

13 September 2017

<b>Committee</b>	Audit
<b>Date</b>	Thursday, 21 September 2017
<b>Time of Meeting</b>	2:00 pm
<b>Venue</b>	Committee Room 1

**ALL MEMBERS OF THE COMMITTEE ARE REQUESTED TO ATTEND**



**for Sara J Freckleton  
Borough Solicitor**

<b>Agenda</b>
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**1. ANNOUNCEMENTS**

When the continuous alarm sounds you must evacuate the building by the nearest available fire exit. Members and visitors should proceed to the visitors' car park at the front of the building and await further instructions (staff should proceed to their usual assembly point). Please do not re-enter the building unless instructed to do so.

In the event of a fire any person with a disability should be assisted in leaving the building.

**2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

To receive apologies for absence and advise of any substitutions.



	Item	Page(s)
<b>3.</b>	<b>DECLARATIONS OF INTEREST</b>	
	Pursuant to the adoption by the Council on 26 June 2012 of the Tewkesbury Borough Council Code of Conduct, effective from 1 July 2012, as set out in Minute No. CL.34, Members are invited to declare any interest they may have in the business set out on the Agenda to which the approved Code applies.	
<b>4.</b>	<b>MINUTES</b>	1 - 12
	To approve the Minutes of the meeting held on 19 July 2017.	
<b>5.</b>	<b>AUDIT COMMITTEE WORK PROGRAMME</b>	13 - 20
	To consider the Audit Committee Work Programme.	
<b>6.</b>	<b>LETTER OF REPRESENTATION 2016/17</b>	21 - 26
	To approve the Letter of Representation 2016/17.	
<b>7.</b>	<b>EXTERNAL AUDITORS' AUDIT FINDINGS</b>	27 - 63
	To consider the external auditors' Audit Findings 2016/17.	
<b>8.</b>	<b>STATEMENT OF ACCOUNTS 2016/17</b>	64 - 165
	To approve the Statement of Accounts 2016/17.	
<b>9.</b>	<b>UBICO FOLLOW-UP AUDIT REPORT</b>	166 - 186
	To consider the progress made in respect of the recommendations arising from the Ubico audit.	
<b>10.</b>	<b>HEALTH AND SAFETY REPORT 2016/17</b>	187 - 206
	To consider the Council's Health and Safety Report 2016/17.	
<b>11.</b>	<b>INTERNAL AUDIT PLAN MONITORING REPORT</b>	207 - 223
	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	
<b>12.</b>	<b>INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME</b>	224 - 234
	To consider the Internal Audit Quality Assurance and Improvement Programme.	
<b>13.</b>	<b>APPOINTMENT OF EXTERNAL AUDITORS</b>	235 - 238
	To approve the appointment of the Council's external auditors for five years from 2018/19.	

**DATE OF NEXT MEETING**  
**WEDNESDAY, 13 DECEMBER 2017**  
**COUNCILLORS CONSTITUTING COMMITTEE**

Councillors: K J Cromwell, A J Evans, Mrs P A Godwin, B C J Hesketh,  
Mrs S E Hillier-Richardson, Mrs H C McLain (Vice-Chair) and V D Smith (Chair)

**Substitution Arrangements**

The Council has a substitution procedure and any substitutions will be announced at the beginning of the meeting.

**Recording of Meetings**

Please be aware that the proceedings of this meeting may be recorded and this may include recording of persons seated in the public gallery or speaking at the meeting. Please notify the Democratic Services Officer if you have any objections to this practice and the Chairman will take reasonable steps to ensure that any request not to be recorded is complied with.

Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the public and press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

## TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,  
Gloucester Road, Tewkesbury on Wednesday, 19 July 2017  
commencing at 2:00 pm**

### **Present:**

Chair  
Vice Chair

Councillor V D Smith  
Councillor Mrs H C McLain

### **and Councillors:**

K J Cromwell, Mrs P A Godwin and Mrs S E Hillier-Richardson

### **AUD.3 ANNOUNCEMENTS**

- 3.1 The evacuation procedure, as noted on the Agenda, was advised to those present.
- 3.2 The Chair welcomed David Johnson, Grant Thornton's Audit Manager for Tewkesbury Borough Council, to the meeting.

### **AUD.4 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

- 4.1 Apologies for absence were received from Councillors A J Evans and B C J Hesketh. There were no substitutions for the meeting.

### **AUD.5 DECLARATIONS OF INTEREST**

- 5.1 The Committee's attention was drawn to the Tewkesbury Borough Council Code of Conduct which was adopted by the Council on 26 June 2012 and took effect from 1 July 2012.
- 5.2 There were no declarations made on this occasion.

### **AUD.6 MINUTES**

- 6.1 The Minutes of the meetings held on 22 March and 16 May 2017, copies of which had been circulated, were approved as correct records and signed by the Chair.

**AUD.7 AUDIT COMMITTEE WORK PROGRAMME**

- 7.1 Attention was drawn to the Audit Committee Work Programme, circulated at Pages No. 12-18, which Members were asked to consider.
- 7.2 The Head of Corporate Services indicated that work on the review of the Council's overall risk management arrangements would commence shortly and would include training for Members and Managers. It would ultimately lead to the development of a new Risk Management Strategy and Corporate Risk Register which would be monitored by the Audit Committee on a quarterly basis. It was not feasible to bring this to the next meeting of the Committee but it was hoped it would be ready by the end of the year and the work programme would be updated to move this item from 21 September to 13 December accordingly.
- 7.3 A Member noted that a number of items relating to the Statement of Accounts 2016/17 had been deleted from the Agenda for today's meeting. She understood that these items had originally been brought forward from September in preparation for the early closure of accounts the following year and she raised concern that this had not been achieved. The Head of Finance and Asset Management confirmed that these items had been brought forward to test preparedness for the forthcoming year. From the Council's point of view, the accounts had been closed on time at the end of May; however, the external auditors had not been able to audit the accounts in time for them to come to today's meeting. Clearly next year it would be crucial to meet the deadlines and Officers would need to work with Grant Thornton to achieve this. The Audit Manager from Grant Thornton reiterated that it had originally been agreed that the accounts would be submitted to the present meeting in order to ensure they were signed-off by 31 July, in line with the new regulations for 2017/18. Unfortunately, due to resourcing issues and people leaving the organisation, Grant Thornton had approached certain Councils to establish whether there was any flexibility to extend these deadlines. On the basis that a meeting date had already been set for the Tewkesbury Borough Council Audit Committee in September which would ensure that the national deadline for 2016/17 was still achieved, the Head of Finance and Asset Management had agreed to an extension. The early closure of the accounts was two-fold; partly to test the Council's ability to meet the new deadlines - which Tewkesbury Borough Council had achieved - and to check for any major issues. The accounts were currently in the process of being analysed and early indications were that the quality was of the same high standard as in previous years. He provided assurance that, had the statutory deadline for this year been 31 July, alternative arrangements would have been made to ensure this was attained and procedures were currently being put in place to make certain that adequate resources would be available to meet this deadline going forward.
- 7.4 It was  
**RESOLVED** That the Audit Committee Work Programme be **NOTED**.

**AUD.8 GRANT THORNTON PROGRESS REPORT**

- 8.1 Attention was drawn to Grant Thornton's progress report, circulated at Pages No. 19-32, which set out the progress that had been made in relation to the Audit Plan, together with any emerging national issues and developments that might be relevant to the Borough Council. Members were asked to consider the report.

- 8.2 Pages No. 22-23 of the report set out the work being undertaken by Grant Thornton for 2016/17. It was noted that the Audit Plan had been considered at the last Audit Committee meeting in March and the interim accounts audit had also been completed in accordance with the planned timetable. As discussed under the previous Agenda Item, the final accounts audit would now go to the September Audit Committee meeting; it was intended to complete the work by early August, as close to the 31 July deadline as possible. Work on the value for money conclusion was still underway. The initial risk assessment had been completed in respect of the value for money conclusion and the significant risk identified in relation to Ubico contract monitoring had been reported in March. A follow-up meeting was taking place later that week to discuss the ongoing position with the management of the contract and an update would be provided at the Audit Committee meeting in September. It was noted that work on the housing benefit grant claim would be finished by the end of September at the latest.
- 8.3 A Member sought assurance that any issues identified during the work carried out by Grant Thornton would be highlighted to Members. The Audit Manager from Grant Thornton explained that it was not appropriate for such issues to be included in the progress report; any findings from the interim work would be reported in the Audit Plan. The findings tended to be finance-focused and more for attention rather than action. If issues were identified in the accounts audit or the value for money work, normal practice would be to discuss them with the Head of Finance and Asset Management or responsible officer. Any recommendations would then have a management response for presentation to the Audit Committee so Members could be assured that appropriate measures were being put in place and this should be monitored by the Committee going forward.
- 8.4 It was  
**RESOLVED** That the Grant Thornton progress report be **NOTED**.

#### **AUD.9 EXTERNAL AUDITORS' FEE LETTER 2017/18**

- 9.1 Attention was drawn to Grant Thornton's fee letter, circulated at Pages No. 33-36, which set out the proposed fee for 2017/18, together with the scope and timing, for the work. Members were asked to consider the fee letter.
- 9.2 The Audit Manager from Grant Thornton explained that the scale fee for 2017/18 was £44,921 - the same as the previous year and a reduction on the 2015/16 fee. The fee covered audit of the Council's financial statements; the value for money conclusion; and work on the whole government accounts return. The timetable had changed, with reporting dates being brought forward, and this was outlined at Page No. 35. It was noted that the key members of the audit team for 2017/18 were due to stay the same at this stage. Particular attention was drawn to the fact that the housing benefit certification fee was to be confirmed pending formal notification of the Public Sector Audit Appointments (PSAA) established grant fee for 2017/18 and an update would be provided at the September Audit Committee meeting.
- 9.3 A Member raised concern that there should be some consistency in terms of the audit team and he questioned whether it was possible to ensure that at least one team member remained the same. The Audit Manager from Grant Thornton provided assurance that every effort was made to keep the same team together as this helped with continuity and, as far as he was aware, there were no plans to change the team for the forthcoming year. In response to a query as to whether there was any scope to reduce the external audit fee, the Head of Finance and Asset Management indicated that a report had previously been brought to the Committee regarding the appointment of external auditors for the forthcoming

financial year. At that time, the Audit Committee had considered three broad options and had recommended to Council that it opt-in to PSAA - the Sector Led Body for the independent appointment of auditors for principal authorities in England - from 2018/19. This option had been approved by the Council in January and the tender process had now been completed with auditors appointed via lots. Grant Thornton had won the biggest lot and had been awarded 40% of the work, followed by Ernst and Young with 30%. Tewkesbury Borough Council would find out who had been appointed as its external auditor in the autumn. It was noted that the fee would be reduced by around 18% under the new contract. A Member sought more information as to how the external auditors were appointed and the Head of Finance and Asset Management clarified that the Council could have opted to make its own appointment; however, Officers believed that the most cost effective and efficient route was to opt-in to the Sector Led Body arrangement which 97% of local authorities had done. PSAA took into account any feedback from local authorities or particular circumstances, e.g. where there were shared arrangements with other local authorities, and appointed individual audit contracts for each authority. The lots were put together by PSAA and, following the tender process, Grant Thornton had been awarded 40% of the work. A report would be brought to the Audit Committee to appoint the recommended external auditor for the current financial year (2017/18), with the change coming into effect in 2018/19.

9.4 Having considered the information provided, it was

**RESOLVED** That the Grant Thornton Fees Letter 2017/18 be **NOTED**.

#### **AUD.10 BULKY WASTE AUDIT PROGRESS REPORT**

10.1 The report of the Head of Community Services, circulated at Pages No. 37-43, provided an update in relation to the recommendations arising from the trade waste audit. Members were asked to consider the progress that had been made.

10.2 The Head of Community Services explained that, in addition to collecting furniture and bulky items from domestic properties, the bulky waste collection service also operated as a bin and caddy delivery service. The audit of the bulky waste collection service had been carried out in 2016/17 and highlighted a number of areas of improvement, the main two being in relation to the cost of the service and waiting times. A review of the charges had subsequently taken place and all standard charges had been increased from £20 to £22. Residents in receipt of housing or council tax benefit were entitled to a 50% reduction so the charge for this had increased from £10 to £11. Moving forward, the fees would be reviewed annually in accordance with the Fees and Charges Strategy approved by the Executive Committee in April 2017. In terms of service delivery and lead times for collection and delivery, Members were informed that the service had been unable to meet the level of demand in June 2016 with the average waiting time rising to 40 days. Additional collections had been provided to deal with the back log and changes had been made to the way the service operated which had reduced average bin delivery time to between one and two weeks, and bulky waste collections from seven weeks to less than four weeks; in some areas it was as little as two weeks. Importantly, service lead times was a standing item on the Agenda for the Ubico and Customer Services team meeting to ensure that they were regularly monitored and, where a trend appeared to be leading to a backlog, the team could make changes to address this. A new policy was currently being prepared with Ubico to work in advance to deliver bins when new developments came on line. The Head of Community Services acknowledged that there was still work to do but significant progress had been made since the audit.

10.3 A Member was pleased to see the reduction in waiting times, particularly as there was often a correlation between bulky waste collection and fly-tipping and he indicated that he would welcome a piece of work on the relationship between the two. The Head of Community Services confirmed that there was a known connection between bulky waste collection and fly-tipping but investigating that further would require significant resources and he felt that it would be beneficial to wait until the changes were fully embedded whilst giving an assurance that fly-tipping would be closely monitored. The Member queried whether the Customer Services team asked people where they were storing their bulky items whilst awaiting collection as fly-tipping may be encouraged if customers left items outside their house on a public footpath. The Head of Community Services explained that it was intended people would not put the items outside until the day of collection but this was not something which could be policed; if people did flout these requirements, the items would not be outside for long provided that waiting times were kept low. A Member queried whether the Council promoted the donation of bulky waste items to charity, or for recycling, and the Head of Community Services felt this was an excellent suggestion and Customer Services could be provided with a list of charities for customers to contact. Another Member went on to question the rationale behind the decision to increase standard charges from £20 to £22. The Head of Finance and Asset Management advised that the charges had not been increased since April 2011; consideration had been given to costs and inflation over that period and a 10% cap was thought to be reasonable. It would be necessary to conduct a more thorough exercise to understand the costs of delivering the service.

10.4 A Member drew attention to Appendix A and raised concern that the implementation dates for the recommendations were mainly April 2017 but some actions were ongoing and she indicated that she would like to see more realistic deadlines. The Head of Corporate Services explained that a number of the recommendations had already been implemented. With regard to recommendation 1, he pointed out that, whilst the review of charges had been completed, the review of the whole service was yet to commence and the report had therefore been updated to show a target date of April 2018. Recommendation 2, in respect of the development of a Data Retention Policy, and Recommendation 5, regarding the amendment of the authorised signatory list, had both been implemented and Recommendation 4, in relation to terms of reference for the service, would come forward in the autumn. He accepted that a revised implementation date was needed for Recommendation 3 around the review of the customer records database.

10.5 It was

**RESOLVED** That the progress made against the recommendations arising from the bulky waste audit be **NOTED**.

## **AUD.11 INTERNAL AUDIT PLAN MONITORING REPORT**

11.1 The report of the Head of Corporate Services, circulated at Pages No. 44-65, was the final monitoring report of the financial year and detailed the findings of Internal Audit for the remaining audits within the Audit Plan 2016/17. Members were asked to consider the audit work completed and the assurance given on the adequacy of internal controls operating in the systems audited.

11.2 Members were advised that full details of the work undertaken were attached at Appendix 1 to the report and a list of audits within the 2016/17 Audit Plan, and their progress to date, could be found at Appendix 2 to the report. With regard to the debtors audit, the Head of Corporate Services advised that this was a key financial system and income stream for the Council. As it was an established system there was an expectation that it would be well-managed and this had been confirmed by



the audit and the 'good' level of assurance identified. In respect of the safeguarding audit, the Council had an up-to-date policy which had been approved by the Executive Committee in November 2016. The policy was available to staff and Members through the intranet; however, there were some recommendations around making sure that the information was embedded in the heart of the organisation. In terms of awareness, whilst staff were required to undertake compulsory online training, it was suggested that it should be relevant to job role, for example, auditors may not need the same level of training as someone working in housing, and this was being considered by the management team. It was noted that the importance of safeguarding was recognised through its inclusion within the Community Portfolio and a designated safeguarding officer reported to the Lead Member on a regular basis. Further consideration needed to be given to the level of training volunteers should receive, for instance, volunteer litter pickers who were frequently out and about in the community. A decision had been taken in October 2016 to make safeguarding training mandatory for all licenced taxi drivers and some recommendations had been made around updating the website and application form to reflect this.

- 11.3 A 'limited' opinion had been given in relation to the audit on information governance as it was considered that the overarching Information Governance Policy should be supported by a number of more detailed policies and codes of practice that related to particular risk areas. At the time of the audit, 11 policies were due for review and a number required updating; this would need to be done to ensure compliance with the General Data Protection Regulations (GDPR) coming into force in May 2018 and it was noted that a dedicated officer had been appointed, and an action plan drawn up, to support that. Furthermore, recommendations had been made around the documentation and handling of Environmental Information Regulations (EIR). The Head of Corporate Services explained that there had been no corporate plan of action for the GDPR at the time the recommendations for the information governance audit had been agreed and they would need to be amended to reflect that plan. In response to a query, confirmation was provided that any audits with a limited or unsatisfactory opinion would be brought back to the Committee. A 'limited' opinion had also been issued in respect of business continuity. It was noted that five of the 15 service specific business continuity plans were yet to be fully completed or updated to the most recent template. The Corporate Business Continuity Plan was also out of date and this had been identified in the Annual Governance Statement 2016/17 which was due to be considered later on the Agenda. Good progress had been made since the audit - all services now had a plan in place and the Head of Corporate Services was currently in the process of drafting the Corporate Business Continuity Plan which would be tested through a desktop exercise and would then be brought to a future meeting of the Audit Committee.
- 11.4 In terms of the client monitoring for Tewkesbury Leisure Centre, the Internal Audit team had observed that the positive relationship between Tewkesbury Borough Council and Places for People helped considerably in resolving any issues. The Leisure Centre had only been in operation for a year so a lot of information was based on comparisons with baseline data; going forward arrangements would need to be put in place to receive surplus/deficit data on a yearly basis in order to maintain oversight of the potential additional shared surplus sums due from the end of year three of the contract. A review of the insurance arrangements in place showed that, whilst the insurance was adequate, the policy did have conditions attached in relation to fire extinguishing appliances and security and, therefore, consideration needed to be given as to how compliance could be demonstrated. The Places for People service delivery proposals within the contract provided for the implementation of a strategic partnership board and the Executive Committee had approved the establishment of this board in November 2016. Recommendations had been made to enhance the standards in respect of catering

and the environment which had previously been reported on an exception basis but should be a standard item. Several days had been set aside within the Audit Plan 2017/18 for the performance team to help to set up the template. A Member felt it was important that the relationship between the Council and Places for People did not become too comfortable and that a proper monitoring and reporting system was maintained. The Head of Finance and Asset Management provided assurance that it was a working relationship and there was sufficient challenge when there needed to be. In terms of the recommendations to enhance the reporting framework, there was already a significant amount of reporting; all recommendations had been agreed with Places for People and were included in the quarterly monitoring reports received by the Leisure Centre Strategic Partnership Board which was attended by the Lead Members for Health and Wellbeing and Finance and Asset Management. Consideration was currently being given as to which Committee would be most appropriate to receive an annual report on the contract. The Member welcomed this proposal as it was in the interest of accountability for a report to be considered in the public arena.

- 11.5 It was noted that there was a 'good' level of assurance in relation to treasury management with investments placed in accordance with the Council's Treasury Management Strategy and the investment register reconciled to the main accounting system on a monthly basis, as such, there were no recommendations arising from this audit.
- 11.6 Appendix 3 to the report set out the audit recommendations due to be followed-up and confirmation was provided that all had been done, although they were at various stages of implementation and this was reflected by their RAG (Red, Amber, Green) status. Where the recommendations had not been implemented, revised dates had been agreed. A Member noted that the revised dates had been agreed by Officers, rather than the Committee, and whilst he accepted that there may be plausible reasons for targets not being met, he felt that more effort should be made to achieve those initial deadlines. The Head of Corporate Services agreed that it was important to manage the process and indicated that he was trying to raise the profile of outstanding audit recommendations through the management team. Clearly implementation of the recommendations was dependent on workload; however, he suggested that, if the responsible officer was unable to achieve a revised implementation date agreed by officers, it might be reasonable to require them to appear before the Audit Committee. The Member expressed concern that it could be nine months before Members had the opportunity to question what was happening which was a significant slippage. The Deputy Chief Executive reiterated the importance of taking corporate ownership of audit recommendations and he felt the management team had a role to play in terms of ensuring that officers were aware of what the Committee wanted and adhered to the deadlines. If it appeared that a target would not be met, he felt a better approach might be for the Internal Audit team to put a plan together for getting the work completed, and to set a timescale for the responsible officers to appear before the Committee if the work had not been done.
- 11.7 A brief debate ensued in respect of safeguarding which had been flagged as an important issue for some time and several Members raised concern that the link to the online safeguarding training had not worked meaning many had been unable to complete it. The Head of Corporate Services provided assurance that there were recommendations around raising awareness for volunteers and Members and implementation dates had been agreed with the safeguarding officer. When the audit was reviewed, any outstanding recommendations would appear in Appendix 3 to the report. A Member went on to draw attention to the different opinions issued for the audits, and their definitions, set out at Page No. 55 of the report. He expressed the view that the Council should be working to ensure that all audit opinions were 'good' as opposed to just 'satisfactory', particularly for such important issues as safeguarding. Another Member felt that the Committee should

ask for this to be made a priority because of what had happened in other public bodies across the country. The Head of Corporate Services clarified that, once the audit recommendations had been implemented, the audit opinion would be 'good' rather than 'satisfactory'. A Member asked for Officers to put a plan in place for this to be done as soon as possible and the Deputy Chief Executive undertook to discuss with the management team what needed to be done and bring something back to the Committee to show how this would be achieved. The Head of Corporate Services pointed out that the Audit Committee Agenda for the meeting on 13 December included a report on compliance with safeguarding activities which would give Officers time to address the issues identified. He provided assurance that the audit process was constantly being reviewed and consideration was being given to introducing another level of audit opinion which would sit above 'good' e.g. 'very good'.

11.8 Having considered the information provided, it was

**RESOLVED** That the Internal Audit Plan Monitoring Report be  
**NOTED.**

## **AUD.12 INTERNAL AUDIT ANNUAL REPORT 2016/17**

12.1 Attention was drawn to the report of the Head of Corporate Services, circulated at Pages No. 66-72, which provided Members with a summary of the internal audit work undertaken in 2016/17, together with an opinion on the overall adequacy and effectiveness of the organisation's control environment. Members were asked to consider the report and the assurance that, overall, there was a satisfactory level of assurance in relation to the effectiveness of the Council's framework of governance, risk management and control.

12.2 Members were advised that the Public Sector Internal Audit Standards (PSIAS) required the Council to produce an annual internal audit opinion and report which could be used by the organisation to inform its Annual Governance Statement. Page No. 68, Paragraph 2.2 of the report, gave an overview of the audits undertaken during the year. One audit was outstanding from the 2016/17 Audit Plan in relation to an allocation of days for a further ICT audit and days had been allocated within the 2017/18 Plan to undertake that work. As well as internal work, the team had provided an internal audit service to Tewkesbury Town Council during the course of the year; however, as reported to the last meeting of the Committee, notification had been received from the Town Council of the decision to terminate the contract and, as such, there were 20 days within the Audit Plan which could now be allocated to Tewkesbury Borough Council work. Paragraph 2.3 of the report set out the corporate improvement work which had been carried out and it was noted that the team was also represented on key corporate groups such as the Corporate Governance Group and the 'Keep Safe, Stay Healthy' Group.

12.3 Members were advised that 59 audit opinions had been issued during the year, as set out at Paragraph 3.2 of the report. There were eight 'limited' or 'unsatisfactory' opinions which had been brought to the Committee during the year e.g. tree inspections, bulky waste, Ubico client monitoring. The Head of Corporate Services stressed that it was not unexpected to find areas of limited or unsatisfactory assurance given the variety and complexity of systems, procedures and services operated by the Council; the important thing was that the audit recommendations were accepted and acted upon by management.

- 12.4 Management of internal audit was overseen by the Head of Corporate Services and delivery of the annual Audit Plan was carried out by two full-time employees. During the course of the year, one employee was on maternity leave and this position had been covered by a secondment from another service area. The team comprised one full-time, and two part-time, employees with one taking a senior role. As defined in the Internal Audit Charter, the team had remained organisationally dependent during the year and the Head of Corporate Services had regular briefings with the Chair and Vice-Chair of the Audit Committee which would continue going forward. A 'Meet the Internal Audit Team' session had been held for Members of the Audit Committee and a seminar had taken place prior to today's meeting on the role of the Committee.
- 12.5 It was noted that there had been no reported incidents of fraud, theft, corruption or whistleblowing during the financial year and the updated Anti-Fraud and Corruption and Whistleblowing Policies had been presented to the Audit Committee following review. The performance monitoring information for achievement against the Audit Plan was based on the number of completed audits vs. the number of planned audits and Members were advised that the outturn for the 12 month period was 93%. Based upon the work undertaken during the year, Internal Audit could provide reasonable assurance that, overall, there was a satisfactory level of control in relation to the effectiveness of the Council's governance, risk management and control environment. The team had now started work on the 2017/18 Audit Plan which had been approved by the Audit Committee in March and included key areas of work such as absence management; GDPR; Ubico client monitoring; key finance systems; vehicle contract; and project management of the public services centre refurbishment. As discussed at previous Audit Committee meetings, it was a requirement of PSIAS that the internal audit function be subject to independent assessment at least every five years. Through networking with other Councils that had been through the assessment process, a preferred assessor had been identified and approved in consultation with the Head of Finance and Asset Management and the Chair of the Audit Committee. A date for the review had not yet been confirmed but it would be in the third quarter of the financial year and the outcome would be reported back to the Audit Committee.
- 12.6 A Member noted that a 'limited' opinion had been issued in relation to the tree inspections audit during 2016/17. He indicated that, at a recent Flood Risk Management Group meeting, it had come to light that there was no programme for the inspection of ditches which were not on Council-owned land and he questioned whether this could be incorporated into the tree inspections programme. The Head of Finance and Asset Management explained that tree inspections were carried out by the Ubico grounds maintenance team and he would need to check if there was sufficient capacity to take on any additional work; if there was the capacity and will, there was no reason why the same software could not be used. The Deputy Chief Executive undertook to raise this with the Head of Community Services who was in the process of carrying out a piece of work on grounds maintenance.
- 12.7 It was
- RESOLVED** That the internal audit annual report be **NOTED**.

#### **AUD.13 COUNTER FRAUD UNIT REPORT AND WORK PLAN 2017/18**

- 13.1 Attention was drawn to the report of the Head of Finance and Asset Management, circulated at Pages No. 73-85, which provided assurance on the counter-fraud activities of the Council. Members were asked to consider the Counter Fraud Unit Work Plan 2017/18, and the Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy, and put forward any comments to the Executive Committee to aid its deliberations.

- 13.2 The Chair welcomed Kate Seeley, Senior Fraud Investigator from the Counter Fraud Unit to the meeting. Members were reminded that the Council had approved the authority's participation in the establishment of a permanent Counter Fraud Unit on 24 January 2017 and, from 1 April 2017, this was a permanent support service serving Tewkesbury Borough Council and four other partner authorities within the county. The Work Plan 2017/18, attached at Appendix 1 to the report, had been agreed by the senior management team as the key areas to focus on during the year. The work was largely proactive, with a drive and focus on gaining revenue. A lot of work was done in the revenues section e.g. council tax, business rates, but also in housing and enforcement. Reactive pieces of work were also undertaken e.g. referrals for investigation.
- 13.3 The Counter Fraud Unit had been undertaking a review of a number of policies and procedures in support of each service area to enable criminal investigations to be legally undertaken and appropriate sanctions to be applied. The Council Tax, Housing Benefit, Council Tax Support Penalty and Prosecution Policy had been drafted for use within the Revenues and Benefits team. There had been a number of service changes within housing benefit which had meant that the previous policy around the enforcement of housing benefit and council tax was no longer relevant. The proposed policy focused on council tax support, and the criminal and civil penalties which the Council could enforce, and the civil penalties available in relation to housing benefit and council tax. This did not generate a huge amount of money but it was another way the Council could enforce the regulations surrounding council tax and impose penalties for those who did not follow the rules.
- 13.4 The Head of Finance and Asset Management explained that the Work Plan 2017/18 was focused on ensuring that policies were up to date and consistent for all Counter Fraud Unit partners and raising awareness among Officers and Members. A Member raised concern that the Whistleblowing Policy was not working effectively as he understood that some Officers did not know who they should report to, or were reluctant to do so. Assurance was provided that there were a number of contacts within the policy, including the Counter Fraud Unit which was independent and not linked to management in any way.
- 13.5 A Member sought confirmation that the Counter Fraud Unit was geared up for the changes associated with Universal Credit. The representative from the Counter Fraud Unit advised that housing benefit fraud would no longer be relevant but this had not been investigated for the last two years. Local authorities would have responsibility for council tax support, and there would still be an element of investigation in relation to that, but the resources required would reduce dramatically. The Head of Revenues and Benefits confirmed that Universal Credit would 'go live' on 6 December 2017 when the Single Fraud Investigation Service would become responsible for any fraud investigation. A Member questioned whether customers were made aware of the penalties within the proposed policy and was informed that the Council was quite flexible in how it applied any penalties; if customers were upfront about their circumstances, and why there was a delay in reporting a change, then a more lenient approach might be taken whereas if it had taken a long period for the customer to come forward to advise of a significant change then the penalty might be harsher. In response to a query regarding a situation where fraudulent activity had been going on for several years, Members were advised that, when housing benefit fraud was investigated, anything over £3,000 would ultimately lead to prosecution; consideration was also given to prosecution if the customer had deliberately given false information. A Member understood that there could be a long delay before people received Universal Credit and she queried what the Council's policy would be if customers fell behind with council tax payments. The Head of Revenues and Benefits explained that council tax support was awarded by the Council and it was far quicker to make a determination and award a discount under Universal Credit. If

customers were in real financial difficulty they could be given a two month period to make a payment towards their council tax.

- 13.6 A Member questioned if there was any way of knowing how successful the Counter Fraud Unit had been in terms of getting money back for the Council and who was responsible for monitoring this. The Head of Finance and Asset Management advised that he received a monitoring report from the Counter Fraud Unit on a quarterly basis. The Counter Fraud Unit had been quite successful in investigating business rates during the previous year and he expected this to continue as it expanded into areas which had not been considered in the past; the Counter Fraud Unit was a corporate resource and was looking into various activities beyond Revenues and Benefits, such as fly-tipping, with further plans to look at the HR and Planning services.

- 13.7 Having considered the information provided, it was

**RESOLVED**

1. That the Counter Fraud Unit Work Programme 2017/18 be **NOTED**.
2. That the Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy be **NOTED** and the Executive Committee be advised that the Audit Committee had found it to be very clear and well set out.

**AUD.14 NATIONAL FRAUD INITIATIVE 2016/17**

- 14.1 The report of the Head of Revenues and Benefits, circulated at Pages No. 86-88, informed Members of the outcomes of the National Fraud Initiative data matching exercise. Members were asked to consider the report.

- 14.2 The Head of Revenues and Benefits advised that the National Fraud Initiative (NFI) matched electronic data within and between public and private sector bodies to prevent and detect fraud. The NFI had helped to trace almost £198M in fraud, error and overpayment in England during the period 1 April 2014 to 31 March 2016. The 2016/17 data matching exercise showed a considerable fall in the number of data matches compared to the 2014/15 review – in 2014/15 there had been 531 data matches, 17 incidents of fraud and 44 errors whereas in 2016/17 there had been 321 data matches, one incident of fraud and 69 errors. The level of overpayments had dropped dramatically from £59,878.67 to £8,835.28. This was good news for customers as there were fewer errors and less need for enforcement. The single case of fraud detected had been forwarded to the Single Fraud Investigation Service to consider further action. Overall, the Council had paid over £19M in housing benefit to 3,970 housing benefit recipients. It was to be borne in mind that, in terms of the numbers and values of overpayments, the impact was very small. The benefits staff were doing more preventative work with customers to encourage them to report any changes and systems were being automated so that claims were updated with benefit changes which had reduced delays.

- 14.3 The Chair congratulated the Revenues and Benefits team on the savings on behalf of the Committee and it was

**RESOLVED**

- That the outcomes of the data matching exercise be **NOTED**.

**AUD.15 ANNUAL GOVERNANCE STATEMENT 2016/17**

- 15.1 The report of the Corporate Governance Group, circulated at Pages No. 89-101, set out the Council's Annual Governance Statement 2016/17 which Members were asked to approve.
- 15.2 The Head of Corporate Services explained that the Annual Governance Statement provided assurance that the Council was following the code of corporate governance that it had approved and adopted, which was consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The Annual Governance Statement for 2015/16 was attached at Appendix 1 to the report and included eight areas of governance that required improvement. These significant governance issues would be monitored throughout the year and the progress would be reported to the Audit Committee. The significant governance issues identified were: review and update of the Constitution; risk management; business continuity; Audit Committee effectiveness; development and approval of a Workforce Development Strategy; Ubico client monitoring; compliance with the General Data Protection Regulations; and the review and update of the local Code of Corporate Governance.
- 15.3 It was

**RESOLVED** That the Annual Governance Statement 2016/17 be  
**APPROVED.**

The meeting closed at 3:50 pm

## AUDIT COMMITTEE WORK PROGRAMME

### **Addition to 21 September 2017**

- Appointment of External Auditors

### **Deletion from 21 September 2017**

- Corporate Risk Register – moved to 13 December.

### **Committee Date: 13 December 2017**

<b>Agenda Item</b>	<b>Overview of Agenda Item</b>	<b>Lead Officer</b>	<b>Has agenda item previously been deferred? Details and date of deferment required</b>
External Auditors' Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors.	No.
Annual Audit Letter 2016/17	To consider the external auditors' Audit Letter 2016/17.	External Auditors.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Graeme Simpson, Head of Corporate Services.	No.
Monitoring of Gloucestershire Safeguarding Children Board Section 11 Audit	Annual report to give assurance as to the level of the Council's compliance with its safeguarding duty.	Peter Tonge, Head of Community Services.	No.
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Sara Freckleton, Borough Solicitor.	No.

NB – Changes from previous work programme highlighted in bold



Committee Date: 13 December 2017			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Corporate Risk Register	To consider the risk register and the risks contained within it.	Graeme Simpson, Head of Corporate Services.	Yes – deferred pending the review of the Council's overall risk management arrangements.  <i>Further deferred from September as reported at the Audit Committee meeting on 19 July 2017.</i>
Counter Fraud Unit Update	To consider the six monthly update from the Counter Fraud Unit.	Simon Dix, Head of Finance and Asset Management / Emma Cathcart, Counter Fraud Manager.	No.

Committee Date 28 March 2018			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditor's Certification Year End Letter March 2017	To consider the certification year-end letter March 2017.	External Auditors.	No.
External Auditors' Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors.	No.
External Auditors' Audit Plan 2017/18	To consider the external auditors' Audit Plan 2017/18.	External Auditors.	No.
Statement of Accounting Policies	To approve the accounting policies to be used during the 2016/17 closedown.	Emma Harley, Finance Manager.	No.
Critical Judgements and Assumptions Made During the Preparation of the Statement of Accounts	To approve the critical accounting judgements that will be used in completing the 2016/17 annual accounts and to note the key sources of estimation uncertainty.	Emma Harley, Finance Manager.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Graeme Simpson, Head of Corporate Services.	No.
Internal Audit Plan 2018/19	To approve the Internal Audit Plan 2018/19.	Graeme Simpson, Head of Corporate Services.	No.

NB – Changes from previous work programme highlighted in bold

Committee Date 28 March 2018			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Monitoring of Significant Governance Issues	To consider the monitoring report on the Significant Governance Issues identified in the Annual Governance Statement and to review progress against the actions.	Sara Freckleton, Borough Solicitor.	No.

