Government Pension Scheme (LGPS).

3. AUDIT FINDINGS REPORT AND ANNUAL AUDIT LETTER

- 3.1 Grant Thornton, the Council's external auditors, presented their initial draft Audit Findings in the Auditor's Annual Report on Cotswold District Council 2021/22 at the meeting of Audit and Governance Committee in July 2023.
- 3.2 Grant Thornton advised members that subject to being satisfied on the remaining pension valuation issue they would conclude the audit during the summer and issue their opinion and audit letter.
- 3.3 The unqualified audit opinion on the financial statements and value for money arrangements was received and accepted by the Council on 28 September 2023 under delegated authority by the Chair of Audit and Governance Committee and the Deputy Chief Executive and Section 151 Officer.
- 3.4 For completeness, a copy of the final Audit Findings Report (Final) and the Independent auditor's report to the members of Cotswold District Council are attached in Annex A and Annex B respectively.
- 3.5 A copy of the audited Statement of Accounts is available on the Council's website:
<https://www.cotswold.gov.uk/media/udzfbkes/statement-of-accounts-2021-to-2022-audited.pdf>

4. ALTERNATIVE OPTIONS

- 4.1 None.

5. FINANCIAL IMPLICATIONS

- 5.1** An additional audit fee of £6,000 has been proposed by Grant Thornton recognising the additional IAS19 procedures required in relation to the triennial pension valuation as at March 2022. Subject to agreement through the Public Sector Audit Appointments process on fee variations, the additional fee would be met from existing resources in year.

6. LEGAL IMPLICATIONS

- 6.1** (This section must be completed by the legal team who will advise on any legal implications arising from your report.)

(END)

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The Audit Findings for Cotswold District Council

Year ended 31 March 2022

Cotswold District Council

26 September 2023

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Your key Grant Thornton team members are:

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Section

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
26 September 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 October 2022, followed by an additional visit in February 2023. Our initial findings were presented to the Audit & Governance Committee in March 2023. We have now concluded all outstanding work and this report provides an update to our initial findings.

Our work 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 the intervening period an updated pension fund triennial valuation was undertaken as at 31 March 2022. In response to this, the Council commissioned an updated pension fund liability calculation that has now been reflected in the final version of the financial statements. More detail is provided on page 9.

The Council recognises that 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.

A recent topic on the news concerning aerated concrete has also been brought to our attention. This is a historic issue despite recent news attention. We have inquired of officers at the Council who've indicated a full review is being performed of relevant properties, with the current indication being Council owned properties are at low risk. We will continue to monitor the results of the review as this is completed.

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 we anticipate issuing an unqualified audit opinion on 28 September 2023. 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 completed our VFM work for 2021/22, which is summarised on page 19 -20, and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the July meeting of the Audit Committee.

We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources but made a number of improvement recommendations to further strengthen arrangements going forward.

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 as well as the extra work required on the update pension fund liability disclosures has resulted in an increase in our fee from the indicative fee at the planning stage of the audit. Further details are set out on page 27 of this report.

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 the completion of our closing procedures, we anticipate issuing an unqualified audit opinion on 28 September 2023, as detailed in [Appendix E]. These closing procedures include:

- Receipt of management representation letter;
- 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 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
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determine the criteria for selecting high risk unusual journals; • 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. <p>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.</p> <p>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.</p>

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.

As highlighted earlier in our report, all unsigned audits for 2021-22 were paused at the 31 March 2023 to consider the impact of publication of the results of the triennial actuarial review of pensions valuations. This resulted in changes in member numbers within pension funds and has led to an adjustment in the pension liability disclosures for the Council as at 31 March 2022. This has required management to commission a new actuarial valuation and adjust the accounts accordingly. The Council has prepared revised financial statements reflecting the new actuarial assumptions relevant to 31 March 2022. This has resulted in an overall increase to the Council's net pensions liability of £2.4m and an increase in the cost of services by the same amount.

We have performed additional audit procedures to ensure the revised pension valuation has been adjusted appropriately within the financial statements, as we as performed additional member data testing on the inputs used to inform the actuary's triennial valuation of the fund as a whole. Furthermore, we have reviewed the revised actuarial assumptions used by the actuary in preparing its revised valuation and we are satisfied that these revised assumptions are within expected tolerances as set out by our consulting actuary (as auditor's expert).

Our audit work has not identified any other 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.
- evaluated the assumptions made by the valuer for those assets revalued at 31 March 2022.

Our audit work has not identified any issues in respect of valuation of the Council's Land and Buildings.

2. Financial Statements - key judgements and estimates

Page 29

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																																			
Net pension liability – £37.92m	<p>The Council's net pension liability at 31 March 2022 is £37.92m (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 2022. As a result of the updated Triennial Valuation to Gloucestershire Pension Fund, Cotswold District Council have obtained an update IAS19 report and have opted to amend the accounts for the material movement in their share of net liabilities. This has resulted in a balance sheet movement in the net liabilities line of £2.4m.</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><tr><th>Assumption</th><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr><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>Life expectancy - Males currently ages 45 / 65</td><td>Life expectancy - Males currently ages 45 / 65</td><td>Current 21.7 Future 22.6</td><td>Current 20.1 - 22.7 Future 21.4 - 24.3</td><td>●</td></tr><tr><td>Life expectancy - Females currently ages 45 / 65</td><td>Life expectancy - Females currently ages 45 / 65</td><td>Current 24.1 Future 25.8</td><td>Current 22.9 - 24.9 Future 24.8 - 26.7</td><td>●</td></tr></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, andWe 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 Future 22.6	Current 20.1 - 22.7 Future 21.4 - 24.3	●	Life expectancy - Females currently ages 45 / 65	Life expectancy - Females currently ages 45 / 65	Current 24.1 Future 25.8	Current 22.9 - 24.9 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 Future 22.6	Current 20.1 - 22.7 Future 21.4 - 24.3	●																																		
Life expectancy - Females currently ages 45 / 65	Life expectancy - Females currently ages 45 / 65	Current 24.1 Future 25.8	Current 22.9 - 24.9 Future 24.8 - 26.7	●																																		

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

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.

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. No discrepancies were noted with bank confirmation balances.
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
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> 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>
<div>Page 35</div> 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>



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>

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 completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report presented to Audit Committee in July 2023.

The key findings in each of the 3 areas are set out below:

Financial sustainability

The Council, like others, continues to operate in an uncertain financial environment. The Council understands the financial risks it faces particularly in respect of its key income streams, the impact of inflationary pressures and the need to identify and then delivery savings over the medium term. The Council has put in place appropriate measures, including the recent formation of a cabinet transformation working group, to support financial sustainability.

As part of our initial audit plan, we identified a risk of significant weakness in relation to financial sustainability reflecting the uncertainty regarding local government funding in the medium term. Our subsequent work has not identified any significant weaknesses in arrangements to secure financial sustainability but has identified four improvement recommendations.

Governance

The Council enhanced its governance arrangements during 2021/22 through a review of the Council's constitution and the introduction of a revised Risk and Opportunity Management Strategy, with further development of the Council's governance and control environment planned as part of the Council's corporate peer challenge 2023 action plan. Our work has not identified any significant weaknesses in arrangements but has identified four improvement recommendations.

Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. The Council is seeking to significantly develop its benchmarking and performance management activities whilst also assessing key partnership arrangements. These planned areas of focus will help strengthen arrangements for improving the way the Council delivers its services.

Conclusion

We did not identify any risks of significant weakness in arrangements as a result of work performed. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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	Income and Expenditure £	Balance Sheet £	Impact on total net expenditure £
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
As a result of the Triennial valuation dated 31/03/2022, there has been an increase in the value of the Council's share of the Pension Fund net liability.	£2,404,000	(£2,404,000)	0
Overall impact	3,053,350	(3,053,350)	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.

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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 2021/22 fee	Final 2021/22 fee
Anticipated fee at planning stage	£62,658	£62,658
Additional IAS19 procedures required in relation to triennial pensions valuation as at 31 March 2022		£6,000
Final audit fees (excluding VAT)		£68,658*

* Final fee subject to PSAA approval for additional fees in year.

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)

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

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 certify that we have completed the audit of West Oxfordshire District Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

Peter Barber, Key Audit Partner

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

F. Management Letter of Representation

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

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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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, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, notes to the financial statements, including a summary of significant accounting policies and the Collection Fund Statement. 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 with respect to going concern are described in the 'Responsibilities of the Authority, the **Chief Finance** Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

As explained in the Statement of Responsibilities set out on page 7, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).
- We enquired of senior officers and the Audit Committee concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to Journals processed by senior finance officers, as we would not expect them to be involved in the normal day to day operations of the general ledger; as well as Journals with a blank description, as this could indicate that there is not a legitimate reason for posting a journal.

- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
 - journal entry testing, with a focus on with a focus on any journals posted by senior finance officers and those with a blank description,
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations and
 - 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.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to Property, Plant and Equipment valuations and defined benefit pension liability valuations.
- 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.

We have nothing to report in respect of the above matter

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance 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 have documented 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 have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of 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.

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

Peter Barber, Key Audit Partner

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

Bristol

28 September 2023

Agenda Item 8



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT AND GOVERNANCE COMMITTEE – 18 OCTOBER 2023
Subject	INTERNAL AUDIT PROGRESS REPORT
Wards affected	N/A
Accountable member	Councillor Mike Every, Deputy Leader and Cabinet Member for Finance Email: mike.every@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 2023/24 Annex B – Agreed Actions
Recommendation(s)	That the Committee resolves to: I. Note the reports at Annexes A and B
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 2023/24 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:



COTSWOLD
DISTRICT COUNCIL

- 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

October 2023

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Contents

The contacts at SWAP in connection with this report are:

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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**

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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.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

	Categorisation of Recommendations
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

Definitions of Risk

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Summary of Audit Findings

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Key Financial Control	Payroll	Final Report	High Substantial	0				Report Included
Operational	Climate Change (Operational)	Final Position Statement	N/A	0				Report included
Governance	Freedom of Information	Final Report	Medium Reasonable	4	-	2	2	Report Included
Operational	Taxi Licensing Safeguarding	Draft Report						
Operational	Estates Services	Draft Report						
Operational	Property Services	Draft Report						
Key Financial Control	Bank Reconciliation	Draft Report						
Key Financial Control	Council Tax and NNDR	Audit in Progress						
Key Financial Control	Housing Benefit and Council Tax Support	Audit in Progress						
Advisory	Revenues and Benefits Service Review	Audit in Progress						
ICT	ICT Business Continuity Management	Audit in Progress						
Operational	Applicant Tracking System	Fieldwork to Commence						
Governance	Data Breaches	Brief Agreed						

Summary of Audit Findings

APPENDIX C

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Governance	Transparency Data	Brief Agreed						
Key Financial Control	Use of Waivers	Brief Agreed						
Operational	Accounts Payable – Qtly Review	In Progress						
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	Environmental Services Improvement Programme	On-Going						
Advisory	Procurement and Commissioning Group	On-Going						
Advisory	Health and Safety Working Group	On-Going						
Advisory	Risk Management Group	On-Going						
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

Payroll – Final Report – June 2023

Audit Objective

To provide assurance that the Payroll system is operated in accordance with agreed policy/procedure and with the Council/Clients Financial Rules.

Assurance Opinion



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.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	0
Total	0

Risks Reviewed

Payroll is not processed accurately or on time which means inaccurate, or ghost payments are made resulting in financial losses and reputational damage.

Assessment

Low

Key Findings

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Processes have been adopted by the Payroll Team to ensure employees are paid promptly and accurately. Evidence demonstrated reconciliation, review and appropriate approval of payment files including variances, these processes ensure ghost accounts / payments are not created. Remaining leave entitlements are calculated and documented for final payments. Manual salary advances are rare but evidence of approval from Senior Management is documented when necessary. Evidence of recovery of advances and overpayments is available on the Finance system. 3rd party deduction testing did not identify errors. The Council's payroll suspense accounts balance at year end.

Audit Scope

This review includes testing accuracy of information for starters, leavers and contract variations, including name, NI, system status and hours.

An assessment of salary advances and overpayments, including recovery; and processes (including any workarounds) to ensure timely completion and accurate monthly payroll processing.

Deductions and payments for a selection of 3rd parties assessed for accuracy (HMRC not included as this was assessed in last year's audit).

Follow-up of previous agreed actions.

Other Relevant Information

Time analysis was conducted on the manual processes (workarounds) needed to ensure the payroll is processed correctly each month. We calculated that an estimate of 13%, of a Payroll Officer's time, is required for this as the system isn't able to produce a payroll without manual intervention. We are also aware that Payroll Officers only take leave once a payroll has been completed for a month. This can't be avoided without a significant financial investment for a new payroll system. Eliminating the manual workaround requirements would allow officers to concentrate on strategic and management tasks, including cleansing data on the system.

Testing on the accuracy of information identified minor administrative errors which required further assessment with Officers to confirm any impacts would not be of significant concern.

Outdated information identified on the Council's finance/spending webpages relating to pay. Officers should determine who has responsibility for this information as they will need to complete a request for a website update.

Climate Change (Operational) – Final Position Statement – August 2023

Introduction / Background

The Council has made a commitment to move towards net-zero for its activities by 2045. A number of activities and corporate projects are underway to deliver against these timelines to ensure this commitment can be met e.g. carbon literacy training for all employees, working from home, solar panels on council buildings, decarbonisation of leisure centres etc.

This audit, rather than look at the specific work of the climate teams, considers how other teams are seeking to embed the climate change challenges within their own operational activities. This cross organisational approach will support further the Council's commitment to the Climate Emergency.

An organisational wide survey to 27 officers (Assistant Directors, Business Managers and the Climate Change team) was utilised to inform the basis of the review and included questions to assess:

- Staff understanding of corporate objectives,
- Key Performance Indicators surrounding Climate Change operations,
- Operational risk reporting process relating to Climate Change,
- Engagement with the public on Climate Change operations.

This audit was originally planned to be an assurance piece of work to include a survey, substantive testing, and evidence review. However, due to receiving only eight survey responses we are unable to progress as planned and have therefore issued this Position Statement which summarises the responses.

Key Findings

The main finding at this current time is that Climate Change operations are not sufficiently embedded into the organisation. Cotswold District Council has made a commitment to their residents to be completely net-zero by 2045 with an 80% carbon reduction by 2030. They have also committed to have 100% clean energy use across all their functions by 2030. For these commitments to be upheld, further work must be completed to embed Climate Change into the organisation.

The survey responses highlighted the following:

- 88% of responders (7 officers) rated the operational work toward the net zero statements made by the authorities was neither effective nor ineffective.
- Only two survey respondents had specific Climate Change risks on their Operational Risk Registers. A further two respondents said they had Climate Change risks but did not specifically name them.
- 75% of survey respondents (6 officers) did not have any Climate Change key performance indicators, measures, or milestones to track the operational work being undertaken.
- 88% of officers were not actively tracking their Carbon Footprint within their service areas.
- 50% of respondents stated they had resource to actively work toward the Climate Change commitments.
- 75% (6 officers) had worked alongside the General Public whilst 25% (2 Officers) had not. When asked for specific examples of working alongside the General Public to promote the Climate Change agenda, they were not provided.

Conclusion

The survey responses indicate that there may be potentially a lack of corporate oversight and direction provided to service areas. Also, the lack of engagement from 70% of the officers surveyed suggests that Climate Change may not be high on the operational agenda.

The risk is that the Council experiences reputational damage, and potential financial penalties, 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. To effectively mitigate this, we suggest consideration be given to the following areas:

- Climate Change oversight and direction – Overarching direction for officers to work to in accordance with Council Plans. To include operational policy, training, and key performance indicators and milestones so that tacking delivery of work can be demonstrated.
- Climate Change operational risk management – consider service areas Climate Change related risks and mitigating actions.
- Carbon Footprint offset and tracking guidance.

Due to the low response rate, it has been agreed that we will repeat the survey in April 2024. This data will be included in a further climate audit planned for 2024/25 which will encompass the Council's Strategy and commitment to carbon reduction, and how these are being addressed by way of operational (service) activities and the wider projects / activities.

Freedom of Information – Final Report – September 2023

Audit Objective

To assess the effectiveness of the Council's Freedom of Information (FOI) procedure and provide assurance that the procedure is in line with the Freedom of Information Act 2000.

Assurance Opinion



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.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	2
Priority 3	2
Total	4

Risks Reviewed

The Council's reputation is damaged and financial losses occur through fines due to improper management of Freedom of Information requests.

Assessment

Medium

Key Findings

	The Access to Information policy and the Publication Scheme has not been reviewed and updated since November 2018. The Freedom of Information Act 2000 requires up to date information to be published and regular review to be undertaken.
	The Freedom of Information team are fully trained in handling Freedom of Information Requests (FOIs), but staff training has not been provided to the various service areas who receive requests directly. This could result in responses not meeting statutory timeframes or information provided may be of poor quality.
	FOIs statistics have not been published since Quarter 1 2022/23. As recommended by the Information Commissioners Office, statistics will be published moving forwards.
	A process is currently being developed to action FOIs received via social media. Finalising and formalising this document will ensure all FOI Requests are identified and responded to within the time limit.
	In Quarter 1 of 2023-24, 83% of requests are being met within the 20-day time limit, this is an improvement of 17% from the previous year.

Audit Scope

This internal audit review considered the following areas:

- The authorities FOIA policy and procedure,
- The process in place for handling FOIA requests,
- The timeliness of responses to FOIA requests,
- The accuracy and quality of the information provided in response to FOIA Requests,
- The management of FOIA records,
- Overarching assessment of compliance with the Freedom of Information Act 2000.

The approach used within this audit used a combination of discussions with staff, walkthroughs, sample testing of processes in place, and review of documentation.

Summary

Overall, good practice is operating in handling FOI requests. The FOI team quality check all responses compiled by service areas to ensure that only quality information is sent out to the requestee. Personal data is managed in line with GDPR Regulations and stored in a central drive with limited staff access. A process is in place for when information is subject to a charge, but it is not common for payment to be received as generally the charge is declined. A solid audit trail is not maintained in all cases. It would be good practice to quality check the audit trail each month to ensure a sufficient audit trail is maintained.

An action plan has been agreed to enhance current controls and to provide added value to Publica and its partner authorities.

AGREED ACTIONS AS AT 2ND OCTOBER 2023

AP ID	ID	Audit Title	Issue Title	Issue Status	Period	Priority Score	AP Status	Timescale	Revised Timescale	Revised Timescale 2	Follow-Up Assessment
324	286	CDC - Procurement Cards - Aug 2022	Key Finding 5 – Cardholder Agreements (Pentana 47409)	Pending Remediation	2022/23	3	In Progress	31/12/22	31/05/23	31/10/23	Review of cardholders has been conducted, along with the issue of the revised policy. Priority score reduced due to the work that has been undertaken.
522	474	CDC - Revenues & Benefits - Dec 2022	Accounts with inhibits are not actively reviewed	Pending Remediation	2022/23	2	In Progress	30/06/23	31/10/23	--	To be included in the Annual Revs and Bens Audit / Service Review Audit. Timescale revised as audit is in progress
631	580	CDC - Revenues & Benefits - Dec 2022	Housing Benefit Overpayment Invoices Not Raised	Pending Remediation	2022/23	1	In Progress	31/05/23	31/10/23	--	Work is progressing. To be included in the Annual Revs and Bens Audit / Service Review Audit. Timescale revised as audit is in progress
821	758	CDC - Climate Change Strategy - September 2022	Climate Change KPIs Not Defined	Pending Remediation	2022/23	2	In Progress	30/06/23	31/10/23	--	CDCs Head of Climate Action advised that he will engage with the relevant Assistant Directors to provide an update on when this action will be completed. Timescale revised until October 2023 until update received.
828	763	CDC - Climate Change Strategy - September 2022	Risk Register Climate Risks	Pending Remediation	2022/23	3	In Progress	30/09/23	--	--	Raised this with the Business Manager - Business Continuity, Governance and Risk, advised that risk registers will be updated and provided to close this action.
829	764	CDC - Climate Change Strategy - September 2022	Impact Assessments	Pending Remediation	2022/23	3	In Progress	30/09/23	30/11/23	--	CDC Head of Climate Action advised that the use of the impact assessments are still being trialled on selected projects. As the trial is ongoing, the review, approval and implementation phase of this action is not complete. Timescale revised until November 2023 until update received.
1310	1218	CDC - Revenues & Benefits - Dec 2022	There are significant credit amounts in closed Council Tax accounts.	Pending Remediation	2022/23	2	In Progress	31/07/23	31/10/23	--	Work is progressing. To be included in the Annual Revs and Bens Audit / Service Review Audit. Timescale revised as audit is in progress
2212	2108	CDC - Business Continuity - Dec 2022	Revenues & Benefits – Only a high level Business Continuity Plan is maintained.	Pending Remediation	2022/23	2	In Progress	31/12/23	--	--	
2213	2109	CDC - Business Continuity - Dec 2022	Service area level Business Continuity Plan testing/tabletop exercises has not been undertaken.	Pending Remediation	2022/23	3	In Progress	30/09/23	--	--	
2214	2110	CDC - Business Continuity - Dec 2022	Advice and guidance from ICT has stalled due to service pressures.	Pending Remediation	2022/23	3	In Progress	31/12/23	--	--	
2485	2338	CDC - S106 Agreements and Funds 2022/23	S106 Agreement Reporting	Pending Remediation	2022/23	2	In Progress	30/06/23	31/12/23	--	Procedure has been drafted and being presented to Management which includes reporting. Extend date to allow consultation with Members re reporting requirements.
2820	2629	CDC - Freedom of Information - 2023/24	Access to Information policy and Publication Scheme is not regularly reviewed or updated.	Pending Remediation	2023/24	2	In Progress	30/11/23	--	--	Policy has been updated - IA to check and close agreed action if appropriate
2821	2630	CDC - Freedom of Information - 2023/24	Basic training/awareness on Freedom of Information requests for Service Areas is not in place.	Pending Remediation	2023/24	2	In Progress	31/03/24	--	--	
2822	2631	CDC - Freedom of Information - 2023/24	FOI request statistics are not published in the public domain.	Pending Remediation	2023/24	3	In Progress	30/11/23	--	--	
2823	2632	CDC - Freedom of Information - 2023/24	There is no formal process to identify and communicate FOI requests received via social media.	Pending Remediation	2023/24	3	In Progress	30/11/23	--	--	Policy has been updated - IA to check and close agreed action if appropriate
2934	2738	CDC - Follow-Up of Agreed Actions 2023/24	Procurement Cards Follow-Up	Pending Remediation	2023/24	3	In Progress	31/10/23	--	--	
434	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	2020/21	3	In Progress	31/03/21	31/03/23	31/10/23	Work is progressing. To be included in the Annual Revs and Bens Audit / Service Review Audit. Timescale revised as audit is in progress

435	393	PUB - Revenues and Benefits - 2020/21	CDC / WODC - Housing Benefit not reconciled during 2020 (Pentana 44592)	Pending Remediation	2020/21	2	In Progress	31/01/21	30/11/22	31/10/23	Work is progressing. To be included in the Annual Revs and Bens Audit / Service Review Audit. Timescale revised as audit is in progress
436	394	PUB - Revenues and Benefits - 2021/22	Revenues: Inconsistent practices are operating across the service (Pentana 46628)	Pending Remediation	2021/22	3	In Progress	31/12/22	31/10/23	--	Work is progressing. To be included in the Annual Revs and Bens Audit / Service Review Audit. Timescale revised as audit is in progress
437	395	PUB - Revenues and Benefits - 2021/22	Backlogs exist in processing Housing Benefits claims (CDC, FoDDC and WODC) (Pentana 46966)	Pending Remediation	2021/22	3	In Progress	30/11/22	30/11/22	31/10/23	Work is progressing. To be included in the Annual Revs and Bens Audit / Service Review Audit. Timescale revised as audit is in progress
438	396	PUB - Revenues and Benefits - 2021/22	Regular Financial Reconciliations (HB) are not completed (CDC and WODC) (Pentana 46965)	Pending Remediation	2021/22	2	In Progress	30/06/22	30/11/22	31/10/23	Work is progressing. To be included in the Annual Revs and Bens Audit / Service Review Audit. Timescale revised as audit is in progress
439	397	PUB - Revenues and Benefits - 2021/22	Regular Financial Reconciliations (CT and NNDR) are not completed (CDC and WODC) (Pentana 46965)	Pending Remediation	2021/22	2	In Progress	30/11/22	31/10/23	--	Work is progressing. To be included in the Annual Revs and Bens Audit / Service Review Audit. Timescale revised as audit is in progress

AP ID	ID	Audit Title	Issue Title	Issue Status	Period	Priority Score	AP Status	Timescale	Revised Timescale	Revised Timescale	Follow-Up Assessment
2578	2420	CDC - Payroll - Jan 2023	CDC Website information relating to Officer's pay requires updating	Closed	2023/24	3	Complete	30/09/23	--	--	
325	287	CDC - Procurement Cards - Aug 2022	Key Finding 6 – Transparency Reports (Pentana 47410)	Closed	2022/23	2	Complete	31/12/22	31/03/23	--	
349	310	CDC - Election Expenses Treatment of VAT - Apr 2022	VAT code check list for invoice processing (Pentana 47324)	Closed	2022/23	3	Complete	31/03/23	30/06/23	--	
323	285	CDC - Procurement Cards - Aug 2022	Key Finding 4 – Policy Updates (Pentana 47408)	Closed	2022/23	2	Complete	31/12/22	31/03/23	31/05/23	
320	282	CDC - Procurement Cards - Aug 2022	Key Finding 1 – Non-Compliance with Council Policy (Pentana 47405)	Closed	2022/23	1	Complete	30/09/22	31/03/23	31/05/23	
2142	2044	CDC - Treasury Management & Cashflow Forecasting - Dec 2022	A single cashflow monitoring spreadsheet is updated.	Closed	2022/23	3	Complete	30/06/23	--	--	
322	284	CDC - Procurement Cards - Aug 2022	Key Finding 3 – Recharge of Card Spend (Pentana 47407)	Closed	2022/23	2	Complete	31/12/22	31/03/23	31/05/23	
321	283	CDC - Procurement Cards - Aug 2022	Key Finding 2 – Card Security and Unused Cards (Pentana 47406)	Closed	2022/23	1	Complete	30/09/22	31/03/23	31/05/23	
344	305	PUB - Vulnerability Management (Shell) - Apr 2022	Device Security Status Checks (Pentana 47107)	Closed	2022/23	2	Complete	31/01/23	31/03/23	31/07/23	
446	404	PUB - Accounts Receivable - 2021/22	Debt Management, recovery and write off guidance. (Pentana 47096)	Closed	2021/22	Risk Accepted	Complete	31/10/22	31/03/23	30/06/23	
445	403	PUB - Accounts Receivable - 2021/22	Write off Separation of duties. (Pentana 47056)	Closed	2021/22	2	Complete	31/10/22	--	--	
2141	2043	CDC - Treasury Management & Cashflow Forecasting - Dec 2022	Forecast vs Actuals Variance Reviews are not performed.	Pending Remediation	2022/23	2	In Progress	30/06/23	30/09/23	--	
2486	2339	CDC - S106 Agreements and Funds 2022/23	Reconciliation Procedure (Pentana 46965)	Pending Remediation	2022/23	3	In Progress	30/06/23	--	--	Sept 2023 - 2022/23 data has been reconciled. Any differences between Exacom and BW have been listed and explained. Finance officer has checked the reconciliation. Now business usual. IA will undertake cursory check when 2023/24 data is collated.