Committee Date: July 2018			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
External Auditors' Audit Findings	To consider the external auditors' Audit Findings 2017/18/	External Auditors.	No.
Letter of Representation	To consider the S151 Officer's Letter of Representation on the closure of the accounts for the year ended 31 March 2018.	Simon Dix, Head of Finance and Asset Management	No.
Statement of Accounts 2017/18	To approve the Statement of Accounts 2016/17.	Simon Dix, Head of Finance and Asset Management.	No.
External Auditors' Fee Letters 2018/19	To consider the external auditors' fee letter in relation to the audit work to be undertaken during 2018/19.	External Auditors.	No.
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Graeme Simpson, Head of Corporate Services.	No.
Internal Audit Annual Report 2017/18	To consider the Internal Audit Annual Report 2016/17 and the assurance from the work undertaken during the year on the level of internal control within the systems audited during the year.	Graeme Simpson, Head of Corporate Services.	No.
Annual Governance Statement 2017/18	To approve the Annual Governance Statement 2017/18.	Sara Freckleton, Borough Solicitor.	No.

Committee Date: July 2018			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
National Fraud Initiative 2017/18	To consider the outcomes of the data matching exercise.	Richard Horton, Head of Revenues and Benefits.	No.
Counter-Fraud Unit Report	To consider the annual update on the work of the Counter Fraud Team.	Simon Dix, Head of Finance and Asset Management / Emma Cathcart, Counter Fraud Manager.	No.

Committee Date: September 2018			
Agenda Item	Overview of Agenda Item	Lead Officer	Has agenda item previously been deferred? Details and date of deferment required
Internal Audit Plan Monitoring Report	To consider the Internal Audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.	Graeme Simpson, Head of Corporate Services.	No.
External Auditors' Progress Report	To consider the external auditors' report on progress against planned outputs.	External Auditors.	No.
Annual Report on Health and Safety Activities	To consider the adequacy of the Council's health and safety arrangements.	Peter Tonge, Head of Community Services.	No.

OTHER ITEMS			
Agenda Item	Overview of Agenda Item	Lead Officer	Comments
Information Governance Audit Progress Report	To consider the progress made in respect of the recommendations arising from the Information Governance audit.	Graeme Simpson, Head of Corporate Services	Limited opinion given (Audit Committee 19 July 2017).
Business Continuity Audit Progress Report	To consider the progress made in respect of the recommendations arising from the Business Continuity audit.	Graeme Simpson, Head of Corporate Services	Limited opinion given (Audit Committee 19 July 2017).
PSIAS Independent Assessment of Internal Audit Function	To consider the outcomes from the independent assessment of the Internal Audit function.	Graeme Simpson, Head of Corporate Services	
Anti-Fraud and Corruption Policy	To recommend the approval of the updated Anti-Fraud and Corruption Policy to the Executive Committee.	Sara Freckleton, Borough Solicitor	Three year review – last considered at Audit Committee on 21 September 2016 and approved by Executive Committee 12 October 2016.  DUE TO GO TO AUDIT COMMITTEE IN SEPTEMBER 2019

## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2017
<b>Subject:</b>	Letter of Representation 2016/17
<b>Report of:</b>	Simon Dix, Head of Finance and Asset Management
<b>Corporate Lead:</b>	Rob Weaver, Deputy Chief Executive
<b>Lead Member:</b>	Cllr R Furolo, Lead Member for Finance and Asset Management
<b>Number of Appendices:</b>	1

### Executive Summary:

Each year, on completion of the audit of the Council's financial statements, the Council is required to submit a Letter of Representation to its external Auditor. Without the letter of representation the Auditor cannot issue an opinion on the Council's accounts.

### Recommendations:

**To APPROVE the Letter of Representation 2016/17.**

### Reasons for Recommendation:

To present, for consideration and approval, the Council's Letter of Representation for 2016/17

### Resource Implications:

None

### Legal Implications:

None

### Risk Management Implications:

If the Letter of Representation is not submitted to Grant Thornton, the auditor will not be able to issue an opinion on the Council's financial statements and the Council will not be able to publish its Statement of Accounts by the statutory deadline of 30 September 2017

### Performance Management Follow-up:

None

### Environmental Implications:

None



## **1.0 INTRODUCTION AND BACKGROUND**

- 1.1** Each year, on completion of the audit of the Council's financial statements, the Chief Finance Officer is required to submit a Letter of Representation to the Council's external auditor. The letter formally and publicly confirms the accuracy and completeness of the presented Statement of Accounts.
- 1.2** The letter sets out assurances from the Council to Grant Thornton that relevant accounting standards have been complied with and gives further assurances that the Council has disclosed information where to withhold it would have undermined the accuracy and reliability of the Statement of Accounts.

## **2.0 LETTER OF REPRESENTATION 2016/17**

- 2.1** A copy of the draft Letter of Representation for 2016/17 is attached at Appendix A. On receipt of the Letter of Representation, the Council's external auditor may formally issue an opinion on the Financial Statements.
- 2.2** The Committee is requested to consider the content of the letter and to approve it for signature by the Chief Finance Officer on behalf of the Council.

## **3.0 OTHER OPTIONS CONSIDERED**

- 3.1** None.

## **4.0 CONSULTATION**

- 4.1** Consultation undertaken with the Audit Committee prior to signing of the letter.

## **5.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

- 5.1** None

## **6.0 RELEVANT GOVERNMENT POLICIES**

- 6.1** None.

## **7.0 RESOURCE IMPLICATIONS (Human/Property)**

- 7.1** None.

## **8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**

- 8.1** None

## **9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**

- 9.1** None

**10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

**10.1** None

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**Background Papers:** None

**Contact Officer:** Simon Dix, Head of Finance and Asset Management  
01684 272005 [Simon.dix@teWKesbury.gov.uk](mailto:Simon.dix@teWKesbury.gov.uk)

**Appendices:** Appendix A – Letter of Representation 2016-17

## Deputy Chief Executive's Unit

Rachel North  
Deputy Chief Executive

## Appendix A



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Our Ref: SD/Audit 17  
Email: [simon.dix@teWKesbury.gov.uk](mailto:simon.dix@teWKesbury.gov.uk)

21 September 2017

Dear Sirs

### Tewkesbury Borough Council

#### Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the financial statements of Tewkesbury Borough Council for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

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

#### Financial Statements

- i We have fulfilled our responsibilities for the preparation of the 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 2016/17 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi 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. There are no other material judgements that need to be disclosed.

- vii 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.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme 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.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for the misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii The financial statements are free of material misstatements, including omissions.
- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

## **Information Provided**

- xvi We have provided you with:
  - a access to all information of which we are aware that is relevant to the preparation of the 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 unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvii We have communicated to you all deficiencies in internal control of which management is aware.
- xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix 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.



- xx We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
  - 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.
- xxi We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxii 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.
- xxiii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv 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**

- xxv 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 Statement**

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

### **Approval**

The approval of this letter of representation was minuted by Tewkesbury Borough Council's Audit Committee at its meeting on 21<sup>st</sup> September 2017.

Signed on behalf of the Council

Simon Dix

Head of Finance & Asset Management

21<sup>st</sup> September 2017



# The Audit Findings for Tewkesbury Borough Council

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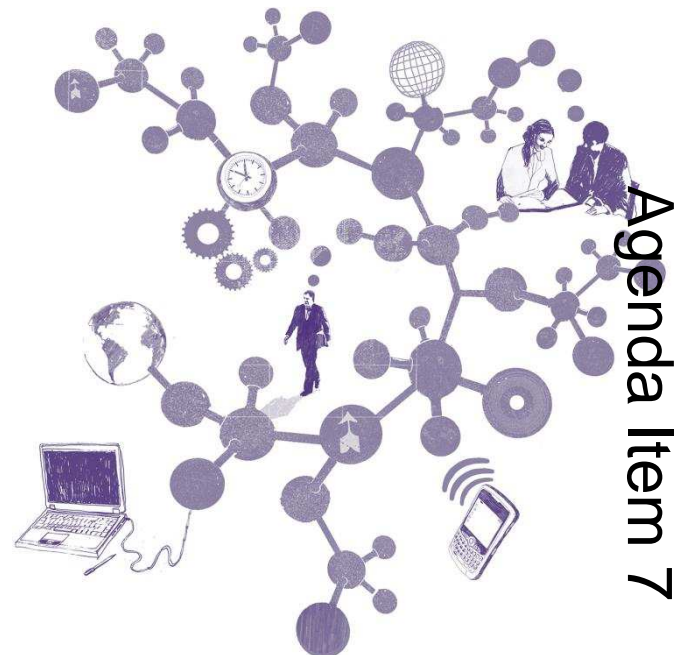
**Year ended 31 March 2017**

21 September 2017

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Agenda Item 7

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21 September 2017

Dear Members of the Audit Committee

**Audit Findings for Tewkesbury Borough Council for the year ending 31 March 2017**

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Tewkesbury Borough Council, the Audit Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), 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.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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

Yours sincerely

Julie Masci  
Engagement Lead

**Chartered Accountants**

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4. Fees, non-audit services and independence	29
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## Appendices

- A Action plan
- B Audit opinion



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# Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

## Purpose of this report

This report highlights the key issues affecting the results of Tewkesbury Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 13 March 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Receipt of independent confirmation of investment balances with 4 institutions
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- review of revised version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

## Key audit and financial reporting issues

### Financial statements opinion

We have not identified any adjustments affecting the Council's reported financial position (details are recorded in section two of this report). The audited financial statements for the year ended 31 March 2017 recorded net expenditure of £9,263k, which is unchanged from the draft version submitted for audit.

We have recommended a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- the draft statements were presented for audit on 31 May 2017. The Council has achieved the revised statutory deadline a year early and it is, therefore, well placed to meet the requirement under the regulations for approval by 31 May in the 2017/18 financial year;
- the draft financial statements were free from material error and supported by good quality working papers;
- issues identified in prior years had been fully addressed and no further issues in these areas were noted; and
- we received timely responses to our queries.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

### Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the

Annual Governance Statement and Narrative Report are misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

## Controls

### Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

## Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

## **Value for Money**

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We have made a small number of recommendations where the Council could further enhance its financial and governance arrangements.

Further details of our work on Value for Money are set out in section three of this report.

## **Other statutory powers and duties**

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

## **Grant certification**

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to Audit Committee in early 2018.

## **The way forward**

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance and Asset Management.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Head of Finance and Asset Management and the finance team.

## **Acknowledgement**

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

**Grant Thornton UK LLP**  
September 2017

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# Section 2:    Audit findings

01.	Executive summary
02.	Audit findings
03.	Value for Money
04.	Fees, non audit services and independence
05.	Communication of audit matters

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £707k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £35k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

35

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000
Disclosures of auditor's remuneration in notes to the financial statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

# Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>36</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Tewkesbury Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"><li>• there is little incentive to manipulate revenue recognition</li><li>• opportunities to manipulate revenue recognition are very limited</li><li>• The culture and ethical frameworks of local authorities, including Tewkesbury Borough Council, mean that all forms of fraud are seen as unacceptable.</li></ul> <p>Therefore we do not consider this to be a significant risk for Tewkesbury Borough Council.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Work performed:</p> <ul style="list-style-type: none"><li>• review of entity controls</li><li>• testing of journal entries</li><li>• review of accounting estimates, judgements and decisions made by management</li><li>• review of unusual significant transactions.</li></ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

# Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>The expenditure cycle includes fraudulent transactions</b></p> <p>Practice Note 10 requires us to consider the risk of material misstatement due to fraudulent financial reporting that may arise from manipulation of expenditure recognition, especially where the body is required to meet targets. For your Council, we have concluded that the greatest risk of material misstatement relates to the completeness of operating expenses and creditor balances.</p>	<p>We have considered this risk and have concluded that there is no significant risk of fraud because:</p> <ul style="list-style-type: none"> <li>• there is careful monitoring of spend; and</li> <li>• there is no incentive for management to manipulate the financial position.</li> </ul> <p>In addition, of your 2016/17 budgeted expenditure:</p> <ul style="list-style-type: none"> <li>• 15% relates to employee remuneration, which is addressed by our procedure in response to the identified risk in this area; and</li> <li>• 85% relates to other expenditure which is addressed by our procedures in response to the identified risks in all material areas.</li> </ul> <p>We do not consider this to be a risk to the audit as our experience is that expenditure is well controlled and monitored.</p>	<p>The expenditure percentages have not changed significantly since 2015/16 and our audit work has not identified any issues in respect of expenditure recognition.</p>
<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated.</p> <ul style="list-style-type: none"> <li>• Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements.</li> <li>• Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation.</li> <li>• Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>



# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Employee remuneration</b>	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Employee remuneration accruals understated (Remuneration expenses not correct).</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>trend analysis of payroll expenditure by month to review significant variances.</li> <li>testing of employee remuneration for the financial year.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<b>Operating expenses</b>	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Creditors understated or not recorded in the correct period (Operating expenses understated).</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>testing of operating expenses for the financial year</li> <li>review of unrecorded liabilities and post year end payments to ensure all liabilities identified.</li> <li>review of accruals</li> <li>determine whether liabilities have been recorded in the correct period.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

# Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Changes to the presentation of local authority financial statements</b>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements</li> <li>reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure</li> <li>reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS)</li> <li>tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES</li> <li>tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger</li> <li>tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements</li> <li>reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>	<p>Testing of the restated 2015-16 CIES and the relevant Expenditure and Funding Analysis (EFA) identified a number of issues. These were:</p> <ul style="list-style-type: none"> <li>An adjustment made to the CIES required a matching entry in the EFA which was not completed accurately and required further updating</li> <li>Figures in the expenditure and funding analysis statement did not agree to supporting documentation</li> <li>There was no prior year comparator for the note to the Expenditure and Funding Analysis.</li> <li>The Council had not disclosed that the 2015-16 CIES disclosure is restated on the face of the accounts as per the requirements of the code</li> </ul> <p>There was no overall material misstatement and the Council have made the necessary adjustments to the final accounts for signing.</p>

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.



Accounting area	Summary of policy	Comments	Assessment
40 <b>Revenue recognition</b>	<p>Activity is accounted for in the year that it takes place, not simply when cash payments are received. In particular:</p> <ul style="list-style-type: none"> <li>Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council</li> <li>Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council</li> <li>Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than cash flows fixed or determined by the contract</li> <li>Where revenue has been recognised but cash has not been received a debtor 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 revenue for the income that might not be collected.</li> </ul>	<p>Review of the revenue recognition policies adopted by the Council as part of our audit work identified that:</p> <ul style="list-style-type: none"> <li>Appropriate policies had been used</li> <li>Accounting policies had been adequately disclosed</li> <li>Revenue had been appropriately recognised</li> <li>The policies are in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice.</li> </ul>	 <b>Green</b>
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements: <ul style="list-style-type: none"> <li>Useful life of PPE</li> <li>Revaluations</li> <li>Impairments</li> <li>Accruals</li> <li>Provision for NNDR appeals</li> <li>Other provisions.</li> </ul> </li> </ul>	<p>We have reviewed the accounting areas where the Council has exercised judgement and used estimates. We found that:</p> <ul style="list-style-type: none"> <li>Appropriate policies had been used</li> <li>Accounting policies had been adequately disclosed</li> <li>Areas where judgement had been used were supported by the work of an expert or third party.</li> </ul>	 <b>Green</b>

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- Accounting policy appropriate but scope for improved disclosure

- Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	The Head of Finance and Asset Management, s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	 <b>Green</b>
<b>Other accounting policies</b>  41	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.  A small number of minor amendments were made to the presentation of the accounting policies and notes.	 <b>Green</b>

## Assessment

● Marginal accounting policy which could potentially attract attention from regulators  
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# 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
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee and have not been made aware of any frauds that would have a material impact on the financial statements. 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.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
5. 42	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to the Council's bankers and institutions where the Council has funds invested. This permission was granted and the requests were sent. We have yet to receive confirmation from all third parties confirming balances and alternative procedures have been undertaken.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements. A small number of minor amendments to disclosures were made during the course of the audit.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas. We have not identified any issues we would be required to report by exception in the following areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.</li> </ul>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Work is not required as the Council does not exceed the threshold.</p>

# Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>It was identified that journals over £10,000 are normally reviewed by the finance manager. However, a report is not being produced for Suspense (GLSUSP) journals so these have not been subject to review in line with the Council's requirements.</p> <p>Also, each report for review is produced based on the 'posted to' date rather than 'posted on' date. This means that if a journal was backdated it is not included within this report and therefore not subject to review. We will undertake further work on journals processed at the year end in order to ensure that all journals over £10k are being reviewed.</p>	<p>Extended monthly reporting criteria have been implemented as part of the Monthly Balancing Routines to ensure that all Journals raised each month over £10,000 are reviewed.</p> <p>Year-end procedures are in place that all Journals raised in year over £10,000 are reviewed again by the Finance Manager.</p> <p>Testing of journals undertaken in 2016-17 did not identify any further issues and confirmed that arrangements in place are appropriate.</p>
2. 43	✓	<p>Receipts in advance are made for the subscriptions (as expected) but these are generated based on the payment dates. Substantive testing of a sample of transactions in relation to fees and charges identified that revenue has been incorrectly recognised within the financial year. Revenue has been recognised at the point of payment and not for the period to which it relates. The total value of garden waste as at month 10 is approximately £550k. The recognition at point of payment can cause both an over and understatement and further work will be needed by officers to identify the value of these variances</p>	<p>The calculation of Receipts in Advance in relation to garden waste is an estimation technique based on information available from the financial ledger. The information held in the ledger is not sufficient to identify the renewal date that the payment relates to.</p> <p>To fully allocate receipts to the renewal date would require a significant investment of resources to investigate approximately 15,000 annual payments. To fully allocate all payments would move some of receipts in advance by 1 month and, as it would impact on all periods, the year-end figure would therefore not be significantly different from the current Receipt in Advance figure.</p> <p>The Council is satisfied that the estimation technique used is sufficient to produce materially accurate financial statements, whilst making best use of resources available. To ensure that the reader of the statements is aware of this a disclosure about the estimation technique used in the notes has been made, and states that it is not considered to have a material impact on the financial statements.</p>

## Assessment

- ✓ Action completed
- ✗ Not yet addressed

## Adjusted and Unadjusted misstatements

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

We did not identify and adjusted or unadjusted misstatements in your financial statements.

# Misclassifications 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.

Adjustment type		Value £'000	Account balance	Impact on the financial statements
1	Disclosure	-	CIES	The Council has not disclosed that the 2015-16 CIES disclosure is restated on the face of the accounts as per requirements of the code.
2	Disclosure	-	Note to Expenditure and Funding Analysis	The Council have not included a 2015-16 comparator for the note to the expenditure and funding analysis in line with requirement of the code.
3	Misstatement	136	Financial Instruments	The figure for "Financial assets carried at contract amounts" as disclosed in the draft accounts is incorrect. This is due to a late adjustment which wasn't taken into account within the Financial Instruments disclosure although it is appropriately disclosed elsewhere in the accounts. The variance is £136,435.
4	Disclosure	-	Property, Plant and Equipment	Fair Value movements range for the Golf Club as per disclosure notes is 9-13%. As per the valuer report the range is 10-14%.
5	Disclosure	-	Expenditure and Funding Analysis	The expenditure and funding analysis (EFA) for 2016-17 did not agree to the CIES as there was a change to the disclosure and the order of the services which has not been reflected in the EFA.
6	Disclosure	-	Expenditure and Funding Analysis	2015-16 adjustments between the funding and accounting basis has been incorrectly disclosed and therefore some net expenditure figures are incorrectly disclosed. This has been adjusted within the Expenditure and Funding Analysis.
7	Disclosure	-	General	General amendments including spelling, grammar & syntax and other minor disclosures not disclosed separately.
8	Disclosure	-	Property, Plant and Equipment	A significant number of assets were identified that had £0 balances at the beginning and end of the year – 42 in total. It is not clear what the Council's policy is for identifying which of these assets are still in use.



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## Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out an initial risk assessment in January 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 13 March 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

## Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The contract management arrangements in place were appropriate and robust and allowed management to make informed and appropriate decisions in the context of the overall governance framework.
- Reporting to those charged with governance is timely and provides sufficient detail to allow proper and rigorous challenge by properly informed members.
- Information collected and monitored is appropriate and is the most beneficial to the management of the contract to allow proper challenge of poor performance or failure to meet contractual obligations by the supplier.
- Management's willingness to accept Internal Audit findings and act in an appropriate and timely manner to address the key findings going forward.
- The implication of the costs and savings within the framework of the medium term financial strategy and the ongoing savings required as a result of financial pressures within the region.
- The Council posted a small deficit for 2016/17 and has set a balanced budget for 2017/18. The Medium Term Financial Strategy indicates that a balanced budget will be set for 2018/19.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 25 to 29.

## Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our proposed report can be found at Appendix B.

## Recommendations for improvement

We discussed findings arising from our work with management and have agreed the recommendation for improvement as follows.

- The Council should ensure that a robust process exists for management and monitoring of contracts with third parties and, that all financial information is provided on a timely basis to allow identification of potential overspends.

Management's response to these findings can be found in the Action Plan at Appendix A.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>Medium Term Financial Strategy</b></p> <p>The ongoing challenge of meeting the savings outlined by the Chancellor as part of the Autumn Statement continue to put pressures on Local Government finances. The delivery of the Financial Strategy, and associated savings, is currently reliant on the continuation of the New Homes Bonus, ongoing transformational change and increased income from its investment property portfolio through significant capital expenditure. The continued appeal by the Council's largest contribution of business rates further enforces the need to identify alternative methods of achieving its financial position for the future.</p>	<p>We will review the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring these financial risks.</p> <p>We will review the robustness of the Council's financial plans and the extent to which the Council is seeking to identify further income generation opportunities and alternative solutions to mitigate the risk of future cuts in resources and government funding.</p>	<p>The Medium Term Financial Strategy (MTFS) is a key element within the Council's overall strategic planning framework. The Strategy takes a five-year perspective and is reviewed, updated and rolled forward annually to set a framework for how budget pressures and priorities will be managed within the best estimates of available capital and revenue resources.</p> <p>The MTFS contains important strategic planning in a number of areas including the increase of Council Tax and the use of New Homes Bonus. The position of Local Government finance has been uncertain for long period of time and successive MTFS's have tried to outline a medium term plan against this uncertain backdrop.</p> <p>On 8<sup>th</sup> February 2016, the Secretary of State for Communities and Local Government announced the final local government settlement for 2016/17. The announcement included a number of significant proposals to be delivered over the life of the Spending Review Period. The settlement also included 'illustrative' core government grant settlements for each financial year up to 2019/20. This confirms the phasing out of RSG and the illustrative figures project a further reduction in government funding of £723,000 over the next three years before small increases at the latter end.</p> <p>As in previous years it is clear that the reduction in core funding will need to be covered by greater income generation although it should be noted that the agreed RSG funding is continuing a year further than previous iterations. From conversation with management it is clear that there is a tendency towards being prudent and that some forecasts are deliberately pessimistic in order to allow for the 'worst case' scenario.</p> <p>The spending review introduced a number of changes to the New Homes Bonus (NHB) policy and the amount of funding that reduced the payments for occupied new homes from the current six years to five for 2017/18 and then four from 2018/19 onwards. The payments only start once the Council exceeds growth of more than 0.4% of their baseline. The baseline has now been set and has resulted in a reduction of forecast income by approximately £160k. It is anticipated by management that this reduction will increase in future years and processes have been put in place to review this on an ongoing basis.</p>

## Key findings

Significant risk	Work to address	Findings and conclusions
<p><b>Medium Term Financial Strategy</b></p> <p><b>Continued</b></p> <p>50</p>		<p>Funding for the Council shows a continual decline until 2020/21 when the funding increases again. The Council has previously agreed to cap the level of general support to the base budget at 65% of NHB receipts. Given the increasing pressure on the budget it has been recommended that this policy is relaxed and a strategy to increase base budget support by £200,000 per annum over the next five years would see an extra £1 million invested in protecting current service levels.</p> <p>The Medium Term Financial Strategy (MTFS) has been rolled forward and covers the period 2017/18 to 2021/22. A balanced budget has been set for 2017/18 and the Council has a good record of setting and achieving balanced budgets over the past number of years although this is caveated through the number of one off savings and revenue receipts that have been received although the opportunities for greater income generation is diminishing.</p> <p>There is a continued reliance on new homes bonus income which accounts for 8.7% of the total income, a reduction from previous years, and is used to fund programmes that otherwise would not be undertaken. The continued review of this funding stream, and potential changes to it, leaves the Council vulnerable to income shortfalls and failure to produce a break even or surplus position in future financial years.</p> <p>The Council has undertaken an extensive process for identifying savings and has looked at opportunities for further income generation. The exercise undertaken will require further review to ensure that potential savings are realised and there are concerns that savings for 2017/18 are predicated on an excessive use of reserves, as a result of £750k inputs into waste services. This is politically sensitive and will cause funding pressures further down through the process although pressures are not as significant in future years. It is noted, from reviews in prior years, that the Council has a track record of achieving savings targets.</p> <p>It is considered that the Council has robust processes in place for identifying and achieving short term savings, identified through the Medium Term Financial and that the requirements of savings programmes driven by central government will be met. On this basis we conclude that the risk has been sufficiently mitigated and that the Council has proper arrangements in place. We will continue to keep this under review.</p>

## Key findings

Significant risk	Work to address	Findings and conclusions
<p><b>UBICO Contract Monitoring</b></p> <p>The UBICO contract represents a significant source of expenditure for the Council and current contract monitoring arrangements are considered inadequate. A recent internal audit review has highlighted that, with the exception of the financial review undertaken by Financial Services, quarterly budget monitoring is not undertaken for significant part of the contract service and key performance indicators are neither monitored or enforced. There is a risk that the Council will fail to identify increasing costs or potentially fraudulent transactions and that the contract requirements are not being enforced.</p>	<p>We will review the contract monitoring processes in place to determine how the Council has established that all costs are appropriate and that services are being provided in line with the requirements of the contract.</p> <p>We will review communication with UBICO to ensure that the Council is working with the service provider to ensure all information is provided and that issues are being appropriately addressed in a timely manner.</p>	<p>As of 1 April 2015 Tewkesbury Borough Council joined the local authority owned company Ubico Ltd, as an equal partner with five other authorities being Cotswold District Council, West Oxfordshire District Council, Forest of Dean District Council, Cheltenham Borough Council and Stroud District Council. Alongside waste and recycling collections the contract also provides for street cleansing and grounds maintenance for the borough.</p> <p>Internal Audit undertook a review of the contract monitoring process in 2016, which we reviewed as part of our process. This identified a number of issues as set out below.</p> <p><b>Arrangements in place at time of Internal Audit Review</b></p> <p>The monitoring of the contract is undertaken at both a financial and performance level. Financial control is done through budget monitoring whilst performance is measured using a number of Key Performance Indicators (KPIs).</p> <p>Performance monitoring is based on six KPIs. These are monitored by the Head of Community Services and reported to the Overview and Scrutiny Committee (O&amp;S). The last report to O&amp;S was in April 2016 and the report noted:</p> <p>'At a meeting of the Overview and Scrutiny Committee in June 2015 it was agreed that a review of the performance of the recently transferred waste services contract be monitored by the Committee on a half yearly basis'</p> <p>A review of subsequent O&amp;S meetings did not identified any further reporting although elements of the contract had been reported.</p> <p>Of the six KPIs outlined in the contract, all six related to Waste Services. This meant there was no meaningful monitoring in the following areas:</p> <ul style="list-style-type: none"> <li>• Trade Waste</li> <li>• Garden Waste</li> <li>• Bring Sites</li> <li>• Bulky Waste</li> <li>• Grounds maintenance</li> <li>• Litter and dog waste bins.</li> </ul>

## Key findings

Significant risk	Work to address	Findings and conclusions
<b>UBICO Contract Monitoring</b>  <b>Continued</b>		<p>Further, of the six as outlined in the contract three were not being properly monitored. At the review by O&amp;S in April 2016 the following indicators were reported:</p> <ul style="list-style-type: none"> <li>• Percentage of household collections completed on schedule</li> <li>• Residual household waste per household</li> <li>• Percentage household waste reused, recycled and composted.</li> </ul> <p>The budget information received was considered to be at a high level and is split at service level. Therefore, the budget has been monitored across areas such as trade and waste, grounds maintenance, garden waste etc. However, there was no further analysis on other services and it was considered that adequate financial monitoring would not be possible. The contract states that; <i>'the provision of detailed financial information for budget monitoring'</i> is the responsibility of Ubico although it does not state what detailed implies.</p> <p>There were some issues with ad-hoc invoices and where the responsibility for those services that have been provided lay. The total of ad-hoc invoices for 2015-16 was £79k which offset the underspend of £92k achieved in the year. The lack of activity monitoring and detailed performance reporting did not provide sufficient evidence or support to these costs. The description within the invoice was not sufficient to ascertain whether the reasoning for the costs were appropriate. It was noted that a number of these invoices were approved by the interim head of service who is no longer at the Council and that no discussion was held with the finance team.</p> <p><b>Update of arrangements as at August 2017</b></p> <p>Overall monitoring of the contract is the responsibility of the Head of Community services which until the end of February was undertaken on an interim basis. Discussion with the Head of Corporate Services and the Head of Finance and Asset management identified that there is a fragmented monitoring process with limited effective communication and no real ownership of the process. This was partly due to knowledge and resource gaps and partly due to lack of permanent service lead.</p> <p>It is clear from review of performance management information and discussion by officers that contract monitoring of the Ubico contract is an issue. Discussion of the Ubico contract has been held once in 12 months by O&amp;S who have overall responsibility for monitoring the contract and financial information provided is high level, limited and not adequately discussed.</p>

## Key findings

Significant risk	Work to address	Findings and conclusions
<b>UBICO Contract Monitoring</b>  <b>Continued</b>		<p>Assurance is too readily taken from monitoring against the total value of the contract and whether this has been achieved or not. This means that the Council are not considering value for money from the contract and whether they are receiving the service that they are paying. It is noted that the overall budget has been met and that the service has delivered a surplus for the past two years against a loss when provided in house.</p> <p>In response to the issues outlined the Council have put a number of processes in place to address the key risks. In discussion with the Head of Community Services and Head of Finance and Asset Management the following arrangements are in place or being reviewed:</p> <ul style="list-style-type: none"> <li>• A permanent Head of Community Services has been appointed with overall service responsibility</li> <li>• a half yearly report will be provided to O&amp;S. This is due to commence from September 2017 and will include review of the annual report.</li> <li>• A review of KPIs is currently being undertaken by the Joint Waste Team to identify those that will be of best use for contract monitoring purposes.</li> <li>• Controls have been put in place to closely monitor ad-hoc payments which are now approved by the Head of Community Services. This has also allowed for better horizon scanning of future costs and planning is in place for when fleet requires replacement</li> <li>• Discussions are being held with Ubico to identify costs associated with future house building in the area and these costs are being built into future cost projections.</li> <li>• The Ubico contract is standing item in Senior Management Team meetings.</li> <li>• Resources made available to recruit a dedicated Grounds Maintenance &amp; Fleet Client Officer</li> <li>• Improved financial information</li> <li>• Senior appointments at Ubico including the Managing Director and Senior Operations Manager</li> </ul> <p>The above alongside the progress against audit recommendations, and discussion with management, provide assurance that risks have been sufficiently mitigated. On this basis we conclude that the risk has been sufficiently mitigated and that the Council has proper arrangements in place. We will continue to keep this under review.</p>

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**Significant difficulties in undertaking our work**

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

**Significant matters discussed with management**

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

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## Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

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

## Fees

	Proposed fee £	Final fee £
Council audit	44,921	44,921
Grant certification	9,110	TBC
<b>Total audit fees (excluding VAT)</b>	<b>54,031</b>	<b>TBC</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

## Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'. We will report to you our final fees in relation to this work through our annual audit letter once this has been completed in November 2017.

## Independence and ethics

- Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:
- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

**Respective responsibilities**

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

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# Appendices

- A. Action Plan
- B. Audit Opinion

# A. Action plan

## Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	The Council should ensure that a robust process exists for management and monitoring of the UBICO contract with third parties and, that all financial information is provided on a timely basis to allow identification of potential overspends.	Medium	The extent and timeliness of financial management information was discussed at a meeting between the Council's Chief Financial Officer and the Managing Director of Ubico in early January. Agreement was reached as to the detail required and the timescales for the quarterly provision of information and this will be implemented for the first quarter reporting of 2017/18. Financial Services will continue to support client officers in understanding and challenging the information and variance analysis provided.	July 2017 – Head of Community Services / Head of Finance & Asset Management
2	The Council should ensure that the Corporate Risk Register is reviewed on a regular and timely basis to ensure that all risks identified are relevant and appropriate to the Council.	Medium	A review of the council's overall risk management arrangements will be undertaken to ensure the Corporate risk register reflects current risks to the Council. Following this, quarterly reviews of the register will be undertaken by the Corporate Governance Group, Management Team and Audit Committee. This is a programmed action within the Corporate Services 2017/18 service plan.	September 2017 – Head of Corporate Services
3	Where restatements and adjustments to the accounts are required, as a result of code changes, the Council should ensure that sufficient time is allowed for final checks to ensure accuracy and, that any adjustments are considered within the notes to the accounts as well as within the primary statements.	Low	Management will ensure that time is allowed within the closedown timetable to enable a robust review of the Statements to ensure that they conform to all requirements and have been calculated accurately.	February 2018 – Financial Services Manager

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# B: Audit opinion

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEWKESBURY BOROUGH COUNCIL

We have audited the financial statements of Tewkesbury Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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.

### Respective responsibilities of the Head of Finance and Asset Management and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance and Asset Management 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have

been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Asset Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

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

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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



### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Respective responsibilities of the Authority and auditor**

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.

We are required under Section 20(1)(c) of the Act 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.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

#### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### **Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

[Signature]

Julie Masci  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT

21 September 2017



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<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2017
<b>Subject:</b>	Statement of Accounts 2016/17
<b>Report of:</b>	Simon Dix, Head of Finance and Asset Management
<b>Corporate Lead:</b>	Rob Weaver, Deputy Chief Executive
<b>Lead Member:</b>	Cllr R Furolo, Lead Member for Finance and Asset Management
<b>Number of Appendices:</b>	1

**Executive Summary:**

The Statement of Accounts for 2016/17 shows the financial position of the Council as at 31 March 2017 as well as the performance during the year. It is a statutory requirement to publish the accounts, with the audit certificate and opinion, no later than 30 September 2017.

This year (in anticipation of next year's earlier closedown) the draft accounts were produced by 31 May 2017.

This year saw working balances remain at £450,000 and a net worth increase from £8.9M to £9.9M.

**Recommendation:**

**To approve the Statement of Accounts 2016/17**

**Reasons for Recommendation:**

It is a statutory duty for the Council to adopt the Statement of Accounts.

**Resource Implications:**

Revenue and Capital balances as detailed within the report.

**Legal Implications:**

The process and schedule for approval of the Statement of Accounts are regulated by the "Accounts and Audit (England) Regulations 2011 SI 2011 No 817".

**Risk Management Implications:**

None

**Performance Management Follow-up:**

None

**Environmental Implications:**

None.

**1.0 INTRODUCTION/BACKGROUND**

- 1.1** The attached Statement of Accounts is a statutory document produced to demonstrate the Council's financial position at the end of the financial year i.e. 31 March. As per the revised Accounts and Audit (England) Regulations 2011 guidelines, approval of the accounts is now made by the Section 151 Officer by 30 June. The accounts are then audited and amended, if necessary, before the Section 151 Officer signs the accounts again. These accounts are then approved by the Audit Committee and are signed-off by the Chair by the 30 September.
- 1.2** From next year these deadlines are brought forward and we used this year as a practice run. We successfully prepared our accounts a month early (31 May) which gives us the confidence that we will successfully hit the revised deadlines in 2018.
- 1.3** The accounts must be prepared in accordance with "The Code of Practice on Local Authority Accounting in the United Kingdom 2016-17" ("the Code") published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.4** The audit findings report once again shows no material misstatements and only a few minor misclassifications and disclosure changes. This excellent achievement was down to the hard work and dedication of the Finance team.
- 1.5** The Committee is asked to review the content of the Statement of Accounts, in line with the information contained in the report, and approve them for publication in line with the Accounts and Audit Regulations 2011.