Remediation Date
15/09/23
04/07/23
08/06/23
31/08/23
31/08/23
07/08/23
20/07/23
31/08/23
20/09/23
29/06/23
20/03/23
04/10/23
06/10/23

Agenda Item 9



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT AND GOVERNANCE COMMITTEE – 18th OCTOBER 2023
Subject	2022/23 STATEMENT OF ACCOUNTS
Wards affected	None
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 S151. Officer Email: David.Stanley@Cotswold.gov.uk
Report author	Michelle Burge, Chief Accountant Email: Michelle.Burge@publicagroup.uk
Summary/Purpose	<p>The Statement of Accounts for 2022/23 shows the financial position of the Council as of 31 March 2023 as well as the performance during the year.</p> <p>Under the Council's Constitution, the Audit and Governance Committee is charged with the responsibility of the approval of the accounts.</p> <p>This report presents to the Committee for consideration the published (unaudited) draft Statement of Accounts for the year ended 31 March 2023.</p>
Annexes	<p>Annex A – 2022/2023 Draft Statement of Accounts (Unaudited)</p> <p>Annex B – Letter from Minister Lee Rowley regarding Local Audit</p> <p>Annex C - Local Audit Delays – Cross-System Statement On Proposals To Clear The Backlog And Embed Timely Audits</p>
Recommendation(s)	<p>That the Audit and Governance Committee resolves to note:</p> <ol style="list-style-type: none"> 1. The draft unaudited Statement of Accounts 2022/23 (as attached at Annex A). 2. Key highlights from the Statement of Accounts 2022/23 as set out within this report. 3. The position on Local Audit delays as set out in Annex B and Annex C
Corporate priorities	<ul style="list-style-type: none"> • Deliver the highest standard of service.
Key Decision	NO

Exempt	NO
Consultees/ Consultation	None

I. EXECUTIVE SUMMARY

- I.1 The Statement of Accounts for 2022/23 shows the financial position of the Council as at 31 March 2023 as well as the performance during the year. Under the Council's Constitution, the Audit and Governance Committee is charged with the responsibility of the approval of the accounts.
- I.2 This report summarises the key aspects of the 2022/23 Statement of Accounts. The accounts are draft and subject to external audit. The public inspection period began on the 9th October 2023 and is due to end on the 17th November 2023. The draft published Statement of Accounts can be found at **Annex A**.
- I.3 A final version of the Statement of Accounts, together with the Council's external auditor's opinion on those accounts will be presented to a future Committee meeting following completion of the external audit. It is expected that the fieldwork is unlikely to commence until January 2024 due to the Local Government audit sector being under significant pressure due to a backlog in accounts sign offs.
- I.4 The draft Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code'). The Council is statutorily obliged under the Accounts and Audit Regulations 2015 to prepare its Statement of Accounts in accordance with the Code.
- I.5 Members of the Committee received training Statement of Accounts training on the 3rd October, providing an overview of the Accounts, an explanation of their role as a Councillor, an explanation of the key statement and an explanation of some of the key balances and entries. Slides were circulated for those members of the Committee who were unable to attend.
- I.6 The Statement of Accounts have a specified format which includes a narrative report, four primary statements, accounting policies and notes to the accounts. The purpose of the primary statements are set out below together with any key highlights from those statements for the year ended 31 March 2023.

2. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CI&ES)

2.1 This statement includes the net cost of services in accordance with generally accepted accounting practices which for 2022/23 was a deficit of £2.418m. This differs from the revenue outturn report which reported a deficit of £1.284m as the CI&ES is prepared under International Financial Reporting Standards (IRFS) while the management accounts are prepared based upon local authority accounting rules. The “Expenditure and Funding Analysis” (page 17) of the Statement of Accounts reconciles the difference between the IFRS net deficit and management accounts outturn.

2.2 A reconciliation of the CIE&S with budget monitoring is shown below:

	2022/23 £m
Deficit for the year per CIE&S	2.418
Technical Accounting Adjustments	2.135
(Use)/Top up of Earmarked Reserves	-4.934
Budgeted transfer to General Fund in lieu of pension fund contribution	1.634
Budgeted surplus transfer to General Fund not made	0.032
Net deficit against budget	1.284

2.3 The technical accounting adjustments include movements for:

- Neutralisation of depreciation
- Revaluation gain/losses for the Council’s property portfolio
- Transfer of capital grant to the capital grants reserve
- Revenue expenditure funded from capital under statute
- Adjustments to the pension reserve which neutralises the current service cost and ensures that the actuarial estimates are not charged to Council tax payers.

3. MOVEMENT IN RESERVES STATEMENT (MiRS)

3.1 The MiRs details the movement in the year between reserves, from the deficit on provision of services in the Comprehensive Income and Expenditure Statement, to the position on the Balance Sheet at 31 March 2023. The reserves are also split into usable reserves (which are available to spend and unusable reserves which represent reserves held for accounting purposes (and are not available for use).

4. BALANCE SHEET

4.1 The Balance Sheet depicts the assets and liabilities of the Council as at 31 March 2023 splitting these between current (less than 12 months) and on current (long term assets and liabilities).

Subtracting liabilities from assets leads to a net position which represents the Council's 'net worth'.

- 4.2** As at 31 March 2023, the Council's net worth was £85.282m compared to £55.176m the previous year, an increase of £30.106m. This is largely due to a reduction in the pension liability, following the triennial revaluation which assessed the Pension Fund as being 110 per cent funded, compared to 102 per cent funded in 2019. This is partly due to improved investment returns. Alongside changes to the discount rate, this improved funding position has reduced pension fund liabilities in the Balance Sheet from £37.9m at 31 March 2022 down to just £7.188m at 31 March 2023.
- 4.3** Current assets have reduced overall by £9.645m, mainly due to a £5.3m decrease in government short term debtors, reflecting amounts owed by preceptors in relation to business rates deficit as part of the collection fund in 2021/22.
- 4.4** Current liabilities have reduced by £11.460m, largely due to movements in creditors including a receipt in advance held in 2021/22 for the Council Tax Agency Rebate Scheme (£3.9m), and Covid-19 business grant funding (£4.3m). Government creditors have also reduced due to higher levels of business rate relief owed back to Government at 31 March 2022 in comparison to 31 March 2023 (£7.5m)
- 4.5** The Pooled Fund Adjustment Account (note C3) has increased by £0.998m due to unrealised falls in the capital value of Pooled Investment Fund.
- 4.6** The Collection Fund Adjustment Account has increased by £4.8m which is largely due having a collection fund deficit in 2021/22 and a surplus in 2022/23 following movement of £4.12m from the Business Rate Smoothing reserve.
- 4.7** The Statement of Accounts includes a transfer of £4.12m from the Business Rate Smoothing Reserve (held within useable reserves). This reserve held government funding received to offset the impact of business rate reliefs granted as part of the government's Covid-19 support measures to businesses. This funding ensures that Council did not lose funding when business were given business rate support during the pandemic. This reserve has been fully utilised in 2022/23 to offset the collection fund deficit recognised this year which resulted from these support measures.
- 4.8** The total balance of capital resources (excluding Community Infrastructure Levy receipts) as at 31 March 2023 is £8.876m including capital grants. Expenditure on capital projects was £4.560 in 2022/23 including the purchase of a homeless property in Tetbury (£1.148m), Private Sector Housing Renewal Grants (£1.092m), Affordable Housing in Moreton in Marsh (£0.550m) and car park improvements in Bourton on the Water (£0.440m).

5. COLLECTION FUND BALANCES

- 5.1** This is a statutory statement which all billing authorities are required to produce in relation to the collection from taxpayers of Council Tax and Non Domestic Rates (NDR).
- 5.2** The balance on the Collection Fund for Council Tax at the year end was a surplus of £0.108m. Any balance on the Council Tax Fund will be distributed amongst the precepting bodies of Gloucestershire County Council, Gloucestershire Police Authority and Cotswold District Council, based on a proportion of the total precept demand from each body. Based on an estimated deficit position in January 2022 for 2021/22 we recovered £0.062m from the preceptors in 2022/23. The balance of £0.108m will be distributed in the 2023/24 estimate of outturn in January 2024.
- 5.3** The balance on the Collection Fund for business rates at the year-end was a surplus of £0.492m (£11.532m deficit in 2021/22) which is split between Cotswold District Council, Gloucestershire County Council and central government, the Council's share of the surplus is £0.197m.

6. CASHFLOW STATEMENT

- 6.1** The cashflow statement shows the year-on-year change in cash and cash equivalents which includes on -demand deposits rather than simply showing the movement in the bank balance. There has been a £2.638m decrease in cash and cash equivalents due to a decrease in cash held in short term deposits (call accounts)

7. NOTES TO THE ACCOUNTS

- 7.1** The notes to the accounts provide the detailed breakdown of the numbers contained within the primary statements together with relevant supporting information to assist the readers of the accounts and to comply with accounting standards disclosure requirements. These can be found at pages 17 to 89.

8. ACCOUNTING POLICIES

- 8.1** The Council's Financial Rules state that the Chief Finance Officer is responsible for setting the Council's Accounting Policies. The Statement of Accounts is prepared based upon these policies. Whilst is the Chief Finance Officer's responsibility to set the policies, the Audit and Governance Committee is responsible for approving them.
- 8.2** The Accounting Policies as set out in the draft Statement of Accounts were prepared and approved by the Audit Committee at the meeting on the 27th April 2023. No further changes have been made to the policies presented and approved at that meeting.

9. APPROVAL AND PUBLICATION OF THE ACCOUNTS

- 9.1 The Audit and Governance Committee is responsible for formally approving the audited Statement of Accounts on behalf of the Council. The statutory deadline for completing the 2022/23 external audit was the 30th September 2023.
- 9.2 Members will be aware of the wider delays with the audit of the accounts and receiving audit opinions across local government, as set out in the Audit Update report to Audit Committee in April 2023.
- 9.3 The Government is currently considering options to reduce the backlog of outstanding audits (516 as at 30 June 2023) following Minister Lee Rowley (Parliamentary Under-Secretary of State for Local Government and Building Safety) letter from July 2023 Local Audit Delays – Cross-System Statement On Proposals To Clear The Backlog And Embed Timely Audits. A copy of the letter and document is included as Annex B and Annex C. Whilst Cotswold District Council is in a relatively good position, there could be an impact on the commencement of the 2023/24 audit if the 2022/23 audit opinion is subject to delay.
- 9.4 With the conclusion of the 2021/22 audit work, the Council's preference is for the audit of the 2022/23 to commence as soon as is practically possible with the aim/intention for the audit opinion to be received no later than January 2024. This would ensure the Council's finance team are able to respond effectively to audit queries in a timely manner, to facilitate a clean transition to the new external auditors in April (Bishop Fleming), and to ensure that the finance team are able to focus on finalising the 2024/25 budget work and Q3 budget monitoring during January and February 2024.
- 9.5 The Deputy Chief Executive and Section 151 Officer is liaising with Grant Thornton on the timescale for the start and completion of the audit on the financial statements. Work on assessing the Value for Money arrangements will commence in mid-October 2024 and conclude in December 2024.
- 9.6 On completion of the audit, the Committee will be asked to approve the signing of the Statement of Accounts and Letter of Representation. At this point, the accounts can be formally approved by the Committee and the external auditor (Grant Thornton UK LLP). The S.151 Officer will then sign the accounts and they will be published on the Council's website alongside the notice of the completion of Audit.

10. POST BALANCE SHEET EVENTS

- 10.1 The S.151 Officer will continue to monitor matters which occur after the balance sheet date (31 March 2023) which could have an impact on amounts included within the accounts up to the date the external auditor signs the Statement of Accounts. If the matter meets the definition of an "adjusting" event and would have a material impact on an amount or amounts included within the statements, further adjustments to the statement may be required. Any such events would be discussed with the external auditor and reported to the Committee.

11. ALTERNATIVE OPTIONS

- 11.1 There are no alternative options as the Council has a legal obligation to prepare the statutory statement of accounts and for those to be subject to external audit.

12. CONCLUSIONS

- 12.1 The statement of accounts at Annex A are draft at this stage and an audited version of the accounts will be presented to the Committee at a later meeting for final sign off following finalisation of the audit.

13. FINANCIAL IMPLICATIONS

- 13.1 Revenue and capital balances as detailed within the report and the annex. There are no other direct financial implications arising from this report.

14. LEGAL IMPLICATIONS

- 14.1 None specific.

15. RISK ASSESSMENT

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

16. EQUALITIES IMPACT

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

17. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 17.1 None.

18. BACKGROUND PAPERS

- 18.1 27 April 2023 Audit and Governance Committee approved the Draft Accounting Policies
18.2 17 July 2023 Cabinet received the 2022/23 Financial Performance Report.

(END)

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COTSWOLD
DISTRICT COUNCIL

STATEMENT OF ACCOUNTS (UNAUDITED)

2022/23

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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 90,800, 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

Local councillors are elected by the community to decide how the Council should carry out its various activities. They represent public interest as well as individuals living within the ward in which they have been elected to serve for their term of office. The Council has 34 elected members representing 32 wards within the Cotswold District. There are also 87 Parish and Town Councils in the district and 28 parishes which do not have a Council, but a Parish meeting. Elections are held every four years, with the last elections relevant to the 2022/23 financial year taking place in May 2019. The political make-up of the Council in 2022/23 included 18 Liberal Democrats, 14 Conservatives, one Independent and one Green Party Councillor. District elections took place in May 2023 where the Liberal Democrats retained political control.

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 refresh sought to reflect key achievements since the introduction of the Plan, and clarify the priorities over the remaining period of the plan (to April 2024)

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:

- Deliver the highest standards of service
- Respond to the climate crisis
- Provide socially rented homes
- Make our Local Plan green to the core
- Support health and well-being
- Enable a vibrant economy.

The financial impact of these priorities was reflected in an update to the Medium-Term Financial Strategy during 2022/23.

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

Items of note in relation to 2022/23 include:

- The rising energy prices and higher cost of living is affecting households, in particular those on low incomes. Both Cabinet and Council received a report on how the Council is responding to the Cost of Living and Warm Places motions. Funding allocations for specific initiatives were approved including match funding of £20,000 for the Council Tax Hardship Fund which could be used to provide one-off support in specific financial circumstances, and £40,000 from the Council Priorities Fund towards establishing a food network. Existing external funding of £75,000 which the Council receives for community-based activity has been ringfenced to the 'Cotswold Connected Community and Food Programme'.
- The Council paid £3.9m to 26,052 households for the Council Tax £150 rebate scheme in the year but has still seen an increase in applications for reductions in Council Tax in special circumstances (S13 1A).
- Capital works to the Council Offices totalling £0.975m to facilitate the Council's Agile Working policy and generate commercial income began in 2022/23. In September 2022, Cabinet agreed to pursue a more sustainable solution for the roof repairs at Trinity Road. The proposed replacement composite panels in the pitched roof should result in an 87% reduction in heat loss energy across each atrium of the roof. The Agile and Atrium Roof Repair projects will be synchronised to minimise the impact on staff and efficiency. The revised layouts will create space in the west wing to be let to tenant. The refurbishment to a number of offices in the West atrium and work to WCs is now complete. Roof repair work will be undertaken in 2023/24.
- The Council's first Community Municipal Investment (CMI), named 'Cotswold Climate Investment' (CCI), which targeted a £500,000 fundraise closed on 16 August 2022, fully funded by over 450 investors. The Cotswold Climate Investment will support a range of projects, including installing publicly available off-street

electric vehicle charging points (EVCPs) around the District to encourage electric vehicle take-up, and improving the energy and carbon performance of the Council's Cirencester offices.

- The Council is continuing to support the 'Homes for Ukraine' scheme in which people in the UK are sponsoring/hosting a Ukrainian individual or family. As of 31 March 2023 there were 73 active hosts/households with 197 guests. Some guests are being rematched with new sponsors as relationships break down or the sponsor does not wish to continue in the scheme.
- Earlier this year, the Council was awarded £1m from the UK Shared Prosperity Fund for the period 2022-23 to 2024-25. The Council's Local Investment Plan, which sets out how the Council proposes to use the funding, was approved by government in December 2022. A further £764,292 was indicatively allocated to the Council from the Rural England Prosperity Fund for financial years 2023-24 and 2024-25. An addendum to the Local Investment Plan was submitted to the government at the end of November 2022 and it was approved in early April.
- The Council and Bromford Housing have entered into a Collaboration Agreement to deliver the Down Ampney housing development. The second public consultation has completed and planning submission expected in September 2023. The planned programme of consultation continues through this year and will help to shape the initial scheme designs for a net carbon zero housing development.
- Collection rates improved for both Council Tax and Business Rates in 2022/23 with comparative performance being part of the refreshed service performance reporting in 2023/24.
- The £380,000 replacement of fitness equipment across the Council's leisure centres has been delivered by SLM Everyone Active (SLM). Gym memberships are up by nearly 20% compared to last year.
- The procurement process for Leisure and Culture Management Contractors is now complete and contracts have been signed with Freedom Leisure.
- Rissington Road car park, Bourton on the Water opened to the public in March 2023 following the improvement works including a new drainage system, resurfacing and layout redesign which will improve customer experience and comply with industry standards.
- Following the resolution of technical difficulties, all three phases of the cashless car parking project have been completed. Moving to cashless parking has multiple benefits. It will support the Council's carbon reduction commitment and reduce the costs associated with cash collection and vandalism of pay and display machines.
- The Council secured £0.267m from the County Council for Round 2 and 3 of the government

funded Household Support Fund. Part of the funding supported families in need with supermarket vouchers as well as registered carers in partnership with Gloucestershire Carers Hub.

- The Community Wellbeing team in partnership with 'World Jungle' delivered the Holiday Activity and Food programme (HAF) in the School holidays. The provision provided a wide range of activities and food boxes, mainly for children in receipt of free school meals. Activities including climbing, cinema, laserquest, ice skating and a visit to Cotswold Wildlife Park.
- Crowdfund Cotswold continues to attract wide interest across the district. The last project from the autumn round, Fairford Skatepark, successfully hit its target in March. This is the largest project so far, with a campaign target of almost £100,000.
- Work is progressing on the Changing Places Toilets project (£162,500 award from government). Cotswold Farm Park now completed. Abbey Grounds, Cirencester has works underway. The remaining two (Birdland and Cotswold Country Park and Beach) are less well-advanced but will be delivered during 2023-2024.

Publica Group (Support) Limited

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

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

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

Medium Term Financial Strategy (MTFS)

The Council operates a rolling 4-year MTFS, the latest being approved by Council on 15 February 2023. Despite uncertainties around future funding levels of Government funding, the impact from Covid-19 over the last two years, the cost-of-living crisis and the general economic position, the Council has prepared a sound budget whilst maintaining services to residents. The budget will also provide a platform for Cotswold District to address future challenges.

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The budget and MTFS has been prepared in accordance with the approved budget strategy. This includes the principle of maintaining the Council's general fund revenue risk-based balance at £1.760m and maintaining other usable reserves to mitigate risk and support improvement.

The Council will need to continue to take steps to manage and address the budget gap identified over the MTFS period.

The newly created Cabinet Transform Working Group (CTWG) will need to develop a revised approach to the Council's saving programme to address the budget gap identified over the MTFS period. The approach will look at the design principles required to achieve a robust, balanced and proportionate plan of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability.

The capital programme includes planned expenditure of £13.899m in 2023/24 with the Council needing to consider the outcome of due diligence work on other potential schemes before any further capital expenditure is committed.

Reserves continue to be held to support the implementation of key projects and to mitigate against the substantial increased risk that the Council is facing. Reserves held to promote financial sustainability are forecast to be depleted during 2026/27 and will require consideration during 2023/24 as to their adequacy for future financial years given the current risks and uncertainties identified in the MTFS. Reserves will be monitored and reported to Cabinet throughout 2023/24. The general fund balance is to be held at a minimum level of £1.760m and the newly created financial resilience reserve held to mitigate the budget gap identified in the MTFS and to facilitate profiling of a savings and transformation plan and support the award of the Leisure and Culture contract over the MTFS period.

The Council is legally required to set a balanced budget for the following financial year and remain balanced. As can be seen in the MTFS, the Council's core financial position is a balanced budget next (after utilisation of the Financial Resilience reserve and other transfers to reserves). However, there is a significant and increasing projected budget gap of £0.860m in 2023/24, £0.206m in 2024/25 and is forecast to increase to £3.025m in 2026/27.

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

MTFS Summary	2023/24	2024/25	2025/26	2026/27
	£000s	£000s	£000s	£000s

Net Service Revenue	13,625	13,626	13,626	13,626
Expenditure				
Corporate Items/Non-Service Income and Expenditure	(812)	(677)	(671)	(656)
Provision for Inflation	1,799	2,336	2,897	3,447
Service and Corporate Items	14,611	15,825	15,852	16,446
Budget Proposals	762	602	564	564
Risk items	500	500	500	500
Savings and Transformation Plan items	(1,510)	(2,358)	(3,323)	(3,351)
Net Revenue Budget	14,363	14,028	13,593	14,159
Total Funding	(13,503)	(13,823)	(11,771)	(11,134)
Budget Gap/(Surplus)	860	206	1,822	3,025

An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The Corporate Strategy and services must be delivered within the overall resource envelope available to the Council thereby reducing reliance on earmarked reserves to support the budget.

Retained Business Rates

Forecasting business rates income is complex with the impact of the economic recovery from Covid-19 and additional reliefs announced in the Autumn Statement contributing to the level of uncertainty around forecasts for the medium-term.

Business rates are collected by the Council, and the proceeds are shared between Cotswold District Council, Gloucestershire County Council and the Government. There is an element of risk and reward involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The Council expects its share of retained business rates to be £4.389m in 2023/24. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation, and reliefs. The draft forecast for business rates included in the MTFS, although broadly similar to last year, has seen significant changes in terms of rateable values and reliefs.

Each year the Council forecasts whether its collection of Business Rates will be higher than anticipated, resulting in a "surplus" on the Collection Fund, or lower than anticipated, resulting in a "deficit" on the Collection Fund. Where this Council forecasts a surplus on the Collection Fund, the surplus is paid out

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in the following financial year to the County Council (10%), Government (50%) and the District Council (40%). Similarly, where the Council forecasts a deficit, the deficit is recovered in the same proportions in the following financial year. The MTFS includes the Council's share of the estimated deficit at the end of 2022/23 of £0.390m.

This year's accounts include a transfer of £4.1m from earmarked reserves of S31 exceptional grant to the general fund to fund the Collection Fund deficit payable in 2022/23.

The table below sets out the forecast for 2023/24 and the estimate for 2024/25.

Business Rates Forecast	2023/24	2024/25
	£000s	£000s
Non-Domestic rating income (NNDR 1 estimate)	13,201	13,512
Less: Tariff Payment to Government	(12,693)	(13,925)
Less Estimated Levey Payment to Government	(1,477)	(1,134)
Add Renewable Energy Scheme	107	110
Estimated Retained Business Rates	(1,132)	(1,438)
Section 31 Grant Payable	5,521	5,539
TOTAL Funding from Business Rates	4,839	4,101
Assumed BRR Included in MTFS	4,839	4,000

Gloucestershire Business Rates Pool

The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership. Change in the Pool Levy rate from 15% to 21% as a result of the revaluation will mean less funding remains in the County. Other things being equal, a pool surplus of £1.0m would give rise to a Pool Levy of £0.210m in 2023/24 compared to £0.150m in 2022/23.

The MTFS assumes that any windfall gain associated with the Business Rates Pool will be allocated to the Financial Resilience reserve for 2023/24 to 2025/26. No assumption made for 2026/27 and beyond as it is uncertain whether Business Rate Pools will be viable post-reset.

There remains uncertainty over the future of Business Rates Pooling over the MTFS period. Local Government Reform will include a reset to business rates coupled with shorter valuation periods. Therefore, there is a risk that Pooling may not be

financially viable as there may be too much risk and too little reward.

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.

DLUHC proposed a maximum Council Tax increase of 2% or £5 for 2023/24. The MTFS assumes increases of £5 per annum on a Band D property to 2026/27.

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 4% for 2023/24 and 2% each year thereafter;
- Provision for service contract inflation.
- Investment interest returns are expected to generate a 3.81% return.
- 30% reduction in the level of retained business rates income from 2025/26.
- Inflationary increase to central government funding.
- Growth in Council Tax base of 1% per annum.
- Energy Cost inflation of £0.3m.

Savings Targets

The newly created Cabinet Transform Working Group (CTWG) is developing a revised approach to the Council's Savings Programme to address the budget gap identified over the MTFS period. The programme will set out a revised process for how transformation projects and savings are identified, evaluated, and approved, with clear reporting and monitoring and governance arrangements. This approach will need to be undertaken by officers and members over the course of the 2023/24 financial year to be implemented to cover the new MTFS period.

In order to mitigate the budget pressure outlined above and to set a balanced budget for the year, the draft budget proposals included expenditure savings of £1.095m and Fees and Charges income of £0.415m. Savings proposals have been reviewed to ensure they are robust and can be delivered. The table below provides a summary of the savings included in the MTFS.

Savings	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)
Third Party Contract Savings	(500)	(856)	(1,613)	(1,613)

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Corporate Savings	(139)	(335)	(531)	(531)
Other Expenditure Savings	(456)	(601)	(613)	(641)
Corporate Income	0	(151)	(151)	(151)
Subtotal	(1,095)	(1,943)	(2,908)	(2,936)
Fees and Charges				
Other Fees and Charges – Cost Recovery	(186)	(186)	(186)	(186)
Garden Waste – fee increase	(229)	(229)	(229)	(229)
Subtotal	(415)	(415)	(415)	(415)

Capital Investment and Borrowing

The capital programme is focussed on delivering against the Council's key priorities with further schemes focused on enhancing the delivery of core services through improvement and enhancement of assets. The programme also includes support for the provision of affordable local housing and the Council's statutory duties in respect of Disabled Facilities Grants.