## 2.0 REVIEW OF THE STATEMENT OF ACCOUNTS

### 2.1 Income and Expenditure

2.1.1 Working balances have remained at £450,000 as a result of the following activity during the year.

2.1.2 The Council overspent against its net budget by £87,000 in the year which can be shown below:

	Full Year Budget £	Outturn Position £	Underspend /(overspend) £	Budget Variance %
Employees	8,272,891	8,299,005	(26,114)	0.32%
Premises	533,016	512,284	20,732	3.89%
Transport	145,429	145,420	9	0.01%
Supplies & Services	1,964,021	2,209,784	(245,763)	12.51%
Payments to Third Parties	4,868,880	5,700,286	(831,406)	17.08%
Transfer Payments	18,989,000	19,086,044	(97,044)	0.51%
Income	(24,899,695)	(26,288,864)	1,389,169	5.58%
<b>Total</b>	<b>9,873,542</b>	<b>9,663,960</b>	<b>209,582</b>	<b>2.12%</b>
Commercial & Treasury activity	(250,547)	(409,712)	159,165	63.53%
Corporate Savings Targets	(80,500)	0	(80,500)	100.00%
New Homes Bonus	47,407	47,407	0	0.00%
Business Rates Income	(260,000)	114,767	(374,767)	144.14%
<b>Total</b>	<b>9,329,902</b>	<b>9,416,422</b>	<b>(86,520)</b>	<b>0.93%</b>

## **2.2 Variance Analysis**

- 2.2.1** The employees' full year budget is overspent largely as a result of the requirement to bring in interim staff to cover vacancies and sickness along with provision for termination payments made as part of the management restructure.
- 2.2.2** Supplies and services overspend is in relation to the expenditure associated with running Elections and Referendum on behalf of central government. This expenditure was unbudgeted for at the start of the year but corresponding additional income has been received to finance the expenditure.
- 2.2.3** Payments to third parties is significantly overspent for the following reasons:
- disbursements incurred by One Legal - this accounts for £194,000 of the overspend, however, all these amounts have been recovered from the client Councils and is shown in the income figure;
  - Planning appeal costs; and
  - expenditure on Tewkesbury Town Centre and the new leisure centre funded from other sources e.g. planning obligations.
- 2.2.4** Transfer payments relate to the Council's activities in relation to the administration of housing benefit on behalf of central government. The outturn position shows a small increase in the quantum of housing benefit paid out during the year to claimants across the Borough but is offset by additional income through the housing benefit subsidy.
- 2.2.5** Income targets have far exceeded expectations during the year. External income to offset new Council expenditure - such as the Referendum, legal disbursements, planning obligations and increased benefit payments - has boosted the overall position. This has been helped by solid income streams in a number of areas whilst improved recovery of housing benefit subsidy has had a major impact.
- 2.2.6** Commercial and treasury income was boosted by the acquisition of a commercial investment property in Tewkesbury. Additional net income was received in the last quarter.
- 2.2.7** Business rates suffered from a large amount of successful appeals and as a result we ended up in a safety net position leading to a £375,000 deficit against budget.
- 2.2.8** The reductions in overall revenue reserves totals £1.79M and can largely be attributed to the movement on the business rates reserve which is a technical reserve held for timing differences between collection of business rates and payments of central share to the government.

## **2.3 Balance Sheet**

- 2.3.1** The total net worth of the Council, the aggregate value of all of the assets and liabilities in the balance sheet, has increased from £8.9M to £9.9M.

**2.3.2** The increase in net worth is summarised in the Movement in Reserves Statement and there are a number of movements which contribute to this, including:-

- an increase of £21M on Long Term Assets which was mostly down to the £15M expenditure on the new investment property;
- an increase of £20m in current liabilities, mainly due to the use of monies to fund the investment property purchase;
- total provisions have increased from £2.059M to £3.45M due to an increase in the business rate appeals provision;
- other adjustments include a reduction in the Capital Receipts Reserve of £2.55M as the Council pays the final amounts for the building of the new leisure centre as well as £2.7M for new refuse and recycling vehicles; and
- the pension deficit also increased by £2.85M due mainly to a decrease in the net discount rate over this period which increases the value of any liabilities.

## **2.4 Collection Fund Balances**

**2.4.1** The balance on the Collection Fund for Council Tax at the year-end was a surplus of £1.341M.

**2.4.2** Any balance on the Council Tax Fund will be redistributed amongst the precepting bodies of Gloucestershire County Council, Gloucestershire Police and ourselves, based on a proportion of the total precept demand from each body. £640,000 has already been allocated, based on an estimate of the outturn position in January 2017. The remaining balance of £701,000 will be incorporated in to the 2016/17 estimate of outturn in January 2018.

**2.4.3** The balance on the Collection Fund for Business rates at the year-end was a deficit of (£3.866M).

**2.4.4** This is due to collecting less than estimated before the start of the financial year and also set aside of funds to cover future appeals. Payments are set out before the start of the year. The deficit is allocated to the relevant bodies of Central Government (50%), Tewkesbury (40%) and Gloucestershire County (10%).

## **2.5 Capital Resources**

**2.5.1** The table below sets out the Council's capital resources at 31 March 2017. The total balance is £3.279M including capital grants. However, after allowing for commitments of £5.156M the unallocated budget available for new capital projects is £500,000.

	<b>Usable Capital Receipts (£'000)</b>	<b>Capital Grants (£'000)</b>	<b>Total (£'000)</b>
Balance at 31/03/17	3,107	172	3,279
Capital Commitments - next 5 years	1,607	172	1,779
Balance Available	1,500	0	1,500

- 2.5.2** Expenditure on capital projects was £19M in 2016/17 and included £15M on an investment property, £2.7M on new waste and recycling vehicles, £285,000 on community grants and the final £231,000 on the new leisure centre.
- 2.5.3** The Council has borrowed for the first time this year (to fund the £15M investment property) and only in the short term as rates are so low. At the end of the financial year we were borrowing £15M at around 0.4% p.a.
- 3.0 OTHER OPTIONS CONSIDERED**
- 3.1** The Committee can amend the accounts, if required, or not approve them (which would contravene the Accounts and Audit (England) Regulations 2011).
- 4.0 CONSULTATION**
- 4.1** The accounts and supporting documents were available for inspection by any person from 5 June to 14 July 2017; however, no one exercised these rights. The auditor was available during this period to receive questions and objections relating to the accounts from local electors. These opportunities were placed on the Council's website.
- 5.0 ANNUAL GOVERNANCE STATEMENT**
- 5.1** The draft Annual Governance Statement was approved by the Audit Committee at its meeting on 19 July 2017 with no changes being required. The Statement was subject to review by the Council's external auditors to give assurance that it has been produced in compliance with guidance. No amendments have been required and therefore it has been signed off by the Leader of the Council and the Chief Executive and not re-presented to support the Statement of Accounts.
- 6.0 RELEVANT COUNCIL POLICIES/STRATEGIES**
- 6.1** The control and good management of financial resources is essential in order to effectively deliver the Council's priorities.
- 7.0 RELEVANT GOVERNMENT POLICIES**
- 7.1** The Accounts and Audit (England) Regulations 2011
- 8.0 RESOURCE IMPLICATIONS (Human/Property)**
- 8.1** None
- 9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**
- 9.1** None
- 10.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**
- 10.1** The Statement of Accounts is available in a number of different formats depending on the users' needs.



## **11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

- 11.1** Executive Committee on 7 June 2017 approved the inclusion of Earmarked Reserves and the financing of capital expenditure.

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**Background Papers:** None

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**Appendices:** Appendix A – Statement of Accounts



**DRAFT**

**Financial Statements  
for the year ended  
31 March 2017**

**Finance and Asset Management**  
Simon Dix  
Head of Service

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## STATEMENT OF RESPONSIBILITIES

### ***The Council's Responsibilities***

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that
- a. one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance and Asset Management.
- b. Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- c. Approve the financial statements.

### ***The Head of Finance and Asset Management's Responsibilities***

The Head of Finance and Asset Management is responsible for the preparation of the Council's 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 (the Code).

In preparing this financial statements, the Head of Finance and Asset Management has:

- a. Selected suitable accounting policies and then applied them consistently.
- b. Made judgements and estimates that were reasonable and prudent.
- c. Complied with the local authority Code.

The Head of Finance and Asset Management has also:

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

I certify that the financial statements on pages 2 to 84 is the relevant financial statements for the audit certificate and opinion and presents a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31st March 2017.



**S J Dix**

**Head of Finance and Asset Management.**

**Date: 24.05.17**

Signature of the presiding member at the meeting that approves the accounts (Chair of Audit Committee)

**Councillor V Smith**

**Date:**

# Expenditure and Funding Analysis

74	Net Expenditure Chargeable to the General Fund	2015/2016 Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund	2016/2017 Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the CIES
	£'000	£'000	£'000		£'000	£'000	£'000
	234	28	262	Chief Executive Unit	240	20	260
	116	13	129	Deputy Chief Executive Unit	98	8	106
	1,232	133	1,365	Corporate Services	1,242	113	1,355
	1,950	-1,120	830	Finance and Asset	2,575	-1,342	1,233
	263	113	376	One Legal	258	95	353
	740	20	760	Democratic Services	611	10	621
	471	296	767	Development Services	488	381	869
	2,836	1,133	3,969	Community Services	3,319	795	4,114
	486	96	582	Revenues and Benefits	279	73	352
	<b>8,328</b>	<b>712</b>	<b>9,040</b>	<b>Total Cost of Continuing Operations</b>	<b>9,110</b>	<b>153</b>	<b>9,263</b>
	1,673	-198	1,475	Other Operating Expenditure	1,703	-795	908
	-251	865	614	Financing and Investment Income and Expenditure	-517	386	-131
	-9,018	-2,482	-11,500	Taxation and Non-Specific Grant Income and Expenditure	-8,504	-3,210	-11,714
	<b>-7,596</b>	<b>-1,815</b>	<b>-9,411</b>		<b>-7,318</b>	<b>-3,619</b>	<b>-10,937</b>
	<b>732</b>	<b>-1,103</b>	<b>-371</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>1,792</b>	<b>-3,466</b>	<b>-1,674</b>
	<b>10,568</b>			<b>Opening General Fund Balance</b>	<b>9,836</b>		
	<b>-732</b>			<b>Less surplus or (deficit) on General Fund Balance in year</b>	<b>-1,792</b>		
	<b>9,836</b>			<b>Closing General Fund Balance at 31 March</b>	<b>8,044</b>		
				<b>Closing Balance made up of</b>			
	<b>450</b>			<b>General Fund Balance</b>	<b>450</b>		
	<b>9,386</b>			<b>Earmarked Reserve (see note 10)</b>	<b>7,594</b>		
	<b>9,836</b>				<b>8,044</b>		

## COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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# MOVEMENT IN RESERVES STATEMENT

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	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Movement in reserves during 2016/2017</b>							
<b>Balance at 1 April 2016 brought forward</b>	<b>450</b>	<b>9,386</b>	<b>5,658</b>	<b>26</b>	<b>15,520</b>	<b>-6,620</b>	<b>8,900</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	1,674	0	0	0	1,674	-645	1,029
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 9)</b>	-3,466	0	-2,551	146	-5,871	5,871	0
<b>Increase/Decrease (movement) in Year</b>	<b>-1,792</b>	<b>0</b>	<b>-2,551</b>	<b>146</b>	<b>-4,197</b>	<b>5,226</b>	<b>1,029</b>
<b>Transfers to/from Earmarked Reserves (Note 10)</b>	1,792	-1,792	0	0	0	0	0
<b>Balance at 31 March 2017 carried forward</b>	<b>450</b>	<b>7,594</b>	<b>3,107</b>	<b>172</b>	<b>11,323</b>	<b>-1,394</b>	<b>9,929</b>

**MOVEMENT IN RESERVES STATEMENT (continued)**

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Movement in reserves during 2015/2016</b>							
<b>Balance at 1 April 2015 brought forward</b>	<b>450</b>	<b>10,118</b>	<b>12,331</b>	<b>54</b>	<b>22,953</b>	<b>-21,084</b>	<b>1,869</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	371	0	0	0	371	6,660	7,031
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 9)</b>	-1,103	0	-6,673	-28	-7,804	7,804	0
<b>Increase/Decrease (movement) in Year</b>	<b>-732</b>	<b>0</b>	<b>-6,673</b>	<b>-28</b>	<b>-7,433</b>	<b>14,464</b>	<b>7,031</b>
<b>Transfers to/from Earmarked Reserves (Note 10)</b>	732	-732	0	0	0	0	0
<b>Balance at 31 March 2016 carried forward</b>	<b>450</b>	<b>9,386</b>	<b>5,658</b>	<b>26</b>	<b>15,520</b>	<b>-6,620</b>	<b>8,900</b>

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# BALANCE SHEET

31/03/2016 £'000		Notes	31/03/2017 £'000
	<b>Property, Plant &amp; Equipment</b>		
13,151	Other Land & Buildings	14	22,652
197	Infrastructure Assets	14	233
359	Vehicles, Plant, Furniture & Equipment		2,752
23	Community Assets	14	22
7,370	Assets Under Construction	14	5
<b>21,100</b>			<b>25,664</b>
3,533	Investment Property	16	19,552
218	Heritage Assets	15	218
308	Intangible Assets		259
<b>25,159</b>			<b>45,693</b>
19	Long Term Debtors		411
<b>25,178</b>	<b>Total Long Term Assets</b>		<b>46,104</b>
	<b>Current Assets</b>		
2,007	Short Term Investments	17	6,033
13	Inventories		0
7,723	Short Term Debtors	18	2,879
6,081	Cash & Cash Equivalents	19	10,863
<b>15,824</b>	<b>Current Assets</b>		<b>19,775</b>
	<b>Current Liabilities</b>		
2	Short Term Borrowing	17	15,015
2,188	Short term Creditors	20	6,734
1,042	Provisions	21	1,506
<b>3,232</b>	<b>Current Liabilities</b>		<b>23,255</b>
37,770	<b>Total Assets Less Current Liabilities</b>		42,624
	<b>Long-Term Liabilities</b>		
1,017	Provisions	21	1,947
27,853	Net Pensions Liability	23.3	30,748
<b>28,870</b>	<b>Long-Term Liabilities</b>		<b>32,695</b>
<b>8,900</b>	<b>Net Assets</b>		<b>9,929</b>
450	General Fund Reserve		450
9,386	Earmarked Reserves	10	7,594
5,658	Capital Receipts Reserve		3,107
26	Capital Grants Unapplied		172
<b>15,520</b>	<b>Usable Reserves</b>	22	<b>11,323</b>
4,866	Revaluation Reserve	23.1	7,242
-27,853	Pensions Reserve	23.3	-30,704
20,514	Capital Adjustment Account	23.2	23,533
18	Deferred Capital Receipts		8
48	Financial Instruments Adjustment Account		24
-4,118	Collection Fund Adjustment Accounts	23.4	-1,405
-88	Short-term Accumulating Compensated Absences Account		-90
-7	Available for sale Adjustment Account		-2
<b>-6,620</b>	<b>Unusable Reserves</b>		<b>-1,394</b>
<b>8,900</b>	<b>Total Reserves</b>		<b>9,929</b>

# CASH FLOW STATEMENT

2015/2016		Note	2016/2017
			£'000
-371	Net (surplus) or deficit on the provision of services		-1,674
-842	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	-4,793
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		0
<b>-1,213</b>	<b>Net cash flows from Operating Activities</b>		<b>-6,467</b>
1,341	Investing Activities	25	23,875
1,524	Financing Activities	26	-22,190
<b>1,652</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>-4,782</b>
-7,733	Cash and cash equivalents at the beginning of the reporting period		-6,081
<b>-6,081</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>-10,863</b>

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## **1. Accounting Policies**

### **1.1 General Principles**

The financial statements summarises the Council's transactions for the 2016/2017 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare annual financial statements by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Finance Act 2003.

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

The Council prepares its financial statements on the basis that it remains a going concern; that assumes that the functions of the Council will continue in operational existence.

### **1.2 Accruals of Expenditure and Income**

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 on the Balance Sheet.
- 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 revenue for the income that might not be collected.

### **1.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that can be 'called' within 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

## **1.4 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 Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **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 or, where applicable, to the Non Distributed Costs line in 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 pensioner 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 Pensions 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.

### **Post Employment Benefits**

Employees of the Council are members of the Local Government Pensions Scheme administered by Gloucestershire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

#### *The Local Government Pension Scheme*

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

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

## Post Employment Benefits (continued)

- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (set by the actuary)
- The assets of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet at their bid value as required by IAS 19.

The change in the net pensions liability is analysed into several 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 arising from current year decisions 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 as part of Non Distributed Costs

- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) 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 (asset) – 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 appropriations to and from the Pensions 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. However, the Council has a policy not to allow this.

### **1.5 Events After the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements 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 financial statements are adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the financial statements are not adjusted to reflect such events, but where 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 financial statements.

### **1.6 Financial Instruments**

#### **Financial Liabilities**

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 are 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.

For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid or ten years (whichever is the lesser). 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.

## **1.6 Financial Instruments (continued)**

### **Financial Assets**

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale-assets - assets that have quoted market price and/or do not have fixed or determinable payments.

### **Loans and Receivables**

Loans and receivables 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. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Only investments which are not 'callable' within 30 days (and would incur penalties for early withdrawal) and are due within 12 months would be classified as short-term investments. All others are classified as cash equivalents (see policy 1.3).

### **Available-for-sale Assets**

Available-for-sale assets 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. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

## **Available-for-sale Assets (continued)**

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).



## 1.7 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 acquired using 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 (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

The policy of this Council is to recognise all grants straight away in the Comprehensive Income and Expenditure Account unless there are conditions attached to the grant that require repayment and the Council believes this is more than likely to occur based on previous experience.

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.

## 1.8 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) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

## **1.8 Intangible Assets (continued)**

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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.

## **1.9 Interests in Companies and Other Entities**

The Council does not have any material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and would require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

## **1.10 Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO (first in, first out) costing formula.

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

## **1.11 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.

### **1.11 Investment Property (continued)**

Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure Account 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 and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **1.12 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).

## 1.12 Leases (continued)

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

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

### *Operating Leases*

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

## **The Council as Lessor**

### *Finance Leases*

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. 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.

## 1.12 Leases (continued)

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

### *Operating Leases*

Where the 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 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 or a rent free period). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## 1.13 Non-Current Assets Held for Sale and Disposals

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 losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

To be classed as 'held for sale' the following criteria must be met:

- The asset is available for immediate sale in the present condition subject to terms that are usual and customary for such assets;
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- The asset must be actively marketed for a sale at a price that is reasonable in relation to the current value;
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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.

### **1.13 Non-Current Assets Held for Sale and Disposals (continued)**

#### **Disposals**

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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to 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 fixed 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.

### **1.14 Overheads and Support Services**

The costs of overheads and support services are not shown within the service segments in the Comprehensive Income and Expenditure Account as we do not report this in our management reports throughout the year. Therefore the full cost principles detailed in the CIPFA *Service Reporting Code of Practice 2016/2017* (SERCOP) are no longer used within the financial statements.

### **1.15 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless 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.

## 1.16 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 yields benefits to the Council and the services that it provides are for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

### Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition at its current location for its intended use, including the purchase price and any dismantling and removal costs.

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:

Current Value (Existing Use)	<ul style="list-style-type: none"><li>• Where there is no market-based evidence of fair value because of the specialist nature of an asset, it is an estimate of the amount that would be paid for the asset in its existing use;</li><li>• Includes assets held such as car parks, properties and offices.</li></ul>
Depreciated Replacement Cost	<ul style="list-style-type: none"><li>• Represents the current cost of replacing an asset with its modern equivalent less deductions for physical deterioration and all relevant forms of obsolescence</li><li>• Includes assets held such as cemetery and theatre.</li></ul>
Market Value	<ul style="list-style-type: none"><li>• Items which are not held primarily for delivery of council services and which are valued at the price that would be received to sell an asset in on the open market;</li><li>• Includes investment properties.</li></ul>
Depreciated historic cost	<ul style="list-style-type: none"><li>• Represents the cost of bringing the asset into operational use less an adjustment for depreciation. Used where a reliable estimate of its current fair value can not be made;</li><li>• Infrastructure, community assets and assets under construction.</li></ul>

Where the Council recognises non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

## **1.16 Property, Plant and Equipment (continued)**

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. The council has a policy to revalue all its assets at year end to ensure their current value is reflected in the financial statements. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where 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(s) in the Comprehensive Income and Expenditure Statement.

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

The Council operates a de minimis for capital purposes of £10,000 except where a specific government grant has been received or it is an enhancement of an existing asset.

### **Impairment**

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

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

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

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



## 1.16 Property, Plant and Equipment (continued)

### 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 a straight line basis over the following time periods:

- Dwellings and other buildings
  - the useful economic life (UEL) of the property as estimated by the valuer;
  - Car parks have an estimated UEL of 19 years.
  - Other assets have an estimated UEL of between 40 - 50 years
- Vehicles, plant, furniture and equipment
  - 5 to 7 years, which is deemed an reasonable estimation of the UEL of these types of assets;
- Infrastructure
  - over the UEL of the individual assets as estimated by the valuer or Project Officer.
  - These assets have an estimated UEL of between 30 - 60 years
- Specialist equipment
  - depreciated over the useful economic life (UEL) of the asset as estimated by a suitably qualified person.
  - solar panels are being depreciated over 25 years

Revaluation gains are also depreciated. 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.

### Componentisation

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.

The Council has taken the view that 'significant' means:

- The cost of the component is more than 25% of the cost of the asset as a whole; and
- The cost of the component is more than £500,000.

However, if depreciating the single asset as opposed to the separate components will not result in a material misstatement of either depreciation charges or the carrying amount of the asset then componentisation will not be required.

### **1.17 Charges to Revenue for Non-Current Assets**

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

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the 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 either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **1.18 Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. They 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.

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

Where some or all of the payment required to settle a provision is expected to be recovered 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 reliably.

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

## **1.18 Provisions, Contingent Liabilities and Contingent Assets (continued)**

### **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 financial statements.

## **1.19 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account 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 appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets such as, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

## **1.20 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **1.21 VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **1.22 Heritage Assets**

Heritage assets are held by the Council for the objective of contributing to knowledge and culture. The museum exhibits and historical sites are to provide historical understanding and appreciation of the local area and the civic regalia is held for historical and cultural appreciation of the Borough.

Where Heritage Assets have been recognised in the Balance Sheet, the measurement basis (including the treatment of revaluation gains and losses) is in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets, and are accounted for as follows.

The Council does not, normally, purchase heritage assets

Where heritage assets have been donated they are initially carried at cost. Where there is not readily identifiable evidence of cost, the Council will ask an expert (in that field) to provide an estimate of the value of those assets. Where a reliable estimate of value cannot be made (due to unique nature of heritage assets) the Council's policy is to not to disclose a value in the Balance Sheet but to disclose a note in the financial statements to explain the assets held.

Subsequently to initial disclosure, the Council uses insurance valuations of the assets as an estimation of the carrying value of these assets. Our Insurance schedule is updated annually and the officer responsible for the assets held assesses whether this valuation is adequate.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

The Council does not, normally, dispose of heritage assets but if the event occurred the proceeds would be accounted for in line with the general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

## **1.23 Council tax and Non-Domestic rates (NDR)**

Billing authorities like Tewkesbury Borough Council 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. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be more or less than predicted.

The council tax and business rates (NNDR) income recognised in the Comprehensive Income and Expenditure Account is the Council's share of accrued council tax and business rates recognised in the Collection Fund.

### **1.23 Council tax and Non-Domestic rates (NDR) (continued)**

The transactions contained within the Collection Fund are prescribed by legislation and we (as a billing authority) have no discretion to deviate from this at all.

This means:

- the transactions included within the Collection Fund are limited to cash flows (as statute dictates) whereas the income is recognised on a full accruals basis in the Comprehensive income and Expenditure statement (including our share of the year's surplus or deficit on the Collection Fund whereas in reality this is distributed in the following year).
- the year end surplus/deficit on the Collection Fund is based on estimates made in January.

The difference between the Collection Fund figures and those required in the financial statements are taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

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

### **2. Accounting Standards Issued, Not Adopted**

There are no accounting standards issued but not yet adopted that would have a material impact on the information presented in the 2016/2017 financial statements.

### 3. Critical Judgements in Applying Accounting Policy

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the financial statements are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision and we believe we will remain a going concern into the future.
- The Council has the right to appoint the majority of delegates on the board of the Tewkesbury Swimming Bath Trust (Swimming Bath Trust) and as management agents has control over the financial and operating policies of the pool. Also, the Council deficit funds the operations of the pool, which was £210k in the period 01/04/15-31/08/16. It has been determined that the Council has control of the Trust and should be treated as a subsidiary. However, due to the value of the leisure centre being revalued to nil in 2014/2015 the Council have decided not to prepare group accounts on the basis of immateriality. The Trust has submitted its final accounts to the Charity Commission and is in the process of being wound up so this will be the last year it is included within our accounts.
- The Council's former insurers Municipal Mutual Insurance Limited ceased trading in 1992 and the Council became a party to the scheme of administration for liabilities outstanding at that time. Previously the administrators advised that the assets would at least match the liabilities and a solvent run off of the scheme could be expected. However the directors of MMI 'triggered' MMI's Scheme of Arrangement under section 425 of the Companies Act 1985 on 13 November 2012 and Ernst and Young LLP became responsible for the management of the MMI's business, affairs and assets in accordance with the terms of the Scheme. The claw back scheme to which Tewkesbury is subject provides for a maximum liability of £169,775. Ernst and Young suggested an initial levy rate of 15% to achieve a solvent run off and this was increased to 25% on 1 April 2016. We have provided for an additional 10% in long term provisions as we have not had any confirmation that this would be the final payment.
- The level of provision for business rate appeals under the business rate retention scheme has been calculated using historic appeals information. Those on the list at 31 March 2017 with a code of grounds where we have statistical information relating to the success and outcome of past appeals have been calculated using the average success rate and rateable value lost. The appeals relating to Virgin Media are treated separately as these are unique cases that were heard as part of a special programme and we will use a variety of sources to determine a suitable appeals provision, e.g. 1 April 2017 rating list figures.
- The Council is required to consider whether there are unlodged appeals in respect of Business Rate payments which could have a material impact on the Statement of Accounts. The current scheme, set up in 2013/2014, uses a baseline assessment of expected income from Business Rates. This has been used by DCLG to then set the risk that the council is exposed to from changes in income collected. This baseline was set for 5 years.  
From 1st April 2017 a new rating list is in force and so appeals relating to the 2010 list can only be made: within six months of a notice or where the proposal is following a Valuation Tribunal or higher court decision (within six months of compilations, i.e. 30th September 2017) so the risk of unlodged appeals is minimal. Also the government has set a safety net which is 97.5% of the baseline figure so the maximum loss to the council will 2.5% of the baseline plus any allowed growth (£388,098 based on 2016-17 figures). This maximum is not material and we are already in a safety net position this year so have suffered this loss already. Therefore no allowance for unlodged appeals is necessary.

### 3. Critical Judgements in Applying Accounting Policy (continued)

- IAS 19 disclosures include information on the assets that make up the Local Government Pension Scheme for the Council as required under 6.4.3.42 (8) of the Code of Practice. We have taken the decision to disclose, in summary, the categories that the Pension Fund have invested in. The Council does not directly influence the activities of the Fund and as the fund assets do not impact on the revenue account it is our decision that the disclosure is sufficient in line with section 6.4.3.42 (2) of the Code of Practice. Should further information be required on the categories of pension assets and the decision making on the strategy for investment then we would direct the query to the Pension Fund administrators.

- The Council joined a Local Authority owned company, Ubico, on the 1 April 2015. This company provides a range of environmental services for the Council. During the year Gloucestershire County Council joined, which has taken the number of owners up to a total of 7. Each Council has one share interest in Ubico.

We are required to consider whether the Council has an interest in this company and whether the Council should produce Group Accounts.

Our conclusion is that Ubico represents a separate vehicle. However when considering joint arrangements, under IFRS12, our assessment is that on the test of whether there is Joint Control per section 9.1.2.10 of the code, there is no evidence to support this.

We have then considered whether under IAS28, that we have significant influence, per 9.1.2.22 of the Code. This is due to their being 7 equal shareholders, which means our interest in Ubico is below the 20% threshold which is an indication of holding significant influence. Other factors which we have considered include representation on the board, participation in policy making, material transactions and management influence. Our judgement is that there is no persuasive evidence that the Council has a significant level of control over the strategic direction and operation of Ubico. Therefore group accounts do not need to be produced.

The Council has accounted for the cost incurred in operating a service contract with Ubico and also the interest the Council has as a Shareholder, however the Council's statements do not reflect any interest in assets and liabilities that we have in the company.

Ubico's Statement of Accounts are available from Companies House.

- A provision for future redundancies has been made in respect of a service restructure. The proposed restructure has been formally agreed by Council and the plan has been communicated to all affected employees. As it is unlikely that significant changes will be made to the plan, an expected completion date is communicated and the number of employees affected along with their job classifications are identified then a provision can be reliably estimated.

- The council has to make judgements whether a lease is an operating lease or a finance lease and has assessed the following:

- the council has bought grounds maintenance equipment which it leases to Ubico Ltd to use for Tewkesbury Borough services. The lease is for 5 years and all costs associated with the are recharged to the council. This along with other factors show that the material costs and risks belong to Tewkesbury and so it is shown as an operating lease within our accounts. The Council has purchased a new fleet of vehicles, which it will be leasing to Ubico on similar terms from the 01 April 2017. This fleet is shown on the Balance Sheet as they were received before the 31 March 2017. The Vehicles will remain on balance sheet in 2017/2018 when they become operational assets leased to Ubico.

- an investment property was recently purchased for £15m which included a tenant with a lease term remaining of 12 years. The authority has decided that, on the balance of the risk and rewards, this should be classified as an operating lease.

- the council built a new leisure centre and leases it to Places for People Ltd to run (for an initial lease term of 15 years). This is also considered to be an operating lease in the council's accounts due to factors such as lease term, peppercorn rent and residual value and demonstrates that the majority of risks and rewards are attributable to us.

### 3. Critical Judgements in Applying Accounting Policy (continued)

- A decision has been made to classify the following Plant, Property and Equipment as investment properties:

- Challenge House was purchased for £15m purely for the in situ tenant and novation of the current lease to obtain rental income over the next 12 years. There is no service related provisions in the contract and it is held purely for the capital appreciation and revenue return.

- Former land on which Cascades stood (Spring Gardens) - this is not being used as car parking and is being held purely to obtain either a capital receipt or rental income.

The new leisure centre is not classified as an investment property and is instead an operational property. The leisure centre was built purely for the provision of leisure facilities.



#### 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The financial statements contain 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. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year (due to assumptions/judgements) are as follows:

Item	Uncertainties	Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. In 2016/2017 there was a depreciation charge of £907k and depreciation adjustment of £361k (due to in year revaluations). A large change in valuation or useful life could increase or decrease the depreciation charge quite substantially.
Fair Value measurement	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's external valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 16 and 17.	The Council uses market rental and sales values, along with other inputs to measure the fair value of some of its investment properties. The significant unobservable inputs used in the fair value measurement include comparative information based on limited rental evidence based on rental value and yields. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.

Business Rates	<p>Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2016/2017 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2017.</p>	<p>The appeals provision has been calculated using historic data for appeal success per category of appeal (as provided by the Valuation Office - VOA). Using this data we have extrapolated an appeals figure assuming the success rate is representative of what will happen in future. There is a likelihood that some appeals will be settled differently to anticipated which could cause a large refund of previous years' rates. The provision this year is £3.28m (our share only) which is a large increase from last year (£1.84m). The Council has set aside a reserve of £150k to ensure that if future appeals exceed expectation the Council has sufficient funds available to meet the shortfall between the baseline funding and the safety net position.</p>
Income from Garden Waste Payments	<p>The calculation of Receipts in Advance in relation to garden waste is an estimation technique based on information available from the financial ledger showing income received in each period, rather than the renewal date that the payment relates to.</p> <p>The information held in the ledger is not sufficient to identify the renewal date.</p> <p>To fully allocate payments to the renewal date would require a significant investment of resources to investigate approximately 15,000 annual payments. This would ensure income is allocated to the correct period, and that at the year end Receipts in Advance calculation to transfer into the next financial year is correct. However it is our view that as it would impact on all periods and the year-end figure would therefore not be significantly different from the Receipt in Advance figure in the financial statements.</p>	<p>In the 2016/2017 financial statements the total income from garden waste was approximately £621k and the receipts in advance identified was £185k. Neither figure is material to the statements.</p> <p>The council is satisfied that the estimation technique used is sufficient to produce materially accurate financial statements, whilst making best use of resources available.</p> <p>From 01 April 2018 all annual renewals for garden waste will be aligned to that date. Therefore in 2017/2018 we can attribute this income to the appropriate financial year that it relates to.</p>
Arrears	<p>At 31 March 2017, the Council had a balance on doubtful debts of £1,189k of which £12k related to a general provision. Housing benefit general provision is being maintained at 80% due to the level of debts increasing, increased pressure on those on benefits and the future introduction of Universal Credit.</p>	<p>If collection rates deteriorate then our revenue reserves would be impacted but we feel that the level of provision helps mitigate this potential risk.</p>

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The actuaries, Hymans Robertson, are engaged to provide the Council with expert advice about the assumptions to be applied. Changes in assumptions can have a significant effect on the value of the retirement benefit obligation.	The effects on the scheme liabilities of changes in individual assumptions can be measured and the sensitivities regarding the principal assumptions are set out below:	
	<b>Change in assumptions at year ended 31 Mar 2017</b>	<b>Approx. % increase to Employer Liability</b>	<b>Approx. monetary amount (£'000)</b>
	0.5% decrease in Real Discount Rate	9	7309
	0.5% increase in the Salary Increase Rate	1%	1,012
	0.5% increase in the Pension Increase Rate	8%	6,202

## 5. Material Items of Income and Expense

There are no items of material income and expense that are not identified elsewhere in the accounts. For the purpose of this note the Council considers material items to be those greater than £750,000.

## 6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance & Asset Management on 24 May 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**Note 7A) Note to the Expenditure and Funding Analysis**

<b>Adjustments from General Fund to arrive at the CIES amounts 2016/2017</b>	<b>Adjustment for Capital Purposes £'000</b>	<b>Net Change to the Pensions Adjustment £'000</b>	<b>Other Differences £'000</b>	<b>Total Adjustments £'000</b>
Chief Executive Unit	0	-20	0	-20
Deputy Chief Executive Unit	0	-8	0	-8
Corporate Services	-42	-71	0	-113
Finance and Asset	-300	1,667	-25	1,342
One Legal	0	-95	0	-95
Democratic Services	-1	-9	0	-10
Development Services	-261	-120	0	-381
Community Services	-726	-69	0	-795
Revenues and Benefits	-9	-64	0	-73
<b>Total Cost of Continuing Operations</b>	<b>-1,339</b>	<b>1,211</b>	<b>-25</b>	<b>-153</b>
Other Operating Expenditure	795	0	0	795
Financing and Investment Income and Expenditure	561	-952	5	-386
Taxation and Non-Specific Grant Income and Expenditure	497	0	2,713	3,210
<b>Difference between General Fund surplus or deficit and CIES surplus on the provision of services</b>	<b>514</b>	<b>259</b>	<b>2,693</b>	<b>3,466</b>
<b>Adjustments from General Fund to arrive at the CIES amounts 2015/2016</b>	<b>Adjustment for Capital Purposes £'000</b>	<b>Net Change to the Pensions Adjustment £'000</b>	<b>Other Differences £'000</b>	<b>Total Adjustments £'000</b>
Chief Executive Unit	0	-28	0	-28
Deputy Chief Executive Unit	0	-13	0	-13
Corporate Services	-35	-92	-6	-133
Finance and Asset	-162	1,314	-32	1,120
One Legal	0	-113	0	-113
Democratic Services	-3	-17	0	-20
Development Services	-142	-154	0	-296
Community Services	-1,030	-103	0	-1,133
Revenues and Benefits	-9	-87	0	-96
<b>Total Cost of Continuing Operations</b>	<b>-1,381</b>	<b>707</b>	<b>-38</b>	<b>-712</b>
Other Operating Expenditure	198	0	0	198
Financing and Investment Income and Expenditure	207	-1,072	0	-865
Taxation and Non-Specific Grant Income and Expenditure	761	0	1,721	2,482
<b>Difference between General Fund surplus or deficit and CIES surplus on the provision of services</b>	<b>-215</b>	<b>-365</b>	<b>1,683</b>	<b>1,103</b>

## Note 7B) Segmental Income

It is a requirement to disclose material sources of income for each Service area.  
A review of the income received has identified the following:-

Revenues from External Customers	2015/2016 £'000	2016/2017 £'000
Development Services - Planning Fees	-1,268	-1,026
One Legal - Recharges for services to other LA's	-800	-774

Income from Grants and Contributions is disclosed on Note 31  
No other material sources of income has been identified.