Capital Programme	2023/24	2024/25	2025/26	2026/27
	£000s	£000s	£000s	£000s
Leisure & Communities	1,387	50	50	550
Housing/Planning and Strategic Housing	4,001	1,300	700	700
Environment	1,956	111	377	3,615
ICT, Change and Customer Service	350	150	150	150
UK Rural Prosperity Fund	191	573	0	0
UK Shared Prosperity Fund Projects	28	134	0	0
Land, Legal and Property	500	0	0	0
Transformation and Investment	5,486	0	0	0
Total	13,899	2,318	1,277	5,015

The capital programme includes £0.500m for Asset Management activities in 2023/24 (under the summary heading Land, Legal and Property) recognising the need to manage the existing assets over the initial MTFS period.

The Council will develop a comprehensive Asset Management Strategy supported by detailed asset management plans for the Land and Buildings assets it holds and will be presented to Cabinet in 2023. The strategy and plans will identify and provide a longer-term view (e.g., 5-10 years) of the income and

expenditure profiles, tenant events, hold and disposal options.

The Council's capital expenditure has up until the current financial year been predominantly financed from capital receipts. As these are forecast to deplete over the capital programme period the Council will need to undertake prudential borrowing to support future capital expenditure plans. Other sources of finance support the capital programme, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts).

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

Financial Performance

The Council has faced several external budget pressures throughout 2022/23 which will continue to impact the Council's finances over the medium term. There remains significant uncertainty around inflation and interest rates which exert an influence over the Council's budget both directly and indirectly.

At the 31 March 2023, the Council reported an overspend against its net cost of services budget of £1.307m. After taking account of income from Council Tax, NNDR, government grants and transfers to/from reserves this equates to an overspend against the budget of £1.284m.

Income

Income from car park fees, fines and permits continued to be impacted by Covid-19 and cost of living crisis leading to a net shortfall of £0.433m.

The Council also saw a shortfall in both planning (£0.190m) and Building Control (£0.082m) income. Income from land charges has also continued to perform below budget with income received being £0.078m below budget at the end of the financial year due to a combination of the impact of the cost of living crisis and the significant rise in free unofficial Personal Searches (through Personal Search Agents).

£0.054m 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 £0.065m higher than budgeted.

Income from recycling has also exceeded budget, recycling credits from Gloucestershire County Council were £0.105m higher than estimated as a result of higher levels of recycling. Increased demand for bulky waste collection has also resulted in an £0.045m overachievement of income.

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Dividends from Pooled Funds and REIT of £0.449m were received in the 2022/23 financial year, achieving a return of over 4% (pooled funds) and around 2.5% (REIT). Interest from short term cash deposits with the Debt Management Office (DMO) was £0.401m and from Money Market Funds £0.204m by the end of the financial year due to interest rates rising at a higher rate than budgeted and larger surplus balances than estimated being available to invest. Interest income of £0.072m budgeted as a result of planned service loans was not achieved as drawdown is expected in 2023/24. Total investment income was £0.510m higher than budgeted by the end of the financial year.

Expenditure

The majority of the Council's staffing resource is supplied under contract from Publica. The Publica contract was subject to a variation to take account of the higher than budgeted pay award in 2022/23 resulting in a £0.339m adverse variance to budget. The Publica net contract sum for 2022/23 was £10.177m including the final pay award. 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 £0.166m.

The Council's Environmental Services (grounds maintenance, street cleaning, domestic waste collection, recycling collections etc.) are provided by Ubico Limited. The Ubico contract costs were £0.479m over budget. The overspend was largely a result of higher than budgeted fuel costs, higher than estimated pay award and service growth.

Energy costs were £0.303m higher than the provision included in the 2022/23 budget due to higher gas and electricity prices. Whilst the Council is investing in measures to reduce its energy consumption the significant increase in energy costs following the conflict in the Ukraine has created further budgetary pressure.

The Council has not been required to make a minimum revenue provision charge in 2022/23 resulting in a saving of £0.125m as a result of not undertaking borrowing to support the capital programme.

Pensions Liability

The net pension liability as at 31 March 2023 was £7.188m (£37.920m as at 31 March 2022). 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 reduced by £3.528m and the liability reduced by £34.260m, resulting in the overall net liability reducing by £30.732m.

The financial and demographic assumptions at 31 March 2023 were more favourable than they were at 31 March 2022, 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, the discount rate (net of inflation) significantly increased compared to previous years, which in turn reduced the future value of liabilities. The fund is revalued, and contribution rates are set every three years.

The most recent valuation was at 31 March 2022 and the next valuation will complete in 2025/26.

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 again provided capacity in the revenue budget to top up the General Fund Balance by £1.634m in 2022/23.

Capital Programme (Asset Management)

In 2022/23, the Council spent £4.560m against a revised budget of £5.879m on:

Capital Programme	£'000
Replacement Leisure equipment	364
Government funded decarbonisation	33
Crowdfund Cotswold	47
Private Sector Housing Renewal Grants (DFG)	1,092
Affordable Housing Stockwells, MiM	550
Affordable Housing – Avening/Davies Road MiM (S106 Environmental Improvements)	333
Ubico Fleet Replacement (recycling and waste vehicles)	53
Waste and Recycling Containers	55
Electric vehicle charging points	31
Packers Leaze Depot – Flood Prevention Works	95
Replace/upgrade pay and display machines/upgrade	26
Car Park Improvements	440
Changing Places Toilets	40
UK Shared Prosperity Fund Projects	14
ICT Capital	55

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Corporate Properties – Capital works (Dyer Street)	95
Tetbury Homeless Property Purchase	1,148
Trinity Road Agile Working	89
TOTAL	4,560

Significant expenditure included purchase of Tetbury homeless property of £1.148m. £0.440m of expenditure in relation to improvements at Rissington Road car park, Bourton on the Water which opened to the public in March 2023 and private sector housing renewal grants (DFG) awarded totalling £1.092m.

Not all schemes planned for the year were undertaken including:

- Trinity Road, Carbon Efficiency Works – budget of £0.370m. Works delayed to 2023/24.
- Tetbury Homeless Property, £0.294m balance of capital allocation following purchase for capital works required to be carried forward to 2023/24.
- Changing Places Toilets, grant balance of £0.123m forecast to be spent in 2023/24 in respect of facilities still to be installed at Cirencester Abbey Grounds, Birdland at Bourton on the Water and Cotswold Country Park and Beach.
- A balance of £0.208m Disabled Facility Grant remained unspent at 31 March 2023, this will be carried forward to 2023/24.

There is total committed expenditure in relation to the projects listed of £1.114m and Capital Programme budgets have been carried forward in to 2023/24 to fund ongoing projects.

Capital Receipts

£0.369m in capital receipts was received from the sale of the Council's asset the 'Cotswold Club' during 2022/23. All capital receipts are transferred to the Capital Receipts Reserve to fund future capital expenditure.

Reserves and Balances

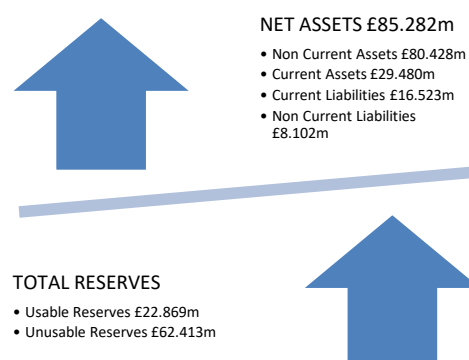
At the year-end usable reserves stood at £22.868 million, a decrease of £2.807 million during the year.

The Business Rate Smoothing Reserve included exceptional S31 grant provided by government in response 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 reduced by £4.120m during 2022/23. This was utilised as planned to fund the Collection Fund deficit in 2022/23.

Of the usable reserves at the year-end, non-earmarked General Reserves or 'Balances' were £1.760 million, a decrease of £0.792 million during the year. Movements in 2022/23 include £1.634m budgeted transfer as a result of capacity in budget following pension deficit payment made in advance in 2020/21, 2022/23 deficit outturn of £1.253m and £1.173m transferred to the newly established financial resilience reserve.

Financial Position

Net assets increased in the year by £30,106,474.



Significant movements were:

- £1.053 increase in non current investments
- £1.1m decrease in current investments
- £5.528 decrease in debtors
- £2.638m decrease in cash and cash equivalent
- £12.947m decrease in creditors
- £30.732m reduction in pension liability
- £3.948m 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.

There are a number of improvement programmes in progress across services focussed on improving the way services communicate with customers, increasing automation and selfserve options for customers (OpenPortal in Revenues and Benefits and the Channel Choice project), and improving the monitoring of workflows using case management tools to help services to actively manage resources (Enterprise in Planning).

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. Customer satisfaction for face to face contact was over 99%.

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- 55% of occupied properties have a garden waste licence or compostable bags.
- Following the refurbishments at Cirencester Leisure and Bourton Leisure visits continued to increase and the number of gym memberships were over target. There were 507,931 visits to the 3 leisure facilities against a target of 495,000.
- Council Tax Support change events took an average of 3.83 days to process against a target of 5 days.
- 93% of major, 90% of minor and 84% of other planning applications were determined within agreed timescales (including extension of time agreements).
- The Council has increased its enforcement activity supported by its Clean and Green initiative. There have been 19 enforcement actions since the beginning of 2022-23. The Council takes a proactive and preventative approach to fly tipping, and duty of care work has been carried out with businesses and households to support them to manage their waste responsibly. More recently, the Council has undertaken 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. The surveillance cameras have delivered results by identifying potential perpetrators and PACE interviews have followed on the strength of the footage. There has been a reduction in fly tipping at the camera points.

Over the last year, a number of services have highlighted the potential impact of the cost-of-living crisis on households, businesses and the Council's services in particular Revenues and Benefits, Planning, Housing Support and Leisure. Some services such as Revenues and Benefits have reported increased customer contact and workloads while Planning has reported a slow-down in applications and potentially fewer applications for large developments due to a loss of confidence in the housing market. The business rates collection rate has been depressed over the last couple of years due to Covid and may now take longer to recover.

Eight indicators fell short of their annual targets; three in Revenues and Benefits; and five in Planning and Strategic Housing:

Revenues and Benefits

- NNDR collection rate
- Average days to process Council Tax Support new claims.
- Average days to process Housing Benefit change events.

Planning and Strategic Housing

- Percentage of other planning applications determined within time.
- Total income achieved in Planning and Pre-application advice income.

- Percentage of land charge completed within 10 days.
- Affordable homes delivered.

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

Risk 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 and Governance Committee on a regular basis.

The Corporate Risk Register was updated during 2022/23 and reviewed by the Senior Management Team, which comprises both Council and Public Senior Managers. Any risk scoring 15 or above is considered a 'primary risk'.

The Corporate Risk Register, as reviewed by the Audit Committee in 2022/23 included seven primary 'residual' risks. Risks included:

- Budget pressures: If unavoidable budget pressures exceed provision within the MTFS, such as not making expected savings or failing to meet income targets, the Council may have to consider unplanned use of revenue reserves, raise Council Tax, find further savings and/or cut services.
- Waste contractor not meeting obligations, resulting in reduced service and customer satisfaction.
- Pay award agreed outside of budgeted provision.
- Impact of inflation, insufficient budget could have impact on service delivery and completion of major projects.
- Housing need: Failure to demonstrate a 5-year housing land supply (5YHLS) or to pass the Housing Delivery Test (HDT) by delivering 75% of its housing requirements over the preceding 3 year period may result in an increase in speculative applications for housing development and an increase in the number of planning appeals on sites the Council had previously refused permission for.
- Local Plan: 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.
- Leisure centre visitor number not returning to pre pandemic levels resulting in the leisure contractor struggling to meet their obligations resulting in a fall in standards and reduced customer service.

Facing the Challenges Ahead

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

The Council faces a number of significant challenges and uncertainties as a result of the cost-of-living crisis and general economic position.

There are some significant risks to the Council from changes to Government funding. The implementation of Local Government Finance reform has already been delayed from the original implementation date of April 2020 until at least April 2025 if not later. The forecast impact on Shire District Councils is likely to be significant as resources are allocated across Local Government recognising the Social Care cost and demand pressures.

The newly created 'Cabinet Transform Working Group' will need to develop a revised approach to the Council's savings Programme to address the budget gap identified over the MTFS period. The approach will look at the design principles required to achieve a robust, balanced and proportionate plan of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability.

Reserves held to promote financial sustainability are forecast to be depleted during 2026/27. Reserves will be monitored and reported to Cabinet during 2023/24.

The Council will develop a comprehensive Asset Management Strategy supported by detailed asset management plans for the Land and Building assets it holds and will be presented to Cabinet in 2023/24. The strategy and plans will identify and provide a longer-term view (e.g., 5 -10 years) of the income and expenditure profiles, tenant events, hold and disposal options to enable the Council to deliver the corporate objectives and priorities of the organisation through the management of assets.

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.

Further information

For further information on the accounts please contact: David Stanley, Chief Finance Officer, Cotswold District Council, Trinity Road, Cirencester, Gloucestershire, GL7 1PX; or via email at David.Stanley@cotswold.gov.uk.

David Stanley, CPFA
Chief Finance Officer and Deputy Chief Executive

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 2023. 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 2020/23, 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 2023.

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 2023.

Date: 26/9/23
David Stanley
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 and Governance Committee, on behalf of Cotswold District Council.

Date: _____
Cllr. Nigel Robbins
Chair of the Audit and Governance Committee

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Comprehensive Income and Expenditure Statement

2021/22				Note	2022/23		
Gross Expenditure £	Gross Income £	Net Expenditure £			Gross Expenditure £	Gross Income £	Net Expenditure £
1,208,756	(597,985)	610,771	<u>Shared Services</u>		1,225,017	(593,418)	631,599
2,416,056	(1,103,014)	1,313,042	Environmental and Regulatory Services		2,517,916	(1,202,101)	1,315,815
2,184,333	(110,466)	2,073,867	Business Support Services		2,398,323	(155,677)	2,242,646
1,785,039	(783,520)	1,001,519	ICT, Change and Customer Services		1,798,337	(788,933)	1,009,404
185,335	0	185,335	Assets, Land, Legal and Property Services		238,004	(57,600)	180,404
14,827,328	(13,882,621)	944,707	Chief Executive and Modernisation		14,883,364	(14,596,329)	287,035
1,764,434	(1,324,941)	439,493	Revenues and Housing Support Services**		0	0	0
			Revenues - Covid Grants**				
1,389,278	(339,142)	1,050,136	<u>Strategic Directors</u>		1,325,493	(49,345)	1,276,148
9,096,198	(5,059,228)	4,036,970	Democratic Services		10,830,626	(5,566,263)	5,264,363
2,322,163	(870,043)	1,452,120	Environmental Services		2,728,071	(869,010)	1,859,061
3,327,884	(1,397,348)	1,930,536	Leisure and Communities Services		4,635,918	(2,753,023)	1,882,895
1,511,822	(522,480)	989,342	Planning and Strategic Housing Services		2,455,737	(834,010)	1,621,727
1,109,213	(649,436)	459,777	Retained and Corporate Council Services		0	0	0
			Retained and Corporate Council Services - Covid**				
43,127,839	(26,640,224)	16,487,615	Cost of Services		45,036,806	(27,465,709)	17,571,097
3,520,820	(989,455)	2,531,365	Other Operating Expenditure	B3	3,861,014	(74,460)	3,786,554
1,302,275	(1,762,252)	(459,977)	Financing and Investment Income and Expenditure	B4	2,863,483	(1,831,312)	1,032,171
0	(18,961,853)	(18,961,853)	Taxation and Non-Specific Grant Income	B5	0	(19,971,945)	(19,971,945)
47,950,934	(48,353,784)	(402,850)	(Surplus) / Deficit on Provision of Services	B1/B2	51,761,303	(49,343,426)	2,417,877
	(1,082,432)		(Surplus) / deficit on revaluation of non current assets				472,666
	0		(Gains)/ losses on financial instruments designated at				30,000
	(10,940,000)		Fair Value through Other Comprehensive Income				(33,027,000)
			Remeasurement of the net defined benefit liability				
	(12,022,432)		Other Comprehensive Income and Expenditure				(32,524,334)
	(12,425,282)		Total Comprehensive Income and Expenditure				(30,106,458)

**Covid grants and Covid related income and expenditure is included within 'Revenue & Housing Support Services' in 2022/23

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement

	Note	Usable Reserves				Unusable Reserves £	TOTAL RESERVES £
		General Fund - Unallocated £	General Fund - Earmarked £	Capital Receipts Reserve £	Capital Grants Unapplied £	Total Usable Reserves £	
Balance at 31 March 2021		(894,613)	(16,551,802)	(8,196,328)	(260,766)	(25,903,509)	(42,772,465)
Adjustment to Collection Fund Adjustment Account		0	0	0	0	0	22,007
Movements in reserves 2021/22		(3,868,789)	3,868,789	0	0	0	0
Total Comprehensive income and expenditure		(402,850)	0	0	0	(402,850)	(12,425,282)
Adjustments between accounting basis & funding basis under regulations	C1	2,613,542	43,900	(1,477,748)	(550,175)	629,519	0
(Increase) / Decrease in Reserves 2021/22		(1,658,097)	3,912,689	(1,477,748)	(550,175)	226,669	(12,403,275)
Balance at 31 March 2022		(2,552,710)	(12,639,113)	(9,674,076)	(810,941)	(25,676,840)	(55,175,740)
Movements in reserves 2022/23		(4,934,357)	4,934,357	0	0	0	0
Transfer from General Fund		1,174,080	(1,174,080)	0	0	0	0
Total Comprehensive income and expenditure		2,417,877	0	0	0	2,417,877	(30,106,458)
Adjustments between accounting basis & funding basis under regulations	C1	2,135,110	187,383	852,927	(2,785,354)	390,066	(16)
(Increase) / Decrease in Reserves 2022/23		792,710	3,947,660	852,927	(2,785,354)	2,807,942	(30,106,458)
Balance at 31 March 2023		(1,760,000)	(8,691,453)	(8,821,149)	(3,596,295)	(22,868,898)	(85,282,214)

BALANCE SHEET

Balance Sheet

31 March 2022 £		Note	31 March 2023 £
60,739,023	Property, Plant & Equipment	D1	60,784,911
17,000	Heritage Assets		17,000
5,947,000	Investment Property	D2	5,377,000
30,688	Intangible Assets	D3	20,519
11,484,694	Non-Current Investments	E2	10,432,129
4,238,469	Non-Current Debtors	D4	3,796,195
82,456,874	Non-Current Assets		80,427,753
6,642,683	Investments	E2	5,456,719
300,000	Assets Held for Sale	D9	0
15,715	Inventories		23,163
17,319,294	Debtors	D5	11,790,349
14,847,841	Cash and Cash Equivalents	E2	12,209,366
39,125,533	Current Assets		29,479,597
0	Borrowing	E2	(93,503)
(24,741,668)	Creditors	D6	(11,793,773)
(1,941,457)	Creditors - s.106 balances	D6	(2,849,784)
0	Capital Grants Receipts in Advance	B8	(760,202)
(1,299,869)	Provisions	D7	(1,025,491)
(27,982,994)	Current Liabilities		(16,522,753)
(37,920,000)	Other Non-Current Liabilities	E1	(7,188,000)
(15,767)	Finance Lease Liabilities	E4	0
(487,906)	Capital Grants Receipts in Advance	B8	(557,130)
0	Borrowing	E2	(357,254)
(38,423,673)	Non-Current Liabilities		(8,102,384)
55,175,740	Net Assets		85,282,214
(25,676,840)	Usable Reserves	C2	(22,868,898)
(29,498,900)	Unusable Reserves	C3	(62,413,316)
(55,175,740)	Total Reserves		(85,282,214)

These financial statements were certified by the Chief Finance Officer on 26 September 2023.

David Stanley
Chief Finance Officer

CASH FLOW STATEMENT

Cash Flow Statement

	Note	2021/22 £	2022/23 £
Net surplus or (deficit) on provision of services		402,850	(2,417,595)
Adjustments to net surplus or (deficit) on the provision of services to exclude non-cash movements	F1	10,501,906	(1,566,208)
Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing or financing activities	F2	(4,452,085)	(5,222,804)
Net cash flows from Operating Activities		6,452,671	(9,206,607)
Investing Activities	F3	(2,794,030)	6,140,960
Financing Activities	F4	(47,169)	427,173
Net increase or (decrease) in cash and cash equivalents		3,611,472	(2,638,474)
Cash and cash equivalents at 1 April		11,236,368	14,847,840
Cash and cash equivalents at 31 March		14,847,840	12,209,366
Comprising:			
Cash and bank current accounts		52,151	126,670
Money Market Funds		8,702,990	8,978,545
Short Term Deposits (Call Accounts)		6,092,699	3,104,151
		14,847,840	12,209,366

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Notes to the Comprehensive Income and Expenditure Statement

B1. Expenditure and Funding Analysis

	2022/23					
	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>Shared Services</u>						
Environmental and Regulatory Services	631,599	(147,673)	0	483,926	22,286	506,212
Business Support Services	1,315,815	(229,554)	0	1,086,261	11,891	1,098,152
ICT, Change and Customer Services	2,242,646	(226,190)	0	2,016,456	29,130	2,045,586
Land, Legal and Property Services	1,009,404	(208,742)	0	800,662	128,638	929,300
Chief Executive and Modernisation Costs	180,404	(19,450)	0	160,954	1,116	162,070
Revenues and Housing Support Services	287,035	(126,812)	0	160,223	12,132	172,355
<u>Strategic Directors</u>						
Democratic Services	1,276,148	(124,442)	0	1,151,706	53,108	1,204,814
Environmental Services	5,264,363	(587,827)	0	4,676,536	512,887	5,189,423
Leisure and Communities Services	1,859,061	(1,093,362)	0	765,699	794,343	1,560,042
Planning and Strategic Housing Services	1,882,895	(353,886)	0	1,529,009	43,290	1,572,299
Retained and Corporate Council Services	1,621,727	4,823	0	1,626,550	(1,669,225)	(42,675)
Cost of Services	17,571,097	(3,113,115)	0	14,457,982	(60,404)	14,397,578
Other Income and Expenditure	(15,153,220)	5,248,226	(4,934,357)	(14,839,351)	60,404	(14,778,947)
(Surplus) / Deficit on Provision of Services	2,417,877	2,135,111	(4,934,357)	(381,369)	(0)	(381,370)
Budgeted Transfer to General Fund						1,665,175
Deficit reported to Management						1,283,805
Opening General Fund Balance (Unallocated) at 1 April				(2,552,710)		
(Surplus) / Deficit for the year				(381,370)		
Transfer to Financial Resilience Reserve				1,174,080		
Closing General Fund Balance (Unallocated) at 31 March				(1,760,000)		

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	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>Shared Service</u>						
Environmental and Regulatory Services	610,771	(192,340)	0	418,431	35,635	454,066
GO Shared 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
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 from General Fund - Contribution to Glos LGPS						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

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:

	2022/23						
	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>Shared Service</u>							
Environmental and Regulatory Services	22,286	125,387	0	147,673	22,286	0	22,286
Business Support Services	11,891	217,663	0	229,554	11,891	0	11,891
ICT, Change and Customer Services	29,130	197,060	0	226,190	29,130	0	29,130
Land, Legal and Property Services	128,638	80,104	0	208,742	128,638	0	128,638
Chief Executive and Modernisation Costs	1,116	18,334	0	19,450	1,116	0	1,116
Revenues and Housing Support Services	17,392	109,420	0	126,812	17,392	(5,260)	12,132
<u>Strategic Directors</u>							0
Democratic Services	53,108	71,334	0	124,442	53,108	0	53,108
Environmental Services	515,587	72,240	0	587,827	512,887	0	512,887
Leisure and Communities Services	1,033,243	60,119	0	1,093,362	794,343	0	794,343
Planning and Strategic Housing Services	43,290	310,596	0	353,886	43,290	0	43,290
Retained and Corporate Council Services	2,434	(7,257)	0	(4,823)	2,125	(1,671,350)	(1,669,225)
Cost of Services	1,858,115	1,255,000	0	3,113,115	1,616,206	(1,676,610)	(60,404)
Other Income and Expenditure	(2,406,123)	1,040,000	(3,882,103)	(5,248,226)	(1,616,206)	1,666,825	50,619
(Surplus) / Deficit on Provision of Services	(548,008)	2,295,000	(3,882,103)	(2,135,111)	0	(9,785)	(9,785)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2021/22						
	Adjustments between funding and accounting basis (see MiRS Note C1)				Adjustments between amounts chargeable to the General Fund and Management Reporting		
	Capital Adjs £	Pension Adjs £	Other Adjs £	Total adjs between funding and accounting £	Depreciation & Amortisation £	Other Segment Adjs. £	Total Management Reporting Adjustments £
<u>Joint Committee</u>							
Environmental and Regulatory Services	(35,635)	(156,705)	0	(192,340)	35,635	0	35,635
GO Shared 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>							
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

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

	2021/22 £	2022/23 £
Expenditure		
Employee benefits expenses	3,405,474	3,009,412
Publica Contract Charge	9,629,795	10,567,998
Housing Benefit & other transfer payments	12,409,922	12,107,598
Covid Business Grants Paid	1,723,107	39,827
Other service expenses	13,687,257	15,442,647
Depreciation, amortisation and impairment	1,457,668	1,827,408
Interest payments and similar expense	944,361	1,049,518
Precepts and Levies	3,520,820	3,861,014
Other expenditure	1,172,531	3,855,880
Total Expenditure	47,950,935	51,761,302
Income		
Fees, charges & other service income	(9,023,256)	(9,737,097)
Housing Benefit Subsidy	(12,093,646)	(11,645,232)
Covid Business Grants	(1,324,292)	0
Other Government Grants	(11,354,657)	(9,880,178)
Income from Council Tax	(9,451,842)	(9,986,674)
Income from Non Domestic Rates	2,627,344	1,216,005
Non Government Grants & Contributions	(5,105,146)	(7,404,007)
Investment interest and similar income	(1,216,129)	(1,831,312)
Other income	(1,412,160)	(74,930)
Total Income	(48,353,784)	(49,343,425)
(Surplus) / Deficit on Provision of Services	(402,849)	2,417,877

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B3. Other Operating Income & Expenditure

	2021/22 £	2022/23 £
(Gains) / losses on disposal of non current assets	(48,397)	(69,400)
Unattached capital receipts	(941,058)	0
Town and Parish Council precepts	3,520,820	3,861,014
Other receipts	0	(5,060)
	2,531,365	3,786,554

B4. Financing and Investment Income and Expenditure

	2021/22 £	2022/23 £
Interest payable and similar charges	3,361	9,518
Interest receivable and similar income	(490,318)	(1,151,467)
Changes in fair value of financial assets	(422,705)	998,338
Movement in impairment allowance for doubtful debts	(113,846)	(1,917)
Movement in the fair value of investment property	217,500	665,383
Net investment property (income) / expenditure	(616,590)	(402,251)
Net income from other properties (income/expenditure)	0	(125,433)
Net interest on the net defined benefit pension liability	941,000	1,040,000
	(481,598)	1,032,171

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B5. Taxation and Non Specific Grant Income

	2021/22 £	2022/23 £
National Non Domestic Rates		
- Redistribution	(2,173,016)	345,754
- Safety Net Levy	661,793	783,627
- (Surplus) / Deficit	4,138,567	86,624
	2,627,344	1,216,005
Council Tax income	(9,451,842)	(9,986,674)
Non-ringfenced government grants	(12,137,355)	(11,201,276)
	(18,961,853)	(19,971,945)

B6. Members' Allowances

	2021/22 £	2022/23 £
Allowances	303,963	320,176
Expenses	636	2,973
	304,599	323,149

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.

	2021/22 £	2022/23 £
Fees payable to external auditor with regard to external audit services carried out by the appointed auditor for the year:		
Scale Fee	37,557	42,058
Increases to Scale Fee 2022/23		25,000
Increases to Scale Fee 2021/22	25,101	
Fees payable to external auditor for the certification of grants claims and returns for the year	16,000	32,000
Additional fees payable relating to 2020/21 certification of grants	26,850	0
Additional fees payable relation to 2021/22 certification of grants	0	16,365
	105,508	115,423

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.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Increase to the scale fee have been recognised as expenditure in 2022/23 and are disclosed above. The increased fees reflect additional work required to comply with FRC requirements in respect of property, plant and equipment and pensions, increased audit requirements as a result of revised auditing standards and additional work on Value for Money (VFM) under the NAO code.

Additional audit fees in respect of both the 2021/22 and 2022/23 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.

	2021/22 £	2022/23 £
Revenue grants credited to Cost of Services		
Housing Benefit Subsidy	(11,857,479)	(11,416,245)
Housing Benefit and Council Tax Administration Subsidy	(228,717)	(231,978)
Discretionary Housing Benefit	0	(67,467)
Other Housing Benefit	0	(32,286)
Proptech Engagement Fund	0	(328,906)
Preventing Homelessness	(161,215)	(160,330)
Rough Sleeping	(83,144)	0
Covid Business Grants Funding	(1,324,292)	0
NNDR Cost of Collection Allowance*	(184,555)	(189,319)
Council Tax Energy Rebate New Burdens	0	(136,064)
Council Tax Energy Rebate - Discretionary		(135,554)
Business Rate Relief New Burdens	0	(72,018)
Covid Business Grants New Burdens	0	(57,966)
Contain Outbreak Management Fund	(324,400)	(58,470)
UK shared Prosperity Fund	0	(50,923)
Physical Activity and Dispersal Project (Cotswold Water Park)	(130,000)	0
National Leisure Recovery Fund	(104,298)	0
PCC Elections	(122,600)	0
Domestic Abuse New Burdens	(33,790)	(33,818)
Strengthening Local Communities	0	(30,225)
Redmond Audit Grant*	(17,814)	(18,435)
Electoral Integrity New Burdens	0	(18,251)
Test and Trace Grant Funding	(49,394)	(15,512)
High Street Reopening/Welcome Back Fund	(134,029)	(10,940)
Homelessness - Additional New Burdens	0	(3,963)
	(14,755,727)	(13,038,255)
Grants credited to Taxation and Non Specific Grant Income		
New Homes Bonus	(2,092,561)	(810,236)
Lower Tier Services Grant	(690,819)	(1,435,018)
Section 31 NNDR Compensation	(6,122,744)	(5,368,851)
Local Government Income Compensation Scheme for Lost Sales, Fees and Charges	(245,225)	0
Covid-19 LA Support Grant	(377,437)	0
Rural Services Delivery Grant	(632,183)	(632,184)
Services Grant	0	(129,485)

* Grants not separately disclosed in 2021/22

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B8.a Non Current - Capital Grants Receipts in Advance

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:

	2021/22 £	2022/23 £
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	(48,906)	0
Better Care Fund (Disabled Facilities Grants)	(213,166)	(331,301)
Other Grants Receipts in Advance	(3,059)	(3,060)
	(487,901)	(557,130)

B8.b Current - Capital Grants Receipts in Advance

	2021/22 £	2022/23 £
Local Authority Housing Fund	0	(615,170)
Changing Places Toilets	0	(122,501)
Public Sector Decarbonisation Scheme*	0	(22,079)
Other	0	(452)
	0	(760,202)

*Comparative Capital Grant Receipt in Advance of £55,304 disclosed within Creditors (note D6) in 2021/22

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B9. Officer Remuneration

Senior Officer Remuneration

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

2022/23					
Post	Salary, allowances & other benefits £	Pension Contributions £	Compensation for Loss of Employment	Pension Strain	Total Remuneration £
Chief Executive	108,500	21,917	0	0	130,417
Deputy Chief Executive and Chief Finance Officer ¹	29,650	5,809	0	0	35,459
Interim Deputy Chief Executive Chief Finance Officer ²	72,590	0	0	0	72,590
Deputy Chief Executive and Chief Finance Officer ³	40,306	8,142	0	0	48,448
Director of Governance and Development (Monitoring Officer)	88,200	17,816	0	0	106,016
	339,246	53,684	0	0	392,930
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 Governnace 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

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 The Deputy Chief Executive and Chief Finance Officer left the employment of the Council on 22 July 2022. The figures above represent the full salary and allowances incurred by Cotswold District Council for the period 1 April 2022 to 22 July 2022.

² Section 151 of the Local Government Act 1972 requires the Council to employ a Chief Finance Officer. An Interim Deputy Chief Executive and Chief Finance Officer was appointed to cover this role between 21 July 2022 and 31 October 2022 pending a permanent appointment (see note 3 below). The full contractual costs of the interim appointment are disclosed in the table above.

³ The Council's new Deputy Chief Executive and Chief Finance Officer started employment on 17 October 2022.

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 Deputy Chief Executive and Chief Finance Officer who was appointed part way through the financial year (17 October 2022).

	2021/22	2022/23
	No. of Officers including Severance or Other Related Payments'	
£50,000 to £54,999	0	2
£55,000 to £59,999	1	0
£60,000 to £64,999	1	0
£65,000 to £69,999	0	1
£85,000 to £89,999	1	1
£100,000 to £104,999	1	0
£105,000 to £109,999	0	1
Total	4	5

This note includes Officers whose details are disclosed as part of the Senior Officer Remuneration note.

B10. Termination Benefits

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

	2021/22		2022/23	
	No. of packages	£	No. of packages	£
Severance Payments	0	0	1	36,156
Pension Strain Costs	0	0	1	197,852
		0		234,008

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 £	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
£201,001 - £250,000	0	0	0	1	0	1	0	234,008
Total	0	0	0	1	0	0	0	234,008

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Notes to the Movement in Reserves Statement

C1. Adjustments Between Accounting Basis and Funding Basis Under Regulations

	2022/23			
	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	(1,632,399)			
Revaluation losses on Property, Plant and Equipment	(195,009)			
Movements in the fair value of Investment Properties	(665,383)			
Capital Grants and Contributions applied	2,062,730			
Revenue Expenditure funded from Capital Under Statute	(2,076,405)			
Non current assets written off on disposal or sale	(353,155)			
Adjustments between Capital & Revenue Resources				
Transfer of cash sale proceeds from disposal of non current assets	422,555		(369,400)	
Capital expenditure charged against General Fund Balance	200,000	187,383		
Capital Grants and contributions credited to CIES	2,785,074			(2,785,074)
Adjustments to Capital Resources				
Use of capital receipts reserve to finance new capital expenditure			2,106,430	
Transfer from Deferred Capital Receipts on receipt of cash			(852,955)	
Write down of long term debtor on receipt of loan principal			(31,148)	
Financial Instrument Adjustments				
Reversal of changes in fair value on Pooled Investment Funds	(998,338)			
Reversal of gains / losses to Pooled Investment Fund Adjustment Account on derecognition	0			
Pension Adjustments				
Pension costs transferred to / (from) the Pensions Reserve	(2,295,000)			
Other Adjustments				
Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account	4,880,441			
	2,135,111	187,383	852,927	(2,785,074)

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

	2021/22			
	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	(1,457,668)			
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)			
<u>Adjustments between Capital & Revenue Resources</u>				
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)	
<u>Adjustments to Capital Resources</u>				
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)	
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	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

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 2022 £	Transfers between £	Transfers Out £	Transfers in £	Transfer from General Fund £	31 March 2023 £
Financial Resilience Reserve	0				(1,174,080)	(1,174,080)
Council Priorities Fund	(2,767,122)	40,000	516,859	(8,352)		(2,218,615)
Other Commitments from Council Priorities Fund	(1,289,980)		196,299			(1,093,681)
Local Plan	(819,241)		142,051			(677,190)
Community-Led Housing	(806,334)	0	980	0		(805,354)
Business Rates Smoothing reserve	(4,120,162)	0	4,120,162	0		0
New Burdens Grant	(410,678)	0	217,292	(164,867)		(358,253)
Covid related	(88,011)	20,000	40,918	0		(27,093)
Other earmarked reserves	(2,337,586)	(60,000)	1,156,547	(1,096,149)		(2,337,188)
	(12,639,114)	0	6,391,108	(1,269,368)	(1,174,080)	(8,691,454)

C3. Unusable Reserves

Summary of Unusable Reserves

	31 March 2022 £	31 March 2023 £
Revaluation Reserve	(35,786,417)	(34,441,293)
Capital Adjustment Account	(31,318,675)	(31,825,326)
Pension Reserve	37,920,000	7,188,000
Deferred Capital Receipts Reserve	(4,970,995)	(4,140,046)
Collection Fund Adjustment Account	4,659,406	(221,034)
Pooled Investment Fund Adjustment Account	27,780	1,026,118
Financial Instruments Revaluation Reserve	(30,000)	0
	(29,498,901)	(62,413,581)

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.

	2021/22 £	2022/23 £
Opening Balance - 1 April	(35,269,701)	(35,786,417)
Upward revaluation of assets	(4,506,315)	(1,952,588)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,423,881	3,074,604
<i>Surplus / deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services</i>	(1,082,434)	1,122,016
Difference between fair value and historic cost depreciation	565,717	625,459
Accumulated gains on assets sold	0	247,000
<i>Amount written off to the Capital Adjustment Account</i>	565,717	872,459
Closing Balance - 31 March	(35,786,417)	(33,791,943)

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].

	2021/22 £	2022/23 £
Opening Balance - 1 April	(30,846,273)	(31,318,675)
<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	1,457,668	1,632,399
Revaluation losses on Property, Plant and Equipment	0	195,009
Revenue expenditure funded from capital under statute	955,031	2,076,405
Amounts of non-current assets written off on disposal or sale	182,172	106,155
	<u>2,594,871</u>	<u>4,009,968</u>
<u>Adjusting amounts written out of the Revaluation Reserve</u>		
Historical cost depreciation adjustment	(565,317)	(625,459)
Other amounts written off	0	0
	<u>(565,317)</u>	<u>(625,459)</u>
<u>Adjustments between Capital & Revenue Resources</u>		
Capital Grants Repaid	0	0
	<u>0</u>	<u>0</u>
Net written out amount of the cost of non current assets consumed in year	2,029,554	3,384,509
<u>Capital financing applied in year</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(347,969)	(2,106,430)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,077,587)	(2,062,730)
Use of General Fund Earmarked Reserves applied to capital financing	(43,900)	(187,383)
Capital expenditure charged against the General Fund Balance	(250,000)	(200,000)
	<u>(2,719,456)</u>	<u>(4,556,543)</u>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	217,500	665,383
Closing Balance - 31 March	<u>(31,318,675)</u>	<u>(31,825,326)</u>

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.

	2021/22 £	2022/23 £
Opening Balance - 1 April	46,258,000	37,920,000
Return on plan assets	(4,437,000)	4,330,000
Remeasurement of the net defined benefit liability	(6,503,000)	(37,357,000)
Reversal of items debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement	3,864,000	3,715,000
Employers' pension contributions	(1,262,000)	(1,420,000)
Closing Balance - 31 March	37,920,000	7,188,000

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 2022 £	March 2023 £
Mortgages on sales of Council Houses	(31,500)	(31,500)
Loans Issued - CHYP	(72,880)	(69,316)
Principal amounts on finance leases	(4,549,334)	(3,749,533)
Other deferred receipts	(317,281)	(289,697)
	(4,970,995)	(4,140,046)

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 2022 £	Transfers Out £	Transfers in £	31 March 2023 £
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	47,241	(60,097)	0	(12,856)
NNDR	4,612,165	(4,896,518)	87,652	(196,701)
NNDR - Renewal Energy Scheme	0	(11,477)	0	(11,477)
	4,659,406	(4,968,092)	87,652	(221,034)

Pooled Investment Fund Adjustment Account

	2021/22 £	2022/23 £
Opening Balance - 1 April	450,485	27,780
Changes in fair value of Pooled Investment Funds	(422,705)	998,338
Accumulated gains / (losses) written out on derecognition	0	0
Closing Balance - 31 March	27,780	1,026,118

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.

	2021/22 £	2022/23 £
Opening Balance - 1 April	(30,000)	(30,000)
Changes in fair value of financial assets elected to FV through Other Comprehensive Income	0	30,000
Closing Balance - 31 March	(30,000)	0

NOTES TO THE BALANCE SHEET

Notes to the Balance Sheet

D1. Property, Plant and Equipment

Movements in 2022/23	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 2022	54,998,859	3,789,539	201	4,040,319	0	62,828,918
Additions	1,772,038	606,090	0	0	0	2,378,128
Revaluation increases / (decreases)	(810,997)		0	(1,009,862)	0	(1,820,859)
Derecognition - disposals	0	(1,016,256)	0	0	0	(1,016,256)
Asset values at 31 March 2023	55,959,900	3,379,373	201	3,030,457	0	62,369,931
Depreciation						
Accumulated depreciation at 1 April 2022	(328,673)	(1,761,222)	0	0	0	(2,089,895)
Depreciation charge for the year	(1,183,660)	(413,124)	0	(14,625)	0	(1,611,409)
Depreciation written out on revaluation	1,138,560	0	0	14,625	0	1,153,185
Derecognition - disposals	0	963,102	0	0	0	963,102
Accumulated depreciation at 31 March 2023	(373,773)	(1,211,244)	0	0	0	(1,585,017)
Net Book Value of Assets						
1 April 2022	54,670,186	2,028,317	201	4,040,319	0	60,739,023
31 March 2023	55,586,127	2,168,129	201	3,030,457	0	60,784,914

NOTES TO THE BALANCE SHEET

Movements in 2021/22	Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Construction £	TOTAL P,P&E £
<u>Asset Cost or Valuation</u>						
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)
Asset values at 31 March 2022	54,998,859	3,789,539	201	4,040,319	0	62,828,918
<u>Depreciation</u>						
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
Accumulated depreciation at 31 March 2022	(328,673)	(1,761,222)	0	0	0	(2,089,895)
<u>Net Book Value of Assets</u>						
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

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 2022/23 revaluations and impairment review were undertaken by Richard Webb MRICS and Bryn Howell MRICS MRTPI, 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 £	TOTAL £
Carried at [depreciated] Historical Cost	0	2,168,129	201	0	2,168,330
Valued at Current Value as at 31st March:					
2018/19	63,168	0	0	0	63,168
2019/20	0	0	0	0	0
2020/21	11,182,085			198,052	11,380,137
2021/22	4,256,462	0		51,000	4,307,462
2022/23	40,084,409	0		2,781,405	42,865,814
	55,586,124	2,168,129	201	3,030,457	60,784,911

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.

	2021/22 £	2022/23 £
Rental income	(710,758)	(479,622)
Direct operating expenses	82,811	77,371
Net (gains) / losses from fair value adjustments	217,500	665,383
	(410,447)	263,132

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. There are contractual obligations on the Council to repair and maintain certain investment properties and these have been included in the relevant property valuations.

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

The 2022/23 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.

NOTES TO THE BALANCE SHEET

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

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

	2021/22 £	2022/23 £
Opening Balance - 1 April	6,217,500	5,947,000
Additions	0	95,383
Transfers and reclassifications	(53,000)	0
Net gains / (losses) from fair value adjustments	(217,500)	(665,383)
Closing Balance - 31 March	5,947,000	5,377,000

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

	2021/22 £	2022/23 £
<u>Asset Cost or Valuation</u>		
Asset values at 1 April	170,512	176,291
Additions	5,779	10,822
Derecognition	0	(60,421)
Asset values at 31 March	176,291	126,692
<u>Amortisation</u>		
Accumulated Amortisation at 1 April	(114,133)	(145,603)
Amortisation charge for the year	(31,470)	(20,990)
Derecognition	0	60,421
Accumulated Amortisation at 31 March	(145,603)	(106,172)
Net carrying amount at 31 March	30,688	20,519

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 2022 £	31 March 2023 £
Starter Home Initiative	45,235	45,235
Council Mortgages & Housing Act Advances	31,500	31,500
Charities	72,880	69,316
Housing Improvement Loans	54,085	51,732
Housing Strategy Loans	11,692	0
Employee Car Loans	7,970	2,283
Loan to 'Friends of the Cotswolds'	301,725	280,009
Loan to 'Barn Theatre'	15,556	9,148
Community Infrastructure Levy (CIL)	0	418,056
Finance Leases - principal outstanding	3,697,827	2,888,917
	4,238,469	3,796,195

D5. Debtors

	31 March 2022 £	March 2023 £
Government Departments	6,504,376	1,172,086
NHS	149,995	0
Other Local Authorities (Statutory)	5,048,596	3,408,477
Other Local Authorities (Trading)	465,174	731,225
Collection Fund debtors (CDC Share)	1,902,419	1,632,579
Housing Benefit recovery	683,670	648,154
Finance Leases - principal outstanding	851,507	860,604
Housing Association RTB receipts	941,058	0
Covid Grants	146,015	573,018
CIL Debtors	0	1,566,540
Sundry Debtors	615,455	524,031
Other Debtors	656,297	1,163,851
Prepayments	387,000	411,737
	18,351,562	12,692,302
Less impairment allowance for doubtful debts:		
Council Tax / NNDR payers (CDC share)	(327,690)	(200,424)
Housing Benefit recovery	(581,119)	(580,632)
Sundry Debtors	(123,459)	(120,897)

NOTES TO THE BALANCE SHEET

D6. Creditors

	31 March 2022	31 March 2023
	£	£
Government Departments	(10,340,418)	(2,784,218)
Agency Creditor - Covid Business Grants	(5,197,437)	(874,641)
Other Local Authorities (statutory)	(1,043,895)	(1,428,708)
Other Local Authorities (trading)	(56,104)	(597,406)
Collection Fund creditors (CDC Share)	(402,366)	(229,059)
Sundry Creditors	(109,059)	(277,298)
Finance Leases - principal outstanding	(23,585)	(15,767)
Other Creditors	(1,378,850)	(2,890,116)
Receipts in advance:		
- Agency Council Tax Energy Rebate	(3,913,950)	(728,120)
- Council Tax / NNDR payers	(473,847)	(453,918)
- Government Departments (restated)	(275,365)	(118,835)
- Sundry Creditors	(1,526,792)	(1,395,407)
	(24,741,668)	(11,793,493)
S106 Balances	(1,941,457)	(2,849,784)

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	(1,299,869)	0	274,378	0	(1,025,491)
	(1,299,869)	0	274,378	0	(1,025,491)

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.

	2021/22 £	2022/23 £
Opening Capital Financing Requirement	63,187	16,017
Capital investment in the year		
Property, Plant & Equipment	1,731,477	2,484,332
Intangible Assets	5,779	0
Revenue Expenditure Funded from Capital under Statute	955,031	2,076,405
	2,692,287	4,560,737
Sources of finance		
Capital Receipts	367,570	2,106,430
Better Care Funding/Disabled Facilities Grants	850,269	1,092,136
	0	883,320
Other grants & external funding	1,227,718	87,274
Earmarked Reserves	43,900	187,383
Direct Revenue Contributions	250,000	200,000
	2,739,457	4,556,543
Net increase / (decrease) in Capital Financing Requirement	(47,170)	4,194
Closing Capital Financing Requirement	16,017	20,211

A decrease in Capital Financing Requirement in 2021/22 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. The increase in requirement in 2022/23 represents EVCP assets financed through the Community Municipal Investment less assets acquired under finance leases financed through annual revenue leasing charges.

D9. Assets Held for Sale

	2021/22 £	2022/23 £
Current Assets		
Opening Balance - 1 April	0	300,000
Assets classified as/(transferred from) held for sale during the year:		
- Property, Plant & Equipment	300,000	
Assets sold		(300,000)
Closing Balance - 31 March	300,000	0

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:

	2021/22 £	2022/23 £
Comprehensive Income & Expenditure Statement		
<i>Cost of Services:</i>		
Current Service Cost	2,897,000	2,507,000
Past Service Cost	26,000	168,000
<i>Financing and Investment Income & Expenditure:</i>		
Net Interest Expense	941,000	1,040,000
Net Charge to Surplus or Deficit on Provision of Services	3,864,000	3,715,000
<i>Other post employment benefit charged to Comprehensive Income & Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
Return on Plan Assets	(4,437,000)	4,330,000
Actuarial (gains) / losses arising on changes in financial assumptions	(7,250,000)	(43,869,000)
Actuarial (gains) / losses arising on changes in demographic assumptions	(2,097,000)	(832,000)
Experience (gains) / losses	2,844,000	7,344,000
	(10,940,000)	(33,027,000)
Total post employment benefits charged to the Comprehensive Income & Expenditure Statement	(7,076,000)	(29,312,000)
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	(3,864,000)	(3,715,000)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	1,262,000	1,420,000

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 2022 £	31 March 2023 £
Present value of the defined benefit obligation - funded	(129,254,000)	(95,432,000)
Present value of unfunded obligations	(2,678,000)	(2,240,000)
Fair Value of Plan Assets	94,012,000	90,484,000
Net liability arising from defined benefit obligation	(37,920,000)	(7,188,000)

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

	2021/22 £	2022/23 £
Opening Fair Value of Scheme Assets	90,252,000	94,012,000
Interest Income	1,784,000	2,514,000
Remeasurement Gains / (Losses)	3,977,000	(4,330,000)
Employers' Contributions	1,122,000	1,276,000
Employee Contributions	381,000	369,000
Contributions in respect of unfunded benefits	140,000	144,000
Benefits Paid	(3,504,000)	(3,357,000)
Unfunded Benefits Paid	(140,000)	(144,000)
Closing Balance 31 March	94,012,000	90,484,000

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

	2021/22 £	2022/23 £
Opening Balance 1 April	(136,510,000)	(131,932,000)
Current Service Cost	(2,897,000)	(2,507,000)
Interest Cost	(2,725,000)	(3,554,000)
Contributions from Scheme Participants	(381,000)	(369,000)
Past Service Cost	(26,000)	(168,000)
Remeasurement Gains / (Losses)	6,963,000	37,357,000
Benefits Paid	3,504,000	3,357,000
Unfunded Benefits Paid	140,000	144,000
Closing Balance 31 March	(131,932,000)	(97,672,000)
	Funded	(129,254,000)
	Unfunded	(2,678,000)
		(95,432,000)
		(2,240,000)

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Composition of Scheme Assets

	2021/22				2022/23			
	Quoted £000	Unquoted £000	Total £000	%	Quoted £000	Unquoted £000	Total £000	%
Debt Securities								
Corporate Bonds (investment grade)			0.0	0%			-	0%
Corporate Bonds (non investment grade)			0.0	0%			-	0%
UK Government			0.0	0%			-	0%
Other			0.0	0%			-	0%
Private Equity								
All	-	1,025.1	1,025.1	1%	-	1,721.9	1,721.9	2%
Real Estate								
UK Property	3,914.2	2,727.5	6,641.7	7%	3,172.7	2,872.2	6,044.9	7%
Overseas Property	-	654.4	654.4	1%	-	1,581.0	1,581.0	2%
Investment Funds and Unit Trusts								
Equities	-	63,931.5	63,931.5	68%	-	57,900.8	57,900.8	64%
Bonds	6,004.4	11,320.6	17,325.0	18%	5,785.2	9,755.5	15,540.7	17%
Infrastructure	-	946.5	946.5	1%	-	3,230.7	3,230.7	4%
Other	-	2,235.4	2,235.4	2%	-	3,598.1	3,598.1	4%
Derivatives								
Foreign Exchange	-	-	0.0	0%	-		0.0	0%
Other	-	-	0.0	0%	-		0.0	0%
Cash and Cash Equivalents								
All	1,252.4	-	1,252.4	1%	865.9		865.9	1%
	11,171	82,841	94,012	100%	9,824	80,660	90,484	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	22.2 years	24.7 years
Future Pensioners*	23.0 years	26.2 years
*Assume members aged 45 as at last formal valuation date - 31 March 2022		
Financial Assumptions	31 March 2022	31 March 2023
Rate of increase in pensions	3.2%	3.0%
Rate of increase in salaries	3.7%	3.5%
Discount Rate	2.7%	4.8%

At the date of the most recent valuation, the duration of the Employer's funded obligation is 17 years. Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2021 model, with a 10% 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 50% of the maximum additional tax-free cash up to HMRC limits.

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	
	%	£
0.1% decrease in Real Discount Rate	2%	1,534,000
0.5% increase in salary increase rate	1%	835,000
0.1% increase in pension increase rate	1%	1,390,000
1 year increase in life expectancy	4%	3,907,000

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 £2,595,000.