## 8. Expenditure & Income Analysed By Nature

	2015/2016 £'000	2016/2017 £'000
<b>Expenditure</b>		
Employee Benefits	8,705	8,215
Other Services	40,709	41,357
Support Service Recharge	0	0
Capital Adjustments resulting in a loss	1,506	1,584
Interest Payments	3	16
Precepts and Levies	1,673	1,703
Payments to Housing Capital Receipts Pool	9	7
Gain on Disposal of Assets	0	0
<b>Total Expenditure</b>	<b>52,605</b>	<b>52,882</b>
<b>Income</b>		
Fees, Charges & Other Service Income	-6,511	-6,891
Interest & Investment Income	-262	-269
Capital adjustments resulting in a gain	-378	-1,009
Council Tax, Non-Domestic Rates & District Rates	-19,125	-19,724
Government Grants & Contributions	-26,700	-26,663
<b>Total Income</b>	<b>-52,976</b>	<b>-54,556</b>
<b>Surplus/Deficit</b>	<b>-371</b>	<b>-1,674</b>

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

2015/2016 Usable Reserves			2016/2017 Usable Reserves		
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
			<b>Adjustments to revenue reserves</b>		
			Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements		
-364			260		
-24			-24		
-8			5		
1,721			2,713		
-6			-2		
-134			-398		
<b>1,185</b>	<b>0</b>	<b>0</b>	<b>2,554</b>	<b>0</b>	<b>0</b>
			<b>Adjustments between revenue and capital resources</b>		
207	-283		802	-802	
-9	9		-7	7	
0			0		
-252			-41		
<b>-54</b>	<b>-274</b>	<b>0</b>	<b>754</b>	<b>-795</b>	<b>0</b>
			<b>Adjustments to capital resources</b>		
	6,959			3,357	
-28		28	158		-146
	-12			-11	
<b>-28</b>	<b>6,947</b>	<b>28</b>	<b>158</b>	<b>3,346</b>	<b>-146</b>
<b>1103</b>	<b>6,673</b>	<b>28</b>	<b>3,466</b>	<b>2,551</b>	<b>-146</b>

## 10. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/2017.

	Balance as at 31/03/2015 £'000	Net Movement 2015/2016 £'000	Balance as at 31/03/2016 £'000	Net Movement 2016/2017 £'000	Balance as at 31/03/2017 £'000
<b>General Fund</b>					
Asset Management Reserve	296	40	336	186	522
Borough Regeneration Reserve	54	-43	11	-4	7
Business Rates Reserve*	5,433	-1,335	4,098	-2,608	1,490
Business Support Reserve	106	1	107	125	232
Business Transformation Reserve	340	-109	231	91	322
Community Safety Reserve	3	-3	0	0	0
Community Support Reserve	15	103	118	9	127
Elections Reserve	10	54	64	-1	63
Flood Support and Protection Reserve	409	-154	255	-211	44
Health & Leisure Development reserve	20	14	34	-6	28
Housing & Homeless Reserve	41	-1	40	-22	18
Interest Equalisation Reserve	150	-150	0	0	0
IT Reserve	0	0	0	15	15
MTFS Equalisation Reserve***	68	679	747	421	1,168
Organisational Development Reserve	39	-12	27	-13	14
Development Management Reserve	243	224	467	-363	104
Development Policy Reserve	470	-153	317	-20	297
Risk Management Reserve	48	-22	26	-18	8
Transport Initiatives Reserves	194	-194	0	342	342
Waste & Recycling Development Reserve	125	-104	21	8	29
Horsford Reserve	30	9	39	9	48
Mayors Charity Reserve	12	-5	7	1	8
Planning Obligations Reserve**	2,012	429	2,441	267	2,708
<b>Totals</b>	<b>10,118</b>	<b>-732</b>	<b>9,386</b>	<b>-1,792</b>	<b>7,594</b>

## **10. Transfers to/from Earmarked Reserves (continued)**

### **Material Reserves**

\* The Business Rates Reserve is required due to the accounting requirements of the retained business rates legislation. The financial statements reflect the position estimated prior to the start of the financial year rather than the true year end position. In 2016/2017 the impact of appeals on valuation assessments during the year means that the true position is significantly different than that reflected in the accounts and therefore the equivalent level of reserve is required. It is a technical accounting reserve and is not available for any other purpose.

\*\* The Planning Obligations Reserve represents those sums received from developers which have to be used for the purposes specified in the section 106 agreements and again cannot be used for any other purpose.

\*\*\* The MTFS Equalisation Reserve is monies which have been set aside to protect budgets against the impact of future reductions in grants and funding from central government as well as other pressures on revenue budgets



## 11. Other Operating Expenditure

2015/2016 £'000		2016/2017 £'000
1,673	Parish Council Precepts	1,703
9	Payments to Government Housing Capital Receipts Pool	7
-171	Gains/Losses on Disposal Of Non-Current Assets	-443
-36	Other Income - Right to Buy Sales	-359
<b>1,475</b>		<b>908</b>

## 12. Financing & Investment Income & Expenditure

2015/2016 £'000		2016/2017 £'000
0	Finance Leasing Charges	0
1	Interest payable and Similar Charges	15
-118	Interest receivable and similar income	-115
1,072	Net interest on the net defined benefit liability	952
-207	Income and expenditure in relation to investment properties and changes in their fair value	-561
-142	Gain/loss on trading accounts (not applicable to a service)	-417
8	Movement on available for sale investments	-5
<b>614</b>		<b>-131</b>

## 13. Taxation and Non Specific Grant Income and Expenditure

2015/2016 £'000		2016/2017 £'000
-4,862	Council Tax Income	-5,127
-1,240	Non-domestic rates income and expenditure	-1,366
-1,319	Revenue Support Grant	-887
-3,318	Other Non-Ring fenced Government Grants	-3,837
0	Donated Asset Recognition	0
-761	Capital Grants and Contributions	-497
<b>-11,500</b>		<b>-11,714</b>

# 14. Property, Plant and Equipment

2016/2017

	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Plant, Property & Equipment £'000
<b>Cost or Valuation</b>							
<b>At 1 April 2016</b>	<b>13,151</b>	<b>3,111</b>	<b>283</b>	<b>23</b>	<b>0</b>	<b>7,370</b>	<b>23,938</b>
Additions	22	2,931	0	0	0	373	<b>3,326</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,105	0	0	0	0	0	<b>2,105</b>
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	-2	0	0	0	0	0	<b>-2</b>
Other movements in cost or revaluation	7,376	0	44	-1	0	-7,738	<b>-319</b>
<b>At 31 March 2017</b>	<b>22,652</b>	<b>6,042</b>	<b>327</b>	<b>22</b>	<b>0</b>	<b>5</b>	<b>29,048</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2016</b>	<b>0</b>	<b>-2,752</b>	<b>-86</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,838</b>
Depreciation charge	-361	-538	-8				<b>-907</b>
Depreciation written out to Revaluation Reserve	361						<b>361</b>
<b>At 31 March 2017</b>	<b>0</b>	<b>-3,290</b>	<b>-94</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,384</b>
<b>Net Book Value</b>							
<b>At 31 March 2017</b>	<b>22,652</b>	<b>2,752</b>	<b>233</b>	<b>22</b>	<b>0</b>	<b>5</b>	<b>25,664</b>
<b>At 31 March 2016</b>	<b>13,151</b>	<b>359</b>	<b>197</b>	<b>23</b>	<b>0</b>	<b>7,370</b>	<b>21,100</b>

# 14. Property, Plant and Equipment (Continued)

## Comparative Movements in 2015/2016

	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Plant, Property & Equipment £'000
<b>Cost or Valuation</b>							
<b>At 1 April 2015</b>	<b>12,866</b>	<b>4,996</b>	<b>283</b>	<b>23</b>	<b>0</b>	<b>1,283</b>	<b>19,451</b>
Additions	335	286	0	0	0	6,087	<b>6,708</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	134	0	0	0	0	0	<b>134</b>
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	16	0	0	0	0	0	<b>16</b>
Derecognition- disposals	-200	-2,171	0	0	0	0	<b>-2,371</b>
<b>At 31 March 2016</b>	<b>13,151</b>	<b>3,111</b>	<b>283</b>	<b>23</b>	<b>0</b>	<b>7,370</b>	<b>23,938</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2015</b>	<b>0</b>	<b>-4,186</b>	<b>-78</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,264</b>
Depreciation charge	-170	-130	-8	0	0	0	<b>-308</b>
Depreciation written out to Revaluation Reserve	170	0	0	0	0	0	<b>170</b>
Derecognition- disposals	0	1,564	0	0	0	0	<b>1,564</b>
<b>At 31 March 2016</b>	<b>0</b>	<b>-2,752</b>	<b>-86</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,838</b>
<b>Net Book Value</b>							
<b>At 31 March 2016</b>	<b>13,151</b>	<b>359</b>	<b>197</b>	<b>23</b>	<b>0</b>	<b>7,370</b>	<b>21,100</b>
<b>At 31 March 2015</b>	<b>12,866</b>	<b>810</b>	<b>205</b>	<b>23</b>	<b>0</b>	<b>1,283</b>	<b>15,187</b>

## 14. Property, Plant and Equipment (continued)

### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, Plant, Furniture & Equipment – 5-7 years
- Photovoltaic Solar Panels – 25 years
- Infrastructure – as estimated by the valuer or Project Officer

### Capital Commitments

At 31 March 2017, the Council has not entered into any material capital contracts.

### Effects of Changes in Estimates

In 2016/2017, the Council made no changes to its accounting estimates for Property, Plant and Equipment.

### Revaluations

During 2014/2015 financial year the Council undertook a tender exercise and appointed Wilks Head and Eve LLP as our external valuers for a 5 year period until 2020. The contract requires that all its Property, Plant and Equipment, required to be measured at current value, is revalued annually as at the 31 March. Valuations of land and buildings have been carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuation of Vehicles, Plant and Equipment are on a Depreciated Historic Cost basis as a proxy for current value on the basis that they have short useful lives and/or low values.

An annual impairment review has not been required as all relevant assets have been valued as at the 31 March. The Council has provided the valuers with information regarding the known condition of the assets as at that date, to inform the valuation process.

Community Assets and Infrastructure Assets are all valued at historic cost. Assets under construction are held at cost incurred. All other Plant, Property and Equipment have been valued in accordance with the following schedule.

	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Community and Infrastructure Assets</b>	<b>Assets under Construction</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Carried at historical cost	0	6,042	349	0	<b>6,391</b>
Carried at cost incurred to date	0	0	0	5	<b>5</b>
Valued at current value	22,652	0	0	0	<b>22,652</b>
<b>Total Cost or Valuation</b>	<b>22,652</b>	<b>6,042</b>	<b>349</b>	<b>5</b>	<b>29,048</b>

## **15. Heritage Assets**

The Council has disclosed Heritage Assets at a carrying value of £217,929 in the Balance Sheet.

Below is a description of both the assets disclosed on the Balance Sheet as well as those Heritage Assets which the Council has ownership of but not disclosed on the Balance Sheet

### **Archaeological artefacts**

The Holm Archaeological Collection is made up of a number of items uncovered when the Council undertook some archaeological rescue excavations in the 1970's when preparing to build on the site of the Council Offices. These items are held at Tewkesbury Museum on loan. These assets are disclosed on the Balance Sheet.

A collection of work, uncovered on the site of the old art deco Sabrina cinema (now the Roses Theatre site) has been catalogued by Gloucestershire County Council, thanks to an one off grant from English Heritage. These items have been deposited with the Tewkesbury Museum to add to their collections.

The Council also has a range of artefacts discovered on various other Borough sites over 40 years ago. The collection is from work carried out by the Borough archaeologist from 1972-1976. The archive has mostly been on loan to Tewkesbury Museum since 2009.

Correspondence with the archaeologist who carried out the work has ascertained that the collection would be extremely difficult to value due to the nature of the artefacts and that it only has an archaeological importance. Considering all the information above these artefacts are not included in the Balance Sheet.

### **Battle Trail Sites**

The Battle of Tewkesbury was the climax of the War of the Roses between the Yorkist's and the Lancastrian's. It is one of 43 battles listed on the English Heritage Battlefields Register which aims to protect them and promote a better understanding of their significance.

The battle site consists of various plots of land and the battle trail is a tourist attraction for the Borough (a map can be obtained from the Tourist Information Centre). The main battle field next to the Council Offices is the site for the annual Mediaeval Festival which re-enacts the famous battle and contains an information plinth with details of some of the events of 4th May 1471 and the characters involved.

The site of the late Holme Castle is now marked by a monument which is sited on the King George's playing field and contains 4 plaques which commemorate the events of the historic battle during the War of the Roses.

Queen Margaret's Camp is the other main site which includes a moated site with what survives of an associated system of water management features. Although uncertain what significance this site has within the battle of 1471 some believe Queen Margaret set up camp here the night before the battle commenced.

These sites and items do not have a value and so are only disclosed in this note and do not have a carrying value in the Balance Sheet.

## **15. Heritage Assets Continued**

### **Civic Regalia and Other Display Items**

All the civic regalia has been purchased or acquired (mainly through the creation of Tewkesbury Borough Council from 3 constituent authorities). The civic regalia are mostly displayed in glass cabinets near the Council Chamber for people to view and include sterling silver maces and pendants. These have been disclosed in the Balance Sheet.

John Moore (1907 to 1967) was a local writer and naturalist who wrote about the countryside and was considered Gloucestershire's most famous author of the twentieth century. John Moore's widow donated a collection of items relating to John Moore including pictures and silverware which is on display outside the Council Chamber.

Tewkesbury became twinned with Miesbach, Bavaria in Germany in 1982. Displayed in the Mayor's parlour is a silver cup and scroll to commemorate this event.

Large and small Battle of Tewkesbury commemorative swords are also displayed in the cabinet but have no value either.

### **Arrivall Sculptures**

The Council took ownership of two custom built sculptures on 4th May 2014, named 'The Arrivall'. These 18ft wooden sculptures were commissioned by Tewkesbury Battlefield Society and depict a scene from a battle during the 'War of the Roses'. They were donated to the Council, who will be responsible for the maintenance of these in the future. These assets are disclosed on the Balance Sheet.

## 16. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2015/2016		2016/2017
£'000		£'000
-140	Rental income from investment property	-410
-2	Direct operating expenses arising from investment property	1
<b>-142</b>	<b>Net (gain)/loss</b>	<b>-409</b>

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

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

2015/2016		2016/2017
£'000		£'000
<b>3,326</b>	<b>Balance 1 April</b>	<b>3,533</b>
	<b>Additions:</b>	
0	Purchases	15,140
207	Net gains/losses from fair value adjustments	561
	<b>Transfers:</b>	
0	to/from Property, Plant and Equipment	318
<b>3,533</b>	<b>Balance 31 March</b>	<b>19,552</b>

## Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at the year end are as follows:

	Quoted prices in active markets for identical assets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (Level 3)	Fair Value as at the 31 March
Land	0	1,603	0	<b>1,603</b>
Commercial Units	0	17,479	0	<b>17,479</b>
Other	0	0	470	<b>470</b>
Total as at 31 March 2017	<b>0</b>	<b>19,082</b>	<b>470</b>	<b>19,552</b>

There were no transfers between Levels 1 and 2 during the year.

## Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

### Significant Observable Inputs – Level 2

Land, Industrial and Residential assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy

### Significant Unobservable Inputs – Level 3

The golf club and sports club land assets have been based on a comparable approach either by estimated market rental values as the majority of these assets are let at sub-market or subsidised passing rents. We have had to draw on a number of our own assumptions and utilised third party resources in order to value these assets. These assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions)

### Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

### Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties



### Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

The value of assets categorised within Level 3 as at the 31 March 2017 is £469,500 (value as at 31 March 2016 was £469,545). There has been no change in the assets identified in this category.

### Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

	Valuation technique used to measure fair value	Unobservable Inputs	Range	Sensitivity
Golf Club	Comparative based on limited rental evidence	Rental Value	£30 - £60 psm	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
		Yields	9% - 13%	
Sports Club Land	Comparative based on limited rental evidence	Rental Value	£1,000 - £2,000 per pitch	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
		Yields	8% - 12%	

### Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out by the Council's external valuer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

## 17. Financial Instruments

### Categories of Financial Instruments

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

	Long-Term		Current	
	31/03/2016 £'000	31/03/2017 £'000	31/03/2016 £'000	31/03/2017 £'000
<b>Investments</b>				
<b>Investments</b>				
Loans and receivables	0	0	2,007	6,033
<b>Cash Equivalent Investments</b>				
Loans and receivables	0	0	2,488	6,903
Available-for-sale financial assets	0	0	3,493	3,998
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>7,988</b>	<b>16,934</b>
<b>Debtors (less any impairments)</b>				
Loans and receivables	18	411	0	0
Financial assets carried at contract amounts	0	0	2,078	2,001
<b>Total debtors</b>	<b>18</b>	<b>411</b>	<b>2,078</b>	<b>2,001</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	0	0	2	15,015
<b>Total borrowings</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>15,015</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	1,249	3,165
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>1,249</b>	<b>3,165</b>

## 17. Financial Instruments (continued)

### Income, Expense, Gains and Losses

	2015/2016			2016/2017		
	Financial Assets - Available for sale	Financial Assets: Loans and receivables	TOTAL	Financial Assets - Available for sale	Financial Assets: Loans and receivables	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Surplus or Deficit on the Provision of Services</b>						
Interest expense	0	3	3	0	15	15
	<b>0</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>15</b>	<b>15</b>
Interest income	0	-118	-118	-26	-89	-115
Interest income accrued on impaired financial assets	0	0	0	0	0	0
	<b>0</b>	<b>-118</b>	<b>-118</b>	<b>-26</b>	<b>-89</b>	<b>-115</b>
<b>Surplus or Deficit arising on revaluation of financial assets</b>						
Gains on revaluation	-7	0	0	5	0	5
<b>Total Charged to Other CIES</b>	<b>-7</b>	<b>0</b>	<b>-7</b>	<b>5</b>	<b>0</b>	<b>5</b>
<b>Net gain/(loss) for the year</b>	<b>-7</b>	<b>-115</b>	<b>-122</b>	<b>-21</b>	<b>-74</b>	<b>-95</b>

### Fair Values of Assets and Liabilities

Financial liabilities & financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Currently we have no investments outstanding for greater than a year and so the fair value is assumed to equate the carrying value.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them

## Financial assets measured at fair value

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/2017 £'000
<b>Available for sale:</b>			
The Council deficit funded the Swimming Bath Trust (see details above) and had the majority of votes on the Board. This means we effectively controlled the Trust. We did not prepare group accounts as the operating activities are reflected in the deficit funding and the Trust did not have any significant assets or liabilities. As the Cascades centre was closed in May 2016, the Swimming Baths Trust has been removed from the charities commission register on the 10 March 2017.	Level 1	Multiply the price by the number of units held, using the bid price where quoted	3,998

There have been no transfers between input levels 1 & 2 during the year and there have been no change in the valuation technique used during the year for financial instruments.

The Council does not hold any financial assets which are carried at Fair Value categorised within level 3 of the Fair Value Hierarchy

The Council also has an Equity Share in a limited company, UBICO Ltd. This is a teckal company owned by 7 Local Authorities. Each Local Authority has a £1 share capital equity in the company. The Shareholder agreement is that each interested body has a equal share interest. This interest can not be traded and can only be realised on dissolving our interest in the company. Therefore it has no fair value and is held as a long term investment at historic cost.

## 18. Short Term Debtors

The balances outstanding at 31 March are summarised as follows:

	2015/2016 £'000	2016/2017 £'000
Central government bodies	4,501	1,250
Other local authorities	1,748	614
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	2,764	2,277
<b>Gross Debts</b>	<b>9,013</b>	<b>4,141</b>
less Impairment Allowance	-1,290	-1,262
<b>Total Net Debtors</b>	<b>7,723</b>	<b>2,879</b>

## 19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents at 31 March is made up of the following elements:

	2015/2016 £'000	2016/2017 £'000
Cash held by the Council	256	287
Bank current accounts	-155	-324
Short-term deposits	5,980	10,900
<b>Equivalents</b>	<b>6,081</b>	<b>10,863</b>

## 20. Short Term Creditors

The balances outstanding at 31 March are summarised as follows:

	2015/2016 £'000	2016/2017 £'000
Central government bodies	221	2,444
Other local authorities	505	735
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	1,462	3,555
<b>Total</b>	<b>2,188</b>	<b>6,734</b>

## 21. Provisions

### 21.1 Short Term Provisions

	Outstanding Legal Cases	Other Provisions	Total
	£'000	£'000	£'000
<b>Balance at 1st April 2016</b>	<b>48</b>	<b>994</b>	<b>1,042</b>
Transferred in from long term provision	3	31	<b>34</b>
Additional provisions made	5	1,466	<b>1,472</b>
Amounts used	20	924	<b>944</b>
Unused amounts reversed	28	69	<b>97</b>
<b>Balance at 31 March 2017</b>	<b>8</b>	<b>1,498</b>	<b>1,506</b>

### 21.2 Long Term Provisions

	Outstanding Legal Cases	Other Provisions	Total
	£'000	£'000	£'000
<b>Balance at 1st April 2016</b>	<b>46</b>	<b>971</b>	<b>1,017</b>
Additional provisions made	0	1,921	<b>1,921</b>
Amounts used	3	924	<b>927</b>
Unused amounts reversed	30	0	<b>30</b>
Transferred to short term provisions	3	31	<b>34</b>
<b>Balance at 31 March 2017</b>	<b>10</b>	<b>1,937</b>	<b>1,947</b>

### Description of main provisions

#### Outstanding Legal Cases

There are several ongoing cases concerning VAT are currently being defended by Her Majesty's Revenue and Customs through the EU. The cases concern interest claims for the successful Fleming case and on Royal Mail fees.

In all cases the Council has utilised specialist VAT advisors and the provision reflects the level of charge anticipated on the conclusion of the cases. The resolution is not expected within the near future.

## **21. Provisions (continued)**

### **Other Provisions**

There is a provision relating to the administration of Municipal Mutual Insurance which went into administration in 1992. Following the ruling of the supreme court in relation to mesothelioma claims the MMI scheme administrators have made an initial clawback of 15% (£23,954) and a subsequent clawback of a further 10% as there will not be a solvent run off of the company. Since there may be further clawback in the future £15,967 (10%) has been set aside as a long term provision to cover this possibility. This will be kept under review as further information becomes available

The Executive Committee agreed on the 12 October 2016 to transfer deed of covenant for land at Queens Road to Severn Vale Housing Association as part of the wider Priors Park Community Project. The cost of the purchase has been split over seven years. As part of the agreement the Council will grant fund the cost of purchasing the Deeds, as at the 31 March 2017 the grant due was £73,020.

The Council has made provision for the cost of redundancy due to a restructure of the Revenues and Benefits service. A decision was made by the Executive committee on 01 February 2017 to implement the proposals, however at the 31 March 2017 no redundancies had been implemented. An estimate of the cost has been made and included in short term provisions.

There is a provision of £3,277,930 at the 31 March 2017 relating to business rate appeals apportioned to the Council. The appeals are from a range of organisations that have submitted appeals to the Valuation Office agency.

## 22. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 9 & 10

## 23. Unusable Reserves

### 23.1 Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 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.

2015/2016 £'000		2016/2017 £'000
4,705	<b>Balance at 1 April</b>	4,866
304	Upward revaluation of assets & reversal of previous impairment losses	2,466
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
-48	Difference between fair value depreciation and historical cost depreciation	-47
-95	Accumulated gains on assets sold or scrapped	-43
<b>4,866</b>	<b>Balance at 31 March</b>	<b>7,242</b>

### 23.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of Non-Current Assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.



## 23.2. Capital Adjustment Account (continued)

The Account contains accumulated gains and losses on Investment Properties and gains recognised on Donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/2016 £'000		2016/2017 £'000
13,873	<b>Balance at 1 April</b>	20,514
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>	
-308	Charges for depreciation and impairment of non-current assets	-908
16	Revaluation losses on Property, Plant and Equipment	-2
-49	Amortisation of intangible assets	-49
-789	Revenue expenditure funded from capital under statute from Capital Grants	-339
-368	Revenue expenditure funded from capital under statute from Capital Receipts	-285
48	Adjusting amounts written out of the Revaluation Reserve	47
731	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
-712	Release of Long Term Liability as a result of novation of Vehicle lease contract.	0
	<i>Capital financing applied in the year:</i>	
6,960	Use of the Capital Receipts Reserve to finance new capital expenditure	3,357
789	Application of grants to capital financing from the Capital Grants Unapplied Account	350
116	Capital expenditure charged against the General Fund	244
207	Movements in the market value of Investment and donated properties debited or credited to the Comprehensive Income and Expenditure Statement	561
0	Movements in the value of Heritage asset recognised in Balance Sheet, debited or credited to the Comprehensive Income and Expenditure Statement	43
<b>20,514</b>	<b>Balance at 31 March</b>	<b>23,533</b>

### 23.3 Pensions 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 Council 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. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council 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.

2015/2016 £'000		2016/2017 £'000
-33,845	<b>Balance at 1 April</b>	-27,853
6,356	Remeasurements of the net defined benefit liability/(asset)	-3,111
-2,458	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	260
2,094	Employer's pensions contributions and direct payments to pensioners payable in the year	0
<b>-27,853</b>	<b>Balance at 31 March</b>	<b>-30,704</b>

### 23.4 Collection Fund Adjustment Account

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

2015/2016 £'000		2016/2017 £'000
-5,839	<b>Balance at 1 April</b>	-4,118
1,721	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	2,713
<b>-4,118</b>	<b>Balance at 31 March</b>	<b>-1,405</b>

## 24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/2016 £'000		2016/2017 £'000
<b>Specific Inflows</b>		
-128	Interest received	-94
3	Interest paid	0

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2015/2016 £'000		2016/2017 £'000
-308	Depreciation	-908
215	Impairment & downward valuations	565
-49	Amortisation	-49
-458	Increase in impairment for bad debts	28
113	Increase in creditors	-6,740
-2,276	Increase in debtors	2,701
-5	Increase in Inventories	-13
-364	movement in pension liability	216
207	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	802
2,083	Other non-cash items charged to the net surplus or deficit on the provision of services	-1,395
<b>-842</b>		<b>-4,793</b>

The surplus or deficit on the provision of services has been further adjusted for investing and financing activities as set out in notes 25 and 26.

## 25. Cash Flow Statement – Investing Activities

2015/2016 £'000		2016/2017 £'000
6,759	Purchase of property, plant and equipment, investment property and intangible assets	20,648
5,500	Purchase of short-term and long-term investments	13,002
0	Other payments for investing activities	0
-418	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-772
-10,500	Proceeds from short-term and long-term investments	-9,003
0	Other receipts from investing activities	0
<b>1,341</b>	<b>Net cash flows from investing activities</b>	<b>23,875</b>

## 26. Cash Flow Statement – Financing Activities

2015/2016 £'000		2016/2017 £'000
-2,000	Cash receipts of short- and long-term borrowing	-16,000
0	Other receipts from financing activities	-7,192
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0
2,000	Repayments of short- and long-term borrowing	1,002
1,524	Other payments for financing activities	0
<b>1,524</b>	<b>Net cash flows from financing activities</b>	<b>-22,190</b>

## 27. Agency Services

The Council provides payroll services for the Tewkesbury Museum, Wheatpieces Parish Council and Tewkesbury Town Council involving the payment of £105k to employees and £47k to Her Majesty's Revenue and Customs. The three organisations pay a management fee of £7k.

The Council has an agency arrangement with Cheltenham Borough Council and Gloucester City Council for the provision of legal services.

### Legal Shared Service

An agreement commenced on 30 November 2009 with Cheltenham Borough Council and this was extended to include Gloucester City Council on the 1 April 2015. The agreement is that both council's reimburses Tewkesbury Borough Council for all costs incurred in providing a legal service and 50% of the initial set up costs and agreed other one off costs.

A summary of the expenditure incurred:

	2015/2016 £'000	2016/2017 £'000
Employee Costs	820	847
Transport Costs	11	12
Supplies & Services	170	169
Agency & Contracted Services	18	44
Income	-243	-280
<b>Total Amount Reimbursed</b>	<b>776</b>	<b>792</b>

## 28. Members' Allowances

The allowances paid under The Local Authorities (Members Allowances) Amendment Regulations were as follows:

	2015/2016 £'000	2016/2017 £'000
Allowances	326	332
Mileage & Subsistence	11	9
Other Expenses	1	1
<b>Total Reimbursement</b>	<b>338</b>	<b>342</b>

The above figures include a basic allowance for each member of £7,200 (2015/2016 £7,200)

## 29. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

Post Title	Note	Year	Salary, Fees and Allowances £'000	Pension Contributions £'000	Total Remuneration £'000
<b>Current Posts</b>					
Chief Executive		2016/2017	112	16	128
		2015/2016	111	16	127
Deputy Chief Executive	3	2016/2017	86	12	98
		2015/2016	88	13	101
Borough Solicitor	1	2016/2017	85	12	97
		2015/2016	81	12	93
Section 151 Officer (Chief Finance Officer)	2	2016/2017	68	10	78
		2015/2016	73	11	84
<b>Total</b>		<b>2016/2017</b>	<b>351</b>	<b>50</b>	<b>401</b>
		<b>2015/2016</b>	<b>353</b>	<b>52</b>	<b>405</b>

### Notes

1. The Borough Solicitor provides services for both the Council and Cheltenham Borough Council. She is formally employed by the Council and Cheltenham Borough is recharged 35% of her salary and other remuneration.

2. The salary payments in 2015/2016 included the backpay due for a previous year as well as the annual salary.

3. There was a change in Deputy Chief Executive during the year. This resulted in a saving on 2016/17 as there was a gap between employment

## 29. Officers' Remuneration (continued)

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts.

Remuneration Band		Number of Employees	
		2015/2016 Total	2016/2017 Total
£50,000	£54,999	3	3
£55,000	£59,999	1	1
£60,000	£64,999	1	1
£65,000	£69,999	1	1
		<b>6</b>	<b>6</b>

The numbers of exit packages including senior employees with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band		
	£	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017
								£'000	£'000
0 - 20,000		0	0	1	0	1	0	7	0
20,001 - 40,000		1	0	0	0	1	0	21	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
Total		1	0	1	0	2	0	28	0

#### Termination Benefits

A provision for redundancy in the sum of £46,729 was included in the 2016/2017 financial statements in respect of potential redundancies within the Revenues and Benefits group. This was following a decision by the Executive Committee on the 01 February 2017. The actual redundancies will not take place until 2017/2018.



### 30. Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	<b>2015/2016 £'000</b>	<b>2016/2017 £'000</b>
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor.	45	45
Fees payable to Grant Thornton for the certification of grant claims and returns.	9	10
	<b><u>54</u></b>	<b><u>55</u></b>

### 31. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement

	2015/2016 £'000	2016/2017 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
S.31 Grants & Contributions (supporting the NNDR regime)	-159	-10
Revenue Support Grant	-1,319	-887
Homes Bonus Grant	-2,747	-3,401
Council Tax Freeze Grant	-34	0
Small Business Relief Grant	-378	-408
Other Grants	0	-18
	<u>-4,637</u>	<u>-4,724</u>
<b>Capital Grants</b>		
Disabled Facilities Grants	-497	-497
Flood Relief Grants	-264	0
	<u>-761</u>	<u>-497</u>
<b>Total</b>	<u>-5,398</u>	<u>-5,221</u>
<b>Grants Credited to Services</b>		
Dept. Communities & Local Government Grants		
Local Taxation Administration Grants	-190	0
Capability Funding Grant	-268	-224
Other DCLG Grants	-111	-188
Elections	-101	0
Dept. Work & Pensions Grants		
Housing Benefit Administration & Associated Grants	-267	-216
Housing Benefit Grant	-18,496	-19,009
Other DWP Grants	-52	-70
Homes & Communities		
LSIF Funding	-330	0
Cabinet Office		
Other Grants	-23	-244
Other Government Grants	-2	-1
<b>Contributions Credited to Services</b>		
Gloucestershire County Council Contributions		
Large Sites Infrastructure Fund	-229	-40
Waste Incentive Contributions	-100	-100
Youth Offending	-50	-50
Flood Works and Water Management	-144	-90
Other GCC contributions	-32	0
Other Contributions from Government bodies	-86	-106
Contributions in relation to S.106 agreements	-822	-1,103
<b>Total</b>	<u>-21,303</u>	<u>-21,441</u>
<b>Grand Total</b>	<u><u>-26,701</u></u>	<u><u>-26,662</u></u>

## **32. Related Party Transactions**

The Council is required to disclose material transactions with related parties – 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 of the accounts 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 Council.

### **Central Government**

The UK Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 31.

### **Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2016/2017 is shown in Note 28. Details of transactions involving Members of the Council are recorded in the Register of Members' Interest, which is open to public inspection. All contracts and payments were made in accordance with the Council's Contract Procedure Rules.

Any grants paid to organisations were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

During the year we had an arrangement to share our Monitoring Officer with Cheltenham Borough Council. As this is a senior role with independent statutory powers it is disclosed within Note 29.

Declarations made involving material financial transactions are listed below:

#### **a Other Public Bodies**

The Borough Council collects precepts on behalf of Gloucestershire County Council, Gloucestershire Police Authority and the Town and Parish Councils within the Borough area.

Precepts for the County and the Police Authority are shown in the Collection Fund. Total of Precepts paid to Parishes are shown in the Comprehensive Income and Expenditure Account and in note 11.

In addition to council tax and business rate precepts, the Council also made payments of £218,112 for both grants and services to Gloucestershire County Council. 7 borough council members also declared a relationship with the County Council during 2016/2017.

The Council provides grant funding which is available to parish councils. Many borough council members are also parish council representatives or have a relationship with the council that they have declared. Below is an analysis of significant funding awards made to Parish Councils during 2016/2017

## 32. Related Party Transactions (continued)

		<b>No. of Members</b>	<b>Payments other than precepts (Inc. VAT)</b>
			<b>£'000</b>
Parish Councils:	Bishop's Cleeve	1	8
	Churchdown	3	2
	Highnam	1	3
	Northway	2	72
	Shurdington	1	29
	Tewkesbury Town	3	21
	Winchcombe	1	57

### **b Tewkesbury Swimming Baths Trust**

The Trust has 19 members of which Tewkesbury Borough Council can elect 10. Deficit funding for the Trust was:

	<b>2015/2016 £'000</b>	<b>2016/2017 £'000</b>
Deficit funding	182	40

The Cascades centre was closed in June 2016, and replaced by a new Leisure Centre built in a new location. The Swimming Baths Trust has been removed from the charities commission register on the 10 March 2017.

In 2016/2017 the Council deficit funded the 2 months of operations of the Cascades at a cost of £40k

The Tewkesbury Leisure Centre is owned by the Council and operated on its behalf by a management company, Places for People Ltd. No related party disclosures have been made by any Councillors in relation to Places for People Ltd.

## 32. Related Party Transactions (continued)

### c General Related Parties

Consideration has been given to whether individual members have any personal (including familial) relationships with other entities that the Council has had transactions with during the financial year.