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 2022			31 March 2023	
Non-Current £	Current £		Non-Current £	Current £
		Financial Assets at Amortised Cost		
0	5,500,083	Investments	0	4,283,030
1	0	Ubico Shareholding	1	0
0	6,143,613	Cash and cash equivalents	0	3,230,821
540,642	2,952,170	Debtors	907,278	4,123,297
3,697,827	852,955	Finance Leases	2,888,917	860,604
4,238,470	15,448,821		3,796,196	12,497,752
		Fair Value through Profit or Loss		
10,454,693	1,136,850	Investments	9,432,128	1,166,564
0	8,703,827	Cash and cash equivalents	0	8,978,545
10,454,693	9,840,677		9,432,128	10,145,109
		Fair Value through Other Comprehensive Income		
1,030,000	5,750	Designated Equity Instruments	1,000,000	7,125
15,723,163	25,295,248	Total Financial Assets	14,228,324	22,649,986
		Financial Liabilities at Amortised Cost		
0	0	Borrowing	(357,254)	(93,503)
0	(4,994,707)	Creditors	0	(3,996,279)
(15,767)	(23,585)	Finance Leases	0	(15,767)
(15,767)	(5,018,292)	Total Financial Liabilities	(357,254)	(4,105,549)

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	3,796,195	11,790,349	(11,793,773)
Finance Leases (shown separately)	(2,888,917)	(860,604)	15,767
<u>Items not classified as Financial Instruments:</u>			
Statutory & Government Debtors / Creditors	0	(6,394,711)	5,085,446
Payments / Receipts in Advance	0	(411,737)	2,696,281
Total Debtors / Creditors (as above)	907,278	4,123,297	(3,996,279)

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:

2021/22					2022/23			
Financial Assets			Financial Liabilities		Financial Assets			Financial Liabilities
Amortised Cost £	Fair Value through P&L £	Fair Value through OCI £	Amortised Cost £		Amortised Cost £	Fair Value through P&L £	Fair Value through OCI £	Amortised Cost £
				<u>Financing & Investment Income and Expenditure</u>				
(7,730)	(368,432)	(23,500)		Interest Expense	6,030			
(113,846)				Interest / Dividend income	(446,708)	(607,405)	(28,250)	
	(422,705)			Changes in impairment loss allowance				
				Changes in fair value		998,338		
				<u>Other Comprehensive Income</u>				
				Changes in fair value			30,000	
(121,576)	(791,137)	(23,500)	0	Net (Gains) / Losses for the Year	(440,678)	390,933	1,750	0

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Fair Values of Financial Assets and Financial Liabilities

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

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

The following table shows the Council’s financial assets measured at fair value through profit and loss:

	Input level	As at 31 March 2023 £
<u>Fair Value through Profit or Loss</u>		
Money Market Funds	Level 1	8,978,545
Pooled Investment Funds	Level 1	10,598,692
		19,577,237

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), and equity instruments elected to fair value through other comprehensive income, 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 2022		31 March 2023	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
Financial Assets at Amortised Cost				
Investments	5,500,083	5,500,083	4,283,030	4,283,030
Ubico Shareholding	1	1	1	1
Cash and cash equivalents	6,143,613	6,143,613	3,230,821	3,230,821
Non-Current Debtors	540,642	540,642	907,278	907,278
Non-Current Finance Leases	3,697,827	3,697,827	2,888,917	2,888,917
	15,882,166	15,882,166	11,310,047	11,310,047
Financial Liabilities at Amortised Cost				
Borrowing	0	0	(450,757)	(450,757)
Non-Current Finance Leases	(15,767)	(15,767)	0	0
	(15,767)	(15,767)	(450,757)	(450,757)

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Equity Instruments Elected to Fair Value through Other Comprehensive Income

The Council has elected to account for the following investment as 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 2022 £	31 March 2023 £	31 March 2022 £	31 March 2023 £
Fundamentum Social Housing REIT plc	1,030,000	1,000,000	23,500	28,250
	1,030,000	1,000,000	23,500	28,250

Cotswold Climate Loan

During 2022/23, the Council secured £0.5m of funding through a loan instrument repayable over a five-year period. The funding is being used to support an energy efficiency and carbon reduction project as well as the installation of electric vehicle charging points. These projects contribute to the objectives set out in the Council's Climate Emergency Strategy 2020-30 which establishes a plan to deliver a Net-Zero district by 2045. The loan balance outstanding as at 31 March 2023 is £450,757 and is carried in the balance sheet at amortised cost.

Cottsway 2 Limited – Loan Facility

On 26 July 2022, the Council entered into an agreement to provide a loan facility of £3,753,000 to Cottsway 2 Limited (a subsidiary of Cottsway Housing Association). The purpose of the loan facility is to enable the provision of new dwellings incorporating low carbon technology at Davies Road, Moreton-in-Marsh. £1,855,500 of the facility is a short-term arrangement which will be repaid in full on receipt of grant funding by Cottsway 2 Limited from Homes England. The remainder of £1,897,500 is a long-term secured loan facility to be repaid within 50 years of the first drawdown date. To the extent the loan facility is used, interest is payable to Cotswold District Council based on a rate of 3.25% per annum.

As of 31 March 2023, none of the loan facility had been utilised. However, a request by Cottsway 2 Limited to drawdown funds of £1,591,019 was actioned on 26 June 2023.

E3. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The Council's 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
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such metrics such as interest rates.

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. The duty to manage such risk is set out in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 covering:
 - * Limits on the Council's overall debt [external borrowing]
 - * The maturity structure of any borrowing
 - * The Council's upper limit for exposure to fixed and variable rates
 - * 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 creditworthiness 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 creditworthiness criteria (including rating provided by agencies such as Standard & Poor's, Moody's and Fitch). 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 are as follows:

	Investment Balance
<u>Fixed duration deals</u>	
A+ Rated Banks	£0
Local Authorities	£0
Central Government	£4,283,030
<u>Call accounts and other 'cash equivalent' investments</u>	
Money Market Funds	£8,978,545
Call Accounts	£3,104,151
<u>UK Equities</u>	£1,007,125
<u>Pooled funds</u>	
Non-rating agency rated pooled fund <i>separately approved by the Council's Treasury Management advisors</i>	£10,598,692

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	£4,283,030			
Money Market Funds	£8,978,545			
Call Accounts	£3,104,151			
UK Equities	£7,125			£1,000,001
<u>Externally managed funds</u>				
Pooled Funds	£70,443			£10,528,249

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 financial year, a maximum limit is determined for exposure to fixed and variable interest rates. The Council's treasury management team monitors market conditions and forecasts for forecast interest rates; adjusting exposures accordingly. For instance, during periods of falling interest rates, and where economic conditions are favourable, fixed rate investments may be taken for longer periods to secure relatively higher long-term returns.

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

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 holds some financial instruments whereby 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 pounds sterling wherever possible thus mitigating 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 2022 £	31 March 2023 £
Not later than one year	91,871	53,702
Later than one year & not later than five years	130,632	101,944
Later than five years	71,250	46,561
	293,753	202,207

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 2022 £	31 March 2023 £
Vehicles, plant, furniture & equipment	39,352	15,767
	39,352	15,767

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 2023 £
Finance lease liabilities:		
Current	23,585	15,767
Non Current	15,767	0
Finance costs payable in future years	5,608	2,247
Minimum Lease Payments	44,960	18,014

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£	£	£	£
Not later than one year	26,945	18,014	23,585	15,767
Later than one year & not later than five years	18,014	0	15,767	0
Later than five years	0	0	0	0
	44,959	18,014	39,352	15,767

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 Limited.

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 2022 £	31 March 2023 £
Present value of principal payments outstanding on non current assets	4,549,321	3,749,521
Unearned finance income	2,858,229	2,761,047
	7,407,550	6,510,568

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 2022	31 March 2023	31 March 2022	31 March 2023
	£	£	£	£
Not later than one year	962,391	960,907	852,955	860,604
Later than one year & not later than five years	3,253,330	2,673,531	2,950,378	2,416,710
Later than five years	3,191,828	2,876,130	745,987	472,207
	7,407,550	6,510,568	4,549,321	3,749,521

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 2022/23 the Council received £135,811 in contingent rents (2021/22 £126,248).

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 2022 £	31 March 2023 £
Not later than one year	914,929	794,438
Later than one year & not later than five years	1,817,426	1,938,768
Later than five years	257,369	77,017
	2,989,724	2,810,223

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 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.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 – 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 (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 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.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 (ie 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). 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.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 authority'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 authority 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 and (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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 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.

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 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.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 authority's accounting policy for fair value measurement of financial assets is set out in the 'Financial Instruments' section (above). The authority 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 authority 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 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 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 that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 – unobservable inputs for the asset.

E6. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note E5 above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council has a one-eighth share in Ubico Limited. The company provides a range of integrated environmental services including, commercial refuse collection and grounds maintenance service on behalf of the Council. The separate operating practices and management structure, the application of majority-voting on the Ubico Limited. board do not constitute the Council having joint-control or significant influence over the company. 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 Limited. 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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 any 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 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 results in different accounting treatment depending upon the categorisation of the lease. 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 arrangement whereby it provides environmental services vehicles to Ubico Limited. Ubico Limited 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 Limited. contracts where necessary). Ubico Limited. 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 Limited. This arrangement has been formalised in a lease agreement between Ubico Limited and the Council.

The Council has also determined that their interest in Chipping Campden Leisure Centre and the use of the sports centre (operated by the Council's leisure operator SLM until August 2022) which is legally owned by Chipping Campden school through a dual use agreement dated August 1995 for a period of 99 years is correctly recognised on the Council's balance sheet due to the unrestricted and ongoing relationship between the school and Council which has historically been agreed and will continue into perpetuity.

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

Where the Council is acting as agent the following conditions apply:

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

Where the Council is acting as principal, it was able to use its own discretion when allocating the amount of grant payable. The Council has concluded it has acted as an agent when distributing mandatory council tax rebate support for energy bills during 2022/23.

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 Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the Council's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual result differs from assumptions
Property, Plant & Equipment – Operational Property	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>The Valuer has stated that valuations have been prepared in accordance with the RICS Valuation standard and recommendations contained within the RICS Red Book.</p> <p>In the context of the Council's property portfolio the Valuer has assessed the impairment risk by sector and individual asset. Due to the material nature of the Council Offices, Museum and Leisure Centres it has been considered prudent to revalue all assets within these sectors.</p> <p>The Councils car parks were reviewed by the in house valuers and three car parks were identified as requiring revaluation in 2022/23 resulting in an increase in value of £0.257m. The valuations were based on assumptions around building costs and average income received which had fallen during the pandemic period and recovered during 2021/22 and 2022/23 partly due to increased visitor numbers and partly due to increased charges.</p> <p>The remainder of the portfolio unvalued in 2022/23 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 72% 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</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 £32m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>If the useful economic life of an asset is reduced, depreciation increases and the carrying value of an asset will fall.</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 £58m.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by approximately £46,000 for every year that useful lives had to be reduced.</p>

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Item	Uncertainties	Effect if actual result differs from assumptions
	<p>levels. The valuers consider that of all the valuation elements in a DRC the 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>	
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 this 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>A fall of 5% in the overall valuation would result in an fall in value of £268,000.</p>
Pension Liability	<p>The estimation of the pension liability is based upon a number of factors and judgements applied by the scheme's actuary including discount rate used, rate of salary increases, changes in retirement ages, mortality rates and expected return on Pension Fund investments. Estimates are made upon judgements and conditions as seen by the actuary at a point in time.</p> <p>The Council has engaged Hymans Robertson as its consulting actuary to provide expert advice about the assumptions to be applied.</p>	<p>The effect of changing assumptions will result in changes in the valuation of the pension funds' assets and liabilities.</p> <p>For further details of the impact of variations in key assumptions, see note E1.</p>
Going Concern	The Council approves its budgets and Medium-Term Financial Strategy based upon its best estimates of spending plans and future levels of funding. Sources of income, grant funding and savings plans are all liable to change. Medium to	If estimates on income, funding or savings plans are subject to adverse variance, the Council will be able to draw upon revenue reserves to smooth fluctuations

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Item	Uncertainties	Effect if actual result differs from assumptions
	longer term financial forecasts are subject to a greater potential for variation than shorter term forecasts.	<p>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 Councils 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.

The following standards and amendments are not expected to be introduced until the 1 April 2024:

- IFRS 16 Leases

IFRS 16 is not anticipated to have a material effect on the financial statements or balances of the council since the changes mainly affect the recognition of leases by lessees and the authority does not have any material finance or operating lease liabilities as lessee. The Council also have not opted to adopt the standard early.

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 (£70,414) were awarded during 2022/23 (£18,535 in 2021/22).
- One Cabinet Member was nominated by the Council to sit on the board of Cotswold Conservation Board, who received grants of £31,286 from the Council during 2022/23 (£25,566 in 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 of 31 March 2023 three of the Council's Members were also Members of Gloucestershire County Council (3 as of 31 March 2022). Cotswold District Council made payments of £283,998 to the County Council and received grants, fees and contributions of £2,390,079 during 2022/23.

Officers

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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 2023 the Council owed Publica £106,599 (creditors and receipts in advance) (31 March 2021, £402,672) and was owed £434,570 (debtors and payments in advance) (31 March 2021, £214,113).

Ubico Limited

Ubico Limited. 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 Limited 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 1/8th shareholding in Ubico Limited, and a place on the Board of Ubico Limited, the Council is not deemed to have significant influence over the company. The separate operating practices, management structure and majority-voting on the Ubico Limited. board do not constitute any means of joint-control over the company. The Council's interest is therefore classed as an investment in Ubico Limited.

At 31 March 2023, Ubico Limited owed the Council £679,281.08(debtors) (2021/22, £522,994) and the Council owed Ubico Limited £891,883 (creditors and receipts in advance) (2021/22, £123,247).

Other Public Bodies

As a council tax billing Authority, the Council collects precepts on behalf of Gloucestershire County Council, Gloucestershire Police and Crime Commissioner and the Town and Parish Council's within the district. Precepts for the County Council and Police Authority are shown within the Collection Fund – Town and Parish precepts are shown in the *Comprehensive Income & Expenditure Statement*.

The Council is also a member of the Gloucestershire Business Rates Pool. Payments to and from the Pool are administered by Stroud District Council as pool lead.

The Council provides retirement benefits to its employees. The Local Government Pension Scheme is administered by Gloucestershire County Council (see Note E1).

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

E10. Events After The Balance Sheet Date

The Chief Finance Officer authorised the Statement of Accounts on 26 September 2023.

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.

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

	2021/22 £	2022/23 £
Depreciation, amortisation and impairment	1,457,668	1,632,399
Increase / (decrease) in creditors	5,637,478	(7,403,456)
(Increase) / decrease in debtors	779,344	(18,291)
Increase / (decrease) in provision for bad debts	(122,578)	(1,917)
(Increase) / decrease in inventories	10,774	(7,450)
Pensions' liability	2,602,000	2,295,000
Carrying amount of non current assets sold	182,172	353,155
Increase / (decrease) in provisions	181,649	(274,378)
Movements in the fair value of investment properties	217,500	195,009
Movements in the fair value of financial instruments	(422,705)	0
Other non cash items charged to Surplus/Deficit on Provision of Services	(21,398)	1,663,721
	10,501,904	(1,566,208)

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

	2021/22 £	2022/23 £
Capital grants applied to the financing of capital expenditure	(2,628,163)	(4,847,804)
Proceeds from the sale of non current assets	(834,467)	(375,000)
Unattached capital receipts	(989,455)	0
	(4,452,085)	(5,222,804)

F3. Investing Activities

	2021/22 £	2022/23 £
Purchase of property, plant & equipment and other capital investment	(1,805,214)	(2,042,494)
Purchase of short term and long term investments	(91,450,000)	(238,590,000)
Proceeds from the sale of non current assets	1,845,318	371,643
Proceeds from disposal of short term and long term investments	85,950,000	239,810,000
Other (receipts) / payments from investing activities	2,665,866	6,591,811
	(2,794,030)	6,140,960

NOTES TO THE CASH FLOW STATEMENT

F4. Financing Activities

	2021/22 £	2022/23 £
Finance Lease repayments	(47,169)	427,173
Other payments from financing activities	0	0
	(47,169)	427,173

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).

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2021/22				Note	2022/23		
Business Rates £	Council Tax £	Total £			Business Rates £	Council Tax £	Total £
0	(79,477,395)	(79,477,395)	Council Tax receivable	G1		(83,600,629)	(83,600,629)
(24,572,099)	0	(24,572,099)	Business Rates Receivable	G2	(27,473,912)		(27,473,912)
(68,440)	0	(68,440)	Transitional Protection Payments		104,500		104,500
(18,802,709)	0	(18,802,709)	Contribution to previous year's deficit		(12,241,539)		(12,241,539)
(43,443,248)	(79,477,395)	(122,920,643)	Total Income		(39,610,951)	(83,600,629)	(123,211,580)
			<u>Apportionment of previous year's deficit</u>				
0	(79,749)	(79,749)	Cotswold District Council		0	(7,266)	(7,266)
0	(417,056)	(417,056)	Gloucestershire County Council		0	(45,904)	(45,904)
0	(66,536)	(66,536)	Gloucestershire Police & Crime Commissioner		0	(8,798)	(8,798)
0	(563,341)	(563,341)			0	(61,968)	(61,968)
			<u>Precepts, Demands and Shares</u>				
16,984,751	0	16,984,751	Central Government		13,823,343		13,823,343
13,587,800	9,334,783	22,922,583	Cotswold District Council		11,058,698	9,933,842	20,992,540
3,396,950	58,973,303	62,370,253	Gloucestershire County Council		2,764,675	61,237,004	64,001,679
0	11,302,348	11,302,348	Gloucestershire Police & Crime Commissioner			11,817,396	11,817,396
33,969,501	79,610,434	113,579,935			27,646,716	82,988,242	110,634,958
			<u>Charges on the Collection Fund</u>				
13,450	81,437	94,887	Write-offs of uncollectable amounts		81,743	88,807	170,550
752,207	(1,117,567)	(365,360)	Increase / (decrease) in Bad Debt / Appeals Provisions	G3	(412,661)	74,990	(337,671)
184,555	0	184,555	Cost of Collection		189,319		189,319
67,245	0	67,245	Disregarded Amounts	G4	80,826		80,826
1,017,457	(1,036,130)	(18,673)			(60,773)	163,797	103,024
34,986,958	78,010,963	112,997,921	Total Expenditure		27,585,943	83,090,071	110,676,014
(8,456,290)	(1,466,432)	(9,922,722)	(Surplus) / Deficit for the Year		(12,025,008)	(510,558)	(12,535,566)
19,989,283	1,869,166	21,858,449	(Surplus) / Deficit brought forward		11,532,993	402,734	11,935,727
11,532,993	402,734	11,935,727	(Surplus) / Deficit carried forward	G5	(492,015)	(107,824)	(599,839)

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	4.00	5/9	2.22
A	up to £40,000	2,983.00	6/9	1,988.67
B	£40,001 - £52,000	4,481.70	7/9	3,485.77
C	£52,001 - £68,000	10,118.40	8/9	8,994.13
D	£68,001 - £88,000	7,410.74	1	7,410.74
E	£88,001 - £120,000	5,994.30	11/9	7,326.37
F	£120,001 - £160,000	4,714.30	13/9	6,809.54
G	£160,001 - £320,000	4,438.50	15/9	7,397.50
H	over £320,001	686.00	18/9	1,372.00
	Contributions in lieu (South Cerney Barracks)	176.44	-	176.44
				44,963.38
Adjustments for collection rates and anticipated changes during the year				-2,770.45
* adjusted for discounts and exemptions				42,192.93

The total number of "equivalent Band D dwellings" is divided into the total cost of services to arrive at an "average Band D Tax" per dwelling. Dwellings in bands below "Band D" will pay proportionately less than this average and dwellings in bands above "Band D" will pay proportionately more than this average.

The above calculations resulted in an "average Band D Tax" of £1,818.23 per dwelling for 2021/22 (2020/21 - £1,736.50). This figure includes precept figures payable to Gloucestershire County Council, the Police and Crime Commissioner for Gloucestershire and Cotswold District Council but excludes the amount payable to Town & Parish Councils.

G2. National Non Domestic Rates

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

The Council is a member of the Gloucestershire Business Rates Pool, in which any levy payment or safety receipt is 'pooled' across several authorities. This enables each pool member to benefit from a lower levy rate payable should the growth in its business rates exceed its levy threshold, whilst receiving from the pool a safety net payment should its rates fall below its safety net threshold, contributed by the pool member. In 2021/22 the Authority benefited from a Pool distribution of £350,000 (£407,409 in 2020/21).

	2021/22 £	2022/23 £
Total Non Domestic Rateable Value at 31 March	£90,025,907	£102,718,879
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:

	2021/22 £	2022/23 £	% of arrears
Council Tax	(100,010)	(175,000)	3.4%
National Non Domestic Rates	(789,900)	(448,690)	17.6%
	(889,910)	(623,690)	

G4. Business Rates – Disregarded Amounts

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

G5. Collection Fund Balance Sheet Apportionment

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

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

	Cotswold District Council £	Gloucs. County Council £	Central Govt. £	Gloucs. P&CC £
Council Tax				
Debtors	612,044	3,772,943	n/a	728,061
Bad Debt Provision	(20,947)	(129,121)	n/a	(24,918)
Prepayments and Overpayments	(174,516)	(1,075,803)	n/a	(207,596)
(Surplus) / Deficit at 31 March	(12,906)	(79,556)	n/a	(15,352)
Business Rates				
Debtors	1,020,535	255,134	1,275,668	n/a
Bad Debt Provision - Tax Payers	(179,476)	(44,869)	(224,345)	n/a
Bad Debt Provision - Appeals	(1,025,490)	(256,373)	(1,281,863)	n/a
Prepayments and Overpayments	(279,402)	(69,851)	(349,252)	n/a
(Surplus) / Deficit at 31 March	196,699	49,174	245,867	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	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	(4,613,195)	(1,153,299)	(5,766,500)	n/a

ANNUAL GOVERNANCE STATEMENT 2022/23

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 2023 and up to the date of approval of the Annual Statement of Accounts.

In October 2022, we asked the Local Government Association to run a peer review, where councillors and officers from other councils come and visit and give an independent assessment of how the council operates. It is good practice to have one of these reviews every 3-4 years, with the last review taking place in 2019, and the report is intended to point out what is working well and where the council can continue to improve to deliver for local residents. We see this as a valuable exercise to help us do the best we can for the district. The report stated that “it has become an organisation, and with a leadership, that is ambitious and outward looking. The drive, energy and passion of the Administration and Chief Executive are clear to see”.

Recommendations from the Peer Review included the following:

- The council needs to reassure itself that its governance arrangements are robust
- Refine and adapt the leadership approach in engaging local authority partners in order to ensure shared objectives can be achieved
- Determine what Overview and Scrutiny is there to do and provide the appropriate support to it
- Establish a training and development programme for elected members and ensure good induction arrangements are in place for after the election • Cabinet continues to be cognisant of the financial challenge that exists and demonstrate the required leadership and collective responsibility for addressing it
- Take stock of the Recovery Investment Strategy and what it can deliver
- Ensure all necessary due diligence is undertaken in relation to the budget proposals and that the proposals are realisable
- Address the concerns of staff about the way they are treated by some senior leaders within the council and the Publica organisation
- Undertake more direct dialogue between the senior leadership of the council and Publica in order to address the following issues:
 - The continued appropriateness of some functions remaining with Publica
 - Where direction is set from, clarity of roles and where accountability sits
 - How increased strategic capacity is provided to support the council
 - Translating the political objectives into manageable deliverables
 - Developing a focus on organisational culture and behaviours and staff well-being

The peer review report was published for the Full Council meeting on 18 January 2023. All recommendations now form part of an action plan which is being monitored and managed by the Chief Executive, with all recommendations to be completed by 2023/24.

During 2022/2023, the Council recognised the challenge of the Cost-of-Living Crisis which has had a significant impact on the Council, its residents, and businesses. A Cost-of-Living motion was debated at Full Council on 20 July 2022, and in response a Cost-of-Living Group of cross party elected members was established. The group has focussed on actions the Council could deliver directly, deliver in partnership with other organisations, or seek to influence or promote to help the local community through the crisis.

3. THE GOVERNANCE ENVIRONMENT

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

- Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users;
- Reviewing the Council's vision and its implications for the Council's governance arrangements;
- Measuring the quality of services for users, ensuring that they are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources;
- Defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- Reviewing and updating Financial Rules, Contract Rules, Constitution, Scheme of Delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;
- Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015);
- Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities;

ANNUAL GOVERNANCE STATEMENT

- 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 Council's Constitution was reviewed and presented to Council in October 2022. The Constitution is supported and underpinned by a separate Code of Conduct for Members which was updated in March 2023 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 Council has a register of member interests, maintained by the Monitoring Officer, in which all registrable interests must be entered for both the elected Member and their spouse or partner. Members are reminded on a periodic basis of the need to register their interests. Registrable interests include gifts and hospitality received by members. 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. A Whistleblowing policy is in place and any reports are investigated by the Counter Fraud and Enforcement Unit.
- 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.
- Meetings are minuted, with decisions and key actions recorded appropriately and published on the Council website.
- The Communications team ensures that communications through all of our various channels supports information / messaging and council services, and supports information to reach audiences externally and internally. A bespoke Communications Strategy was put in place to help

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.

key audiences feel 'informed, reassured, safe and inspired', and this has been evaluated and adapted throughout the cost-of-living crisis.

B. Ensuring openness and comprehensive stakeholder engagement

- Openness
 - Engaging comprehensively with institutional stakeholders
 - Engaging with individual citizens and service users effectively
- The council is committed to listening to the views of local people to help ensure that it is able to provide effective services in line with their needs
 - Consultation and community engagement is seen as an integral part of service planning, budget setting and decision-making
 - Annual accounts are published in a timely manner to help communicate the Council's financial position and performance.
 - The Council's Corporate Plan 2020-2024 was refreshed in May 2022 and is available on the Council's website.
 - All Committee, Cabinet and Council reports clearly outline their purpose, so the community can understand what is trying to be achieved. Reports also address financial, legal, equalities, risk and climate change implications to aid understanding of the potential impact of their recommendations.
 - The roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions are defined in the Council's Constitution
 - A Scheme of Delegation for Planning officers is included within the Constitution. Further work is ongoing and Council will be considering a proposed and comprehensive Scheme of Delegation for officers on 14 July 2021.
 - The Council has a planning protocol which sets out guidance for both Officers and Councillors when determining Planning applications, specifically those which come before the Planning and Licensing Committee for decision. The protocol sets out the conditions for Members to refer applications within the District to the Planning and Licensing Committee. Referrals are reviewed by a Review Panel which considers which applications should proceed to the Committee. The Minutes of the Review Panel are circulated to all Members.
 - 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. Our partner, Publica achieved Investors in People (IiP) accreditation in 2022.
 - A Customer Feedback form is available publicly for handling comments, complaints and compliments. The Council's website includes different ways for customers to give feedback or access services. A customer satisfaction survey was carried out throughout some of the year, satisfaction for services delivered face to face and telephone were high.
 - The Council maintains clear channels of communication with all sections of the Community and other Stakeholders.
 - Members of the public may ask questions at all meetings held in public. We have changed our approach as part of the Council Constitution in 2022/23 to make it even more transparent. 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.

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, 2020 - 2024 which sets out how we will achieve our aims and deliver our priorities. The strategy was first developed in 2020 and this has since been updated in 2022 as a number of projects have progressed and the local and national picture has developed. 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 Council has declared a Climate Emergency and Ecological Emergency and has a separate strategy and action plan on how these will be addressed within the District.
 - 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.
 - In September 2020 the Council approved its first Recovery Investment Strategy to support the key priorities in the Corporate Strategy 2020- 2024. Since the Council approved the refreshed Strategy in July 2022 a number of external, economic factors made borrowing and investment decisions more complex given both the level of uncertainty and the impact of both higher inflation and interest rates. As such, at the Cabinet Meeting in November 2022, a decision was made to rescind the Strategy, to allow the Council to consider the broader financial position and develop revenue and capital savings and transformation proposals that address the indicative funding gap.

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) Limited (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 fortnightly 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. In March 2023, a Cabinet Transform Working Group was formed to review potential saving proposals across all services. This will be further developed in 2023/24.
- The Council will conduct a review of future service delivery options to make sure the solutions needed for the Council to achieve financial stability can be achieved, given the Medium Term Financial Strategy (MTFS) shortfall over the years ahead. The review will examine the priorities for service delivery options and transformation
- 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.
- Continue to analyse any legacy impact from the pandemic and the ongoing cost of living crisis and understand how they have impacted our strategic priorities. Understanding and managing a variety of impacts, including financial, service delivery, and health and wellbeing. The Council will continue to work with residents and local businesses to review and respond to their changing needs and to help them protect themselves and others, as well as recover from the health and economic costs arising from the 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 and specialist advice supporting the Council's retained officers' capacity to lead the council and develop ideas, strategies and political engagement
- 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.
- In response to the Peer Review, during 2022/23, more focus has been given to Member Training and Development including the creation of a cross party Members Development Strategic Steering Group (MDSSG) to oversee the learning and development of Councillors.

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.
 - 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) Limited 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.
 - Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to the Audit Committee, on a quarterly basis.

- Recommendations made in audit reports are followed up 6 months after the completion of the audit and findings reported to the Audit Committee.
- The Audit Committee's Terms of Reference are contained within the Constitution, Members have experience of a scrutiny role and training is provided when appropriate.
- A Counter Fraud Unit is hosted by this Council and supports all the Gloucestershire Local Authorities, West Oxfordshire District Council and other third parties. Where investigations identify possible improvements to the internal control framework the Counter Fraud Unit will liaise with the Internal Audit team to ensure the improvements are followed up and implemented by Management.
- An ICT Audit and Compliance Manager performs the role as the Council's Data Protection Officer and therefore has responsibility for Data Protection policies and ensuring that officers are informed and appropriately trained.
- The Council is part of the Gloucestershire Information Sharing Partnership. This enables data to be shared when necessary.
- Audit reviews ensure data is held securely whether electronically or hard-copy.
- The MTFS is reviewed and updated on a regular basis to ensure the Section 151 Officer, Chief Executive and Members are aware of the financial standing of the Council.

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

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

- Transparency data is published on the Council's website.
- The Council's Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of the Annual Governance Statement which identifies how the Council has met its governance reporting obligations
- External Audit recommendations are reported to Audit Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported
- Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed-up and reported to the Audit Committee, further follow-up is planned if recommendations have not been actioned in full.
- The Council has a process for the receipt and processing of freedom of information requests made under the Freedom of Information Act.
- There is a presumption that all reports and the associated annexes to be considered in public meetings will be published. The Council's Legal Officer is consulted in circumstances where reports or annexes contain information which is considered to be exempt from publication.

4. REVIEW OF EFFECTIVENESS

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

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

- Senior Managers within Publica and the Council complete an Annual Assurance Statement at the end of the financial year. These governance declarations provide appropriate management assurance that

key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement.

- The Council's Leadership Team (including the Chief Executive, Section 151 Officer, the Monitoring Officer and the Publica Locality Director) review the Corporate Risk Register on a quarterly basis. Service and Project Risk Registers are maintained by the relevant Publica Group or Business Manager.
- A Governance Group meets quarterly to discuss and action matters such as staff declarations of interests, gifts and hospitality, action taken on audit recommendations, cyber security, the register of data protection breaches and counter fraud updates.
- A review of Public Interest Reports and other key reports is completed to identify any potential learning and organisational risks.
- 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 Report and follow-up of management responses to issues raised in the Letter or other reports are overseen by the Audit Committee.
- Quarterly performance reports, including the budget position, are presented to the Overview and Scrutiny Committee and Cabinet, demonstrating performance management against agreed performance indicators and budgets.
- The Audit Committee reviews the Annual Governance Statement.
- The Audit Committee reviews the Annual Statement of Accounts, the Capital Strategy, Investment Strategy, Treasury Management Strategy and reports from both Internal Audit (SWAP) and External Audit (Grant Thornton), including quarterly progress reports.
- Council approves the annual budget and approves the Capital Strategy, Investment Strategy and Treasury Management Strategy, following recommendations from the Audit Committee.
- Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including recommendations for improvement are detailed in an action plan agreed with the management.
- The Annual Internal Audit Opinion for 2022/23, in respect of the areas reviewed during the year, was "low reasonable". Areas identified for improvement included:
 - Administration of procurement cards. Actions have been agreed.
 - Recommendations for improvements in Revenues and Benefits, Climate Change, Treasury Management and Business Continuity
 - Recommendations for further improvements to planning validation
- 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 2022/23

ANNUAL GOVERNANCE STATEMENT

When preparing its 2021/2022 statement, the Council identified a number of areas which required focus and attention. Progress by the end of March 2023 is detailed in the table below:

	Key Area of Focus	Proposed Actions	Progress
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 	The new Contract and Procurement Strategy is going to Cabinet for approval on 17/07/23. This was endorsed by the Audit and Governance Committee in April.
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. 	Training Programme for Members has been developed and discussed at Council as part of Peer Review Action Plan. Cross party Members Development Steering Group supported by officers in place. Training programme delivered from May 2023
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. 	This is undertaken annually. s151 Officer will review appropriateness of the current controls.
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. 	There is a Google classroom training application on risk management. This will be reviewed and updated in-line with any changes made to the Risk management process.
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. 	<p>Outstanding recommendations are a regular feature on the local management team agenda.</p> <p>Cabinet have agreed to the Chair of Audit's recommendation that officers with actions that are outstanding for more than six months should report to the Audit Committee.</p> <p>Standing item on LMT agenda with outstanding actions reviewed by SWAP Audit and s151 on a monthly basis.</p>
6.	Business Continuity Plans, development and testing	<ul style="list-style-type: none"> Completion of Business Impact Analysis. 	Business Impact Analysis has been revised and further developed.

ANNUAL GOVERNANCE STATEMENT

		<ul style="list-style-type: none"> 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>All business areas have reviewed and updated their Business Continuity Plans (BCP) in March 2023 and now include power outage.</p> <p>A business continuity exercise was carried out in October 2022 and learning / improvements were implemented.</p> <p>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>
7.	Executive and Scrutiny Protocol	<ul style="list-style-type: none"> Development and adoption of an Executive and Scrutiny Protocol 	Completed.
Actions brought forward from 2021/22			
8	Procurement and contract management.	Ensure all contract conditions are being monitored and fulfilled.	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 July 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.
9	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	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 once complete.
10	Project and programme management	High level project risks to be escalated to Strategic/Corporate register.	<p>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.</p> <p>The s151 Officer is updating the Strategic Risk Register and will include reference to aligning project risk reporting update to the committee once complete.</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 2022/23, 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 2023/24

ANNUAL GOVERNANCE STATEMENT

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"> The new Contract and Procurement Strategy will be approved July 2023. A priority this year will be to rollout Management Training to ensure this new strategy is understood and embedded.
2.	Financial Management	<ul style="list-style-type: none"> To review the financial procedure rules and financial processes to be completed in 2023/24 against the CIPFA Financial Management Code.
3.	Risk Management	<ul style="list-style-type: none"> To rollout the Risk Management Training to all relevant officers (Launched in May 2023) To build risk management into the new Leadership and Development Training To ensure the existing risk policy and process enables effective reporting, escalation and mitigation.
4.	Emergency Planning	<ul style="list-style-type: none"> To further increase community resilience in line with the new Resilience Framework, published in December 2022. To further develop our Emergency Response Framework by putting in place a Locality Response Team for Cotswold District Council who are trained and able to respond in the event of a significant local incident. To ensure Statutory Officers are trained and competent in their role as Gold (Strategic) Commander in the event of a significant local incident, and relevant officers are trained in Silver (tactical) and Bronze (operational response). To ensure the Safety Advisory Group considers any implications from Martyn's Law when considering planned events.
5.	Portal Content Management	<ul style="list-style-type: none"> To review the Publica Portal content to ensure it is up to date, and includes the latest versions of all policies and procedures
6.	Business Continuity	<ul style="list-style-type: none"> To further develop Business Continuity Processes to ensure they are robust and fit for purpose Revised strategic and tactical plans to be developed. To test the business critical Business Continuity Plans in 2023/24 New programme and plans to be approved.
7.	New HR Policies	<ul style="list-style-type: none"> Rollout a new and revised suite of HR policies in 23/24 Ensure Managers are trained in the use of the new policies Planned audit of contract and procurement by SWAP will cover officer awareness of the contract procedure rules.
8.	LGA Peer Review and Support	<ul style="list-style-type: none"> Complete the action plan from the October 2022 LGA Peer Review

ANNUAL GOVERNANCE STATEMENT

9.	Review of service delivery model	<ul style="list-style-type: none">Conduct a review of future service delivery options to make sure the solutions needed for the council to achieve financial stability can be achieved, given the MTFS shortfall over the years ahead. This review will examine the priorities for service delivery options and transformation
10.	Internal Audit Recommendations	To address the recommendations made by Internal Audit and subsequently improve the Audit Opinion for 23/24.

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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Department for Levelling Up,
Housing & Communities

Lee Rowley MP

*Parliamentary Under-Secretary of State for Local
Government and Building Safety*

To: Local Authority Chief Executives, Local Authority
Leaders and
Chief Financial Officers in England, and
Local Audit Firm Partners

***Department for Levelling Up, Housing and
Communities***

Fry Building
2 Marsham Street
London
SW1P 4DF

18 July 2023

Dear Chief Executive / Chief Financial Officer / Local Authority Leaders / Local Audit Firm Partners,

This letter comprises an update on work since the Spring that DLUHC officials, along with Financial Reporting Council (FRC) colleagues, have undertaken to address the significant backlog of local audits in England and develop a sustainable solution to the timeliness challenges which the sector has faced in recent years. At the time of writing, only 27% of local audits have been completed for the financial year 2021-22. The combined total of outstanding local audits dating back to 2015-16 is now totalling nearly 520.

The attached paper derives from the recent work and outlines a proposed approach to resolving these issues, which has been agreed in principle with key partners across the local audit system. As Leaders of Local Authorities, Chief Executive Officers and Chief Financial Officers, you and your finance teams, alongside your auditors and Key Audit Partners, are critical to delivering high-quality financial reporting and audit in the public interest. As the paper suggests, decisive and concerted action is required to deal with the challenges in the local audit system. I would very much welcome your support in these endeavours and DLUHC officials will continue to engage with you as these proposals are further developed.

In summary, we are proposing that the National Audit Office (NAO) and DLUHC set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls and financial reporting, as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion, making clear to the user of the accounts where full evidence hasn't been confirmed, and which the auditor is therefore unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) will remain a high priority.

It will be the case that these deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies. We believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits. Whilst further detailed work is needed across the Summer, there is broad consensus across the system that without any action being taken,

delays will continue for a number of years, and in that scenario, when the delayed audits are reported they will offer little if any assurance about the current position. In the meantime, there is a heightened risk of auditors not identifying and reporting on important, more current issues. We must ensure the capacity of the sector is focused on the most recent position as soon as possible.

It is critical that a repeat of the backlog is avoided in the future. Work across the local audit system must therefore be sustainable and ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.

The Comptroller & Auditor General (C&AG) is therefore considering changes to the Code of Audit Practice on certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation. The C&AG will of course keep the Code of Audit Practice under review and will consider the effectiveness and operation of any changes made to the Code. This would inform a wider review of the measures to clear the backlog outlined above.

To support this broader work, it is important that the accounting framework set through the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting carefully balances the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer. CIPFA is therefore exploring changes to the Code for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for local authority non-investment assets and pension valuations for a local authority context.

CIPFA has already made a temporary adjustment to the Accounting Code on the reporting requirements for valuation of local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.

In terms of ongoing regulatory requirements, the FRC has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest. As part of this work, the FRC intends to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. The FRC's inspection activity will continue to review compliance with auditing and ethical standards, any revised Code of Audit Practice and associated guidance. The FRC is also working with auditors, practitioners and regulatory bodies to consider whether changes to the level of audit materiality may be beneficial. This work is expected to conclude before the end of the year.

The Levelling Up, Housing and Community Committee is conducting an inquiry into Local Financial Reporting and Audit. I gave evidence to the Committee on 17 July and I have shared a copy of the enclosed cross-system statement with the Committee Chair.

The proposals will be subject to further work and engagement across the system over the Summer, including with Section 151 Officers, Chief Executive Officers, elected representatives, the Local Government Association and audit firms. We look forward to discussing this further with you in the coming weeks and will ensure that there are arrangements in place to engage all parts of the local audit sector, including the range of local bodies. Subject to the conclusion of the appropriate details, we anticipate changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Lee', is centered at the top of the page.

LEE ROWLEY MP

Parliamentary Under-Secretary of State for

Local Government and Building Safety

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LOCAL AUDIT DELAYS – CROSS-SYSTEM STATEMENT ON PROPOSALS TO CLEAR THE BACKLOG AND EMBED TIMELY AUDITS

Introduction

1. There has been a deterioration in the timeliness of local audit since 2017/18, with delays compounding during the COVID-19 pandemic, leading to a persistent and significant backlog of audit opinions. Since November 2020, the Department for Levelling Up, Housing and Communities (DLUHC) has implemented a wide range of measures to improve timeliness and the wider local audit system as part of its response to Sir Tony Redmond's *Independent Review of local financial reporting and audit*.¹ In addition, in December 2021 DLUHC published a further package of measures to improve local audit delays, which went beyond Sir Tony Redmond's original recommendations.
2. We recognise that fuller action is required. This note sets out a range of broad proposals and actions, agreed in principle with key partners across the local audit system, to address the backlog of local audits in England. Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework, and we must collectively ensure that the local audit system is on a strong and sustainable footing for the future. There exists a shared resolve and commitment amongst the organisations referenced in this document to take action now to tackle the exceptional circumstances of the current backlog and ensure a return to timely delivery of high-quality financial reporting and external audit in local bodies,² in order to provide the vital accountability and assurance needed for local people and their elected representatives.
3. Further engagement and cross-system work will be needed this Summer to finalise the proposals outlined in this statement. Following this, we anticipate changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

Context

4. Local audit completion for the financial year 2021/22 remains at approximately 27 percent, with the combined total of outstanding local audits dating back to 2015/16 now totalling nearly 520. This is clearly unacceptable. There is consensus across the system that there is now no alternative but to take collective action to resolve the backlog. Restoring timely audit and financial reporting will improve local accountability, strengthen the government's ability to identify warning signs of potential failure in local bodies and provide assurance to local residents about financial management and governance.
5. DLUHC, working with the Financial Reporting Council (FRC) as it prepares to commence the shadow system leadership role, has led urgent cross system work over the Spring - involving auditors, Section 151 Officers, regulators, government departments and other key stakeholders – to find a solution to reset the system.

ADDRESSING THE LOCAL AUDIT BACKLOG: PROPOSITION

6. Working together, the National Audit Office (NAO) and DLUHC intend to set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed

¹ [Local authority financial reporting and external audit: independent review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-authority-financial-reporting-and-external-audit-independent-review)

² Local bodies include councils but also other relevant authorities as defined under the Local Audit and Accountability Act (2014)

audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls, financial reporting as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion and make clear to the users of the accounts those aspects or sections of a set of accounts which are not supported by sufficient, appropriate evidence, and which the auditor is unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important mechanism for assurance and for identifying areas of concern at an early stage, allowing councils to address them. Under these proposals this will remain a high priority.

7. These deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies. We believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits. Whilst further detailed work is needed across the Summer, including to mitigate any unintended consequences of these measures, there is broad consensus from organisations referenced in this document that without any action being taken, the delays will continue for a number of years, and in that scenario, when the delayed audits are reported, they will offer little if any assurance about the current position. In the meantime, there is a heightened risk of auditors not identifying and reporting on important, more current issues. We must ensure the capacity of the sector is focused on the most recent position as soon as possible.
8. Where an auditor has to issue a disclaimer of opinion, however, there will still be a need to audit the opening balances of the subsequent set of accounts, as the prior year figures will not be covered by an unqualified auditor's opinion. The Department is seeking to ensure that work to clear the backlog of accounts takes place within a limited window of time. It will therefore consider measures to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years and ensure the burden of auditing opening balances does not risk creating further delays. An important consideration will be ensuring there is appropriate assurance in place for opening balances for the start of the new contract period for the 99% of local bodies which have opted in to Public Sector Audit Appointments Limited's (PSAA) scheme.

Commitments by system partners

9. The **National Audit Office** is considering the development of a replacement Code of Audit Practice to give effect to the changes outlined above. This would include a requirement on auditors to issue the audit opinion for specific financial years in line with new statutory deadlines set out in legislation for the relevant authority. Auditors' statutory requirement to report on value for money arrangements would remain unchanged. Auditors would also be expected to facilitate a smooth transition during the contract handover period for the 2023/24 contracts. As part of this work the NAO will be establishing a specific Programme Board to provide the necessary governance to deliver a replacement Code of Audit Practice by the end of the year including the necessary consultation and Parliamentary process.
10. Alongside this **DLUHC** is considering whether legislative change is needed to:
 - a. set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

- b. address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years.
11. Under these proposals the **Chartered Institute of Public Finance and Accountancy (CIPFA)** would issue guidance to support accounts preparers to follow any amended regulations which set out new statutory deadlines, provided the authority is in receipt of the appropriate audit findings report from the auditor. CIPFA would also set out how Section 151 Officers should approach their responsibilities to certify the accounts in light of potential qualifications or disclaimers which may result from these proposals.
12. To support these changes, the **Financial Reporting Council (FRC)** will publish guidance on its regulatory approach to Major Local Audits³ (MLAs), articulating the importance of timeliness and compliance with statutory deadlines as an additional measure of audit quality. It will work with the NAO on the development of guidance where necessary to assist with the application of standards for these audits, including the need to meet the statutory dates. Local auditors will be required to have regard to and follow the NAO's guidance. The FRC's inspection activity would review auditors' compliance with auditing standards, the Code and relevant NAO guidance.
13. The FRC will use its broader supervisory role to ensure commitment from audit firm leaders to implement the policy measures and the steps that are being taken to meet the timetables for concluding historical audits. This route will be used to escalate any pervasive concerns the FRC has gathered on an audit firm's resilience, risk management and ability to deliver timely local audits and address their part of the backlog.
14. Under these proposals the FRC intends not to undertake routine audit quality reviews and inspections of MLAs for the historic audits up to the end of the 2021/22 financial year (though FRC will continue to inspect audit firms which deliver NHS audits). FRC will only conduct quality review inspections for historical audits where there is a clear case in the public interest to do so. The FRC will suspend the decision on the timing, scope, and coverage of inspections for the 2022/23 audits until there is confirmation of any revision to the NAO's Code of Audit Practice.
15. The FRC will need to ensure that its enforcement function is still able to appropriately gather information and evidence to determine whether, in the public interest, there should be an investigation into accounting or auditing issues where there are significant financial and governance failures.
16. The **Institute of Chartered Accountants in England and Wales (ICAEW)** is responsible for the inspection and regulation of non-Major Local Audits.⁴ The ICAEW proposes that its regulatory response to these measures will be consistent with the planned action of the FRC, as set out above.
17. **PSAA** is responsible for appointing an auditor and setting scales of fees for local bodies that have chosen to opt-in to its national scheme. A small number of authorities are not opted-in to PSAA's scheme and appoint their own auditors independently. Under these proposals, PSAA anticipates that it will need to determine final fees for opted-in authorities for the historic periods on a case-by-case basis. Its guiding principle in this will remain that if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted, then they are due the appropriate fee for the

³ An audit of a local government body or NHS body with income or expenditure of at least £500m or a local authority pension scheme with at least 20,000 members or gross assets in excess of £1bn.

⁴ ICAEW's Quality Assurance Department (QAD) is responsible for reviewing local audits conducted under the Local Audit and Accountability Act that are not major local audits.

work done, and the body is due to pay the applicable fee, including where there is a disclaimer or qualified opinion. Conversely, if an auditor has collected audit fees in part or in full, and a change in requirements means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done.

18. A number of **audit firms** with responsibility for local audits from 2015 have been a party to the development of these proposals, and under these plans would work with DLUHC, FRC and NAO on their professional commitment to the steps they would take to ensure successful implementation of the measures to clear the backlog. Such a commitment, underpinned by the auditors' professional duty to be independent and deliver consistent high-quality and timely work, would be welcomed by all parties within the system. Audit firms will of course need to operate in accordance with any changes to the Code of Audit Practice as well as continuing to fulfil their existing statutory duties.
19. **Chief Executive Officers, Section 151 Officers and Audit Committees** also play a critical role in delivering high-quality financial reporting. DLUHC will continue to engage Section 151 Officers and the wider sector as proposals are further developed over the Summer.
20. Under these proposals, Section 151 Officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time. In addition, Chief Executives, Section 151 Officers, local authority Leaders and Chairs of Audit Committees should alert the auditor to significant organisational risks, critical decisions and changes in financial sustainability, and also where they have identified concerns on systems of financial control, financial reporting and capacity and capability to produce high-quality financial reporting on time. Where there are significant resilience risks, they should alert the auditor of the options, choices and alternatives that are being considered.
21. We will work with the **Local Government Association (LGA)** over the Summer, including to engage its members on these proposals. Under these proposals the LGA will support councils to understand their role in relation to external audit and that of auditors, and help councils communicate those messages to elected members and officers as necessary. The Department will also continue to engage with Section 151 Officers and treasurers' societies, in addition to representatives from the range of authorities impacted by these proposals.

LONGER TERM CHANGE

22. In order to prevent a recurrence of the backlog, it is essential that underlying issues which may have driven delays are addressed. Work will therefore progress with a number of organisations including the FRC, the NAO, CIPFA and the LGA to devise an escalated reporting framework for audit firms and local bodies to resolve issues ahead of statutory deadlines. We will also look to publish a list of local bodies and audit firms which meet statutory deadlines and those which do not.
23. Other underlying challenges will also continue to be addressed. The FRC is already leading work across the system to improve competition, capability and supply within the audit market. The FRC, supported by DLUHC, is committed to producing a workforce strategy by the end of the 2023 calendar year, which will identify gaps and barriers across the local audit system that are hindering the development of future capacity and agree actions and solutions to unblock these with stakeholders.

Local financial reporting, auditing and regulatory requirements

24. It is critical that a repeat of the backlog is avoided in the future. Work across the local audit system must therefore be sustainable and ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.
25. Although reporting and disclosure requirements required by the Code of Practice on Local Authority Accounting have not changed for many years, there is a perception that both audit and regulatory expectations relating to the audit of non-investment assets have increased significantly in recent years. As a result, both account preparers and auditors frequently engage specialist valuers to provide the level of assurance which is thought to be necessary. In his review, Sir Tony Redmond noted a lack of consensus within the system over how to address this.
26. Local authority financial reporting must balance the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer. Where reporting, auditing and regulatory standards combine to create pressures which delay timely reporting and audit, this should be addressed by responsible organisations across the local audit system. Doing so is vital in ensuring the delicate balance between high-quality financial reporting and user value is maintained.
27. There is also a question as to whether the level of work required for the current reporting and disclosures obligations on account preparers, which then require audit and oversight, is proportionate to their value to the user of the accounts, given the potential financial or governance risks are relatively low. All system participants therefore need to consider whether this work is proportionate to risk and a wise use of taxpayers' money, and will do so in the coming months.
28. Local authority accounts are consolidated within the statutory Whole of Government Accounts, which are prepared in accordance with International Financial Reporting Standards (as adapted and interpreted for the public sector). Since 2010 these standards have been reflected in the Code of Practice on Local Authority Accounting, which is independently set by CIPFA and passed by the CIPFA LASAAC⁵ board, under the advice of the Financial Reporting Advisory Board (FRAB) - an independent advisory board.
29. In light of these issues, the **Comptroller & Auditor General (C&AG)** is considering changes to the Code of Audit Practice relating to certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. The C&AG is taking this action under the requirement of the 2014 Local Audit and Accountability Act that he should keep under review whether the existing Code continues to embody best professional practice with respect to the standards, procedures and techniques to be adopted by local auditors. As such, it reflects the seriousness with which he views the current delays in the local audit system. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation.
30. The NAO has established a dedicated programme board, supported by at least three working groups, to develop the potential changes and related technical questions with stakeholders. A range of mechanisms will be considered to allow auditors to discharge their responsibilities to gather sufficient, appropriate and reliable audit evidence in accordance with International Standards on Auditing (ISAs).

⁵ Local Authority (Scotland) Accounts Advisory Committee

31. The C&AG, as he is required to do by the Local Audit and Accountability Act 2014, will keep the Code of Audit Practice under review and will consider the effectiveness and operation of any changes made to the Code. This would inform a wider review of the measures to clear the backlog outlined above.
32. **His Majesty's Treasury (HMT)** is conducting a thematic review of the valuation of non-investment assets such as roads and office buildings for financial reporting purposes across the public sector. The review is seeking to evaluate the advantages and disadvantages of the current valuation regime and consider the appropriate measurement options.
33. There are advantages to the alignment of central and local government accounting, including allowing local government accounts to be more easily consolidated into the statutory Whole of Government Accounts. As set out above, however, the level of work required by account preparers and auditors must not limit the value of the accounts to the user. **CIPFA** is therefore exploring changes to the Code of Practice on Local Authority Accounting for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for non-investment assets and pension valuations for a local authority context. As a standard setter, CIPFA's guiding principle in approaching any changes to the reporting requirements adopted by the public sector in 2010 will be ensuring that high-quality financial reporting and the utility of financial statements to account users is maintained. As outlined above, any consideration of changes to accounting requirements will be accompanied by a broader set of measures from actors across the system.
34. CIPFA's work will run in parallel to HMT's thematic review. As the body responsible for local government accounting requirements, CIPFA is part of the working group HMT has set up for the review. CIPFA has clearly set out its view on the review's proposals. CIPFA will continue to work with HMT to ensure that any consequential changes to the Government Financial Reporting Manual (FReM) and the Code of Practice on Local Authority Accounting are considered fully to ensure that the users of local authority accounts are incorporated.
35. In addition, CIPFA has already made a temporary adjustment to the Code on the valuation and reporting requirements for local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.
36. **The Financial Reporting Council (FRC)** has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest through alignment with the significant financial, accounting and governance risks facing local bodies. As part of this the FRC expects to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. FRC inspection activity will continue to review compliance with auditing and ethical standards, any revised Code of Audit Practice and associated guidance.
37. The FRC has also indicated, in principle, that if the audit and reporting requirements for operational asset and pensions valuations are revised, its intention will be to update the inspection approach to reflect the changes in these areas.
38. The FRC's Audit & Assurance Sandbox initiative is taking forward a specific policy discussion on the application of materiality by local authority auditors. The Sandbox brings together groups of auditors, practitioners, regulatory bodies and interested parties to explore, identify and develop solutions to specific technical and policy issues. The

materiality discussions are expected to conclude before the end of the year. Next steps could include, for instance, the FRC determining whether additional guidance is required to support how auditors set materiality levels for local bodies in line with auditing standards or working with those local audit suppliers who decide to set a different basis of materiality without such guidance.