Individual borough councillors declared the following significant related parties to the:

Related Party	No. of Members	Payments 2016/2017 £'000
Cleeve Common Board of Conservators	2	25
Cotswold AONB (Cotswold conservation board)	1	5
Lower Severn Internal Drainage Board	1	6
Northway Youth Club	1	8
Gloucestershire Rural Community Council	1	28

### Officers

The Council employed an interim Group Manager for Environmental Health and Housing during 2016/2017. He was employed via a wholly owned company named Icon Environmental Consulting Ltd, of which they are also the Sole Director.

During the year the Council paid £95,350 to Icon Environmental Consulting Ltd. Decisions regarding employing the interim Group Manager were made by the Chief Executive and Deputy Chief Executive.

### Entities Controlled or Significantly Influenced by the Council

The Council is a Shareholder in Ubico Ltd, which is a jointly owned company with 7 other Local Authorities providing environmental services. A senior officer of the Council is a board member of the company, but does not have significant influence over decision making. No Members serve on the company's board of directors. During the year the Council had contracted services from Ubico totalling £3,441k (£3,422k in 2015/16)

The Council deficit funded the Swimming Bath Trust (see details above) and had the majority of votes on the Board. This means we effectively controlled the Trust. We did not prepare group accounts as the operating activities are reflected in the deficit funding and the Trust did not have any significant assets or liabilities. As the Cascades centre was closed in May 2016, the Swimming Baths Trust has been removed from the charities commission register on the 10 March 2017.

Although we give grants to various other organisations we don't have any significant influence over any of them.

### 33. 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 by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2015/2016 £'000	2016/2017 £'000
<b>Opening Capital Financing Requirement</b>	<b>731</b>	<b>0</b>
<b>Capital Investment</b>		
Property Plant & Equipment	6,708	3,326
Investment Assets	0	15,140
Intangible assets	0	1
Revenue Expenditure Funded from Capital Under Statute	1,157	624
	7,865	19,091
<b>Sources of finance</b>		
Capital receipts	-6,960	-3,357
Government grants and other contributions	-789	-350
<b>Sums set aside from revenue:</b>		
Direct Revenue Contributions	-116	-244
Minimum Revenue Provision	-731	0
	<u>-8,596</u>	<u>-3,951</u>
<b>Closing Capital Financing Requirement</b>	<b><u>0</u></b>	<b><u>15,140</u></b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by Government financial assistance)	0	15,140
Disposal of Minimum Revenue Provision - Finance lease	-731	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b><u>-731</u></b>	<b><u>15,140</u></b>

### 34. Leases

#### The Council as Lessee

##### *Operating Leases*

The Council has a number of operating leases. The Primary leases involved are:

Land - Land for Bishops Walk Car Park

Equipment - Xerox Photocopiers & Printers lease

The future minimum lease payments due under leases in future years are:

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
Not later than one year	66	68
Later than one year and not later than five years	229	216
Later than five years	107	95
	<b>402</b>	<b>379</b>

The minimum lease payments do not include rents that are contingent on events yet to take place after the lease was entered into, such as future rent reviews.

The expenditure charged to the Comprehensive Income & Expenditure Account during the year in relation to these leases was:

	<b>2015/2016 £'000</b>	<b>2016/2017 £'000</b>
Minimum Lease Payments	72	68
	<b>72</b>	<b>68</b>

### 34. Leases (continued)

#### The Council as Lessor

The Council leases out land and buildings under operating leases for the following purposes:

- For the provision of community services such as sports facilities, recreational and holiday facilities. The primary examples are:

Holiday Caravan Site  
Bowling Club & Green  
Land for Cricket & Rugby Clubs

- For income generation purposes

A commercial office and industrial unit in Ashchurch near Tewkesbury  
Two commercial industrial units in Clevedon, Somerset  
Rental of office space within the Council Offices  
Golf Clubhouse & Car Parking

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

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
Not later than one year	202	1,140
Later than one year and not later than five years	795	4,454
Later than five years	1,195	8,172
	<b><u>2,192</u></b>	<b><u>13,766</u></b>

The increase in the income from leasing is due to purchasing a Office and Industrial unit in Ashchurch (near Tewkesbury), during 2016/2017, The annual rental from the lease is £941k

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.

Contingent rents received in the year were:

<b>2015/2016 £'000</b>	<b>2016/2017 £'000</b>
107	164

The Council deficit funded the Swimming Bath Trust (see details above) and had the majority of votes on the Board. This means we effectively controlled the Trust. We did not prepare group accounts as the operating activities are reflected in the deficit funding and the Trust did not have any significant assets or liabilities. As the Cascades centre was closed in May 2016, the Swimming Baths Trust has been removed from the charities commission register on the 10 March 2017.



## 35. Defined Benefit Pension Schemes

### 35.1 Participation in Pension Schemes

Employees of Tewkesbury Borough Council are admitted to the Gloucestershire County Council Pension Fund ("the Fund"), which is administered by Gloucestershire County Council under the Regulations governing the Local Government Pension Scheme, a defined benefit scheme. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments that needs to be disclosed at the time that employees earn their future entitlement.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

### 35.2 Transactions relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

<b>a). Comprehensive Income and Expenditure Statement</b>	<b>2015/2016 £'000</b>	<b>2016/2017 £'000</b>
<b>Cost of Services:</b>		
- Current service cost	1,386	1,215
- gain/(loss) on settlements	0	-117
<b>Financing and Investment Income and Expenditure</b>		
- Net interest expense	1,072	952
<b>Total Post Employment Benefit Charged to the Surplus or Deficit</b>	<b>2,458</b>	<b>2,050</b>
<b>Other Post Employment Benefit Charged to the Comprehensive</b>		
- Return on plan assets (excluding the amount included in the net interest expense)	1,248	-5,766
- Actuarial gains and losses arising on changes in demographic assumptions		-176
- Actuarial gains and losses arising on changes in financial assumptions	-6,525	11,659
- Other	-1,079	-2,606
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>-3,898</b>	<b>5,161</b>

**35. Defined Benefit Pension Schemes (continued)****b). Movement in Reserves Statement**

	<b>2015/2016</b>	<b>2016/2017</b>
	<b>£'000</b>	<b>£'000</b>
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-2,458	-2,050
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- Employers' contributions payable to scheme	2,094	2,310

**35.3 Pensions 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:

	<b>2015/2016</b>	<b>2016/2017</b>
	<b>£'000</b>	<b>£'000</b>
Present value of the defined benefit obligation	68,514	78,672
Fair value of plan assets	-40,661	-47,968
<b>Net liability arising from defined benefit obligation</b>	<b><u>27,853</u></b>	<b><u>30,704</u></b>

**35.4 Reconciliation of the Movements in Fair Value of the Scheme Assets:**

	<b>2015/2016</b>	<b>2016/2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening fair value of scheme assets at 1 April</b>	<b>40,477</b>	<b>40,661</b>
Interest income	1,297	1,421
Effect of Settlements	0	-271
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	-1,248	5,766
Other		
Contributions from employer	2,094	2,310
Contributions from employees into the scheme	325	330
Benefits paid	-2,284	-2,249
<b>Closing fair value of scheme assets at 31 March</b>	<b><u>40,661</u></b>	<b><u>47,968</u></b>

### 35.5 Reconciliation of Present Value of the Scheme Liabilities:

	2015/2016 £'000	2016/2017 £'000
<b>Opening balance at 1 April</b>	<b>74,322</b>	<b>68,514</b>
Current service cost	1,386	1,215
Effect of Settlements		-388
Interest cost	2,369	2,373
Contributions from scheme participants	325	330
Remeasurement gain/(loss):		
- Actuarial gains/losses arising from changes in demographic assumptions	0	-176
- Actuarial gains/losses arising from changes in financial assumptions	-6,525	11,659
- Other	-1,079	-2,606
Benefits paid	-2,284	-2,249
<b>Closing balance at 31 March</b>	<b>68,514</b>	<b>78,672</b>

### 35.6 Local Government Pension Scheme assets comprised:

Asset category	Period Ended 31 March 2016				Period Ended 31 March 2017			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets
Equity Securities	7,814	0	7,814	18%	8,759	-	8,759	18%
Debt Securities	6,529	0	6,529	17%	6,425	-	6,425	13%
Private Equity	-	119	119	0%	-	122	122	0%
Real Estate	2,218	1,007	3,225	7%	2,338	1,010	3,348	7%
Investment Funds and Unit Trusts	3,137	19,394	22,531	56%	4,806	23,779	28,585	60%
Derivatives	4	0	4	0%	37	-	37	0%
Cash and Cash Equivalents	446	0	446	2%	693	-	693	1%
<b>Totals</b>	<b>20,140</b>	<b>20,520</b>	<b>40,660</b>	<b>100%</b>	<b>23,058</b>	<b>24,911</b>	<b>47,969</b>	<b>100%</b>

### 35.7 Basis for Estimating Assets and Liabilities

An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The figures disclosed below have been derived by suitable approximation methods from the full actuarial valuation of the Fund carried out by Hymans Robertson LLP as at 31 March 2016. The next formal valuation will be as at 31st March 2019.

The significant assumptions used by the actuary have been:

	2015/2016	2016/2017
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	3.4%	2.6%
Bonds	3.4%	2.6%
Property	3.4%	2.6%
Cash	3.4%	2.6%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
• Men	22.5	22.4
• Women	24.6	24.6
Longevity at 65 for future pensioners:		
• Men	24.4	24.0
• Women	27.0	26.4
<b>Rate of inflation</b>	2.2%	2.4%
<b>Rate of increase in salaries</b>	3.7%	2.7%
<b>Rate of increase in pensions</b>	2.2%	2.4%
<b>Rate for discounting scheme liabilities</b>	3.5%	2.6%

### 35.8 Commutation

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

### 35.9 Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

### 35. Defined Benefit Pension Schemes (continued)

#### Impact on the Defined Benefit Obligation in the scheme

Change in assumptions at year ended 31	Approx. % increase	Approx. monetary
0.5% decrease in Real Discount Rate	9%	7,309
0.5% increase in the Salary Increase Rate	1%	1,012
0.5% increase in the Pension Increase Rate	8%	6,202

#### 35.10 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at a stable, affordable rate whilst ensuring the solvency of the fund at the same time. The County Council has agreed a strategy with the scheme's actuary to cap the employer contribution rate for 3 years, until the next triennial valuation in 2019, with a stepped monetary amount to stabilise the payments.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The contribution rates for the accounting periods till the next triennial valuation are:

	% of payroll		Monetary amount
<b>Certified rates for the year ending:</b>			
31 March 2018	17.5%	plus	1,583
31 March 2019	17.5%	plus	1,775
31 March 2020	17.5%	plus	1,968

### 36. Contingent Assets

Following the decision on reclaiming VAT resulting from the Fleming v Customs & Excise case a settlement based on simple interest was agreed and included in the 2008/2009 accounts as an adjusting post balance sheet event. However an appeal for compound interest has been lodged with the Customs but this is expected to be at least 2 to 3 years before the case is decided. The level of the claim is expected to be in the region of £300,000.

## **Note 37. Nature and extent of risks arising from financial instruments**

The Council's activities expose it to a variety of financial risks:

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Council
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates, inflation rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

The Council has a risk management strategy and a corporate risk register is in place which is reported to Audit Committee on a quarterly basis. All significant projects are also supported with risk registers. Operational type risks are dealt with through normal business dialogue. Risk is a standing agenda item on the Corporate Management Team agenda and all committee reports have a risk implications box.

Risk management is carried out by the Treasury Officer under policies approved by the Executive Committee within the Treasury Management Strategy. The Treasury Management Policy and Strategy covers all areas of risk management, including liquidity, interest rates and credit. The latest Treasury Management Strategy went to Council on 18 February 2016 and can be found using the following web link:

[Tewkesbury Borough Council - Agenda for Council on 21 February 2017](#)

[Tewkesbury Borough Council - Agenda for Council on 18 February 2016](#)

The Treasury Management policy was last approved by Council on 13 April 2010

An update to the policy was taken to Council on 23 February 2012

### **Credit Risk**

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

### **Deposits with banks and financial institutions**

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, based on information from recognised Credit Rating Agencies. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The Council has treasury management advisors who support the Council in managing the risk profiles from investments and identifying suitable organisation to invest in. They have access to a wide range of information such as financial statements, quality press and other market measures. Due to the current economic environment and the reducing level of balances available to invest the treasury management policy is that a maximum of £2m can be lent to any one institution (including group companies) apart from our current account bank Barclays Bank PLC.

## **Note 37. Nature and extent of risks arising from financial instruments (continued)**

### **Specified Investments**

Specified investments are those expected to offer relatively high security and high liquidity, and can be entered into with the minimum of formalities. The CLG Guidance defines specified investments as those:

- Denominated in pound sterling,
- Due to be repaid within 12 months of arrangement,
- Not defined as capital expenditure by legislation, and
- Invested with one of:
  - The UK Government,
  - A UK local authority, parish council or community council, or
  - A body or investment scheme of “high credit quality”.

The Council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings Ltd, Moody's Investors Service Inc. and Standard & Poor's Financial Services LLC to assess the risk of investment default. The lowest available credit rating will be used to determine credit quality unless an investment specific rating is available.

### **Current account bank**

Following a banking tender in 2015, the Council's current account continues to be held with Barclays PLC, which is currently above the minimum BBB+ rating. Should the credit ratings fall below BBB+ the Council may continue to deposit surplus cash with Barclays PLC providing that investments can be withdrawn on the next working day, and that the bank maintains a credit rating no lower than BBB- (the lowest investment grade rating).

### **Non-specified Investments**

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation (such as company shares or corporate bonds).

Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition of high credit quality. The maximum duration of the investment will depend upon its lowest published long-term credit rating.

The total limit on long-term cash investments, and the total limit on non-specified investments is £7m.

If these restrictions mean that insufficient commercial organisations of “high credit quality” are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

The Council has no reason to expect any losses from counterparties in relation to deposits and has unallocated revenue reserves of £450k (working balance) to cover investment losses.

**Note 37. Nature and extent of risks arising from financial instruments (continued)****Credit exposures to the authority's customers.**

Customers for goods and services are assessed depending on the nature of the service or goods provided, i.e. a commercial waste customer will be assessed on their past history with the Council among other things and services withdrawn if payment stop whereas debtors for statutory services may be dealt with more leniently. Financial checks are carried out for some customers depending on the contract values. A credit checking agency is used to check substantial creditors before contracts are awarded.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and write offs over the last five financial years. We have no evidence to suggest that market conditions are any different to the estimated default level.

<b>Rating</b>	<b>Amount outstanding at 31st March 2017</b>	<b>Historical experience of default (adj. for market condition s)</b>	<b>Estimated maximum exposure to default and collectability at 31st March 2016</b>	<b>Estimated maximum exposure to default and collectability at 31st March 2017</b>
	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
<b>Customers</b>	400	0.19%	2	1

The Council does not generally allow credit for customers. Currently £219k of the £400k balance (after allowing for specific provision) is past its due date for payment (allowing 30 days for payment). The past due can be analysed by age as follows.

	<b>31st March 2016 £'000</b>	<b>31st March 2017 £'000</b>
Less than three months	69	11
Three to six months	95	57
Six Months to one year	27	16
More than one year	28	13
	<b>219</b>	<b>97</b>



## **Note 37. Nature and extent of risks arising from financial instruments (continued)**

### **Liquidity Risk**

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. As the Council has ready access to borrowings from the Public Works Loan Board and an active lending market, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. With total investments of £6m, of which all are maturing in less than a year (and cash and cash equivalents of £11m) the Council has no significant liquidity risk.

Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The current objective as advised by our treasury management advisors, is to strike an appropriately low risk balance between securing current low interest costs and achieving certainty of those costs over the period for which funds are required. The benefits of internal/short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Council's treasury management advisors will assist the Authority with this 'cost of carry' and breakeven analysis

The maturity analysis of financial liabilities is as follows:

	<b>31st March 2016 £'000</b>	<b>31st March 2017 £'000</b>
Less than one year	0	15,000
<b>TOTAL</b>	<b>0</b>	<b>15,000</b>

All trade and other payables are due to be paid back in less than one year.

### **Market Risk**

#### **Interest rate risk**

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates - the fair value of the assets will fall.

### **Note 37. Nature and extent of risks arising from financial instruments (continued)**

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to manage its exposure to fluctuations in interest rates with a view to containing interest costs, or securing interest revenues, in accordance with the amounts set in its budgetary arrangements.

The Treasury Management Officer has a benchmark of the level of investment income they aim to achieve within a year and this is monitored on a monthly basis. Also, the Officer regularly calculates the anticipated level of interest receivable in the year (and future years) based on current interest rate estimates.

As the Council only has fixed rate investments which are short term and equity investments a change in the interest rate would have minimal effect on the Council. However the impact of a 1% increase in interest rates on the short term investment and borrowing portfolio as at the 31/03/17 would be an additional cost of £124,192.

#### **Price Risk**

The Council does not generally invest in equity shares but does have exposure to shares in short term liquidity funds. The Council is consequently exposed to losses arising from movements in the prices of the shares.

As the only funds we invest in are cash plus funds, which are designed to minimise risk by holding a diversified portfolio, our exposure to share price changes is minimal and we can also sell our shares easily, and quickly in an active market.

The shares in the funds mentioned above are all classified as 'available for sale' meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would have resulted in an additional £200k gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2016/2017.

#### **Legal and Regulatory Risk Management**

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

#### **Inflation Risk Management**

The Council will manage its exposure to fluctuations in interest rates with a view to containing interest costs, or securing interest revenues, in accordance with the amounts set in its budgetary arrangements.

### 38. Trust Funds

The Council acts as sole trustee for one trust fund and as one of several trustees for another trust.

#### Sole Trustee

##### The Horsford Trust

This Trust is managed by the Council as well but under the strict guidelines of a Charity Commission scheme that was set up by the late benefactor Fanny Horsford.

There are no formal records of assets and liabilities as the charity falls under the threshold for the Charity Commission so only an annual return including income and expenditure is required.

	2015/2016 £'000	2016/2017 £'000
Income	11	9
Expenditure	-2	-1

Reserve held on behalf of the Trust is carried in our balance sheet. In 2016/2017 it was £47,751 (£38,974 in 2015/2016).

In this case the funds do not represent the assets of the Council and therefore they have not been included only as a third party reserve in the balance sheet.

#### One of several trustees

##### Tewkesbury Swimming Bath Trust

The Trust was set up in 1968 by trust deed and our Councillors make up the majority of the board.

The Trust was established 'to provide and maintain a swimming bath for the use of the inhabitants of the beneficial area'. Cascades Leisure Centre was owned by the Trust (the building only) and run by the Council on behalf of the Trust (under a management agreement). The Council deficit funded the Swimming Bath Trust and had the majority of votes on the Board. This means we effectively controlled the Trust. We do not prepare group accounts as the Operating activities are reflected in the deficit funding (see related parties note 32) and the Trust did not have any significant assets or liabilities.

The Cascades Swimming Pool was closed in May 2016, and was replaced by a new Leisure Centre on a different site in Tewkesbury. The Swimming Baths Trust has been removed from the charities commission register on the 10 March 2017.

# THE COLLECTION FUND

## Income and Expenditure Statement

2015/2016				Note	2016/2017		
£'000 Business rates	£'000 Council Tax	£'000 Total			£'000 Business rates	£'000 Council Tax	£'000 Total
Income							
0	46,187	46,187	Council Tax Receivable	2	0	48,897	48,897
0	0	0	Transfer from General Fund: Council Tax Benefits	2	0	0	0
28,317	0	28,317	Business Rates Receivable		35,710	0	35,710
28,317	46,187	74,504	Total Income		35,710	48,897	84,607
Expenditure							
Precepts, Demands and Shares							
17,514	0	17,514	Payments to Central Government		17,178	0	17,178
14,011	4,757	18,768	Tewkesbury Borough Council		13,742	5,023	18,765
3,503	33,843	37,346	Gloucestershire County Council		3,435	36,079	39,514
0	6,447	6,447	Gloucestershire Police Authority		0	6,691	6,691
124	0	124	Cost of Collection Allowance		125	0	125
35,152	45,047	80,199			34,480	47,793	82,273
Bad and Doubtful Debts:							
374	134	508	Write Offs		140	103	243
-80	7	-73	Provisions		21	11	32
-4,891	0	-4,891	Provision for appeals		3,574	0	3,574
-4,597	141	-4,456			3,735	114	3,849
-6,530	980	-5,550	Transfer of Collection Fund Surplus	4	-9,285	980	-8,305
24,025	46,168	70,193	Total Expenditure		28,930	48,887	77,817
4,292	19	4,311	Surplus/(Deficit)		6,780	10	6,790
Movement on Fund							
-14,938	1,312	-13,626	Balance at 1st April		-10,646	1,331	-9,315
4,292	19	4,311	Surplus/(Deficit)		6,780	10	6,790
-10,646	1,331	-9,315	Balance as at 31st March		-3,866	1,341	-2,525
Allocated to:							
-5,323	0	-5,323	Central Government		-1,933	0	-1,933
-4,258	140	-4,118	Tewkesbury Borough Council		-1,546	141	-1,405
-1,065	1,002	-63	Gloucestershire County Council		-387	1,014	627
0	189	189	Gloucestershire Police Authority		0	186	186
-10,646	1,331	-9,315			-3,866	1,341	-2,525

## 1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions in relation to Business Rates, Council Tax and any residual Community Charge. It illustrates how these have been distributed to preceptors or the General Fund. The Collection Fund is consolidated with other accounts of the Council.

In 2013/2014, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received subject to a levy. Tewkesbury Borough Council's share is 40% with the remainder paid to precepting bodies (50% to Central Government and 10% to Gloucestershire County Council).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

## 2. Council Tax

### 2.1 Council Tax Property Valuations

Residential properties are classified by the District Valuer into eight bands based on their estimated value at 01 April 1991. Each band has a multiplier on which the eventual tax is set. The only exception is where properties have been adapted for physically disabled residents where a special band has been introduced.

The valuation banding and multipliers are as follows:

Band	Range of Values	Multiplier
Z	Adapted Property Band	5/9
A	Up to and including £40,000	6/9
B	£ 40,001 to £52,000	7/9
C	£ 52,001 to £68,000	8/9
D	£ 68,001 to £88,000	1
E	£ 88,001 to £120,000	11/9
F	£120,001 to £160,000	13/9
G	£160,001 to £320,000	15/9
H	More than £320,000	18/9

## 2.2 Council Tax Base

For 2016/2017 the tax base was 31,814.95 compared to 31,034 in 2015/2016. This increase was due to property growth during the 2014/2015 financial year.

In 2013/2014, the local government finance regime was revised and Council Tax Benefit is no longer received by the council. This has been replaced by a Council Tax Reduction Scheme which is administered in each authority.

The 2016/2017 base was calculated as follows:

Band	Number of Chargeable Dwellings	Multiplier	Band D Equivalents
Z	13.75	5/9	7.64
A	3830.91	6/9	2,553.94
B	4731.07	7/9	3,679.72
C	8909.75	8/9	7,919.78
D	5051.31	9/9	5,051.31
E	4392.14	11/9	5,368.17
F	2818.84	13/9	4,071.66
G	1703.18	15/9	2,838.63
H	168.2	18/9	336.40
<b>Total Band D Equivalents</b>			31,827.25
Collection Rate			98.50%
<b>Chargeable Band D Equivalents</b>			31,349.95
Armed Forces class 'O' contributions in lieu of Council Tax			465
<b>Council Tax Base 2016/2017</b>			31,814.95

## 2.3 Council Tax Level

The Council Tax levels set by the Council are required to cover the demands made by Gloucestershire County Council, Gloucestershire Police Authority, Tewkesbury Borough Council and individual Parishes.

The Precept made by each of these authorities on the Collection Fund is analysed below:

	2015/2016 £'000	2016/2017 £'000
Gloucestershire County Council	33,843	36,079
Police Authority	6,447	6,691
Tewkesbury Borough Council	3,084	3,320
Total for Parishes	1,673	1,703
	<b>45,047</b>	<b>47,793</b>

The Council set an average council tax level for 2016/2017 at Band D of £1,502.19, including Parish precepts, compared to £1,451.5 in 2015/2016. This is broken down as follows:

	2015/2016 £	2016/2017 £
The Council deficit funded the :		
Gloucestershire County Council	1,090.50	1,134.01
Police Authority	207.73	210.31
Tewkesbury Borough Council	153.27	157.87
	<b>1,451.50</b>	<b>1,502.19</b>

The Band D tax level for Parish budgets ranged from nil to £101.52

### 3. Income from Business Ratepayers

The Council collects Non-Domestic (Business) Rates for its area. These are based on local rateable values set by the District Valuer £82,368,350 at 31 March 2017 (£81,272,396 at 31 March 2016), multiplied by a uniform rate in the pound set by Central Government. In 2016/2017 the government provided a reduced rate for businesses with small rateable values of less than £18,000. For 2016/2017 this was set at 48.4p (2015/2016 48.0p), with the standard rate in the pound being 49.7p (2015/2016 49.3p) for the year.

### 4. Movements on Fund Balance

When setting the Council Tax and previously the Community Charge, the levels were based on estimated numbers of properties/chargepayers, discounts and losses on collection. At the year end this is matched against actual performance and may result in a surplus or deficit on the fund.

	Council Tax £'000	Total £'000
Balance at 1 April 2016	<b>1,331</b>	<b>1,331</b>
Income 2016/2017	48,783	48,783
Precepts 2016/2017	47,793	47,793
Surplus Distributed 2016/2017	980	980
Balance at 31 March 2017	<b>1,341</b>	<b>1,341</b>
Committed Distribution 2017/2018	640	640
Balances for distribution 2017/2018	<b>701</b>	<b>701</b>

The surplus or deficit on the Council Tax is shared between Gloucestershire County Council, Gloucestershire Police Authority and Tewkesbury Borough Council in proportion to the level of their respective precepts in the preceding financial year. It is also only available to reduce or increase future Council Tax Levels set by each authority.

With regards to the Business Rates, any surplus or deficit is shared out in the relevant proportions mentioned in note 1.

**Opinion on the financial statements**

We have audited the financial statements of Tewkesbury Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

**Respective responsibilities of the Head of Finance & Asset Management and auditor**

As explained more fully in the Statement of the Head of Finance and Asset Management's Responsibilities, the Head of Finance and Asset Management 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Asset Management and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Tewkesbury Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

**Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report is consistent with the financial statements.



## **Matters on which we report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

## **Conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources**

### **Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure 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

We are required under Section 20(1)(c) of the Act 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.

### **Scope of the review of the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code of Audit Practice"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects, Tewkesbury Borough Council has put in place proper arrangements for securing value for money through economic, efficient and effective use of its resources for the year ended 31 March 2017.

## **Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code

Julie Masci  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

### **Accounting Policies**

The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

### **Accruals**

Money which is owed by/to the Council as at 31<sup>st</sup> March.

### **Actuarial Gains and Losses**

These comprise:

- - Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), and
- - The effects of changes in actuarial assumptions.

### **Capital Receipts**

Capital money received from the sale of land or other assets, which is available to finance other items of capital spending.

### **Capital Expenditure**

The acquisition of assets which have a long-term value to the Council in the provision of its services (e.g. land), purchasing existing buildings or erecting new ones, purchasing furniture, equipment, etc.

### **Cash Equivalents**

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Creditor**

Where money is due to a third party at year end for goods or services that have been received on or before 31<sup>st</sup> March, but not yet paid for.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is the professional body for accountants working in local government and public bodies. The Institute provides financial and statistical information services for local government and advises central government and other bodies on local government and public finance matters. Members of the Institute are entitled to the letter CPFA after their names, and membership is by examination. CIPFA is an entirely privately funded body.

### **Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority'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 of the obligation cannot be measured with sufficient reliability.

## **Control**

The ability of the reporting authority to direct the operating and financial policies of another entity with a view to gaining future economic benefits or service potential from its activities.

## **Current Service Cost**

The increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period.

## **Depreciation**

This is a charge made to the Income and Expenditure account each year that reflects the reduction in an asset used in the delivery of a service.

## **Dominant Influence**

Influence that can be exercised by the reporting authority to exercise the operating and financial policies desired by the reporting authority, notwithstanding the rights or influence of any other party.

## **Entity**

A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service, or carrying on a trade or business, with or without a view to profit.

## **External Audit**

The independent examination of the accounts of local authorities. This is carried out on behalf of the Audit Commission by either the District Auditor or a private firm of auditors.

## **Fair Value**

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

## **Financial Regulations**

A formal code of procedures to be followed in the financial management of the Council.

## **Financial Year**

The financial year runs from 1<sup>st</sup> April to 31<sup>st</sup> March.

## **General Fund (GF)**

The fund from which the expenditure of district councils is financed.

## **Government Guidelines**

These are contained in white papers, circulars or letters from Central Government. They give advice to local authorities of the current and future expenditure levels forecast nationally for different public sector services. They are advisory or for information only, i.e. they are not mandatory.

## **Gross Expenditure**

The cost of providing the Councils services before deduction of Government grants or other sources of income.

## **Group**

A reporting authority and its subsidiary entities.

## **Housing Benefits**

Introduced in the Social Security and Housing Benefits Act 1982 - a system of financial assistance towards the rent and rates of those in financial need. Costs incurred by Councils are partly reimbursed by direct grant from Central Government.

## **Housing Subsidy**

Subsidies payable by Central Government to reduce housing costs.

## **Interest on Revenue Balances (or interest receipts)**

The day to day cash flow of the authority is invested when it is in surplus, and borrowing is required when it is in deficit. The interest earned on any net surplus over the year is given one or other of these names.

## **Internal Audit**

A continuous review maintained by the Corporate Head of Financial Services and Resources over all functions of the Council to ensure, among other things, the correctness of all income and expenditure.

## **IFRS**

International Financial Reporting Standards advise the accounting treatment and disclosure requirements of transactions so that an authority's accounts 'present fairly' the financial position of the authority.

## **Inventories**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components purchased for incorporation into products for sale

**Liability**

A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the authority of resources embodying economic benefits or service potential.

**Material**

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

**Minority Interest**

The interest in a subsidiary entity included in the consolidation that is attributable to the proportion of the stake holding on behalf of persons other than the reporting authority.

**Minimum Revenue Provision**

MRP is the minimum amount which must be charged each year in order to provide for the repayment of loans and other amounts borrowed by the authority.

**National Non-Domestic Rates (NNDR)**

Local tax for businesses based on value of business properties.

**Past Service Cost**

The increase in the present value of the defined benefit liability (obligation) for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.

**Precept**

The amount each authority (the County Council, Police Authority, District and Parishes) requests from the council taxpayer to meet its income and expenditure plans.

**Prior Period Adjustments**

Prior period adjustments are required when an error is material.

**Prospective Application**

Applying a change to transactions, other events and conditions from the date of change of estimate.

**Provision**

A liability of uncertain timing or amount.

**P.W.L.B.**

Public Works Loan Board

**Recoverable Amount**

The higher of fair value less costs to sell of an asset and its value in use.

## **Reserve**

Where money is available for a specific purpose but no commitment has been made on or before the 31<sup>st</sup> March, a reserve can be set up to carry the money forward to the next year when the money can be used for the specific purpose for which it was intended. When expenditure takes place the reserve is credited to the relevant year after the calculation of the Net Cost of Services.

## **Retrospective Application**

Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

## **Revenue Support Grant (RSG)**

A grant paid by Central Government, to local authorities, in aid of revenue. This is not paid for specific services.

## **Revenue Expenditure**

The day to day running costs which consist principally of salaries and wages, general running expenses and capital financing costs.

## **Shared Services**

Shared Services are where two or more authorities have arranged under an agency agreement for one authority to provide the service on behalf of all authorities covered by the agreement.

## **Significant Influence**

The power to participate in the financial and operating policy decisions of an authority, but not control those policies.

## **Specific Grants**

Government grants to local authorities in aid of particular projects or services, e.g. housing benefit grant, magistrates courts grant, police grant.

## **Standing Orders**

The set of rules adopted by the Council which establish the procedures by which the Council should operate. In particular, there will be financial standing orders and financial regulations to govern financial administration, e.g. the tendering procedures.

## **Subsidiary**

An entity is a subsidiary of the reporting authority if:

- The authority is able to exercise control over the operating and financial policies of the entity, and
- The authority is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

## **Support Services**

Those services which provide the administrative and financial back-up to the direct delivery of services.

**Uniform Business Rate**

Every business in the country is charged a set rate in the pound, which is determined by Central Government. The money collected is redistributed to authorities per head of population.

**Useful Life**

The period which an asset is expected to be available for use by an entity.

**Value in Use**

- Of a non-cash generating asset - the present value of the asset's remaining service potential.
- Of a cash generating asset - the present value of the future cash flows expected to be derived

**Vested Employee Benefits**

Employee benefits that are not conditional on future employment.



## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2017
<b>Subject:</b>	Ubico Follow-Up Audit Report
<b>Report of:</b>	Peter J Tonge, Head of Community Services.
<b>Corporate Lead:</b>	Peter J Tonge, Head of Community Services.
<b>Lead Member:</b>	Cllr J R Mason, Lead Member for Clean and Green Environment
<b>Number of Appendices:</b>	2

### Executive Summary:

An internal audit of Ubico client monitoring arrangement was completed in December 2016. This audit found that the monitoring arrangement were lacking in a number of areas. This report provides an update to the Committee on actions that have been taken as a result of that audit report to improve client monitoring and also of ongoing actions that are currently underway and ongoing.

### Recommendations:

**To CONSIDER the progress made in respect of the recommendations arising from the Ubico audit.**

### Reasons for Recommendation:

Good contract management is important to this Council and the Ubico contract is one of the largest contracts that this Council manage. Councillors need to be reassured that this contract is being managed properly and that areas of poor performance by the contractor are identified and that mechanisms are in place to rectify this poor performance.

### Resource Implications:

All services are managed within existing resources.

### Legal Implications:

The Environmental Protection Act 1990 places certain duties on waste collection authorities to collect waste and ensure that street are kept free from litter.

### Risk Management Implications:

By undertaking the recommendations within the audit report the risk to the Council will be minimised.

**Performance Management Follow-up:**

All internal audit recommendations and action updates are reported periodically to this committee.

**Environmental Implications:**

None

**1.0 INTRODUCTION AND BACKGROUND**

- 1.1** Tewkesbury Borough Council's waste, recycling, street cleansing and grounds maintenance service has been carried out by the local authority owned company "Ubico" since April 2015.
- 1.2** The Gloucestershire Joint Waste Team manage elements of the contract including waste, recycling and street cleansing and the Council currently employs a Licensing and Systems Officer who manages grounds maintenance.
- 1.3** Until April 2017 the Council's leased fleet was managed by CP Davidson in the workshop within the depot at Swindon Road, it was not managed or monitored by Tewkesbury Borough Council, therefore, there was no requirement for any fleet management.
- 1.4** Late in 2016 an audit into the client side monitoring of the Ubico contract was undertaken and the outcomes were reported to this Committee in December 2016. The audit considered four main areas and assessed whether there were adequate monitoring arrangements in place in respect of the Council's contract with Ubico for the provision of
- Waste and recycling
  - Street cleansing
  - Grounds maintenance
  - Fleet management and maintenance (notwithstanding that the Council did not own any fleet at that time)
- 1.5** The audit found that there was a fragmented approach to the client side monitoring.

**2.0 PROGRESS AGAINST AUDIT RECOMMENDATIONS**

- 2.1** A copy of the audit report and recommendations are attached as Appendix 1 to this report and an update on recommended actions is appended at Appendix 2.

**3.0 CHANGES WITHIN WASTE AND RECYCLING**

- 3.1** Whilst not directly related to the audit outcomes it is important that Members look at progress in the context of what has been happening in the area of waste and recycling over the last six months or so.

**3.2 Vehicle Fleet Procurement and Round Changes**

- 3.2.1** In March 2016 the Council completed its fleet procurement and the new fleet was delivered. The Council had taken the view that it was more financially prudent to undertake a procurement exercise and purchase its own fleet. The old fleet was badly in need of replacement and would not have been fit for purpose to meet the growing needs of the borough and the new fleet would allow for this growth.