Conclusion

39. The local audit system, which comprises all of the organisations listed above, recognises the need to restore the timeliness of financial reporting and audit in local government. That is why all system partners have made clear proposals to reduce the backlog of local audits in England which are detailed in this statement. The Government will continue to work with the FRC and all key partners across the system to continue this ambitious programme of work over the Summer. As noted above, this will include consideration of longer-term changes in order to create a more sustainable local audit system for the future.

14 July 2023

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COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT AND GOVERNANCE COMMITTEE – 18th OCTOBER 2023
Subject	2023/24 TREASURY MANAGEMENT INDICATORS – QUARTER ONE
Wards affected	None
Accountable member	Councillor Mike Every, Deputy Leader and Cabinet Member for Finance Email: Mike.Every@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and S151. Officer Email: David.Stanley@Cotswold.gov.uk
Report author	Sian Hannam, Treasury Accountant Email: Sian.Hannam@publicagroup.uk
Summary/Purpose	To report to the Audit and Governance Committee the quarter one Treasury Management Indicators as required by the CIPFA Treasury Management Code.
Annexes	None
Recommendation(s)	That the Audit and Governance Committee resolves to: I. Note the 2023/24 Treasury Management Indicators (Q1).
Corporate priorities	<ul style="list-style-type: none"> • Deliver the highest standard of service
Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A



1. EXECUTIVE SUMMARY

- 1.1** This report provides a quarterly update to the Audit and Governance Committee of the Council's performance against its Treasury Management Indicators. The indicators set out below are used to monitor the Council's performance against the prudential indicators approved by Council prior to the start of the financial year.
- 1.2** The Council has complied with all limits and indicators set at the end of the first quarter of 2023/24.

BACKGROUND

- 1.3** The Council's treasury management strategy for 2023/24 was approved at a full Council meeting on 15 February 2023. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.
- 1.4** The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.
- 1.5** Audit and Governance Committee have responsibility for reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code and receiving performance reports.
- 1.6** The 2021 Treasury Management Code introduced a new requirement from 1 April 2023 that monitoring of treasury and non-treasury management prudential indicators should be reported quarterly as part of the Council's general revenue and capital monitoring.
- 1.7** Non treasury management prudential indicators were reported to Cabinet and Overview and Scrutiny Committee in September 2023 within Annex C of the quarter one financial performance report.
- 1.8** This quarterly report to the Audit and Governance Committee provides an additional update including reporting of quarter one treasury management indicators.

2. COMPLIANCE

- 2.1** The Deputy Chief Executive and S151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 1 below.

Table 1: Investment Limits

Investment Limits - Q1 report	2023/24 Maximum (£)	30 June 2023 Actual (£)	2023/24 Counterparty Limit (£)	2023/24 Sector Limit (£)	Complied?
Any single organisation, except the UK Government	0	0	3,000,000	Unlimited	Yes
Any group of organisations under the same ownership	0	0	3,000,000	Unlimited	Yes
Negotiable instruments held in a broker's nominee account	0	0	3,000,000	3,000,000	Yes
Limit per non-UK country	0	0	3,000,000	3,000,000	Yes
Registered providers and registered social landlords	0	0	3,000,000	10,000,000	Yes
Unsecured investments with banks and building societies	3,100,000	3,100,000	3,000,000	10,000,000	Yes
Money Market Funds	9,000,000	3,600,000	3,000,000	20,000,000	Yes
Strategic pooled funds	11,500,000	11,500,000	4,000,000	20,000,000	Yes
Real Estate Investment Trusts	1,000,000	1,000,000	3,000,000	20,000,000	Yes

3. TREASURY MANAGEMENT PRUDENTIAL INDICATORS

- 3.1 As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

Liability Benchmark:

- 3.2 This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £13m required to manage day-to-day cash flow.

Table 2: Liability Benchmark

Liability Benchmark - Q1	31/03/23 Actual (£)	31/03/24 Forecast (£)	31/03/25 Forecast (£)	31/03/26 Forecast (£)
Loans CFR	20,000	400,000	2,900,000	2,800,000
Less: Balance sheet resources	(27,780,000)	(20,000,000)	(18,600,000)	(18,700,000)
Net loans requirement	(27,760,000)	(19,600,000)	(15,700,000)	(15,900,000)
Plus: Liquidity allowance	15,000,000	13,000,000	13,000,000	13,000,000
Liability benchmark *	(12,760,000)	(6,600,000)	(2,700,000)	(2,900,000)
Existing Borrowing	451,000	361,000	264,000	162,000

*A negative liability benchmark indicates that the Council would be able to fund borrowing 'internally' from balance sheet resources rather than needing to externally borrow.

Long-term Treasury Management Investments:

- 3.3** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

Table 3: Long-term Treasury Management Investments

Long-Term Q1	2023/24 (£)	2024/25 (£)	2025/26 (£)	No fixed date (£)
Limit on principal invested beyond year end	£15,000,000	£15,000,000	£15,000,000	£15,000,000
Actual principal invested beyond year end at 30/06/23	£0	N/A	N/A	£12,500,000
Complied?	Yes	N/A	N/A	Yes

- 3.4** Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Additional indicators

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

Table 4: Portfolio average credit rating

	2023/24 Target	30/06/23 Actual	Complied?
Portfolio average credit rating	A-	A-	Y

4. FINANCIAL IMPLICATIONS

4.1 As outlined in body of report.

5. LEGAL IMPLICATIONS

5.1 No legal implication.

6. RISK ASSESSMENT

6.1 None

7. EQUALITIES IMPACT

7.1 None

8. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

8.1 None

9. BACKGROUND PAPERS

9.1 None

(END)

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COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT AND GOVERNANCE COMMITTEE – 18 OCTOBER 2023
Subject	COTSWOLD DISTRICT COUNCIL CODE OF CORPORATE GOVERNANCE
Wards affected	All
Accountable member	Councillor 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	Cheryl Sloan, Business Services Manager, Governance, Risk & Business Continuity Email: Democratic@Cotswold.gov.uk
Summary/Purpose	To present the latest version of the Local Code of Corporate Governance for Cotswold District Council for adoption.
Annexes	The Local Code of Corporate Governance for Cotswold District Council
Recommendation(s)	That the Committee Review and adopt the latest version of the Local Code of Corporate Governance.
Corporate priorities	<ul style="list-style-type: none"> • Deliver the highest standard of service • Respond to the climate crisis • Provide socially rented homes • Make our local plan green to the core • Support health and wellbeing • Enable a vibrant economy
Key Decision	No
Exempt	No
Consultees/ Consultation	NA



1. EXECUTIVE SUMMARY

- 1.1** To present to the Audit and Governance Committee the annually reviewed Local Code of Corporate Governance for adoption by the Committee and Council.

2. BACKGROUND

- 2.1** The Local Code of Corporate governance is a document which sets out the framework within which Cotswold District Council (CDC) will conduct its business and affairs. It is best practice for all Local Authorities to develop a Local Code of Corporate Governance.
- 2.2** The Local Code of Corporate Governance should be reviewed annually and presented to the Audit and Governance Committee for adoption.
- 2.3** The Local Code of Corporate Governance sets the overarching principles, which underpin the governance framework for the Council. On an annual basis, the Council will produce a Governance Statement and Action Plan which details how it has delivered against the Code of Corporate Governance and its priorities are for the following financial year to ensure ongoing compliance and continuous improvement. The Annual Governance Statement and Action plan are presented to the Audit and Governance Committee with progress against the Annual Governance Action presented on a quarterly basis.

3. MAIN POINTS

- 3.1** Corporate governance is about the systems, processes, and values by which Councils operate and by which they engage with, and are held accountable to, their communities and stakeholders.
- 3.2** Cotswold District Council is committed to the principles of effective corporate governance and has therefore adopted a Code of Corporate Governance which follows the latest guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled "Delivering Good Governance in Local Government (2016)".
- 3.3** The guidance defines the seven core principles, each supported by sub-principles that should underpin the governance framework of a local authority.
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.
 - Ensuring openness and comprehensive stakeholder engagement.



- Defining outcomes in terms of sustainable, economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

3.4 Cotswold District Council has a good governance framework in place. The documents and arrangements which comprise the framework demonstrate that the Council continually seeks to ensure it is and remains, well governed, through integration of the core principles of the CIPFA/SOLACE framework into all aspects of the Council's conduct and operation.

4. CONCLUSIONS

4.1 It is recommended that the Audit and Governance Committee review the Local Code of Corporate Governance and continue to adopt the code.

5. FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising from this report.

6. LEGAL IMPLICATIONS

6.1 There are no direct legal implications arising from this report.

7. RISK ASSESSMENT

7.1 If the Council's governance arrangements are weak then the 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.

8. EQUALITIES IMPACT

8.1 An equalities impact assessment is not required for this report.

9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

9.1 There are no climate or ecological emergency implications arising directly from this report.

10. BACKGROUND PAPERS

10.1 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:

- The Annual Governance Statement
- The Annual Governance Action Plan

10.2 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.



COTSWOLD
DISTRICT COUNCIL

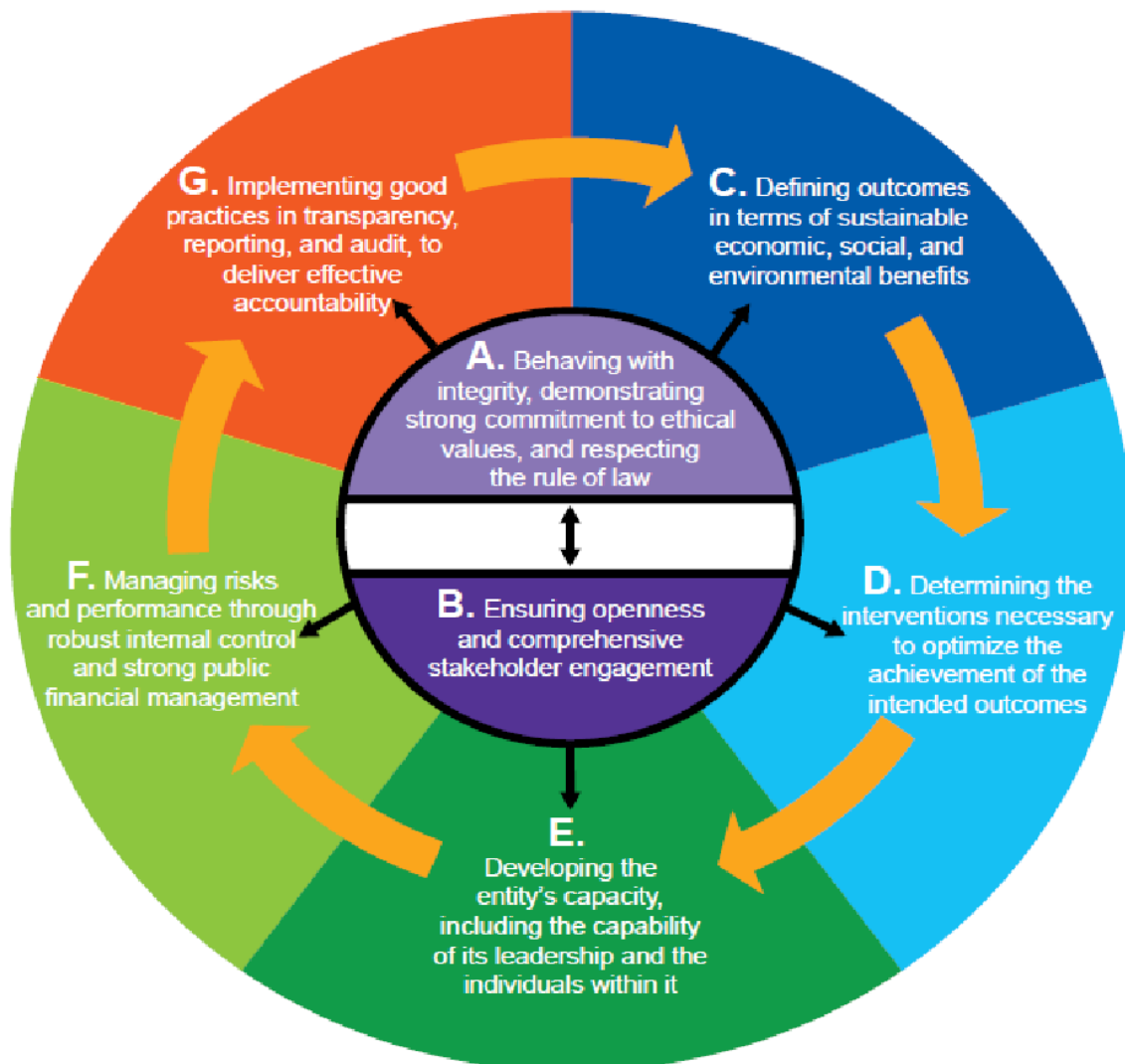
Cotswold District Council

Local Code of Corporate Governance Reviewed September 2023

1. Delivering Good Governance

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

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



- 1.8** This diagram illustrates how the various principles for good governance in the public sector relate to each other. Principle A and B permeate the implementation of Principles C to G.
- 1.9** Further information regarding each of the above principles and the behaviours and actions that demonstrate good governance in practice are detailed at Appendix A.

2. Status

- 2.1** Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts.

This is known as an Annual Governance Statement.

- 2.2** The Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be prepared in accordance with proper practices in relation to accounts. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government; Framework (2016) and this section of the Code.

3. Monitoring and Review

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

4. Certification

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

Joe Harris
Leader of the Council

Robert Weaver
Chief Executive

Date:

Date:

Appendix A

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

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

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

Appendix A

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

Appendix A

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

Appendix A

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

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

Annual Governance Statement

Council

Leader and Chief Executive
sign AGS on behalf of the Council

Audit and Governance Committee

Cabinet

Overview and Scrutiny Committee

Planning and Licensing Committee

Risk Management

External Audit

Internal Audit
Counter Fraud Unit
Legal Services

Management Annual Assurance Statements

Internal Management Arrangements

Other external assurance
e.g. RIPA Inspection Ombudsman

Performance reports, risk management and external assurance



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT AND GOVERNANCE COMMITTEE – 18 OCTOBER 2023
Subject	ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2023/24
Wards affected	All
Accountable member	Councillor 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	Cheryl Sloan, Business Manager, Governance, Risk & Business Continuity Email: Democratic@Cotswold.gov.uk
Summary/Purpose	This report provides the Audit and Governance Committee with an update on progress against the Annual Governance Statement action plan for 2023/24
Annexes	Annex A – Annual Governance Statement Action Plan 2023/24
Recommendation(s)	That the Committee resolves to: I) Note the action plan and associated progress updates
Corporate priorities	<ul style="list-style-type: none"> • Deliver the highest standard of service • Respond to the climate crisis • Provide socially rented homes • Make our local plan green to the core • Support health and wellbeing • Enable a vibrant economy
Key Decision	No
Exempt	No
Consultees/ Consultation	NA

1. EXECUTIVE SUMMARY

- 1.1 To provide the Audit and Governance Committee with an update on progress made against the actions detailed in the Council's Annual Governance Action Plan for 2023/2024.

2. BACKGROUND

- 2.1 The Audit and Governance Committee is the Committee of the Council charged with overseeing governance.
- 2.2 Regulation 4 of The Accounts and Audit Regulations 2011 require the Council to produce an Annual Governance Statement (AGS), setting out the Council's governance arrangements.
3. The draft AGS for 2023/24 was presented to the Audit and Governance Committee on 25 July 2023 and is included within the approved Annual Statement of Accounts.

4. MAIN POINTS

- 4.1 There are 11 key actions within the 2023/24 action plan, these include:
- Raising awareness of the new contract procedure rules
 - Financial Management
 - Risk Management
 - Emergency Planning
 - Portal Content Management
 - Business Continuity
 - New HR Policies
 - LGA Peer Review & Support
 - Review of service delivery model
 - Internal Audit Recommendations
 - Constitution Review
- 4.2 The plan identifies the specific tasks that will be undertaken in the respective areas of focus and sets timescales for their completion, along with any progress up to October 2023. The Action Plan also includes a RAG rating to show whether the actions are on target, off target but action being taken to ensure delivery or off target and no action has yet been agreed to resolve the situation.
- 4.3 All actions are either 'on target' or 'off target but action being taken to ensure delivery'. Of those which are off target, but with action being taken to ensure service delivery, explanations are provided within the action plan which details why these are off target.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL IMPLICATIONS

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

7. RISK ASSESSMENT

- 7.1 If the Council's governance arrangements are weak then Council is at risk of failing to safeguard the use of public funds. In turn this would lead to poor external assessments, damaging the reputation of the Council. The areas of focus for the 2022/23 financial year identified in the AGS provide a clear set of priorities for the continual improvement of governance and mitigation of risk.

8. EQUALITIES IMPACT

9. An equalities impact assessment is not required for this report.

10. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

11. There are no climate or ecological emergency implications arising directly from this report.

12. BACKGROUND PAPERS

- 12.1 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:

- Annual Governance Statement 2022/23:
- Statement of Accounts for 2022/23

- 12.2 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.

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ANNUAL GOVERNANCE ACTION PLAN 2023/24

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 2022/23 which are coordinated and monitored by the WODC Management Team.

Key to officers:

Accountable officer (AO)

CEO - Chief Executive: Robert Weaver

CFO - Chief Finance (S.151) Officer: David Stanley

MO - Monitoring Officer: Angela Claridge

Publicly Responsible officer (RO)

BM Gov - Business Manager - Business Continuity, Risk and Governance: Cheryl Sloan

BM Fin - Business Manager - Finance: TBC

BM Comm - Business Manager - Communications and Marketing Mark Pritchard

BM HR - Business Manager - People: John Llewellyn

BP Proc - Senior Procurement Business Partner: Ciaran O'Kane

	Key Area of Focus	Planned Actions	Responsible Officer	Completion due by	Progress
1	Raising awareness of the contract procedure rules	<ul style="list-style-type: none"> The new Contract and Procurement Strategy will be approved July 2023. A priority this year will be to rollout Management Training to ensure this new strategy is understood and embedded. 	BP Proc	31/03/24	This is still going through the approval channels at one other partner Council. Once approved, training will then be rolled out
2	Financial Management	<ul style="list-style-type: none"> To review the financial procedure rules and financial processes to be completed in 2023/24 against the CIPFA Financial Management Code. 	Director of Finance & Section 151	31/03/24	No update to provide.
3 Page 244	Risk Management	<ul style="list-style-type: none"> To rollout the Risk Management Training to all relevant officers (Launched in May 2023) To build risk management into the new Leadership and Development Training To ensure the existing risk policy and process enables effective reporting, escalation and mitigation. 	BM Gov	31/03/24	<p>Risk management training was launched in May 2023. New portal pages are now live for Risk Management.</p> <p>The new leadership training is in the early stages.</p> <p>A lot of work has been undertaken to ensure that Risks are identified, escalated, and mitigated. This now feeds into the Risk Group and through the BM for Governance.</p> <p>Work is being undertaken to review the CDC Strategic Risk Register to ensure it captures the Strategic Risks for the organisation.</p>

4	Emergency Planning	<ul style="list-style-type: none"> ● To further increase community resilience in line with the new Resilience Framework, published in December 2022. ● To further develop our Emergency Response Framework by putting in place a Locality Response Team for Cotswold District Council who are trained and able to respond in the event of a significant local incident. ● To ensure Statutory Officers are trained and competent in their role as Gold (Strategic) Commander in the event of a significant local incident, and relevant officers are trained in Silver (tactical) and Bronze (operational response). ● To ensure the Safety Advisory Group considers any implications from Martyn's Law when considering planned events. 	BM Gov	31/03/24	<p>Advice and support is provided to interested communities as and when requested. The LRF are looking at how communities can become more involved.</p> <p>Locality Teams have been identified and further meetings are scheduled for September / October to firm up arrangements.</p> <p>Details of training for the MAGIC (multi agency gold incident command) course have been circulated and a representative from CDC is attending. JESIP training has been scheduled for November 23 for all relevant staff.</p> <p>This is ongoing. Work is being undertaken with the LRF to ensure we are sighted on changes.</p>
5	Portal Content Management	<ul style="list-style-type: none"> ● To review the Publica Portal content to ensure it is up to date, and includes the latest versions of all policies and procedures 	BM Comm	31/03/24	<p>This work is currently in-train. New portal pages are currently being produced which include the relevant policies.</p> <p>This is being progressed, with the majority of pages ready to go live in September / October.</p>

6	Business Continuity	<ul style="list-style-type: none"> To further develop Business Continuity Processes to ensure they are robust and fit for purpose To test the business critical Business Continuity Plans in 2023/24 	BM Gov	31/03/24	One of the Emergency Planning team is going on BCP training in Autumn to add additional resilience. Following which there will be a full review of the Business Continuity documentation, including BCP's and Corporate Recovery Plan. Due to timing, it is likely that the review and new BCPs will not be in place until March 24 and testing will take place after the review, which may be slightly off the target of March 24.
7	New HR Policies	<ul style="list-style-type: none"> Rollout a new and revised suite of HR policies in 23/24 Ensure Managers are trained in the use of the new policies 	BM HR	31/03/24	<p>A suite of HR Policies has been reviewed and approved by Cabinet, with a further suite due later in the FY.</p> <p>As HR policies are approved across the three partner Council's, training will be rolled out to Managers.</p>
8	LGA Peer Review and Support	<ul style="list-style-type: none"> Complete the action plan from the October 2022 LGA Peer Review 	CEO	31/03/24	This work is ongoing.
9	Review of service delivery model	<ul style="list-style-type: none"> Conduct a review of future service delivery options to make sure the solutions needed for the council to achieve financial stability can be achieved, given the MTFS shortfall over the years ahead. This review will 	CEO	31/03/24	Human Engine have been appointed to complete a review of Publica. This will review certain services and wider company Governance. The review commenced in August, and due to holidays and one of the consultants being poorly, the review is

		examine the priorities for service delivery options and transformation.			<p>running 6-weeks behind the proposed timescales.</p> <p>The draft findings are now due circa November 2023.</p>
10	Internal Audit Recommendations	<ul style="list-style-type: none"> To address the recommendations made by Internal Audit and subsequently improve the Audit Opinion for 23/24. 	Director of Finance & Section 151	31/03/24	This work is ongoing.
11	Constitution Review	<ul style="list-style-type: none"> To address recommendations from the External Auditor value for money review 	Director of Governance & Development (Monitoring Officer)	31/03/24	<p>This work is ongoing.</p> <p>Scheduled to complete a review of the Employee Code of Conduct by December 2023</p>

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT AND GOVERNANCE COMMITTEE – 18 OCTOBER 2023
Subject	ANNUAL SUMMARY OF COMPLAINTS STATISTICS FROM THE LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN – YEAR ENDING 31 MARCH 2023
Wards affected	All
Accountable member	Councillor 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	Cheryl Sloan, Business Services Manager, Governance, Risk & Business Continuity Email: Democratic@Cotswold.gov.uk
Summary/Purpose	This report presents the Annual Complaints statistics as provided by the Local Government and Social Care Ombudsman for the year 1 st April 2022 – 31 st March 2023.
Annexes	Annex A – Annual Review Letter 2022 – 2023 Annex B – Upheld complaint by Local Government and Social Care Ombudsman
Recommendation(s)	That the Audit and Governance Committee resolves to: 1) Note the content of the report and the Annual Review Letter 2022 – 2023.
Corporate priorities	<ul style="list-style-type: none"> • Deliver the highest standard of service • Respond to the climate crisis • Provide socially rented homes • Make our local plan green to the core • Support health and wellbeing • Enable a vibrant economy
Key Decision	No



COTSWOLD
DISTRICT COUNCIL

Exempt	No
Consultees/ Consultation	NA

1. EXECUTIVE SUMMARY

- 1.1** This report provides an overview from the annual summary of complaints statistics from the local government and social care ombudsman – year ending 31 March 2023.

2. BACKGROUND

- 1.1** At the end of each financial year, the Local Government and Social Care Ombudsman (LGO) write to the Chief Executive, Leader of the Council, and Chair of Scrutiny to provide an annual summary of the complaint statistics which have been received by the LGO in relation to the Cotswold District Council (CDC).
- 1.2** The information is provided to give insight about the organisations approach to complaints, and for consideration as part of the Council corporate governance processes.
- 1.3** CDC has three stages to its' internal complaints process as detailed below. Once this is exhausted, if the complainant remains unsatisfied with the response provided, it is at this point that they can refer their complaint to the LGO.
- Stage 1: Service Area Response
 - Stage 2: Independent Review
 - Stage 3: Appeal
- 1.4** The Annual Letter details the complaints which have been escalated to the LGO in relation to services provided by CDC.
- 1.5** It should be noted, as detailed in the Annual Letter (appendix 1), the LGO have changed their process for complaints review for 2022 – 2023. The LGO is now more selective about the complaints which are reviewed in detail, prioritising where it is in the public interest to investigate, therefore, changes in uphold rates in this year's reporting, are not solely down to the nature of the cases being referred to the LGO.
- 1.6** As such, this report, will focus on 2022-2023 only, and performance will not be compared to previous years, as they are no longer comparable. However, to provide comparative information, the report includes the statistics for West Oxfordshire District Council and Forest of Dean Council, and additional statistics for similar Authorities as provided by the LGO.

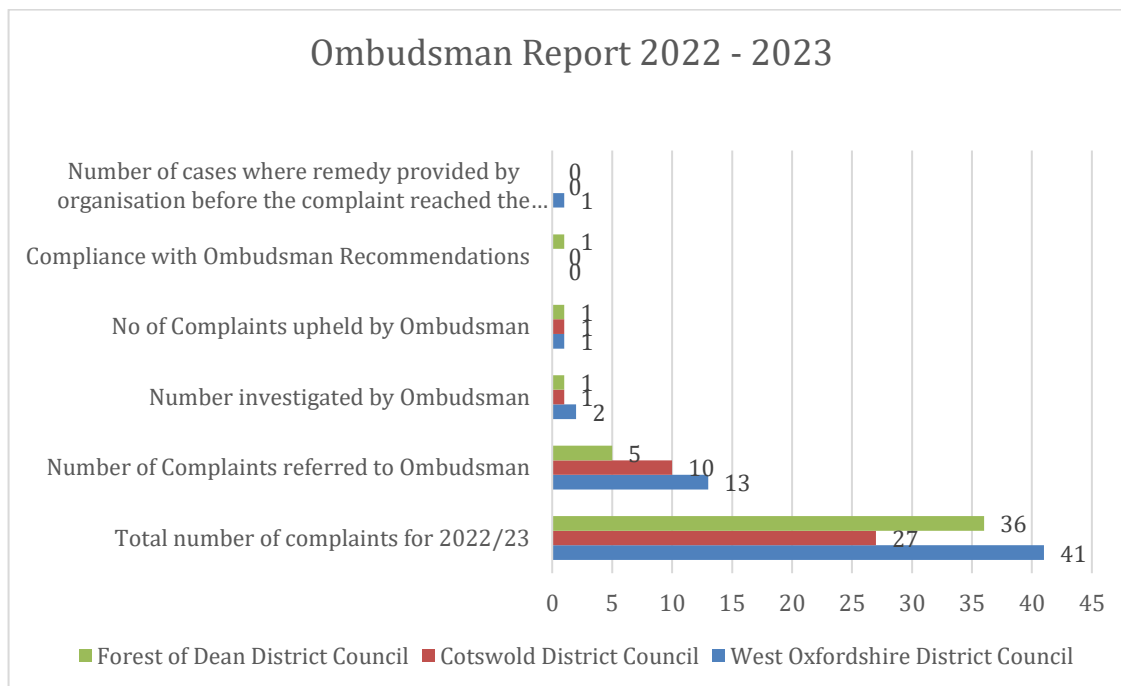
3. OVERVIEW

- 3.1** A total of 10 complaints were escalated to the LGO about services provided by CDC during financial year 2022 - 2023.
- 3.2** Of the 10 complaints received by the LGO, one complaint was investigated, which was 'upheld'.
- 3.3** The table below provides a summary of the 10 complaints received by the LGO, the complaint category (service area), the decision which has been made and the reason for the decision.

Category	Decided	Decision	Decision Reason
Planning & Development	25/5/2022	Upheld	fault no inj (injustice was not sufficient to warrant any further remedy)
Planning & Development	18/7/2022	Closed after initial enquiries	26(6)(b) appeal to Minister
Corporate & Other Services	12/4/2022	Closed after initial enquiries	Other reason not to investigate
Environmental Services & Public Protection & Regulation	25/5/2022	Closed after initial enquiries	Not warranted by alleged injustice
Corporate & Other Services	24/6/2022	Referred back for local resolution	Premature Decision - advice given
Planning & Development	13/7/2022	Closed after initial enquiries	26(6)(b) appeal to Minister
Planning & Development	6/9/2022	Referred back for local resolution	Premature Decision - advice given
Benefits & Tax	17/10/2022	Closed after initial enquiries	Not warranted by alleged fault
Planning & Development	14/12/2022	Referred back for local resolution	Premature Decision - referred to Organisation
Environmental Services & Public Protection & Regulation	23/3/2023	Referred back for local resolution	Premature Decision - advice given

- 3.4** A total of 4 complaints were referred back to the Council, this is due to the complainant having not exhausted the 3 stages of the internal complaints process, 5 were closed after initial enquiries, and one complaint was upheld.
- 3.5** Of the one complaint upheld (please see appendix 2), this related to the Council mistakenly issuing a Decision Notice without removing the Permitted Development Rights, the Council acknowledged its error and apologised. The Council went onto explain why it would not apply for a Judicial review to re-issue the Decision Notice without the Permitted Development as the application was in an area of outstanding natural beauty, which meant there were further limits over what developments could take place. The Ombudsman upheld the complaint because the Council had made error for not issuing the correct Decision Notice, however the injustice was not sufficient to warrant any further remedy. The case was therefore closed.

- 3.6** During 2022-2023, CDC recorded a total of 27 complaints. 10 were referred to the Ombudsman, which equates to 37%. Whilst this seems high, it should be noted that four of the complaints were referred straight back to the Council, which is, in the majority, where they have gone straight to the LGO, rather than through the Council's internal complaints process and 5 were closed after initial investigations.
- 3.7** Whilst the council receives a wide range of complaints, the majority relate to where decisions have been made, as opposed to the standard of services provided. This includes decisions around planning, housing, revenues and benefits and enforcement. A number of these complaints could be rejected by the Council as they are excluded under the Complaints policy, however, to try to mitigate residents' concerns, they are, in the main, still responded to under the complaints process. Complaints received by the Council and partner Councils are reviewed to check for trends, lessons learnt and mitigation action.
- 3.8** Comparing this to our partner Councils; West Oxfordshire and Forest of Dean. West Oxfordshire had two complaints investigated and one complaint upheld, and the Forest of Dean had one complaint investigated and one complaint upheld. The graph below details the total number of complaints received by each Council during 22/23, and the breakdown of complaints referred to the LGO.





- 3.9** Comparative data for other similar Authorities, as provided by the LGO, was that an average of 59% of the complaints investigated were upheld, this is lower than CDC, for which 100% of the complaints were upheld (one of one complaints).
- 3.10** Given the number of services provided by CDC, to have one complaint upheld by the LGO, of which remedy had already been provided, should be seen as a positive reflection of the way in which services are provided, and complaints are managed and subsequently rectified.

4. ALTERNATIVE OPTIONS

- 4.1** None

5. FINANCIAL IMPLICATIONS

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

6. LEGAL IMPLICATIONS

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

7. RISK ASSESSMENT

- 7.1** If the Council's governance arrangements are weak then the 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.

8. EQUALITIES IMPACT

- 8.1** An equalities impact assessment is not required for this report.

9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 9.1** There are no climate or ecological emergency implications arising directly from this report.

10. BACKGROUND PAPERS

- 10.1** 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:

- 11.** Annual Complaints Statistics and Annual Letter from the LGO

- 11.1** 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.

Local Government & Social Care OMBUDSMAN

19 July 2023

By email

Mr Weaver
Chief Executive
Cotswold District Council

Dear Mr Weaver

Annual Review letter 2022-23

I write to you with your annual summary of complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2023. The information offers valuable insight about your organisation's approach to complaints. As always, I would encourage you to consider it as part of your corporate governance processes. As such, I have sought to share this letter with the Leader of your Council and Chair of the appropriate Scrutiny Committee, to encourage effective ownership and oversight of complaint outcomes, which offer such valuable opportunities to learn and improve.

The end of the reporting year, saw the retirement of Michael King, drawing his tenure as Local Government Ombudsman to a close. I was delighted to be appointed to the role of Interim Ombudsman in April and look forward to working with you and colleagues across the local government sector in the coming months. I will be building on the strong foundations already in place and will continue to focus on promoting improvement through our work.

Complaint statistics

Our statistics focus on three key areas that help to assess your organisation's commitment to putting things right when they go wrong:

Complaints upheld - We uphold complaints when we find fault in an organisation's actions, including where the organisation accepted fault before we investigated. We include the total number of investigations completed to provide important context for the statistic.

Over the past two years, we have reviewed our processes to ensure we do the most we can with the resources we have. One outcome is that we are more selective about the complaints we look at in detail, prioritising where it is in the public interest to investigate. While providing a more sustainable way for us to work, it has meant that changes in uphold rates this year are not solely down to the nature of the cases coming to us. We are less likely to carry out investigations on 'borderline' issues, so we are naturally finding a higher proportion of fault overall.

Our average uphold rate for all investigations has increased this year and you may find that your organisation's uphold rate is higher than previous years. This means that comparing uphold rates with previous years carries a note of caution. Therefore, I recommend comparing this statistic with that of similar organisations, rather than previous years, to better understand your organisation's performance.

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

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

Finally, we compare the three key annual statistics for your organisation with similar authorities to provide an average marker of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.


Your annual data, and a copy of this letter, will be uploaded to our interactive map, [Your council's performance](#), on 26 July 2023. This useful tool places all our data and information about councils in one place. You can find the detail of the decisions we have made about your Council, read the public reports we have issued, and view the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

Supporting complaint and service improvement

I know that complaints offer organisations a rich source of intelligence and insight that has the potential to be transformational. These insights can indicate a problem with a specific area of service delivery or, more broadly, provide a perspective on an organisation's culture and ability to learn. To realise the potential complaints have to support service improvements, organisations need to have the fundamentals of complaint handling in place. To support you to do so, we have continued our work with the Housing Ombudsman Service to develop a joint complaint handling code that will provide a standard for organisations to work to. We will consult on the code and its implications prior to launch and will be in touch with further details.

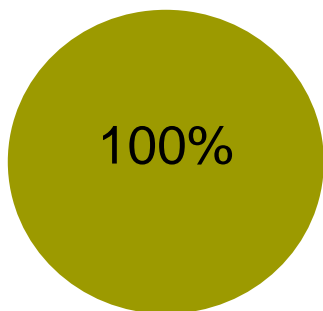
In addition, our successful training programme includes practical interactive workshops that help participants develop their complaint handling skills. We can also offer tailored support and bespoke training to target specific issues your organisation might have identified. We delivered 105 online workshops during the year, reaching more than 1350 people. To find out more visit www.lgo.org.uk/training or get in touch at training@lgo.org.uk.

Yours sincerely,



Paul Najsarek
Interim Local Government and Social Care Ombudsman
Interim Chair, Commission for Local Administration in England

Complaints upheld



100% of complaints we investigated were upheld.

This compares to an average of **59%** in similar organisations.

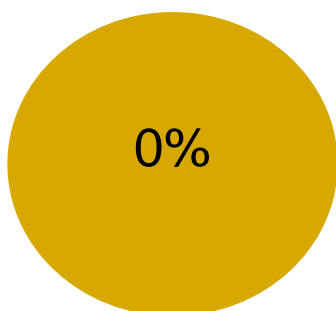
1
upheld decision

Statistics are based on a total of **1** investigation for the period between 1 April 2022 to 31 March 2023

Compliance with Ombudsman recommendations

No recommendations were due for compliance in this period

Satisfactory remedy provided by the organisation



In **0%** of upheld cases we found the organisation had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **15%** in similar organisations.

0
satisfactory remedy decisions

Statistics are based on a total of **1** upheld decision for the period between 1 April 2022 to 31 March 2023

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The Ombudsman's final decision

Summary: Mr X complains the Council mistakenly issued a Decision Notice without removing the Permitted Development rights. The Council acknowledged this and has apologised. We find fault with the Council for the omission, but the injustice is not sufficient to warrant a remedy.

The complaint

1. Mr X complains the Council mistakenly issued a Decision Notice without removing the Permitted Development rights.
2. The Council acknowledged this and have apologised.
3. Mr X would like the Council to launch a Judicial Review to quash the Decision notice and re-issue it with the removal of Permitted Development rights.

The Ombudsman's role and powers

4. We investigate complaints about 'maladministration' and 'service failure'. In this statement, I have used the word fault to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. I refer to this as 'injustice'. If there has been fault which has caused an injustice, we may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1), as amended*)
5. If we are satisfied with a council's actions or proposed actions, we can complete our investigation and issue a decision statement. (*Local Government Act 1974, section 30(1B) and 34H(i), as amended*)

How I considered this complaint

6. I considered:
 - Mr X's complaint and the information he provided;
 - documents supplied by the Council;
 - relevant legislation and guidelines; and
 - the Council's policies and procedures.
7. Mr X and the Council had an opportunity to comment on my draft decision. I considered any comments received before making a final decision.

What I found

Legislation

8. Parliament has given a blanket planning permission ('permitted development') for many minor works. Subject to the specific nature of the works, local planning authorities have no control over these matters.
9. Article 2(3) Land is land in an area of outstanding natural beauty (The Town and Country Planning (General Permitted Development) Order 2015 Schedule 1 Part 1 Article 2(3) land (b)).
10. Schedule 2 Permitted Development Rights A.2 Schedule 2 says Permitted development is not permitted on Article 2(3) land if
 - "(a) it would consist of or include the cladding of any part of the exterior of the dwellinghouse with stone, artificial stone, pebble dash, render, timber, plastic or tiles;*
 - (b) the enlarged part of the dwellinghouse would extend beyond a wall forming a side elevation of the original dwellinghouse; or*
 - (c) the enlarged part of the dwellinghouse would have more than a single storey and extend beyond the rear wall of the original dwellinghouse;*
 - (d) any total enlargement (being the enlarged part together with any existing enlargement of the original dwellinghouse to which it will be joined) exceeds or would exceed the limits set out in sub-paragraphs (b) and (c)."*
11. Class E of the General Permitted Development Order says in Paragraph E3: "In the case of any land within the curtilage of the dwellinghouse which is article 2(3) land, development is not permitted by Class E if any part of the building, enclosure, pool or container would be situated on land between a wall forming a side elevation of the dwellinghouse and the boundary of the curtilage of the dwellinghouse."

What Happened

12. The Planning Committee voted to remove Permitted Development Rights when discussing a local Planning Application.
13. Following the Committee's decision, officers in the Planning Department issued a Decision Notice but failed to include this condition due to an administrative error.
14. The Planning Department tried to resolve the matter by issuing an amended Decision notice as soon as they saw the mistake.
15. However, following legal advice the "revised" Notice was removed as this was not legally allowed.
16. Mr X complained to the Council asking for the original Decision Notice to be withdrawn and a new Notice issued, removing Permitted Development rights, as voted for and agreed in the Planning Committee meeting.
17. In the complaint response the Council admitted fault and apologised to Mr X for the error.
18. Mr X asked the Council to carry out Judicial Review and issue a correct Decision Notice.

Analysis

19. Once a council has issued a Decision Notice it has no lawful ability to withdraw or nullify it, even if it is incorrect.
20. Only a Judicial Review in the High Court can quash a Decision Notice, and this has to be carried out within 6 weeks of issuing a decision.
21. The Council said the consequences of this error are limited, as the Planning Application is in an Area of Outstanding Natural Beauty, which means there are further limits over what development can take place. So it did not intend to apply for a Judicial Review.
22. The proposed building is subject to the limitations set out in paragraph E3 of the GPDO (paragraph 11 above). Because of this the Council said "... the extent of what is possible is highly limited and as such has limited consequences".
23. The Council wrote to the Applicant to make clear that it was the plan to include the removal of the Permitted Development Rights in the Decision Notice. Even though it was omitted in error, no further building work can be done without formally applying for further Planning Permission as the area concerned is an Area of Outstanding Natural Beauty.
24. Although I understand Mr X's frustration and sympathise with his position, the Council apologised for the error, and continued to engage with Mr X, trying to arrange a meeting after the three stage complaint procedure had been completed.
25. Mr X did not take the Council up on the offer to meet as neither would concede their point.
26. The injustice to Mr X following the Council's fault is his expectation the Permitted Development Rights would be removed in the Decision Notice, but was not. This injustice is not sufficient to warrant recommending a remedy.
27. In the responses I have from the Council it is clear that as soon as the error was discovered, the Planning Department took all the steps possible to correct it. The Council have been thorough and polite in the complaint correspondence and have continued to engage with Mr X regularly, even after the complaint process was exhausted.
28. Further the Council have taken steps to try to prevent this fault happening in future.
29. If Mr X's neighbour does start further development without valid planning permission Mr X can make a planning enforcement complaint to the Council. If, when that has run its course, he is still not satisfied, he can bring a new complaint to us.

Final decision

30. I find fault with the Council for not issuing the correct Decision Notice. However the injustice is not sufficient to warrant any further remedy.

Investigator's final decision on behalf of the Ombudsman

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Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT AND GOVERNANCE COMMITTEE – 18 OCTOBER 2023
Subject	APPOINTMENT OF STANDARDS HEARINGS SUB-COMMITTEE
Wards affected	None
Accountable member	Councillor Nigel Robbins, Chair of Audit and Governance Committee Email: nigel.robbs@cotswold.gov.uk
Accountable officer	Angela Claridge, Director of Governance and Development Email: Angela.Claridge@Cotswold.gov.uk
Report author	Andrew Brown, Democratic Services Business Manager Email: Democratic@Cotswold.gov.uk
Summary/Purpose	To invite the Committee to appoint members to the Standards Hearings Sub-Committee.
Annexes	Annex A – Nominated Members (to follow)
Recommendation(s)	That the Audit and Governance Committee resolves to: <ol style="list-style-type: none"> 1. Agree to establish the Standards Hearings Sub-Committee. 2. Appoint the three members of the Audit and Governance Committee named in Annex A to the Standards Hearings Sub-Committee for the remainder of the current municipal year, in accordance with political proportionality (2 Liberal Democrat, 1 Conservative). 3. Delegate authority to the Director of Governance and Development to determine who will be the Independent Person at a Standards Hearings Sub-Committee meeting and, where relevant, who will be the Town and Parish Council representative attending in an advisory capacity.
Corporate priorities	<ul style="list-style-type: none"> • Deliver the highest standard of service
Key Decision	NO
Exempt	NO

Consultees/ Consultation	Full Council on 20 September agreed in principle to the establishment of the Standards Hearings Sub-Committee.
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1. EXECUTIVE SUMMARY

- 1.1** Council on 20 September 2023 agreed in principle to the establishment of a Standards Hearings Sub-Committee of the Audit and Governance Committee. The Sub-Committee is now recognised in the Council's Constitution (Part B, 8.4) with responsibility for hearing and determining, in consultation with an Independent Person, allegations that an elected member of the district council or a town or parish council in the district area has breached their respective Council's Code of Conduct – if the allegations reach the hearing stage. The Audit and Governance Committee is now invited to formally establish the Standards Hearings Sub-Committee and to appoint members of the Committee to the Sub-Committee, in accordance with political proportionality.

2. BACKGROUND

- 2.1** The Council's Audit and Governance Committee is responsible for promoting and maintaining high standards of conduct. There are arrangements in place for dealing with complaints that an elected or co-opted member of the district council or a town or parish council within the district area has breached their council's Code of Conduct. The majority of code of conduct complaints do not progress to the hearing stage as they are either dismissed with at the assessment stage or dealt with by way of a local resolution. Previously if a code of conduct complaint progressed to the hearing stage (which hasn't happened for over two years) the complaint would be determined by the Audit and Governance Committee, which comprises seven members, plus an Independent Person attending as a consultee without voting rights. This was considered to be too large a body for conducting a fair and efficient hearing.
- 2.2** The Constitution Working Group, at its meeting on 27 July 2023, considered four options for how hearings could be dealt with. Those options were described in the report to Council. The preferred option, which the Constitution Working Group recommended to Council and Council agreed, was the establishment of a Standards Hearing Sub-Committee (of the Audit and Governance Committee) comprising 3-members plus 1 non-voting Independent Person. The Audit and Governance Committee is now responsible for appointing a Standards Hearings Sub-Committee.
- 2.3** Meetings of this sub-committee will take place as required.

3. APPOINTMENT OF STANDARDS HEARINGS SUB-COMMITTEE

- 3.1** The provisions of the Local Government Act 1972 relating to sub-committees apply to the Standards Hearings Sub-Committee, meaning the membership must be appointed for a specified period of time (usually the duration of a municipal year), from the membership of the appointing body (i.e. the Audit and Governance Committee) and in accordance with political proportionality. While the membership of the sub-committee will be fixed

substitutions will be allowed from within political groups. Any member substituting at a meeting of the Standards Hearings Sub-Committee would first need to undertake relevant training.

- 3.2** The political proportionalities on a three-member sub-committee are set out in the table below.

	Liberal Democrat	Conservative	Green	Independent	Total
Real entitlement	1.94	0.79	0.18	N/A	2.91*
Rounded entitlement	2	1	0	N/A	3
Seats allocated	2	1	0	0	3

**The total proportional entitlement of political groups is less than the number of seats on the sub-committee due to the impact that non-aligned Independent members have on overall proportionality.*

- 3.3** The Audit and Governance Committee is invited to appoint 2 Liberal Democrat Members and 1 Conservative Member to the Standards Hearings Sub-Committee. The nominated members are named in Annex A. The nominated members will be required to undertake relevant training prior to participating in any hearing.

4. INDEPENDENT PERSON AND TOWN AND PARISH COUNCIL REPRESENTATIVE

- 4.1** The Sub-Committee membership also includes an Independent Person acting as a non-voting consultee. The Council has appointed a pool of three Independent Persons who can act as consultees at each stage of the complaints process (i.e. initial assessment, investigation, and hearing). This report seeks a delegation to the Director of Governance and Development to determine which Independent Person will act as consultee at a meeting of the Standards Hearings Sub-Committee.
- 4.2** Council on 20 September 2023 considered whether hearings where the subject member is a town or parish councillor should be attended by a town and parish council representative in a non-voting advisory capacity. This is considered to be good practice. Council resolved to instruct officers to seek nominations for the position of town and parish council representative. These positions have not yet been filled and it is recommended that authority is granted to the Director of Law and Governance to determine who will act as town and parish representative at a hearing where the subject member is a town or parish councillor.

5. ALTERNATIVE OPTIONS



- 5.1 The Constitution Working Group considered the alternative options to a Standards Hearings Sub-Committee and those options were not preferred. The Audit and Governance Committee has a responsibility under the Constitution to appoint to the sub-committee and must do so in accordance with the principles of political proportionality.

6. FINANCIAL IMPLICATIONS

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

7. LEGAL IMPLICATIONS

- 7.1 The statutory requirements relating to standards matters are set out at Chapter 7 of the Localism Act 2011 (the Act). Section 27 (8) of the Act provides that Standards matters as referred to in Chapter 7 are not the responsibility of the Executive and thus all Standards matters are a non-executive function (i.e. the responsibility of Full Council). Under Section 101 Local Government Act 1972, Full Council can arrange for the discharge of Non-Executive Functions to a committee or sub-committee.
- 7.2 The power to appoint a sub-committee rests with the appointing committee under Section 102 of the Local Government Act 1972.
- 7.3 Any non-elected Member of the Council included on a Standards Hearings Sub-Committee would be a Co-opted Member of the Council and, by virtue of Section 13 of the Local Government and Housing Act 1989, could not have voting rights.

8. RISK ASSESSMENT

- 8.1 Appointing a sub-committee in accordance with the provisions of the law and the Constitution will help to ensure that code of conduct complaints that progress to a hearing can be determined in a timely fashion.

9. EQUALITIES IMPACT

- 9.1 The Committee is advised to have due regard to the need to promote equality when appointing Sub-Committees with responsibility for determining code of conduct complaints.

10. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 10.1 There are no climate or ecological implications arising directly from the recommendations in this report.

11. BACKGROUND PAPERS

- 11.1 None.

(END)

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COTSWOLD
DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE WORK PLAN
1 OCTOBER 2023 – 29 FEBRUARY 2024 (UPDATED)

Audit and Governance Committee

The Audit and Governance Committee responsible for monitoring the adequacy and effectiveness of the Council's governance arrangements. This includes overseeing the audit function, annual accounts and the work of the internal auditors, promoting and maintaining high standards of conduct of members and, through its Standards Hearings Sub-Committee, determining complaints that an elected member of the district council or a town or parish council within the district are has breached the code of conduct.

The Committee has the following powers under the Council's Constitution:

- The Committee has the right to require the attendance of any Council officers and/or members in order to respond directly to any issue under consideration;
- To review any issues referred to it by the Chief Executive, other statutory officer or any Council body; and
 - The power to call expert witnesses from outside the Council to give advice on matters under review or discussion.

This work programme sets out the expected business for meetings of the Audit and Governance Committee.

Item	Meeting Date	Lead Officer
18 October 2023		
Draft 2022/23 Statement of Accounts	18 Oct 2023	Chief Accountant michelle.burge@publicagroup.uk
Q1 Prudential Indicators (Treasury Management)	18 Oct 2023	Chief Accountant michelle.burge@publicagroup.uk
Local Code of Corporate Governance	18 Oct 2023	Business Manager - Business Continuity, Governance and Risk cheryl.sloan@cotswold.gov.uk
Ombudsman Report 2022/23	18 Oct 2023	Business Manager - Business Continuity, Governance and Risk cheryl.sloan@cotswold.gov.uk
Internal Audit Progress Report	18 Oct 2023	Assistant Director (SWAP) lucy.cater@publicagroup.uk
Appointment of Standards Hearings Sub-Committee	18 Oct 2023	Democratic Services Business Manager andrew.brown@publicagroup.uk
30 November 2023		
Corporate Risk Register	30 Nov 2023	Business Manager - Business Continuity, Governance and Risk cheryl.sloan@cotswold.gov.uk
Treasury Management Mid-Year Report	30 Nov 2023	Deputy Chief Executive and Chief Finance Officer David.Stanley@cotswold.gov.uk
Informing the Audit Risk Assessment	30 Nov 2023	Chief Accountant michelle.burge@publicagroup.uk
Audit Plan 2022/23	30 Nov 2023	Chief Accountant michelle.burge@publicagroup.uk
Counter Fraud and Enforcement Unit Update Report	30 Nov 2023	Head of Service, Counter Fraud and Enforcement Unit emma.cathcart@cotswold.gov.uk
Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy (review)	30 Nov 2023	Head of Service, Counter Fraud and Enforcement Unit emma.cathcart@cotswold.gov.uk

Update on Member Training and Induction	30 Nov 2023	Democratic Services Business Manager andrew.brown@publicagroup.uk
25 January 2024		
Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy 2024/25	25 Jan 2024	Chief Accountant michelle.burge@publicagroup.uk
Annual Capital Strategy 2024/25	25 Jan 2024	Chief Accountant michelle.burge@publicagroup.uk
Risk Management Policy	25 Jan 2024	Business Manager - Business Continuity, Governance and Risk cheryl.sloan@cotswold.gov.uk
CyberSecurity Update	25 Jan 2024	Business Manager for ICT john.chorlton@publicagroup.uk
25 April 2024		
Statement of Accounts and Audit Opinion	25 Apr 2024	Deputy Chief Executive and Chief Finance Officer David.Stanley@cotswold.gov.uk
Annual Governance Statement – Action Plan Update	25 Apr 2024	Deputy Chief Executive and Chief Finance Officer David.Stanley@cotswold.gov.uk
Internal Audit Plan and Charter	25 Apr 2024	Assistant Director (SWAP) lucy.cater@publicagroup.uk
Internal Audit Progress Report	25 Apr 2024	Assistant Director (SWAP) lucy.cater@publicagroup.uk
CFEU Update Report (RIPA and IPA annual update)	25 Apr 2024	Head of Service, Counter Fraud and Enforcement Unit emma.cathcart@cotswold.gov.uk
Annual Standards Update	25 Apr 2024	Director of Governance and Development (Monitoring Officer) Angela.Claridge@Cotswold.gov.uk

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