- 3.2.2** The procurement of this new fleet was a major project and was primarily managed by the Joint Waste Team in close liaison with the interim head of service and Ubico.
- 3.2.3** Significant service changes were planned and introduced in April 2017 and over 60% of the borough had a change of day or week to their waste and recycling collection, including a change to the way that food waste was collected, now in a separate vehicle rather than a pod on the main waste vehicle.
- 3.2.4** Any change to waste collections are expected to cause a degree of disruption to the service as drivers and operators settle into new rounds and new ways of working and members of the community get used to their new waste days or new collection methodology. Normally, this would disrupt the service for a short time but experience tells us that this settles down within a month or two.
- 3.2.5** In this case, however, the disruption continued well past this two month period - and to some lesser extent still continues, although there has been improvement due to the close working of Council Officers, the Joint Waste Team and Ubico.
- 3.2.6** An improvement plan is in place and is being monitored and managed carefully.

### **3.3 Staff Changes**

- 3.3.1** A number of significant personnel changes have also taken place within the last six months which have also had an impact on the delivery of the actions within this audit plan. Including the employment of a new Head of Service at Tewkesbury Borough Council as lead commissioner of the Ubico contract, the resignation of the Head of the Joint Waste Team (and two subsequent rounds of recruitment) and the recruitment and appointment of the new Managing Director of Ubico.
- 3.3.2** Other personnel changes include the roll out of new, harmonised terms and conditions for personnel at Ubico and a management restructure.
- 3.3.3** All of the above has had an impact on the delivery of improvements recommended in the audit report to this Committee in December 2016.

## **4.0 OTHER OPTIONS CONSIDERED**

- 4.1** None

## **5.0 CONSULTATION**

- 5.1** None

## **6.0 RELEVANT GOVERNMENT POLICIES**

- 6.1** None.

## **7.0 RESOURCE IMPLICATIONS (Human/Property)**

- 7.1** None.

## **8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**

- 8.1** None

**9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**

**9.1** None

**10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

**10.1** None

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**Background Papers:** None

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**Appendices:** Appendix 1 – Final Audit Report - 5 December 2016  
Appendix 2 – Ubico Client Monitoring actions update

**Introduction:**

In April 2015 Tewkesbury Borough Council joined the local authority owned company Ubico Ltd, whose shareholders also include Cotswold District Council, West Oxfordshire District Council, Forest of Dean District Council, Cheltenham Borough Council and Stroud District Council. Alongside waste and recycling collections, the company also provides street cleansing and grounds maintenance for the borough. This audit is carried out as part of the 2016/17 audit plan and will review the contract in place between the council and Ubico to ensure that adequate monitoring arrangements are in place. The contract provides general terms and conditions that must be met as well as detailed service specifications for Waste and Recycling, Street Cleansing, Grounds Maintenance and Fleet Management. A split opinion has been given based on each of these elements of the service.

**Control Objectives (CO):**

1. Adequate monitoring arrangements are in place in respect of the council's contract with Ubico Ltd for the provision of waste and recycling, street cleansing, grounds maintenance and other services.

**Audit opinion:**

In summary, there appears to be a fragmented approach across the organisation to the monitoring of the contract. The roles and responsibilities in respect of performance and budget monitoring need to be clearly defined in order to ensure that an effective approach is taken and that all elements of the service are adequately monitored. The audit concluded that performance monitoring meetings are taking place; however, these are not occurring in accordance with the contract and relate to waste and recycling only. It has therefore been recommended that performance monitoring meetings be established for the grounds maintenance service and if the current schedule of meetings is considered to be sufficient, then the contract should be amended to reflect the actual frequency of the meetings.

With regard to the general contract conditions that relate to the day to day operational activities, these are considered to be supply of financial information and health and safety. In respect of the former, given the value of the contract, the council currently receives limited financial information about the services provided by Ubico. A quarterly report is received which provides a high level budget overview and this is reviewed by Financial Services who facilitate the budget monitoring process. Environmental Services Partnership Board meetings demonstrate that budget overspends are identified and discussed in respect of waste and recycling; there is however currently no budget monitoring taking place in respect of grounds maintenance. In terms of the monthly contract charge, this has been raised accurately; however, quarterly reconciliation invoices/ credit notes are not being submitted to reflect the actual cost of the services, which is a requirement of the contract. With regards to health and safety, it is acknowledged that reporting mechanisms have recently been established and work is ongoing to improve the quality and completeness of the information provided in particular concerning grounds maintenance. As the Council and Ubico share personal data in carrying out its day to day business, it is recommended that, in line with the Information Commissioner best practice, a Data Sharing Agreement be established.

In relation to the delivery of the contract for specified services areas the following audit opinions are noted:-

Service	Assurance Level	Opinion
Waste & Recycling	Limited	Monitoring of the waste and recycling element of the contract is carried out by the Joint Waste Team. Reporting mechanisms are in place in the form of the Waste and Recycling Client Monitoring

		<p>Group who meet on a 6 weekly basis as well as an Environmental Services Partnership Board; both of which include representatives from Tewkesbury Borough Council, the Joint Waste Team and Ubico. A quarterly performance report is received by the appropriate officers and reported to these meetings. Performance data is also presented to the council's Overview and Scrutiny Committee.</p> <p>The Ubico contract includes a total of 6 performance indicators and at the time of the audit, data for only half of these indicators was being received through the quarterly performance report. It is acknowledged that additional statistics are provided on the volumes of reported incidents and requests received etc; however, the data received does not cover all aspects of the waste and recycling service and is not considered robust enough to provide full assurance in respect of service delivery and performance. For those elements of the service where performance indicators do not currently exist, minutes of the client monitoring meetings demonstrated that service delivery in these areas is discussed. There were however still some gaps identified i.e. stock control, bring sites, emergency planning; and it is recommended that a review of the performance indicators within the contract be carried out and appropriate indicators introduced in order to encompass all elements of waste and recycling. Where it is not considered appropriate to introduce a performance indicator, a formal agenda item should be included for discussion by the client monitoring group to ensure that these elements of the contract are monitored.</p> <p>In respect of stock control, robust procedures should also be established with Ubico in order to ensure that adequate stock levels are maintained, new bin orders are made promptly and to avoid delays to customers as experienced earlier in the year.</p>
Street Cleansing	Limited	<p>The street cleansing service provided by Ubico is also monitored by the Joint Waste Team through the above-mentioned client monitoring group. Only one performance indicator within the contract relates to street cleansing and data is not currently received in respect of this. As with waste and recycling, it is acknowledged that statistics are provided on the volumes of reported incidents and service requests received and that discussions are held at the client monitoring meetings around service delivery. However, the information currently received is not considered sufficient in measuring service delivery as this information is not correlated to collection timescales, for example the number of dead animals collected is reported but not against the target collection period of 24 hrs. Therefore a review of the key service delivery functions should be undertaken to establish target collection timescales and develop a set of measurable performance indicators.</p>
Grounds Maintenance	Unsatisfactory	<p>A monitoring officer has been identified for grounds maintenance; however, the current performance indicators within the contract do</p>

		<p>not cover the grounds maintenance service and although meetings take place with the Ubico grounds maintenance team there are no formal measures reported upon which demonstrate that the company is delivering its service responsibilities. It is therefore recommended that appropriate performance indicators are established for the service in accordance with the contract specification and that formal client monitoring arrangements are introduced, attended by appropriate Council and Ubico representatives.</p> <p>The service specification within the contract does not include the maintenance of council owned cemeteries but this is covered by a separate service level agreement (SLA). Property services are currently monitoring delivery of the SLA through a regular review of the work diary. However, the SLA does not provide for escalation on non-compliance issues and the establishment of performance measurements for grounds maintenance will need to include this.</p>
Fleet Management and Maintenance	Unsatisfactory	<p>There is currently no monitoring officer identified for fleet management/maintenance and the contract does not include any performance indicators in relation to this element of the service. It is therefore recommended that appropriate performance indicators be established, a monitoring officer identified and formal client monitoring introduced for fleet management/maintenance. It is acknowledged that the vehicles contract, novated to Ubico, is due to end in March 2017 and that the Joint Waste Team are involved in preparations for the handover of the vehicles; the council will then purchase a new fleet of vehicles. Performance indicators should therefore be introduced based on this arrangement.</p>

## Appendices

- A Recommendations**
- B Contract Monitoring Summary**

# APPENDIX A: RECOMMENDATIONS

AUDIT:	Ubico Client Monitoring	DATE:	05 December 2016	AUDITOR:	A Grundy
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CO No	Rec No	Risk (of non-implementation)	Recommendation	Action to be taken	Officer Responsible	Implementation Date	Priority
1	1	Key elements of the service not monitored in terms of service delivery and performance/ issues not identified	As part of the annual review, the Key performance Indicators within the Ubico contract should be reviewed to ensure they are fit for purpose, robust and that all elements of the service provided by Ubico are monitored where appropriate.	1. In addition to waste and recycling, performance indicators should include: <ul style="list-style-type: none"> <li>- Grounds Maintenance (including maintenance of equipment)</li> <li>- Vehicle and Fleet Management (including number of crew checks completed)</li> <li>- Trade Waste</li> <li>- Garden Waste</li> <li>- Bring Sites</li> <li>- Bulky Waste</li> <li>- Street Cleansing etc</li> </ul> <i>Please refer to Appendix B.</i>	Interim Head of Community Services.	April 2017	E
1	2	Elements of the service provided by Ubico not covered by the contract	A KPI should be established to measure non completion of works in relation to the maintenance of Tewkesbury and Bishops Cleeve.	1. In conjunction with Property Services, a KPI should be set up in relation to completion of works diary by grounds maintenance for both Tewkesbury and Bishops Cleeve cemeteries as noted in the current SLA.	Interim Head of Community Services.	April 2017	E
1	3	Key elements of the service not monitored in terms of service delivery and budget/	Responsibilities across the organisation in respect of the performance and budget monitoring of the contract should	1. Monitoring of the contract should be robust and encompass all aspects of the service.	Interim Head of Community Services.	April 2017	E



		issues and overspends etc not identified.	be clearly defined in order to ensure that an effective approach is taken and that all elements of the service are adequately monitored.				
1	4	Non-compliance to the contract/ contract monitoring not robust.	Performance monitoring arrangements should be reviewed as follows:	<p>1. A decision should be made as to whether performance monitoring meetings should take place in accordance with the contract or if the meetings that currently take place are considered to be sufficient, then the contract should be amended to reflect the actual frequency of the meetings.</p> <p>2. Performance monitoring meetings, attended by appropriate Council and Ubico representatives should be established for the Grounds Maintenance service.</p> <p>3. The action identified through Programme Board should be progressed for contract monitoring training to be provided to appropriate staff.</p>	Interim Head of Community Services	April 2017	E
1	5	Negative reputational impact.	The Council should establish its requirements for robust stock control procedures with Ubico in order to ensure that adequate stock levels are maintained, new bin orders are made promptly and customers receive an acceptable level of service in	1. Robust stock control procedures should be agreed with Ubico.	Interim Head of Community Services	April 2017	N

			respect of bin deliveries.				
1	6	Non-compliance to the contract.	In accordance with the terms of the contract, it should be requested that Ubico submit quarterly reconciliation invoices/ credit notes within 14 days of the respective quarter to reflect the actual cost of the services incurred in the preceding quarter.	1. Quarterly reconciliation invoices should be requested as per the contract.	Interim Head of Community Services	April 2017	E
1	7	Non-compliance to ICO best practice.	A Data Sharing Agreement should be established between Tewkesbury Borough Council and Ubico.	In accordance with the Information Commissioner (ICO) best practice, a data sharing agreement should be put in place.	Interim Head of Community Services	April 2017	E
1	8	Contract appendices not up to date.	The Communications Protocol should be reviewed to ensure consistency with the contract and be amended to refer to Tewkesbury Borough Council.	Appropriate amendments should be made to the Communications Protocol appended to the Ubico contract.	Interim Head of Community Services	April 2017	N

APPENDIX B- Ubico contract- Performance Indicators

SERVICE	ELEMENTS PROVIDED BY THE SERVICE	PERFORMANCE INDICATOR SPECIFIED IN CONTRACT	TARGET	EXPECTED PERFORMANCE TARGET
Waste and Recycling	Kerbside collection of residual waste	Residual household waste per household (kg/year)	Target needed	See below.
	Kerbside collection of dry recycling	Household waste reused, recycled and composted (%)	Target needed	See below.
	Weekly food waste collection			See below.
	Fortnightly charged garden waste collection			See below.
		% number of collections completed on schedule (of total collections)	99%	Would expect a PI to measure the number of bins collected within 7 days of scheduled collection. This should be broken down into residual waste, dry recyclables, garden waste and food waste.
		% number of missed assisted collected completed on schedule (of total collections)	99.5%	
		% number of service complaints received against weekly collection (for total collections made)	1%	Would expect target repose for dealing with complaints and PI to demonstrate how many complaints dealt within this time. To also include number of complaints referred to Local Government Ombudsman?
	Charged collection of bulky household waste	Target to collect within 10 days of request being made.	10 days	Would expect a PI to demonstrate how many bulky waste collections have exceeded 10 days from booking. (Data should only include bulky waste collections and not bin deliveries which are done using the bulky round).
	Servicing of neighbourhood bring sites			PI should be introduced to ensure that waste is collected from all bring sites on a regular basis i.e. scheduled collections should be established for bring sites and performance monitored against the agreed number of collections. Consideration also needs to be given to the H&S and cleanliness of these sites and this needs to be measured through inspections.
	Charged collection of commercial waste			Would expect a PI to demonstrate that the time between setting up a contract and the instruction to debtors to raise invoice is prompt e.g. set an appropriate target- 7 days?
Street Cleansing	Clinical waste collection			Ensure clinical waste collections are included in % number of total collections. Consideration also needs to be given to H&S associated with these collections.
	Mechanical and manual cleansing of: <ul style="list-style-type: none"> <li>Streets and highways</li> <li>Public open space</li> <li>Council owned land</li> <li>Public rights of way</li> </ul>	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting litter)	Target needed	PI should be introduced to ensure that all zones have been cleaned at the agreed frequency. (Company responsibilities are <i>'cleansing of streets and highways within the zones categorised by the authority and the areas designated as each zone'</i> ).
	Removal of graffiti			Would expect a target time to clear graffiti and a PI on the number of reported incidents dealt with within this timeframe.
	Removal of fly tipped materials			The number of fly tips reports currently reported needs to be enhanced. Would expect a target time to clear fly tips and a PI on the number of reported incidents dealt with within this timeframe. Also should include number of hazardous fly tips.
	Removal of road kill	Removal of dead animals from the highways (foxes, badgers, deer and anything of a similar size) within 24 hours and make appropriate arrangements for the removal of larger animals.	24 hrs	The number of dead animals currently reported needs to be enhanced to show how many were collected within 24 hours.
	Emptying of litter and dog bins	All bins should be emptied at a frequency to prevent overflowing.	Target needed	The dog/ litter bin reports currently reported needs to be enhanced. The frequency of emptying litter and waste bins should be established in order to prevent overflowing and the number of bins emptied should be

				measured against this timeframe.
Grounds Maintenance	Routine grass cutting and edge trimming			A schedule of routine maintenance should be established for all elements of grounds maintenance work. PI should be introduced to ensure that maintenance has been carried out at the agreed frequency as per the schedule.
	Maintenance of perennial planting			
	Maintenance of all seasonal displays			
	Application of pesticide to hard landscape areas			
	Cleansing of green space, play areas, cemeteries etc			
	Annual tree inspections and maintenance and management of trees			A schedule of tree inspections should be established and a PI introduced to ensure that inspections have been carried out at the agreed frequency to ensure that the target % of trees are inspected each year.
	Carry out works to trees as instructed by the council			Dependant on the risk posed by the tree, a timeframe within which works should be carried out should be established. A PI should therefore be introduced to ensure that all works have been carried out within the agreed timeframe.
Fleet Management	Vehicle Maintenance	LGV MoT pass rate.	95%	Taken directly from CP Davidson contract- this information should be reported to the council from Ubico.
		Non LGV MoT pass rate.	97%	
		Post maintenance correction notices.	Maximum 3	
		LGV down time.	Less than 2%	
		Non LGV down time.	Less than 1%	
		Adherence to manufacturer/ ICME repair times.	100%	
		Adherence to service and inspection schedules.	100%	
		Adherence to response times.	95%	
		Fully VOSA compliant maintenance records.	100%	
	Tyre Management	Replacement tyre available when required.	99%	
		Adherence to response times.	95%	
		Provision of a 24 hour 365 day tyre repair service.	100%	
		Provision of detailed management reports.	100%	
	Accident and damage management	Compliance with Thatcham Times System published repair times.	100%	
		Fully compliant documentation/ records.	100%	
	Crew checks	Number of crew checks completed per month.	Target needed.	

INDICATORS CURRENTLY REPORTED BUT NOT SPECIFIED IN THE CONTRACT:				
SERVICE	ELEMENT OF THE SERVICE	INDICATOR CURRENTLY REPORTED	TARGET	EXPECTED PERFORMANCE TARGET
All	Health and Safety	Number of reported RIDDOR incidents within period.		
		Number of reported lost time incidents within period.		
		Number of reported non lost time incidents within period.		
		Number of reported near misses within period.		
		Number of crew inspections within period.		
		Number of reported vehicle related accidents within period.		
All	Customer Service	Missed collections- Ubico figures.		The waste and recycling KPI (% number of collections completed on schedule) essentially gives the sum of missed bins. This should be broken down into residual waste, dry recyclables, garden waste and food waste.
		Number of green bin requests.		Would expect a KPI around the average waiting time for customers to receive their bin following the request.
		Number of blue bin requests.		
		Number of brown bin requests.		
		Number of other bin requests.		
		Number of kerbside caddie requests.		
		Number of kitchen caddie requests.		
		Receptacles not placed back.		These would potentially already be covered by complaints. See waste and recycling KPI (% number of service complaints received against weekly collection). Would expect a target response for dealing with complaints and PI to demonstrate how many complaints dealt with within this time.
		Mess left by collections.		
		Recycling bank reports.		The recycling banks service specification states that health and safety checks are carried out, faults should be reported to the council and sites should be cleansed. Reporting measures therefore need to be built around these.
		Litter/ street cleaning reports.		See street cleansing KPI (improved street and environmental cleanliness). Streets and highways are to be cleaned in zones and therefore this should be measured rather than the number of reports.
		Fly tipping reports.		Rather than just the number of reports, the indicator should indicate in respect of the number of instructions the council has sent to Ubico that they have all been picked up within a target timeframe.
		Graffiti reports.		
		Fly posting reports.		
		Dog fouling reports.		
		Dog/ litter bin overflowing.		This would potentially already be covered by complaints. In terms of service delivery see comments on street cleansing above whereby all bins should be emptied at a frequency to prevent overflowing. This frequency needs to be established and the KPI measured against this timeframe.
		Dead animal reports.		Rather than just the number of reports, the KPI should demonstrate how many dead animals were removed within 24 hours as per the contract.

		Grounds maintenance reports.		See comments on grounds maintenance above. KPI's need to be established for this service.
		Complaints including re-issued tickets.		See KPI on complaints (% number of service complaints received against weekly collection). To also include number of complaints referred to Local Government Ombudsman.
		Actual official complaints.		
All	Human Resources	FTE days lost per FTE- company total.		
		FTE days lost- Tewkesbury contract.		
		Agency hours.		

### Ubico Client Monitoring Audit Recommendations and Progress Report

CO No	Rec No	Risk (of non-implementation)	Recommendation	Progress to date (August 2017)	Implementation Date	Priority
1	1	Key elements of the service not monitored in terms of service delivery and performance/ issues not identified	As part of the annual review, the Key performance Indicators within the Ubico contract should be reviewed to ensure they are fit for purpose, robust and that all elements of the service provided by Ubico are monitored where appropriate.	<p>Contract monitoring arrangements are in place for waste, recycling and street cleansing and these are monitored by the joint waste team and reported back to officers and Members regularly. In addition the Joint Waste Team are commencing a review of the street cleansing service in September to analyse the type of requests that are being received by the Council and establish if there are better ways of working.</p> <p>Grounds maintenance and fleet management is currently dealt with on a more reactive basis. The Head of Community Services is in the process of recruiting a dedicated resource to undertake a project to ensure that robust grounds maintenance and fleet management performance is better monitored.</p>	April 2018	E

CO No	Rec No	Risk (of non-implementation)	Recommendation	Progress to date (August 2017)	Implementation Date	Priority
				Garden waste and trade waste are currently subjects of their own reviews and this action is being picked up as part of those reviews.		
1	2	Elements of the service provided by Ubico not covered by the contract	A KPI should be established to measure non completion of works in relation to the maintenance of Tewkesbury and Bishops Cleeve.	This will be incorporated into the overall review of performance indicators.	April 2018	E
1	3	Key elements of the service not monitored in terms of service delivery and budget/ issues and overspends etc. not identified.	Responsibilities across the organisation in respect of the performance and budget monitoring of the contract should be clearly defined in order to ensure that an effective approach is taken and that all elements of the service are adequately monitored.	Responsibilities within TBC are now clear and the monitoring of budgets has improved greatly. Regular quarterly reports are now received within the set timescales and the quality of that information has also improved greatly and is now fit for purpose. There is now a good dialogue between Ubico and the finance team at TBC. As and when queries are raised about finance these are escalated and discussed between the Head of Community Services and Ubico at the regular performance meetings which now take place.	Complete	E



CO No	Rec No	Risk (of non-implementation)	Recommendation	Progress to date (August 2017)	Implementation Date	Priority
				Once the performance indicators are agreed then these will be reviewed for performance against them		
1	4	Non-compliance to the contract/ contract monitoring not robust.	Performance monitoring arrangements should be reviewed	<p>Regular contract monitoring meetings take place to discuss amongst other things overall contract performance. These include:</p> <ul style="list-style-type: none"> <li>• Monthly Lead Member, JWT &amp; HoS meeting.</li> <li>• Monthly TBC Customer Service, JWT.</li> <li>• 6 weekly contract monitoring meetings to discuss overall contract performance including KPI's, health &amp; safety and current projects (sample agenda attached)</li> <li>• Quarterly Gloucestershire Waste Collection Safety meeting including all contractors and councils.</li> </ul>	<p>Partially complete.</p> <p>April 2018</p>	E

CO No	Rec No	Risk (of non-implementation)	Recommendation	Progress to date (August 2017)	Implementation Date	Priority
				<ul style="list-style-type: none"> <li>Quarterly Environmental Services Partnership Board including Head of CS, TBC finance, Ubico MD &amp; operations Manager, Lead Member, JWT.</li> <li>Quarterly senior management group including all relevant Council Heads of Service and the Head of the JWT.</li> </ul> <p>Grounds maintenance has been monitored on a more ad-hoc basis with officers meeting weekly to discuss matter arising. This will be subject to the same level of scrutiny once KPIs etc are developed.</p>		

CO No	Rec No	Risk (of non-implementation)	Recommendation	Progress to date (August 2017)	Implementation Date	Priority
1	5	Negative reputational impact.	The Council should establish its requirements for robust stock control procedures with Ubico in order to ensure that adequate stock levels are maintained, new bin orders are made promptly and customers receive an acceptable level of service in respect of bin deliveries.	<p>As part of the improvement plan Ubico has assigned a person responsible for monitoring stock levels, gaining quotes and ordering bins and has committed to maintaining adequate levels of stock. In addition, following a review of the Swindon Road depot, more space has been identified to store larger numbers of bins on site. This will also help to resolve any stock issues going forward.</p> <p>The lead times are monitored at the monthly JWT/ Customer Services / Ubico meeting and corrective action is put in place if lead times start to rise. A procurement strategy for bulk purchase through frameworks is being explored.</p>	Complete	N

CO No	Rec No	Risk (of non-implementation)	Recommendation	Progress to date (August 2017)	Implementation Date	Priority
1	6	Non-compliance to the contract.	In accordance with the terms of the contract, it should be requested that Ubico submit quarterly reconciliation invoices/ credit notes within 14 days of the respective quarter to reflect the actual cost of the services incurred in the preceding quarter.	Quarterly invoices are now being received unless otherwise agreed for operational reasons, this allows for robust financial management and monitoring.	Complete	E
1	7	Non-compliance to ICO best practice.	A Data Sharing Agreement should be established between Tewkesbury Borough Council and Ubico.	A draft data sharing agreement is in the process of being agreed by TBC legal services and Ubico.	May 2018	E
1	8	Contract appendices not up to date.	The Communications Protocol should be reviewed to ensure consistency with the contract and be amended to refer to Tewkesbury Borough Council.	All appendices are under review as they are out of date.	April 2018	N

E= Essential – Necessary due to statutory obligation, legal requirement, Council policy or major risk of loss or damage to Council assets, information or reputation. Where possible it should be addressed as a matter of urgency.

N= Necessary - Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist and should be pursued in the short term, ideally within 6 months.

**Agenda**  
**Waste, recycling and street cleansing**  
**Contract Monitoring Meeting JWT & Ubico**

DATE / TIME...

Location: Ubico meeting room, Swindon Rd Depot

1. Review actions from last meeting
2. Performance Indicators
  - a. Outstanding service complaints
  - b. Missed bins
3. Health and Safety
  - a. Health and Safety Reports
  - b. Reporting of RIDDOR, Lost time incidents and non-lost time incidents, vehicle incidents / Near Miss
  - c. Crew monitoring completed for period and feedback
  - d. Any Staff training/ safe systems of work
4. Service Delivery
  - a. Refuse, recycling, food waste and garden waste collections
  - b. Recycling Banks
  - c. Commercial waste
    - i. KPIs / missed bins
  - d. Bulky waste/ bin deliveries
    - i. Bin stock levels and
    - ii. lead times
  - e. Street cleaning and fly tipping
5. Customer Services / Communications
  - a. Queries, complaints and system issues / feedback
6. Projects (Up and coming / live / close out)
7. AOB

## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2017
<b>Subject:</b>	Health and Safety Report 2016/17
<b>Report of:</b>	Peter Tonge, Head of Community Services
<b>Corporate Lead:</b>	Robert Weaver, Deputy Chief Executive
<b>Lead Member:</b>	Councillor J R Mason, Lead Member for Clean and Green Environment
<b>Number of Appendices:</b>	1

### Executive Summary:

The report attached, at Appendix 1, is a summary of the activities carried out to secure health and safety compliance in the financial year 1 April 2016 to 31 March 2017.

### Recommendation:

**To CONSIDER the Council's Health and Safety Report 2016/17.**

### Reasons for Recommendation:

The Health, Safety and Welfare Policy of Tewkesbury Borough Council states that "elected members have a responsibility for ensuring that the chief executive and deputy chief executive are adequately resourced and supported in achieving compliance with the legal requirements of the Health and Safety at Work Act 1974 and regulations made under it". The attached report has been written to help Members carry out this responsibility.

### Resource Implications:

As detailed in the report at Appendix 1.

### Legal Implications:

Tewkesbury Borough Council is responsible for the health, safety and welfare of its staff and where relevant, members of the public in accordance with the Health and Safety at Work etc. Act 1974.

### Risk Management Implications:

Risk management is an integral part of the Health, Safety and Welfare Policy and the work-plan detailed at Appendix 1 of the report will help mitigate related business risks.

### Performance Management Follow-up:

Performance management issues are detailed within the report and appendix.

<b>Environmental Implications:</b>
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None
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## **1.0 INTRODUCTION/BACKGROUND**

- 1.1** Tewkesbury Borough Council recognises and accepts its responsibilities to secure the health, safety and welfare of staff and, where relevant, members of the public. It also recognises the importance of good communications in making sure this is effectively carried out.
- 1.2** As part of securing and ensuring compliance with the Health and Safety at Work etc Act 1974, it has been identified that Members, as well as staff and the public, should be well informed about the work carried out.
- 1.3** The Council is committed to the management of health and safety for both Council client officers and all contractors engaged by the Council. The Health, Safety and Welfare Policy provides the health and safety framework that all parties must follow to ensure health and safety is managed during the course of business.

## **2.0 ANNUAL REPORT 2016/17**

- 2.1** The Health and Safety Executive provide excellent guidance in both leading and managing health and safety. The attached report provides a good way to deliver on their recommendation to establish an effective 'downward' communication systems and management structure.
- 2.2** The report aims to provide a review of the previous year's activities in this area of work, as well as to provide a work plan for forthcoming year.

## **3.0 OTHER OPTIONS CONSIDERED**

- 3.1** None

## **4.0 CONSULTATION**

- 4.1** Management team has been consulted on the contents of the annual health and safety audit.

## **5.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

- 5.1** Health, Safety and Welfare Policy

## **6.0 RELEVANT GOVERNMENT POLICIES**

- 6.1** Leading Health and Safety at Work (INDG417) and Managing for Health and Safety (HSG65), both published by the Health and Safety Executive provide guidance for employers on discharging their duties under the Health and Safety at Work etc Act 1974.

## **7.0 RESOURCE IMPLICATIONS (Human/Property)**

- 7.1** As detailed in the report at Appendix 1.

**8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**

**8.1** None

**9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**

**9.1** None

**10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

**10.1** Audit Committee Minutes - 22 June 2016

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**Background Papers:** None

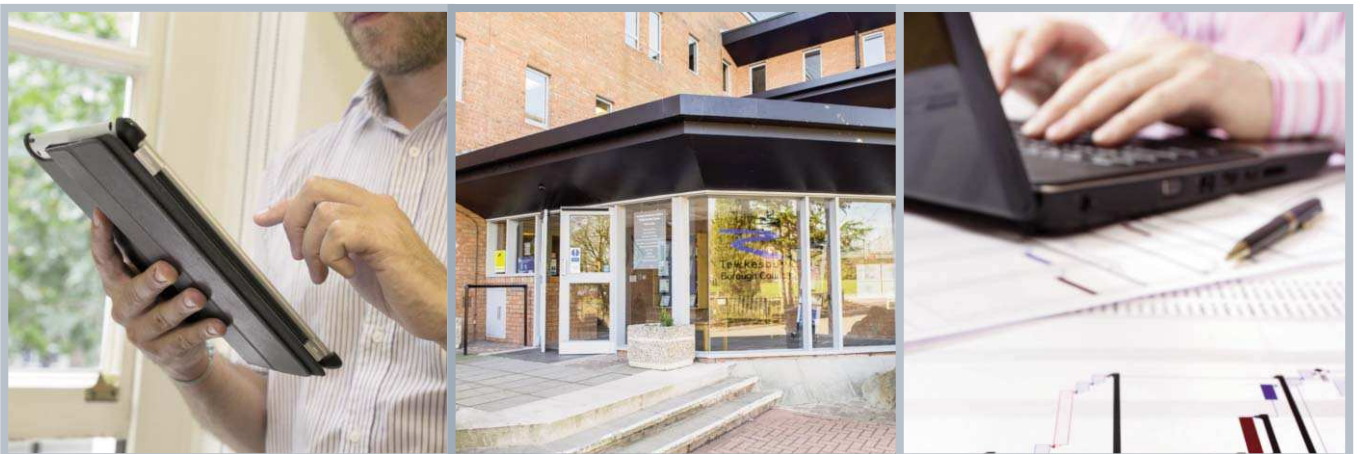
**Contact Officer:** Kay Meddings, Environmental Safety Officer  
01684 272225 [kay.meddings@teWKesbury.gov.uk](mailto:kay.meddings@teWKesbury.gov.uk)

**Appendices:** Appendix 1 - Health and Safety Report 2016/17



# Health *and* Safety annual report

## 2017



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## Introduction

Tewkesbury Borough Council is committed to maintaining a healthy and safe place of work for all its employees, as well as taking all reasonable steps to ensure that the public and the environment (which may be affected by its work) are exposed to the lowest practicable level of risk.

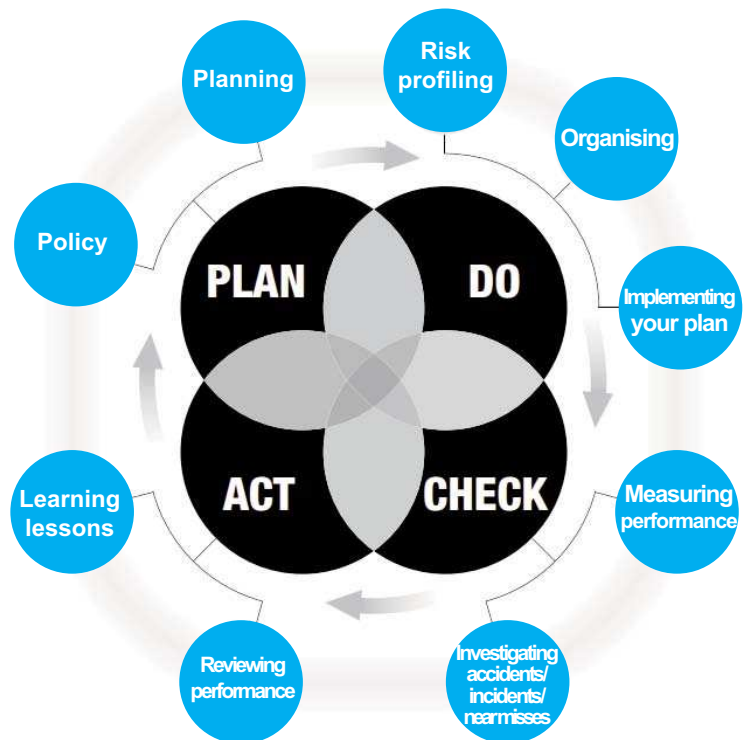
Effective management of health and safety risks helps the council to:

- Maximise the well-being and performance of its employees.
- Stop people getting injured, ill or killed by their work.
- Prevent reputational damage in the eyes of customers, suppliers, other stakeholders and the wider community.
- Encourage better relationships with partnerships and contractors, and ensure that the activities of contractors do not pose a health and safety risk for the council or its employees, visitors or customers.
- Minimise the likelihood of prosecution and consequent penalties.

Best practice recommends that organisations produce and publish an annual health and safety report. As such, this report summarises Tewkesbury Borough Council's health and safety performance during the year 1st April 2016 to 31st March 2017 and looks forward to work proposed in the next year. The aim is to provide relevant information on what the council is doing to protect its employees, volunteers, contractors, service users and members of the public and to show the processes in place to identify a wide range of health and safety risks and to comply with statutory requirements.

The report provides an overview of key performance statistics along with commentary on key aspects of health and safety.

## Our approach to managing health and safety risks



(Extract from "Managing for Health and Safety", HSE, 2013)

The council's health and safety management system includes the key elements of the Health and Safety Executive's (HSE) guidance document HSG65 'Managing for Health and Safety'. The document advocates a 'Plan, Do, Check, Act' approach to managing health and safety within organisations.

Plan, Do, Check, Act achieves a balance between the systems and behavioural aspects of management. It also treats health and safety management as an integral part of good management generally, rather than as a stand-alone system. The following table gives a summary of the actions involved in delivering the system effectively:

**Table 1** The read-across between Plan, Do, Check, Act and other management systems

Plan, Do, Check, Act	Conventional health and safety management	Process safety
<b>Plan</b>	Determine your policy/Plan for implementation	Define and communicate acceptable performance and resources needed
<b>Do</b>	Profile risks/Organise for health and safety/Implement your plan	Identify and assess risks/Identify controls/Record and maintain process safety knowledge Implement and manage control measures
<b>Check</b>	Measure performance (monitor before events, investigate after events)	Measure and review performance/Learn from measurements and findings of investigations
<b>Act</b>	Review performance/Act on lessons learned	

Extract from "Managing for Health and Safety" (HSE, 2013)

The format of this report follows the 'Plan, Do, Check, Act' workflow.

## Plan

### Policy

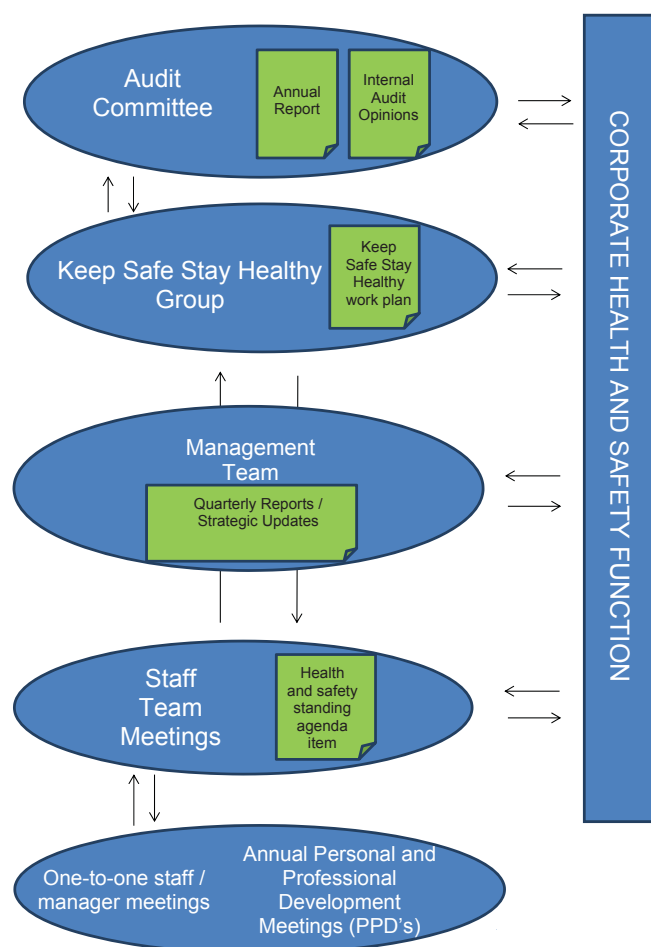
Tewkesbury Borough Council has a health, safety and welfare policy which is updated regularly. There are also a number of other guidance, policy and procedure documents that impact on the health, safety and welfare of employees which are reviewed and updated on a three year rolling programme as contained in the Keep Safe Stay Healthy Plan which are as follows:

- ✓ Accidents and incidents
- ✓ Casual and temporary workers
- ✓ Cemetery and memorial safety management
- ✓ Managing Contractors Safely Policy
- ✓ The control of substances hazardous to health
- ✓ Using display screen equipment safely
- ✓ Fire and emergency evacuation
- ✓ First Aid

- ✓ Health and Safety Induction for new starters
- ✓ Legionella
- ✓ Lone working
- ✓ Management of asbestos
- ✓ Manual handling
- ✓ Noise at work
- ✓ Personal protective equipment
- ✓ Provision and use of work equipment
- ✓ Staff personal safety
- ✓ Young workers

## Do

Health and safety management arrangements at Tewkesbury Borough Council



## The Management Team

Ultimate responsibility for the health, safety and welfare of staff and the public who use council services lies with the Management Team. The Deputy Chief Executive has specific responsibilities for leading on corporate health and safety matters and chairs the Keep Safe Stay Healthy Group.

The Management team receives regular quarterly operational updates and a more in depth report twice a year including a strategic overview.

The Head of Community Services is the council's Corporate Health & Safety Advisor assisted by the Environmental Safety Officer (ESO).

## Keep Safe Stay Healthy Group (KSSH)

The objective of the KSSH group is to bring together Management, Staff, Elected Members and Trade Union representatives to:

- (a) consider matters relating to the health and safety of all employees;
- (b) provide a forum on a regular basis for consultation and consideration on matters relating to health, safety and welfare including a pro-active approach in order to develop a programme of work to inform, advise and train;
- (c) report matters to the Management Team.
- (d) report an update on the Work Plan on an annual basis to the Audit Committee (for information only).

The group has also introduced a positive attitude to reducing accidents and poor health encouraging the implementation of a healthy workplace initiative and has engaged in the Workplace Wellbeing Charter. The Workplace Wellbeing Charter is an opportunity for employers to demonstrate their commitment to

the health and wellbeing of their workforce. The positive impact that employment can have on health and wellbeing is now well documented. There is also strong evidence to show that having a healthy workforce can reduce sickness absence, lower staff turnover and boost productivity. The Workplace Wellbeing Charter provides employers with an easy and clear guide on how to make workplaces a supportive and productive environment in which employees can flourish. The entry level has been developed as a baseline for all businesses to achieve and acts as a useful checklist to ensure legal obligations are met. It should not involve significant resources and there are lots of free resources and guidance that can be utilised as well as support from the Gloucestershire Clinical Commissioning Group. The charter focuses on three key areas, leadership, culture and communication, where even small steps can make a big difference to the health of staff.

A summary of the group's successful outcomes from the past year are shown later in the report.

## Team and Staff Meetings

Teams across the council are required to include health and safety as a standard item on their agenda every time they meet to encourage open and constructive dialogue. From time to time the ESO will also attend these meetings to provide guidance on how the health and safety policies should be implemented. In addition, team leaders are asked to cover health and safety matters during individual staff meetings (including the annual Personal and Professional Development performance appraisal meetings).



## Health and Safety Advice

The ESO provides advice to all staff working for and on behalf of the organisation on all health and safety matters, and plays a leading role in controlling risks, running initiatives, monitoring action plans and overall compliance.

## Promotion

Health and safety matters are prominent on the council's intranet; the system has been improved to make it easier to access policies and risk assessments. Health, safety and wellbeing matters are reported through other internal channels such as the monthly News4U staff newspaper and the health and safety information boards available throughout the council office building. Health and safety matters have also been the subject of discussion at regular council-wide staff briefing sessions.

## Risk Assessments

Health and safety risk assessments have been carried out for all services and current versions can be found posted on the council's intranet. The ESO has attended team meetings to help with the process of identifying risks and on occasion given advice/recommendations with regards to the remedial actions required to control the identified risks. A generic risk assessment has also been introduced for common hazards, risks and standard controls and actions to assist with the annual review of service risk assessments.

## Training

Health and safety training is encouraged and the council training budget helps to overcome any funding challenges faced by the individual council

teams. The training that staff have participated in this year includes the following:

- ✓ Induction training for new starters
- ✓ Display Screen Equipment on line training for staff
- ✓ Display Screen Equipment system training for administrators
- ✓ Stress management training for managers
- ✓ Safeguarding (vulnerable adults and children) on line training

Training initiatives planned for the coming year include:

- ✓ Resilience training (managing personal stress)
- ✓ Managing difficult conversations – two separate training days one for managers and one for staff.
- ✓ Assertiveness and dealing with difficult people
- ✓ Managing contractors safely
- ✓ Leadership for managers in health and safety
- ✓ Safety & Enforcement
- ✓ Asbestos awareness
- ✓ Disciplinary investigations
- ✓ Sickness Absence

## Achievements in the last 12 months

The Keep Safe Stay Healthy group have an annual work plan of priorities for action. In the year from April 2016, the following has been achieved:

- ✓ Review of service risk assessments across the council. A generic risk assessment has been introduced for common hazards, risks and standard controls and actions to assist with the task. The generic risk assessment will then help to focus even more on how to mitigate the more unique hazards identified that are specific to a particular service.

- ✓ Lone working monitoring arrangements reviewed.
- ✓ Flexible and homeworking audit.
- ✓ Personal Protective Equipment arrangements reviewed.
- ✓ Display Screen Equipment arrangements reviewed.
- ✓ Planning of the Wellbeing initiative, plus engagement in the Workplace Wellbeing Charter. The accreditation level awarded for Corporate Health & Safety was Excellence which covered the following commitment standard achievement:

1. Awareness of legal obligations in relation to health and safety
2. Relevant health and safety policies in place
3. A risk assessment programme has been implemented
4. The workplace environment is conducive to health and employee welfare
5. Health and safety training provided for all staff
6. Systems in place for staff to raise and resolve health and safety issues
7. All health and safety policies and workplace activities are regularly monitored for new hazards and improvements are made
8. There are identified health and safety representatives (Trade union/or company representatives)
9. Staff representatives have been involved in the development and/or evaluation of health and safety policies
10. There is a clear emphasis on prevention of ill health across all health and safety policies.
11. All managers have received health and safety management training
12. Regular health and safety meetings are held and recorded

- ✓ Review of the health and safety management of contractors. Outcome: Managing Contractors Safely policy introduced and implemented. Ubico contacts are being monitored by JWT (waste) and internal staff (ground maintenance) and the Leisure Centre contract is being monitored by Property Services and health and safety reports relating to these contracts are taken to the Keep Safe Stay Healthy Group meetings and Management Team meetings on a quarterly basis.
- ✓ Voluntary Litter Pickers (VLP) – A quarterly newsletter was sent out in April 2017 to all VLP which included health and safety Do's and Don'ts Refresher as a quick reminder of some of the health and safety do's and don'ts to follow when litter picking which also forms a part of the health and safety briefing and guidance at the time of induction.
- ✓ Review of the Accident and Incident policy, including the Staff Safety Register.
- ✓ Control of high risk hazards arrangements reviewed. Outcome: The two highest risk services are contracted out which are waste and ground maintenance. The risks involved in the remaining services are relatively low and covered by the generic risk assessment that was introduced to assist with the review of service risk assessments.
- ✓ Review of the HSG65 Monitoring Checklist – see results below:

The council's health and safety management system includes the key elements of the Health and Safety Executive's (HSE) guidance document HSG65 'Managing for Health and Safety'. A review of the HSE checklist which scores against this management system was completed by the ESO in

February and the findings were as follows:

Section Heading	Possible Points	Actual points	0% score
Policy	14	13	93%
Organising Control	8	5	63%
Organising communication	14	9	64%
Organising co-operation	8	6	75%
Organising competence	14	9	64%
Planning and implementing	52	42	81%
Measuring performance	14	13	93%
Auditing and review	16	16	100%
<b>Total points/overall</b>	<b>140</b>	<b>113</b>	<b>81%</b>

- The review shows an improvement from 110 (79%) which was the overall score obtained when this task was first carried in 2016 to 113 (81%) when a review was carried out in 2017. The figures in bold show where the improvements were achieved.
- The Keep Safe Stay Healthy Work Plan includes the required tasks to improve the overall score.
- This exercise will be repeated every six months by the ESO.
- The council's internal audit service provides a useful mechanism for undertaking impartial and thorough checks, highlighting any areas of non-conformity and operates independently from the service delivery areas under scrutiny. This year two audits were carried out, including an audit of the overall management of the health and safety function and a follow up audit of the lone working policy requirements. The audit opinion was satisfactory for both and no recommendations were made.

## Check

### Health and Safety Annual Report

The purpose of this annual report is to provide an open and transparent way of reporting the work carried out and progress with all matters relating to health and safety in accordance with good practice from the HSE. The report is intended to be both a reflection on the performance and activities from the previous year, but also a projection of the planning, organising, checks and actions for the future.

### Health and Safety Audit

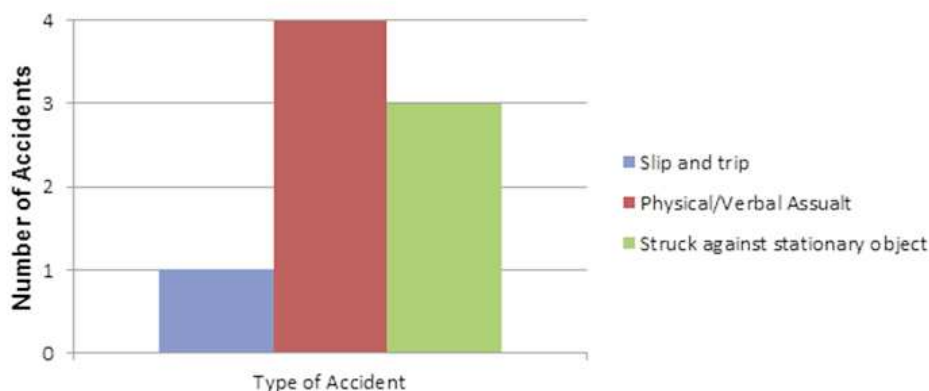
The ESO will carry out health and safety audits and reviews of policies or activities at the council in accordance with the KSSH Group Action Plan. This will result in actions being recommended by the officer and reported to the Management Team through the channels described above. The ESO will usually be engaged in helping to deliver these actions, especially if this involves drafting or rewriting policies or procedures and any subsequent awareness raising. Health and safety audits and reviews are usually carried out as a response to issues arising from service risk assessments. The audits and reviews identified in the Work Plan are as a response to an identified need or a knowledge gap.

### Accident and Incident Reporting

All accidents/incidents and near misses are reported under the council's procedures. This enables appropriate remedial action to be identified and preventative measures to be put in place. The investigating of accidents/incidents and near misses, in the first instance, is the responsibility of the line manager, which enables swift and direct action to be taken. Where necessary, advice and assistance can be sought from the ESO during this procedure.



**TBC Accidents/Incidents reported quarterly  
to the Keep Safe Healthy Group from 1st  
April 2016 to 31st March 2017**



Struck against a stationary object – 3 accidents – minor accident/incidents involving members of staff.

Physical/Verbal assault – 4 involving members of staff.

Slip and trip - 1 member of the public – RIDDOR reportable (the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013). These Regulations require employers, the self-employed and those in control of premises to report specified workplace incidents.

All accidents/incidents were investigated and remedial actions were undertaken to control the risks.

There were no accidents/incidents reported in quarter 2, 3 and 4.

#### **Tewkesbury Leisure Centre**

Cascades Leisure Centre has now been demolished and Tewkesbury Leisure Centre was built to replace it on TBC land which opened in May 2016 and is managed and operated by a contractor. The contract is managed by Property Services who report to the KSSH group. The report provided by the contractor contains all minor accidents/incidents mostly due to the wet environment inherent to the service. There

were no reported accident/incidents under RIDDOR for this contract during this year.

#### **UBICO (Waste, Street Cleansing and Grounds Maintenance Services)**

##### **New Collection Fleet**

The new fleet for waste, recycling, food waste, street cleansing and grounds maintenance was installed in April 2017. The new fleet has state of the art equipment for improving health and safety related issues. Trackers enable supervisors to locate the crews when issues arise and to assist with unannounced inspections to take place. 360° CCTV cameras substantiate claims of road rage, bad or dangerous driving as well as safe handling of bins. Dennis Connect live transmission technology sends the workshop real time issues when kit or equipment is not working properly enabling the workshop to be informed of defects prior to the vehicle returning to the depot, therefore improving the down time or repair time of vehicles.

The new fleet includes an additional vehicle to carry out collections along hard to access and difficult to reach properties. This vehicle is more manoeuvrable which reduces the number of long reverses.

Vehicle maintenance, safety and operator training has been provided by all the fleet manufacturers.

**Route risk assessments.**

New collection routes were implemented when the new fleet was installed. The routes were risk assessed by a trained driver. All crews carrying out the routes have access to the assessments in their respective cabs in the form of paper files and were fully briefed by trained supervisors regarding the contents of the assessments prior to the new routes commencing.



**April 2016 to March 2017 - Waste & Street  
Cleansing contract - Reported Accidents/Incidents -**

24 work related accidents/incidents and 1 accident/incident reportable under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) and 14 near misses. Of the 24 work related accidents/incidents 9 were lost time (LTI) and 15 were no lost time (NLTl).

**24 Accident/incident causes as follows:**

Verbal Abuse - 6  
Struck by moving object/vehicle - 5  
Vehicle entrapment - 2  
Slips and trips - 7  
Manual handling - 3  
Other - 1 - trapped nerve by a loader when entering cab.

**RIDDOR - 1 – cause - slip & trip**

14 near miss causes as follows:

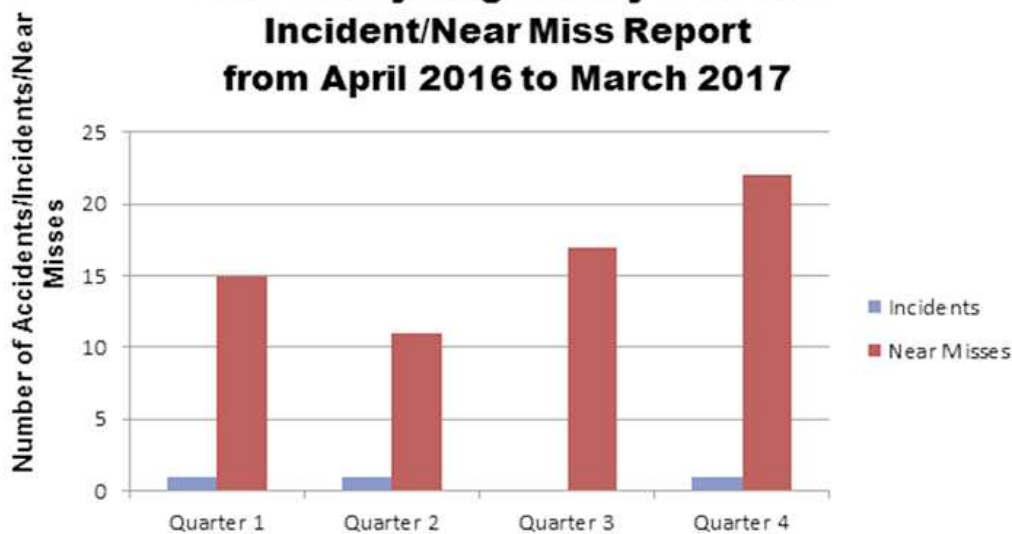
12 - crew nearly struck by moving object/vehicle  
1 - dog biting the trouser leg of a loader  
1 - crew working in inclement weather conditions which could have resulted in an accident/incident.

**Mixed Recycling Facility (MRF) Contract**

The MRF contract is managed by the Joint Waste Team who provide a health and safety report for the Keep Safe Stay Healthy Group on a quarterly basis. During the three year contract with Grundon, there were over 40 instances of needles found on the picking line. In 2016-17, following much work carried out by the JWT, the council, Grundon, Ubico and other

partners this has been significantly reduced to 6 incidents. Grundon managed every occurrence in accordance with their tool box talks and processes to manage needles and their staff safety. This process resulted in no injuries caused to staff at the MRF. Grundon have used the process carried out by the council and JWT in advising their other clients to assist them in reducing the number of needle incidents in the recycling.

### Mixed Recycling Facility Contract Incident/Near Miss Report from April 2016 to March 2017



**April 2016 – March 2017 – Mixed Recycling & Facility contract - Reported Accidents/Incidents & Near Misses** - 3 incidents reported and 65 near misses.

#### **3 Incidents - causes as follows:**

- 1 - small fire
- 1 - leaning partition wall
- 1 - vehicle failure

#### **65 Near misses - causes as follows:**

- 6 – needle stick incidents reported on picking line
- 2 - walkways being impeded
- 1 - small fire
- 13 - users not complying with site rules
- 3 - PPE not being worn
- 33 - kit or equipment failings
- 2 - Inclement weather conditions on site
- 1 - Incorrect loading
- 4 - spillages

#### **Contract change**

From the 14 April 2017, Suez Resource and Recovery Ltd. took over the contract from Grundon. They satisfied the council's requirements during the tendering process and their method statements were deemed suitable and safe for this contract.

#### **Ubico Ground Maintenance Contract**

This area is under review by the Head of Community Services as significant improvement is needed in this area.

#### **Conclusion.**

Good progress has been made this year on the annual work plan. Appended to this report is the proposed work plan for the coming year which will be discussed regularly at the KSSH Group meetings.

## Health & Safety Work Plan 2017-2018

Actions planned to be delivered in the next 12 months are as follows:

Topic	Expected Outcomes	Target completion date	Additional information
1. Review of all council health and safety policies	To ensure all policies and procedures are fit for purpose and in line with current legislation/regulation requirements	3yr rolling programme	ESO to commence with overarching Health and Safety Welfare Policy – August 2017
2. Review of completed 2016 service risk assessments	To ensure service risk assessments have been fully completed in line with the generic risk assessment requirements and associated policies and service specific risk controls are compliant to health and safety regulations	September 2017	Follow up review of completed service risk assessments
3. Review of completed 2017 service risk assessments	To ensure service risk assessments have been fully completed in line with the generic risk assessment requirements and associated policies and service specific risk controls are compliant to health and safety regulations	March 2018	The introduction of the generic risk assessment in 2016 will assist with required completion date of this task
4. Further review of the health and safety	To ensure procedures being implemented are in line with-good practice (HSE document reference HSG159) and	April 2018	Managing Contractors Safely policy has been implemented and sets out the required standards to

Topic	Expected Outcomes	Target completion date	Additional information
management of contractors	comply with the standards set out in the Managing Contractors Safely policy.		meet health and safety regulation requirements
5. Health and safety training plan	<p>To deliver health and safety training to staff on the following subjects:</p> <ul style="list-style-type: none"> <li>• Resilience</li> <li>• First aid and defibrillation refresher</li> <li>• Managing difficult conversations</li> <li>• Assertiveness and dealing with difficult people</li> <li>• Managing contractors safely</li> <li>• Leadership training for managers in health and safety</li> <li>• First points of contact for dealing with bullying or harassment complaints</li> <li>• Asbestos Training</li> <li>• Safety &amp; Enforcement</li> <li>• Sickness Absence</li> <li>• Disciplinary investigations</li> </ul>	March 2018	<p>Health and safety training prevents accidents and ill health caused by work and is an excellent way to develop a positive health and safety culture, where safe and healthy working becomes second nature to everyone.</p> <p>Further training will be provided if a training need is identified by the Keep Safe Stay Healthy Group throughout the year</p>
6. Review of the	To ensure staff and council service	February '18	The Staff Safety Register procedure is fit for

Topic	Expected Outcomes	Target completion date	Additional information
Staff Safety Register	providers have awareness of possible risks and to ensure the register is being utilised		purpose and includes examples for inclusion Locality Partnership for potential sharing also being addressed by the Management Team

Topic	Expected Outcomes	Target completion date	Additional information
<p>7 Wellbeing initiative/Workplace Wellbeing Charter</p>	<p>The planned Wellbeing initiative puts TBC in the Achievement category if the initiative continues as planned. It is planned that the programme will include the following activities:</p> <ul style="list-style-type: none"> <li>Healthy eating and weight loss club</li> <li>Workplace challenges</li> <li>Lunchtime walks</li> <li>Office themed days</li> <li>Sports and activities</li> </ul>	<p>Ongoing</p>	<p>The programme is completely optional but open to all employees and partners in the building.</p> <p>The programme uptake will be monitored and reported to the Keep Safe Stay Healthy Group</p>

Topic	Expected Outcomes	Target completion date	Additional information
8 Refine health and safety aspects of contract monitoring of the Ubico contract.	To ensure compliance to Managing Contractors policy standards and health and safety regulations.	January 2018	<p>Reports to be submitted to Keep Safe Stay Healthy group on a quarterly basis to include findings and actions from risk assessments for each service, accidents, incidents and near misses and any other health and safety related issues.</p> <p>The health and safety monitoring of grounds maintenance is being addressed as part of the overall monitoring of the ground maintenance contract and forms a part of phase 2 of the overall environmental health review”.</p>
9 Environmental Safety Officer attending team meetings	Each meeting is attended twice a year to assist and advise on health and safety issues.	Ongoing	Health and safety topics covered by the ESO at team meetings will relate to review and audit findings that are contained within the Keep Safe Stay Healthy Group Work Plan.



Topic	Expected Outcomes	Target completion date	Additional information
10 Monitoring of the Health & Safety Management System HSG65 Checklist	<p>To ensure the Keep Safe Stay Healthy Work Plan includes the required tasks to improve the overall score.</p> <p>The council's health and safety management system includes the key elements of the Health and Safety Executive's (HSE) guidance document HSG65 'Managing for Health and Safety'. The HSE checklist scores against this management system.</p>	Undertaken twice a year Aug & Feb	<p>The checklist covers the following areas:</p> <ul style="list-style-type: none"> <li>• Policy</li> <li>• Organising control</li> <li>• Organising communication</li> <li>• Organising co-operation</li> <li>• Organising competence</li> <li>• Planning and implementing</li> <li>• Measuring performance</li> <li>• Auditing and reviewing performance</li> </ul>

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2017
<b>Subject:</b>	Internal Audit Plan Monitoring Report
<b>Report of:</b>	Graeme Simpson, Head of Corporate Services
<b>Corporate Lead:</b>	Mike Dawson, Chief Executive
<b>Lead Member:</b>	Councillor D J Waters, Leader of the Council
<b>Number of Appendices:</b>	3

**Executive Summary:**

The monitoring report is the first update report of internal audit activity for 2017/18. The report details the findings and opinions given by internal audit for completed audits within the audit plan.

**Recommendation:**

**To CONSIDER the internal audit findings and opinions on the work completed in the period and the assurance given on the adequacy of internal controls operating in the systems audited.**

**Reasons for Recommendation:**

The work of internal audit complies with the Public Sector Internal Audit Standards (PSIAS). These standards state that the Chief Audit Executive (CAE) must report functionally to the board. This includes reporting on internal audit's activity relative to its plan.

**Resource Implications:**

None arising directly from this report.

**Legal Implications:**

None

**Risk Management Implications:**

If the CAE does not report functionally to the board then this does not comply with PSIAS.

If there are delays in response to the acceptance/implementation of essential audit recommendations then this potentially increases the risk of fraud, error, inefficiency or areas of non-compliance remaining within the systems audited.

**Performance Management Follow-up:**

All recommendations made by internal audit are followed up within appropriate timescales to give assurance they have been implemented. Recommendations made by internal audit are reported to the Audit Committee and those followed up in the period can be found in Appendix 3.

**Environmental Implications:**

None.

**1.0 INTRODUCTION/BACKGROUND**

- 1.1** The 2017/18 internal Audit Plan was approved at Audit Committee on 22 March 2017. This monitoring report is the first monitoring report of the 2017/18 financial year and summarises the audit work for the audits undertaken as part of the 2017/18 annual plan. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that the Chief Audit Executive (Head of Corporate Services) reports formally to the 'board' (Audit Committee).

**2.0 INTERNAL AUDIT WORK FOR THE PERIOD**

- 2.1** The work undertaken in the period is detailed in Appendix 1. This provides commentary on the activity audited, the control objectives for each activity and the audit opinion for each control objective. The status of all audits can be found in Appendix 2.
- 2.2** When reporting, a 'split' opinion can be given. This means an individual opinion can be given for different parts of the system being audited. This approach enables internal audit to identify to management specific areas of control that are operating or not. Assurance opinions are categorised as 'good', 'satisfactory', 'limited' and 'unsatisfactory'. With regards to the opinions issued for the period, all have a positive audit opinion.
- 2.3** Audit recommendations due to be followed up in quarter two of 2017/18 have been included within this monitoring report. This provides the Committee with an overview of the breadth of work undertaken and allows Members to monitor the implementation of the audit recommendations. The list of these recommendations and their status can be found in Appendix 3. Of the 16 recommendations followed up during the period, 7 have been implemented. 2 partially implemented and 7 yet to be implemented. Of the recommendations not implemented, the bulk of these relate to the Ubico client monitoring audit. A report from the Head of Community Services on the progress in implementing the Ubico related recommendations is a separate Agenda item.

**3.0 FRAUD/CORRUPTION/THEFT/WHISTLEBLOWING**

- 3.1** No incidents have been reported during the period.

**4.0 OTHER OPTIONS CONSIDERED**

- 4.1** None.

## **5.0 CONSULTATION**

**5.1** All managers are consulted prior to the commencement of the audit to agree the scope and each manager has the opportunity to comment on the draft report and complete a client survey at the end of the audit.

## **6.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

**6.1** Internal Audit Charter and Internal Audit Annual Plan.

## **7.0 RELEVANT GOVERNMENT POLICIES**

**7.1** None.

## **8.0 RESOURCE IMPLICATIONS (Human/Property)**

**8.1** None.

## **9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**

**9.1** None.

## **10.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**

**10.1** Internal Audit contributes to value for money through its improvement work.

## **11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

**11.1** None.

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**Background Papers:** None

**Contact Officer:** Graeme Simpson, Head of Corporate Services  
01684 272002 [Graeme.simpson@teWKesbury.gov.uk](mailto:Graeme.simpson@teWKesbury.gov.uk)

**Appendices:** Appendix 1 – Audit work undertaken to date for 2017/18  
Appendix 2 – Status of 2017/18 Audit Plan  
Appendix 3 – Summary of recommendations reviewed in 2017/18 Quarter 2

## List Of Audits Completed as Part of the 2017/18 Audit Plan

Audit	Audit Objective & Opinion		
Freedom of Information	<b>Control Objectives (CO):</b>  1. Freedom of Information requests (FOIs) are handled promptly in line with the FOI Act (FOIA), appropriate monitoring functions are in place and appropriate training has been provided to those involved with FOIs.		
	<b>Audit opinion</b>		
	<b>CO</b>	<b>Assurance Level</b>	<b>Opinion</b>
	1	Satisfactory	<p>The FOI management system went live in November 2015, introducing a more robust system for logging and processing FOI requests. The system provided increased monitoring abilities and enables the extraction of reports and data on numbers of FOIs handled; a report from the system identified that in the previous financial year (2016/17) 321 requests were received, with only 14 responses sent late equating to almost 96% processed in line with the FOI Act. The Corporate Services Officer is responsible for monitoring the progress of each FOI, which helps to ensure that the large majority of FOIs are responded to promptly.</p> <p>During the Information Governance (IG) audit 2016/17 it was noted that FOI handling procedures required updating; it is further recommended that these be expanded upon to include reference to the handling of FOI complaints or “Internal Reviews”. The IG audit also recommended that a training programme be established and appended to the IG policy, including training for dealing with FOIs.</p> <p>Testing a sample of 15 FOIs confirmed that these had been dealt with in accordance with the legislation. There were some variances between how staff use the system to process exemptions, and therefore it might be appropriate to offer further training to ensure consistency across the board. Monitoring is reported on informally by the Head of Corporate Services, but is due to be reported to the Corporate Management Team on a more formal basis biannually, commencing this month. Staff discussions suggested that the training supplied for using the system was sufficient.</p>

		<p>It was also suggested in discussions that, whilst the FOI system was appropriate for processing requests, additional functionality would enhance the staff's experience. Therefore it is recommended that a review of the systems functionality be completed in relation to the ability to sub-allocate, management of duplicate FOIs, viewing previous responses and potential to record additional queries.</p> <p>An independent commission report published in March 2016 made several recommendations in regards to the application of FOIA 15 years on. It should be noted that the recommendations have not been enforced at this time; however it is advised that consideration be given to the relevance of these recommendations.</p>						
Disabled Facilities Grants (DFG)	<p><b>Control Objectives (CO):</b></p> <p>CO1: Grant applications are received through the Occupational Therapist referral service and are approved in accordance with the Housing, Grants, Construction and Regeneration Act 1996.</p> <p>CO2: Grant payments are processed promptly and are in accordance with the terms of the grant entitlement.</p> <p>CO3: Grant monies are re-paid in the event of the owner selling the property.</p> <p><b>Audit opinion</b></p> <table border="1"> <thead> <tr> <th>CO</th><th>Assurance Level</th><th>Opinion</th></tr> </thead> <tbody> <tr> <td>1</td><td>Satisfactory</td><td>Grant applications are received through the Occupational Therapist referral service and a review of 10 grant referrals confirmed that an assessment in relation to eligibility is undertaken through the initial visits and the performance of the means test (where applicable), using the Ferret financial software system. In some instances evidence of the means test, notification of eligibility and schedule of works have not been retained and it was agreed with the Environmental Health Manager that a check of documentation to be retained including the means test would in future be undertaken at the case closure stage. There is a satisfactory level of assurance that grants are being approved within the legislative time frame of six months. Monitoring is now being supported through the use of reports generated from the Uniform system.</td></tr> </tbody> </table>		CO	Assurance Level	Opinion	1	Satisfactory	Grant applications are received through the Occupational Therapist referral service and a review of 10 grant referrals confirmed that an assessment in relation to eligibility is undertaken through the initial visits and the performance of the means test (where applicable), using the Ferret financial software system. In some instances evidence of the means test, notification of eligibility and schedule of works have not been retained and it was agreed with the Environmental Health Manager that a check of documentation to be retained including the means test would in future be undertaken at the case closure stage. There is a satisfactory level of assurance that grants are being approved within the legislative time frame of six months. Monitoring is now being supported through the use of reports generated from the Uniform system.
CO	Assurance Level	Opinion						
1	Satisfactory	Grant applications are received through the Occupational Therapist referral service and a review of 10 grant referrals confirmed that an assessment in relation to eligibility is undertaken through the initial visits and the performance of the means test (where applicable), using the Ferret financial software system. In some instances evidence of the means test, notification of eligibility and schedule of works have not been retained and it was agreed with the Environmental Health Manager that a check of documentation to be retained including the means test would in future be undertaken at the case closure stage. There is a satisfactory level of assurance that grants are being approved within the legislative time frame of six months. Monitoring is now being supported through the use of reports generated from the Uniform system.						

	2	Satisfactory	Testing confirmed that grant payments are processed promptly and in accordance to the terms of the grant. The current monitoring process gives consideration to approved grants; however, in view of the current funding arrangements with the county being based on approved and paid grants only it is recommended that a quarterly review of paid, approved and estimated eligible grants against the funding allocation is undertaken to assist in identifying shortfalls against county allocated funding promptly.
		Good	Environmental Health and Land Charges work co-operatively to ensure that land charges are applied when necessary for the allotted length of time. When re-payment of a DFG occurs the amount is calculated and approved by an officer and Land Charges remove the charge when instructed to do so. Testing confirmed that money had been re-paid and the charge was removed as appropriate.
Absence Management	<b>Control Objectives (CO):</b> 1. Absence Management is dealt with in accordance to the policy.		
	<b>Audit opinion</b>		
	CO	Assurance Level	Opinion
	1	Satisfactory	<p>The Council has an Absence Management Policy and there are accompanying procedures which can be accessed through the intranet. It was noted that the absence process flow chart needs to be updated to reflect the policy in respect of the number of absences in a rolling period. Audit testing confirmed that the handling and recording of absences are dealt with in accordance with this policy, although there was not a consistent approach in the recording of past absences within the return to work forms. It should be noted that HR does maintain a spreadsheet listing all absences within a 12 month rolling period and a function of the new HR administration system 'Breathe', (which is to be introduced shortly) is the recording of absence. Absence details were found to have also been transferred to payroll correctly.</p> <p>In respect of the reporting of sickness at a corporate level, absence is a standard agenda item within the Corporate and Union Liaison Group meetings and is also a performance measurement reported to Overview and Scrutiny Committee on a quarterly basis.</p>

NNDR3	<p><b>Control Objectives (CO):</b></p> <p>1. The reporting values within the NNDR3 return have been entered correctly from the evidence obtained to support the return.</p> <p><b>Audit opinion</b></p> <table><tr><th>CO</th><th>Assurance Level</th><th>Opinion</th></tr><tr><td>1</td><td>Good</td><td><p>The reporting values entered by the authority within the NNDR3 return have been fairly stated and evidence is retained to support these values. A sample of business rate accounts which included reliefs and exemptions applied, confirmed that these had been accurately calculated and appropriately applied to the accounts.</p><p>Following up on previous recommendations confirmed that a review into the “mini review” procedure for discretionary relief had been completed, with the Head of Revenues and Benefits confirming that amendments to the policy are being made and will be taken to members for approval at the end of August 2017. In addition, the recommendation to amend the Council's discretionary relief policy to give consideration to the Localism Act is yet to be completed however discussions are ongoing. It was agreed that this recommendation be deferred for a further six months whilst an exercise is completed to identify the financial implications and the feasibility of this discretionary relief.</p></td></tr></table>	CO	Assurance Level	Opinion	1	Good	<p>The reporting values entered by the authority within the NNDR3 return have been fairly stated and evidence is retained to support these values. A sample of business rate accounts which included reliefs and exemptions applied, confirmed that these had been accurately calculated and appropriately applied to the accounts.</p> <p>Following up on previous recommendations confirmed that a review into the “mini review” procedure for discretionary relief had been completed, with the Head of Revenues and Benefits confirming that amendments to the policy are being made and will be taken to members for approval at the end of August 2017. In addition, the recommendation to amend the Council's discretionary relief policy to give consideration to the Localism Act is yet to be completed however discussions are ongoing. It was agreed that this recommendation be deferred for a further six months whilst an exercise is completed to identify the financial implications and the feasibility of this discretionary relief.</p>
CO	Assurance Level	Opinion					
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Housing Benefits – Discretionary Housing Payments	<p><b>Control Objectives (CO):</b></p> <p>1. The values as recorded in the discretionary housing payments 2016/17 subsidy are accurately stated.</p> <p><b>Audit opinion</b></p> <table><tr><th>CO</th><th>Assurance Level</th><th>Opinion</th></tr><tr><td>1</td><td>Satisfactory</td><td><p>At the start of the financial year 2016/17, the Government allocated the Council £92,900 in funding, to be used to award Discretionary House Payments (DHPs) to support those affected by welfare reforms. The Council is required to complete a DHP 3 return to identify where there has been any over or underspend.</p><p>A review of the 2016/17 return confirmed it that the cells required to be filled in had been done so in accordance with the guidance provided. In addition, the return had been appropriately signed off by the S.151 Officer, and lodged within the stated deadline. The return value had been understated by £510.24 - this is not material as the Council is not gaining any financial advantage by this error as the council's DHP spending exceeded the Government contribution by £6,000. The</p></td></tr></table>	CO	Assurance Level	Opinion	1	Satisfactory	<p>At the start of the financial year 2016/17, the Government allocated the Council £92,900 in funding, to be used to award Discretionary House Payments (DHPs) to support those affected by welfare reforms. The Council is required to complete a DHP 3 return to identify where there has been any over or underspend.</p> <p>A review of the 2016/17 return confirmed it that the cells required to be filled in had been done so in accordance with the guidance provided. In addition, the return had been appropriately signed off by the S.151 Officer, and lodged within the stated deadline. The return value had been understated by £510.24 - this is not material as the Council is not gaining any financial advantage by this error as the council's DHP spending exceeded the Government contribution by £6,000. The</p>
CO	Assurance Level	Opinion					
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			<p>understatement related to the following:-</p> <ul style="list-style-type: none"> <li>- A single DHP for £372.24 had in error not been included in the total value of DHPs</li> <li>- A suspension of a claim at year-end resulted in £138 of due monies not being included within the return.</li> </ul> <p>In respect of any overspend against the funding allocation this is currently offset through any housing benefit repaid. As a result of the introduction of universal credit and the expected reduction in government benefit subsidy and overpayment contributions, an appropriate monitoring process of DHP expenditure will need to be instigated in order to ensure DHP payments made reflect the government subsidy.</p> <p>Audit testing of 20 awards found that all had been approved or refused in line with the Council's DHP policy and that the amounts awarded were arithmetically correct. On discussion with the Benefits Team Leader it was identified that DHP overpayments are not actively recovered and therefore it is recommended that recovery processes be put into practice, in line with the council's DHP Policy.</p>
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**The level of internal control operating within systems will be classified in accordance with the following definitions:-**

LEVEL OF CONTROL	DEFINITION
<b>Good</b>	Robust framework of controls – provides substantial assurance.
<b>Satisfactory</b>	Sufficient framework of controls – provides satisfactory assurance – minimal risk. Probably no more than one or two 'Necessary' (Rank 2) recommendations.
<b>Limited</b>	Some lapses in framework of controls – provides limited assurance. A number of areas identified for improvement. A number of 'Necessary' (Rank 2) recommendations, and one or two 'Essential' (Rank 1) recommendations.
<b>Unsatisfactory</b>	Significant breakdown in framework of controls – provides unsatisfactory assurance. Unacceptable risks identified – fundamental changes required. A number of 'Essential' (Rank 1) recommendations.

**Recommendations/Assurance Statement**

CATEGORY		DEFINITION
1	Essential	Essential due to statutory obligation, legal requirement, Council policy or major risk of loss or damage to Council assets, information or reputation. Where possible it should be addressed as a matter of urgency.
2	Necessary	Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist and should be pursued in the short term, ideally within 6 months.

## Progress of Audit Plan 2017/18

<b>Audit</b>	<b>Status</b>
Freedom of Information monitoring	Final – reported to Audit Committee 21 September 2017
Disabled Facility Grants	Final - reported to Audit Committee 21 September 2017.
Licensing	In progress.
Absence management	Final – reported to Audit Committee 21 September 2017
Business Rates - NNDR3 verification	Final – reported to Audit Committee 21 September 2017
National Fraud Initiative	In progress.
Members Allowances	In progress.
Cemeteries	In progress.
Property Leases	In progress.
Housing Benefit (A1)	Final – reported to Audit Committee 21 September 2017
Council Tax (A1)	
Health and Safety (A1)	
ICT (A1)	
Main Accounting system	
Cash and Bank	
Payroll (IR35)	
Council Tax (A2)	
Land Charges	
Ubico Client Monitoring	
Health and Safety (A2 vehicle document check)	
Budgetary Control	

Audit	Status
Data Protection	
Housing Benefits (A2)	
Creditors (new ordering system)	
Leisure Centre (client monitoring)	
Vehicle Contract	
Project Management - public service centre refurbishment	
ICT (A2)	

### Appendix 3 – Follow Up Audit Recommendations

	Recommendation reviewed and found not implemented
	Recommendation reviewed and found to be partially implemented
	Recommendation reviewed and found to be implemented

Audit	Recommendation Details	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Bulky Waste Audit 2016-17	It is recommended that a Data Retention Policy be developed for the service	Head of Community Services	<del>01/04/2017</del> May 2018	Sep-17	Follow Up Undertaken - not implemented	The Bulky Waste report presented to Audit Committee in July 2017 notes that the retention policy will be covered within the new General Data Protection Regulations (GDPR) project. Compliance with GDPR needs to be achieved by May 2018. <u>Revised implementation date: May 2018</u>	17-18 q2
Bulky Waste Audit 2016-17	The Customer Records Database should be reviewed in terms of its functionality for delivering the service, including:- Generating a calendar of available time slots and flexibility in the allocating of slots; Ability to develop reports to support Performance Indicators; Opportunity to enter details regarding more irregular collections	Web and Digital Take Up Officer	Apr-17	Sep-17	Follow up Undertaken - implemented	Verbal confirmation was provided from the Web and Digital Take up officer that reports are provided to the bulky waste liaison group on booked and available slots. Demand is determined from this information. Reports supporting PIs could now be provided - currently a request from the service provider has not been received. A new real time collection system is intended to be introduced and will therefore provide information on the current status of the bin collection including on irregular collections.	17-18 q2

Audit	Recommendation Details	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Bulky Waste Audit 2016-17	Terms of reference for using this service should be established and published for the public to view	Head of Community Services	01/04/2017: April 2018	Sep-17	Follow Up Undertaken - not implemented	The Bulky Waste report presented to Audit Committee in July 2017 notes that a waste and recycling policy is currently being drafted and terms and conditions will come from this policy. Approval will need to be obtained and a review from Overview and Scrutiny is planned. <u>Revised implementation date April 2018.</u>	17-18 q2
Bulky Waste Audit 2016-17	The authorised signatory list should be amended to reflect those who have been authorised to supply refunds	Head of Corporate Services	Apr-17	Sep-17	Follow up Undertaken - implemented	A review of the authorised signatory list confirmed that delegated authority has been given to the customer services team leader to authorise bulky waste refunds.	17-18 q2
Bulky Waste Audit 2016-17	A review of the bulky waste service including charges should be conducted to ensure that the delivery of the service is undertaken in a timely cost-effective manner	Head of Community Services	Apr-18	Sep-17	Follow Up Undertaken - partially implemented	Charges have been increased in April 2017 and the intention is for the fees to be reviewed on an annual basis. In respect of the service review, this is to be conducted by the Joint Waste Team and the Head of Community Service confirmed in his Bulky Waste report to Audit Committee in July 2017 that the review is due to be completed by April 2018.	17-18 q2
Community Grants 2016-17	A reconciliation between the financials and the Community Funding Officers monitoring spreadsheet should be completed on a regular basis and documentary evidence recorded of this process	Community Funding Officer	Apr-17	Sep-17	Follow up Undertaken - implemented	On discussion with the Community Funding Officer, it was confirmed that this recommendation has been implemented and monthly reconciliation meetings were held between the CFO and the Trainee Accountant and a monitoring spreadsheet enhanced to include both information from the finance system and the CFO's own workings.	17-18 q2

Audit	Recommendation Details	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
HB Audit 2016-17	It is recommended that a review be completed in respect of the procedure with the intention to enhance the process by prioritising specific claims to aid in the progressing of these reviews.	Operations Manager/ Revenues Team Leader	May-17	Sep-17	Follow up Undertaken - implemented	On discussion with the Revenues Team Leader it was confirmed that this recommendation has been implemented. The spreadsheets used to direct the Area Revenues Officer (ARO) to chase outstanding debt is now prioritised to ensure that high value debts are targeted first, and payment arrangements which have now broken down are directed to Bristow and Sutor bailiffs to reduce the workload of the ARO.	17-18 q2
NNDR 2014-15	The Council's discretionary policy should give consideration to the changes introduced by the Localism Act 2011 in which discretionary relief can be given to any ratepayer.	Head of Revenues and Benefits	<del>01/03/2016.</del> <del>Jun 17</del> Feb-18	Nov 16; Feb 17; Sep 17:	Follow Up Undertaken - not implemented	This recommendation is yet to be completed however discussions are ongoing. It was agreed that this recommendation be deferred for a further 6 months whilst an exercise is completed to identify the financial implications and the feasibility of this discretionary relief. <u>Revised implementation date: February 2018.</u>	17-18 q2
Ubico Client Monitoring 2016-17	As part of the annual review, the Key Performance Indicators within the UBICO contract should be reviewed to ensure they are fit for purpose, robust and that all elements of the service provided by UBICO are monitored where appropriate.	Head of Community Services	<del>01/04/2017;</del> April 2018	Sep-17	Follow Up Undertaken - not implemented	The Head of Community Services has provided a progress report to Audit Committee in September 2017. <u>A revised implementation date for this recommendation has been stated by Head of Community Services as April 2018.</u>	17-18 q2

Audit	Recommendation Details	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Ubico Client Monitoring 2016-17	A KPI should be established to measure non completion of works in relation to the maintenance of Tewkesbury and Bishops Cleeve cemeteries.	Head of Community Services	01/04/2017; April 2018	Sep-17	Follow Up Undertaken - not implemented	The Head of Community Services has provided a progress report to Audit Committee in September 2017. <u>A revised implementation date for this recommendation has been stated by Head of Community Services as April 2018.</u>	17-18 q2
Ubico Client Monitoring 2016-17	Responsibilities across the organisation in respect of the performance and budget monitoring of the contract should be clearly defined in order to ensure that an effective approach is taken and that all elements of the service are adequately monitored.	Head of Community Services	Apr-17	Sep-17	Follow up Undertaken - implemented	The Head of Community Services has provided a progress report to Audit Committee in September 2017 which states that this recommendation has been completed.	17-18 q2
Ubico Client Monitoring 2016-17	Performance monitoring arrangements should be reviewed.	Head of Community Services	01/04/2017; April 2018	Sep-17	Follow Up Undertaken - partially implemented	The Head of Community Services has provided a progress report to Audit Committee in September 2017. <u>A revised implementation date for this recommendation has been stated by Head of Community Services as April 2018.</u>	17-18 q2



Audit	Recommendation Details	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Ubico Client Monitoring 2016-17	The council should establish its requirements for robust stock control procedures with Ubico in order to ensure that adequate stock levels are maintained, new bin orders are made promptly and customers receive an acceptable level of service in respect of bin deliveries.	Head of Community Services	Apr-17	Sep-17	Follow up Undertaken - implemented	The Head of Community Services has provided a progress report to Audit Committee in September 2017 which states that this recommendation has been completed.	17-18 q2
Ubico Client Monitoring 2016-17	In accordance with the terms of the contract, it should be requested that Ubico submit quarterly reconciliation invoices/ credit notes within 14 days of the respective quarter to reflect the actual cost of the services incurred in the preceding quarter.	Head of Community Services	Apr-17	Sep-17	Follow up Undertaken - implemented	The Head of Community Services has provided a progress report to Audit Committee in September 2017 which states that this recommendation has been completed.	17-18 q2
Ubico Client Monitoring 2016-17	A Data Sharing Agreement should be established between Tewkesbury Borough Council and Ubico	Head of Community Services	<del>01/04/2017</del> ; May 18	Sep-17	Follow Up Undertaken - not implemented	The Head of Community Services has provided a progress report to Audit Committee in September 2017. This is to be linked with the general data protection regulations review and as a result a <u>revised implementation date for this recommendation is now May 2018.</u>	17-18 q2

Audit	Recommendation Details	Responsible Officer	Expected implementation date for recommendation	Date Audit Followed Up	Current Recommendation Status	Further Audit Comments	Target Follow Up Date
Ubico Client Monitoring 2016-17	The Communications Protocol should be reviewed to ensure consistency with the contract and be amended to refer to Tewkesbury Borough Council.	Head of Community Services	<del>01/04/2017</del> ; April 2018	Sep-17	Follow Up Undertaken - not implemented	The Head of Community Services has provided a progress report to Audit Committee in September 2017. <u>A revised implementation date for this recommendation has been stated by Head of Community Services as April 2018.</u>	17-18 q2

## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2017
<b>Subject:</b>	Internal Audit Quality Assurance and Improvement Programme (QAIP)
<b>Report of:</b>	Graeme Simpson, Head of Corporate Services
<b>Corporate Lead:</b>	Mike Dawson, Chief Executive
<b>Lead Member:</b>	Councillor D J Waters, Leader of the Council
<b>Number of Appendices:</b>	1

### Executive Summary:

In accordance with standard 1300 of the Public Sector Internal Audit Standards (PSIAS) the Chief Audit Executive (CAE) must develop and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspect of the internal audit activity. For Tewkesbury Borough Council, as defined in the Internal Audit Charter, the Head of Corporate Services undertakes the role of CAE.

### Recommendation:

**To CONSIDER the contents of the quality assurance programme and improvement programme.**

### Reasons for Recommendation:

The work of internal audit complies with the Public Sector Internal Audit Standards (PSIAS). These standards state that the Chief Audit Executive (CAE) must report functionally to the board. Reporting of the QAIP helps demonstrate this reporting requirement.

### Resource Implications:

None arising directly from this report.

### Legal Implications:

None

### Risk Management Implications:

If the CAE does not report functionally to the board then this does not comply with PSIAS.

If the Internal Audit team does not continually challenge itself to improve then potentially it will not maximise its value to support the council in achieving its objectives.

**Performance Management Follow-up:**

Elements of the QAIP, such as key performance indicators will be reported quarterly as part of the regular internal audit monitoring report. Overall compliance with the QAIP will be reported in the annual report of the CAE.

**Environmental Implications:**

None.

**1.0 INTRODUCTION/BACKGROUND**

- 1.1** In accordance with standard 1300 of the Public Sector Internal Audit Standards (PSIAS) the Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspect of the internal audit activity. For Tewkesbury Borough Council, as defined in the Internal Audit Charter, the Head of Corporate Services undertakes the role of CAE.

**2.0 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

- 2.1** The quality assurance element of the programme summarises the rigorous audit process to ensure all audits are completed to a consistent and high standard. The QAIP is representative and proportionate to reflect the small size of the Internal Audit team. The QAIP covers areas such as the annual audit plan and how audits within that plan are managed and supervised. The QAIP can be found in Appendix 1.
- 2.2** The team itself is always keen to maximise its value to the Council and has developed a small improvement programme. The programme will remain fluid so new improvement measures can be added as they arise. For example, the peer review of internal audit to be undertaken in November will no doubt suggest potential areas for improvement. Any such recommendations that are agreed will be added to the programme. The programme can be found on Page No. 6 of the QAIP document.
- 2.3** Progress on compliance with the assurance programme and delivery of the improvement programme will be reported to Audit Committee through a combination of the quarterly internal audit monitoring report, the annual report of the CAE and the proposed implementation of an Audit Committee annual report.

**3.0 OTHER OPTIONS CONSIDERED**

- 3.1** None.

**4.0 CONSULTATION**

- 4.1** The Internal Audit team itself has created the improvement programme and has taken into account feedback from various sources such as the Committee itself and internal clients.

**5.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

- 5.1** Internal Audit Charter and Internal Audit Annual Plan.

**6.0 RELEVANT GOVERNMENT POLICIES**

- 6.1** None.

- 7.0 RESOURCE IMPLICATIONS (Human/Property)**
- 7.1** Actions to be delivered within existing resource.
- 8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**
- 8.1** None.
- 9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**
- 9.1** Internal Audit contributes to value for money through its improvement work and specific actions within the improvement programme may deliver value for money outcomes.
- 10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**
- 10.1** None.

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**Background Papers:** None

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**Appendices:** Appendix 1 – Quality Assurance and Improvement Programme (QAIP)

# Internal Audit quality assurance and improvement programme





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**the following  
programme has  
been developed  
and  
implemented for  
the internal  
audit team at  
Tewkesbury**

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## Background

In accordance with standard 1300 of the Public Sector Internal Audit Standards (PSIAS) the Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme must include both internal assessments and external assessments. For Tewkesbury Borough Council, as defined in the internal audit charter, the Head of Corporate Services undertakes the role of CAE.

To meet the above standards the following programme has been developed and implemented for the internal audit team at Tewkesbury. The programme has been developed so it is proportionate and practical for the small size of the team (2FTE).







**the CAE will see all draft reports, regardless if he has quality assured the working papers or not**

## Annual plan

The work of the team is directed by the annual audit plan. The plan is drawn together by the CAE. For further quality assurance purposes, the plan is presented at corporate management team for endorsement before it is presented at Audit Committee for formal approval.

Once approved the plan is profiled on a quarterly basis. This is done in consultation with relevant managers. The plan is monitored regularly by both the senior auditor and CAE. On a monthly basis, the internal audit team hold a team meeting. A standing agenda item is progress in delivering the plan. Completion of the plan is one of a small basket of management indicators.

## Internal audit process

During the course of the audit, individual auditors tend to work on their own initiative. If need be, the small size of the team does make it easy for auditors to discuss any issues that may arise, particularly if it requires management input either from the senior auditor or CAE.

Prior to undertaking an audit, the assignment brief and control and testing template will be approved and signed off by the CAE. All subsequent working papers will be quality assured by the senior auditor, and they will be dated and initialled as evidence of the quality check. The work of the senior auditor will be peer reviewed by the other internal auditors and on a sample basis, work will be quality assured by the CAE.

A review sheet will be completed by either the senior auditor or CAE of questions arising as a result of the quality assurance review. The auditor will respond to these and all responses will be documented on the review sheet and quality assured by either the senior auditor or CAE.

Supporting the working papers will be a draft report and if appropriate, a set of recommendations. These will be quality assured at the same time as the working papers. The CAE will see all draft reports, regardless if he has quality assured the working papers or not. The outcome of the review of the working papers can lead to an amendment of the draft report.

Following a supervisory review of all audit documentation, the draft report and recommendations will be issued to the client for approval. The client will naturally quality assure these, for example to ensure they are factually accurate. If there are any significant changes to the draft report or recommendations these will be agreed with the CAE.

Once finalised, the final report and a final review sheet will be submitted to the CAE. The purpose of the final review sheet is for the CAE to formally sign the audit off, make comment and decide if there is any further action. For example, to raise any findings with senior management or if any future audit work is required.

The time taken on individual audits is recorded on a timesheet. A management indicator is to measure the total number of audits completed within the allocated number of days.

There are allocated days within the audit plan to follow up audit recommendations to determine if they have been implemented. Clients are notified on a quarterly basis of outstanding recommendations and these are also raised by the CAE at management meetings. The progress in implementing recommendations are reported to audit committee with escalation procedures in place should the recommendation not have been implemented.





## Client survey

The final report and recommendations are sent to the client together with a client survey form. The completion of the form is encouraged but is not mandatory. Completed client survey forms are returned to the CAE for review and appropriate action taken where necessary. The eight measurements within the client survey are scored and cumulative values are reported as a performance indicator to audit committee and at quarterly team meetings.

Every two years, a survey is sent to each Head of Service. This is different to the operational type client survey and is more strategic in nature. For example, to ask questions around the value of internal audit.

## Chair of Audit Committee and Lead Member engagement

The quality assurance and improvement programme, together with an overview of internal audit work undertaken will form part of a quarterly discussion with relevant members.

## Performance Indicators

To summarise, the effectiveness of the internal audit team in delivering the audit plan is measured by three performance indicators; details of these can be seen in Appendix I.

## Knowledge and Networking

It is important the team keep abreast of local and national news that affect the work of internal audit. This ensures the team is up to date with best practice and

where appropriate can use this to improve the internal audit function. This is achieved through a number of ways;

### External focus

- Continuing professional development
- Membership of the Institute of Internal Auditors
- Subscription to CIPFA TIS forum
- Participants in the Midland Internal Audit Group
- Ad hoc training courses

The team also need to be in touch with what is going on internally within the council;

### Internal focus

- Membership of key corporate groups
- Representation on project teams
- CAE sits on management team
- Corporate location of the team
- Direct reporting to the Chief Executive

The location and standing of the internal audit function including its reporting remit is detailed within the internal audit charter.

## Personal, Professional Development (PPD)

In line with the council's HR procedures, each member of the team participates in an annual PPD appraisal. This is supported with less formal meetings during the course of the year. The PPD creates dialogue around individual performance, training and development.

## Internal assessments

This will be achieved through ongoing monitoring of the performance of the internal audit activity by the CAE. For example, through monthly team meetings, performance indicator outturn figures, 1-2-1 meetings and feedback from other management team members. A year end, high level assessment of the internal



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**an external assessment of the internal audit function will be conducted at least once every five years**

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**The audit team recognise it is important to continually review practices which would lead to the establishment of an improvement programme.**

function will be presented to the Chief Executive. The CAE meets on a regular 1-2-1 basis with the Chief Executive.

## External assessment

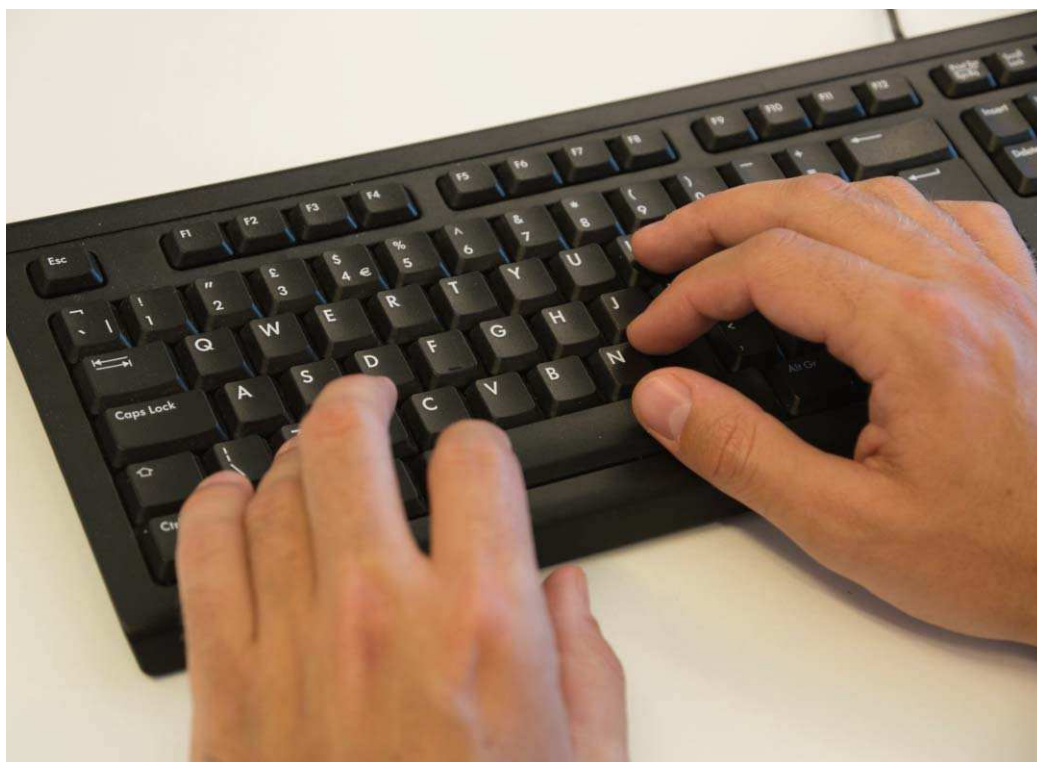
An external assessment of the internal audit function will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The CAE will agree the approach of the assessment and the appointment of the assessor with the Head of Finance and Asset Management and the Chair of Audit Committee. Corporate management team will be informed of the assessment process.

## Reporting to Audit Committee

As part of the CAEs annual report, this will include details on compliance with the quality assurance framework and progress on implementing actions within the improvement programme.

## Improvement programme

The audit team recognise it is important to continually review practices which would lead to the establishment of an improvement programme and an associated action plan to deliver the programme. The current improvement programme is attached in Appendix 2 and remains flexible so new areas of improvement can be added and timetabled.



## Internal audit key performance indicators

### IA 1 – Completion of Plan

Description	Number of audits completed as a % of planned audits
Purpose/aim	To measure IA performance against the industry benchmark of 90% thereby helping to demonstrate the effectiveness of IA
Definition	<p>Number of audits completed – an audit will be defined as complete on issue of the draft report to client.</p> <p>Planned audits – this is the total number of audits that have been risk assessed and included in the Annual Audit Plan that has been approved by the Audit Committee (therefore excludes follow up audits)</p>
Formula	$X/Y \times 100$ <p>X = number of audits at draft report stage Y = total number of planned audits within the plan</p>
Measurement Period	Current financial year. For quarterly reporting purposes the PI will measure the number of audits at draft report stage as at 30/06, 30/09 etc. A cumulative measurement of this PI will be reported.
Evidence to support PI	<p>1 – all draft reports are held electronically on individual audit files and are dated</p> <p>2 – audits are identified on an internally maintained spreadsheet entitled 'Audit Plan Profile' and this spreadsheet will inform the calculation of the PI. The number of audits should agree to the total number of audits approved at Audit Committee</p>

### IA 2 – Days taken to complete audit assignments

Description	% of audits completed within the allocated number of days.
Purpose/aim	% of audits completed within the allocated number of days. To give assurance as to the efficiency of work and days being allocated are reasonable.
Definition	Days taken – the number of days taken to complete the full audit ie. Includes research, scope, assignment brief through to issue of final report and final review sheet. Days taken as recorded on the time sheet will be documented on the Final Review Sheet and this will be used within the formula.
Formula	$X/Y \times 100$ <p>X = number of audits completed within the allocated number of days Y = number of audits completed</p>
Measurement Period	Current Financial Year reported on a cumulative basis.
Evidence to support PI	<p>1 – a timesheet should be completed for each audit undertaken</p> <p>2 – time taken should be recorded on the final review sheet – a reason for any significant under/over spend on the number of days should be given</p>

## Internal audit key performance indicators

### IA 3 – Customer satisfaction

Description	The level of customer satisfaction achieved as recorded on the client survey					
Purpose/aim	PSIAS requires that a quality assurance programme is in place.					
Definition	<p>A client survey is sent electronically at the end of each audit, usually at the same time as the final audit report. It is not mandatory that a client survey is completed so the PI measures only responses received.</p> <p>The client survey consists of 3 quality assurance areas; audit planning, audit communication, and audit feedback. There are 8 subcategories in total in relation to these assurance areas, and they are scored between Very Good (4) to Poor (1).</p> <p>The average score is then applied to each assurance subcategory and the overall cumulative average will be reported in relation to responses to finalised audits received that quarter.</p>					
Formula	A worked example is as follows :-					
	Heading	Very Good (4)	Good (3)	Fair (2)	Poor (1)	Average
	Number of client surveys returned= 10					
	<b>Audit planning</b>					
	1) Consultation	4 x (4)= 16	5 x (3)= 15	1 x (2)= 2	0 x (1)= 0	33/10= 3.3
	2) Response	3 x (4)= 12	4 x (3)= 12	3 x (3)= 9	0 x (1)= 0	33/10= 3.3
	<b>Audit communication</b>					
	1) Feedback on findings	4 x (4)= 16	5 x (3)= 15	1 x (2)= 2	0 x (1)= 0	33/10= 3.3
	2) Helpfulness	4 x (4)= 16	5 x (3)= 15	1 x (2)= 2	0 x (1)= 0	33/10= 3.3
	3) Knowledge of service	2 x (4)= 8	8 x (3)= 24	0 x (2)= 2	0 x (1)= 0	34/10= 3.4
	<b>Audit reporting</b>					
	1) Accuracy of findings	6 x (4)= 24	2 x (3)= 6	1 x (2)= 2	1 x (1)= 1	33/10= 3.3
	2) Report opinion	5 x (4)= 20	4 x (3)= 12	1 x (2)= 2	0 x (1)= 0	34/10= 3.4
	3) Value of conclusion	4 x (4)= 16	4 x (3)= 12	2 x (2)= 4	0 x (1)= 0	32/10= 3.2
	Total:					26.5
	Overall average:					26.5/8= 3.3
Measurement Period	Current Financial Year ie responses received to finalised audits. These are reported on a cumulative basis.					
Evidence to support PI	1) all client surveys are held in each audit file 2) A spreadsheet supporting the calculation of the PI reported to each audit committee will be retained within the audit committee folder					

## Internal audit improvement programme summary

	Quality Assurance Statement reference	Improvement action identified	Date
1.	Personal, Professional Development	To support one of the team to achieve a recognised internal audit qualification.	Commence training May 2018 Complete training 2020
2.	Knowledge and Networking  Personal, Professional Development	To look at the feasibility of a new income stream through the implementation of a training programme for other internal auditors.	June 2018
3.	Annual Plan  Chair of audit committee and lead member engagement	In line with the Annual Governance Statement, support a review of the effectiveness of the Audit Committee.	March 2018
4.	Knowledge and Networking  Personal, Professional Development  Annual Plan	Look to identify opportunities with other teams so to increase resilience within the team through arrangements such as a secondment or one off development opportunity.	March 2018
5.	Internal audit process	Review of documentation and audit process including a review of audit opinions and recommendation categorisation.	March 2018
6.	Client Survey  Internal Audit Process	Increasing awareness with managers on the recommendations process including the setting of feasible implementation dates and the escalation process for recommendations not implemented.	September 2017
7.	Annual Plan  Internal Audit Process	Production of audit committee annual report	March 2018

## TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2017
<b>Subject:</b>	Appointment of External Auditors
<b>Report of:</b>	Simon Dix, Head of Finance and Asset Management
<b>Corporate Lead:</b>	Rob Weaver, Deputy Chief Executive
<b>Lead Member:</b>	Cllr Furolo, Lead Member for Finance and Asset Management
<b>Number of Appendices:</b>	None

### Executive Summary:

In January 2017, Council agreed to opt-in to the Sector Led Body (SLB) approach to appointing external auditors from 2018 onwards. The SLB role has been undertaken by Public Sector Audit Appointments Ltd (PSAA) which has carried out a procurement exercise on behalf of all of those eligible bodies who opted into the SLB approach. The exercise resulted in Grant Thornton (UK) LLP being successful in winning the biggest contract lot (40%) and subsequently being proposed as the appointed auditor for Tewkesbury Borough Council.

PSAA is currently consulting individual authorities over the appointment proposals, with confirmation or otherwise from eligible bodies being required by 22 September.

Grant Thornton has been the appointed external auditor of Tewkesbury Borough Council for the last five financial years and this report recommends agreement of the proposal to appoint them for a further five years from April 2018.

### Recommendations:

**To APPROVE the appointment of Grant Thornton (UK) LLP as the Council's external auditors for five years from 2018/19**

### Reasons for Recommendation:

The PSAA Board must make final appointments before the end of December 2017 and therefore require prior confirmation from individual bodies of the proposed appointments. The Council has had a good relationship with Grant Thornton and is happy for this relationship to continue.

### Resource Implications:

Scale fees for 2018/19 will be consulted on in due course and will be confirmed in March 2018. The results of the audit procurement, however, indicate that a reduction in scale fees in the region of approximately 18% should be possible for 2018/19, based on the individual scale fees applicable for 2016/17. Tewkesbury's current scale fee totals £44,921 and, therefore, an 18% reduction, if delivered, would save the Council £8,085 per annum on external audit costs.

**Legal Implications:**

Under the Local Audit and Accountability Act 2014 (the Act) the Council has until December 2017 to make an appointment.

**Risk Management Implications:**

Failure to agree an external auditor by the December deadline will lead to an auditor being appointed by the Secretary of State on behalf of the Council.

**Performance Management Follow-up:**

None

**Environmental Implications:**

None

## **1.0 INTRODUCTION AND BACKGROUND**

- 1.1** The Council's current arrangements for external audit with Grant Thornton (UK) LLP come to an end following the audit of the 2017/18 accounts. The Council is therefore required to appoint an external auditor to undertake the 2018/19 accounts and subsequent years. The Local Audit and Accountability Act 2014 (the Act) requires the Council to appoint an external auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
- 1.2** Following a recommendation by Audit Committee, in January 2017 the Council agreed to opt-in to the Sector Led Body (SLB) approach to appointing external auditors from 2018 onwards. The SLB role has been undertaken by Public Sector Audit Appointments Ltd (PSAA) which has carried out a procurement exercise on behalf of all of those eligible bodies who opted into the SLB approach. Of 493 eligible local bodies, 484 opted into the scheme.
- 1.3** The procurement exercise put the value of the audits into six lots of varying sizes with the largest lot size being worth approximately 40% of the total. That lot was won by Grant Thornton with other smaller lots being won by Ernst & Young and Mazars.
- 1.4** Following the award of the contract lots, PSAA is now undertaking the exercise to appoint specific auditors to individual bodies. PSAA has notified Tewkesbury Borough Council of its proposal to appoint Grant Thornton as our external auditor with confirmation or otherwise being required by 22 September. The appointment will be for five years and will commence in April 2018.

## **2.0 GRANT THORNTON (UK) LLP**

**2.1** Grant Thornton UK comprises around 4,500 employees delivering services to 40,000 clients. The public sector has played a significant role within the firm for over 30 years. The UK Public Sector Assurance team employs 301 people, including 29 Key Audit Partners, based in designated 'centres of excellence', providing it with locally based public sector specialists across the country. The team is solely dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and the Wales Audit Office. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's development of appropriate thought leadership and support, such as its series of publications and workshops on income generation in local authorities. In addition, the team can draw on the commercial skills and experience of a wider assurance team of over 1,516 individuals, to reflect the changing assurance needs of local authorities and NHS bodies.

**2.2** In developing the appointment proposal, PSAA applied the following principles, balancing competing demands as much as possible, based on the information provided by audited bodies and audit firms:

- ensuring auditor independence, as required by the Regulations;
- meeting commitments to the firms under the audit contracts;
- accommodating joint/shared working arrangements where these are relevant to the auditor's responsibilities;
- ensuring a balanced mix of authority types for each firm;
- taking account of each firm's principal locations; and
- providing continuity of audit firm if possible, but avoiding long appointments.

**2.3** Tewkesbury Borough Council has a good relationship with Grant Thornton developed over the last five audit cycles and officers are happy to see the relationship continue. Grant Thornton has also been provisionally appointed to a number of our neighbouring authorities in Gloucestershire including Gloucestershire County Council, Cheltenham Borough Council, Cotswold District Council and Forest of Dean District Council.

**2.4** Following the confirmation of appointment, the Council will need to engage with Grant Thornton to ensure an audit body is in place for the grant certification work required on the Housing Benefit Subsidy claim.

## **3.0 OTHER OPTIONS CONSIDERED**

**3.1** None

## **4.0 CONSULTATION**

**4.1** PSAA is currently consulting the Council on the appointment of external auditors. Audit Committee is invited to consider the proposed appointment.

## **5.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

**5.1** None

## **6.0 RELEVANT GOVERNMENT POLICIES**

**6.1** None.



- 7.0 RESOURCE IMPLICATIONS (Human/Property)**
- 7.1** None.
- 8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**
- 8.1** None
- 9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**
- 9.1** The use of the SLB to undertake the procurement exercise has resulted in a saving of 18% on the scale fee.
- 10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**
- 10.1** Appointment of External Auditor – Council 24 January 2017

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**Background Papers:** None

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**Appendices:** None